

Second Meeting of the GMS Task Force on Trade and Investment (TFTI)

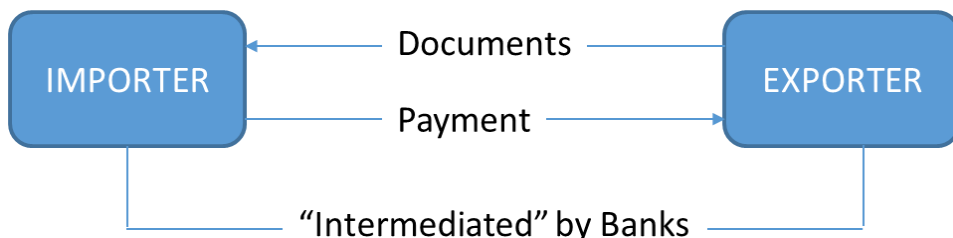
Workshop on Digital Supply Chain



April 2023, Manila, Philippines

Session 2. Digitalization of Trade

1. Traditional Trade Finance is paper and process intensive. Attempts to “dematerialize” trade documents since late 1990’s
2. Paper flow involves real economic, development and commercial cost; digitalization unlocks billions in value
3. We have a roadmap to achieve Digital Trade and Trade Financing: Commitment and Adoption are the keys



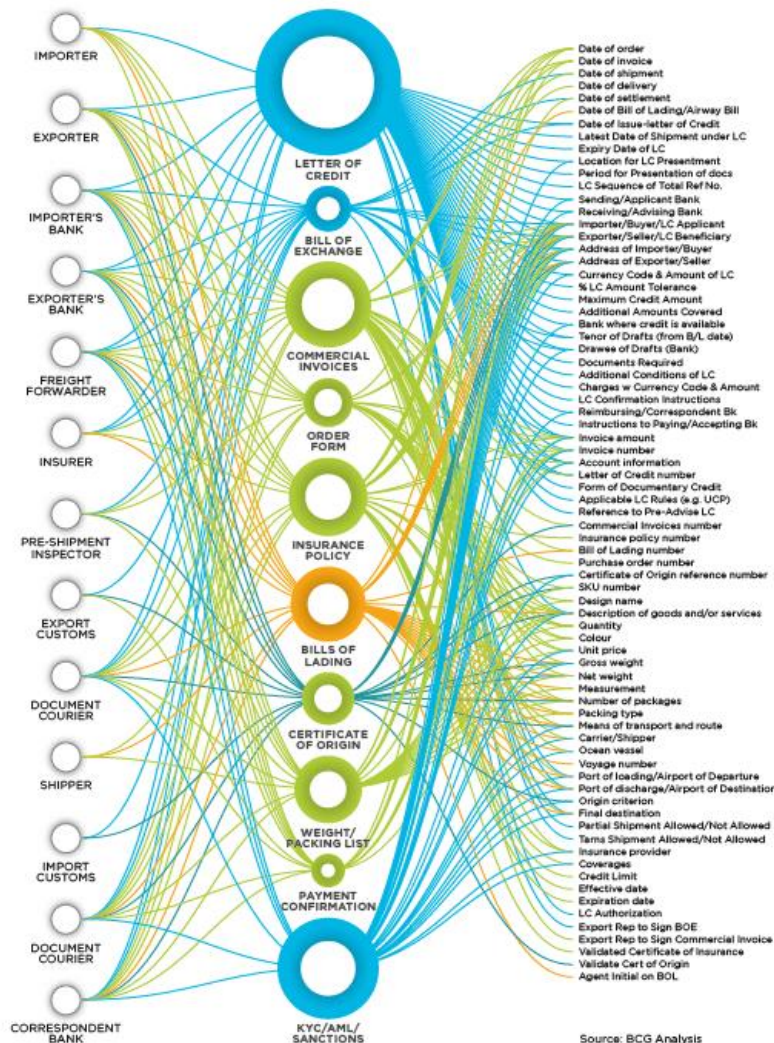
- ✓ Draft
- ✓ Commercial invoice
- ✓ Packing List
- ✓ Transport document, such as Marine Bill of Lading
- ✓ Certificate of Origin
- ✓ Certificate of Inspection
- ✓ Phytosanitary Certificate
- ✓ Consular Invoice



Type	Characteristics	Driver	Trade policy issues
"Traditional" trade	<ul style="list-style-type: none"> - Separation of production and consumption across international borders - <u>Trade in final goods</u> 	<ul style="list-style-type: none"> - Reductions in <u>transportation costs</u> 	<ul style="list-style-type: none"> - Market Access
GVC trade	<ul style="list-style-type: none"> - Unpacking of factories across international borders - <u>Trade in intermediate goods and services</u> - Changing role of services as tasks are outsourced 	<ul style="list-style-type: none"> - Reductions in transport and <u>coordination costs</u> 	<ul style="list-style-type: none"> - Trade-investment-service-knowledge nexus - Trade facilitation, domestic, behind-the-border NTMs
Digitally enabled trade	<ul style="list-style-type: none"> - Unpacking of production, logistics and consumption, more traditional and GVC trade: age of <u>hyperconnectivity</u> - <u>Trade in smaller quantities</u> of physical goods and digital services - <u>Changing tradable nature of services</u>. - <u>Bundling</u> of goods and services 	<ul style="list-style-type: none"> - Reductions in transport, coordination and mainly <u>costs of sharing information</u> - Digitalisation 	<ul style="list-style-type: none"> - Data flows - Digital connectivity - Interoperability

<https://www.researchgate.net/publication/319667734> Digital Trade Developing a Framework for Analysis

Players create about 5,000 data field interactions



Source: BCG Analysis

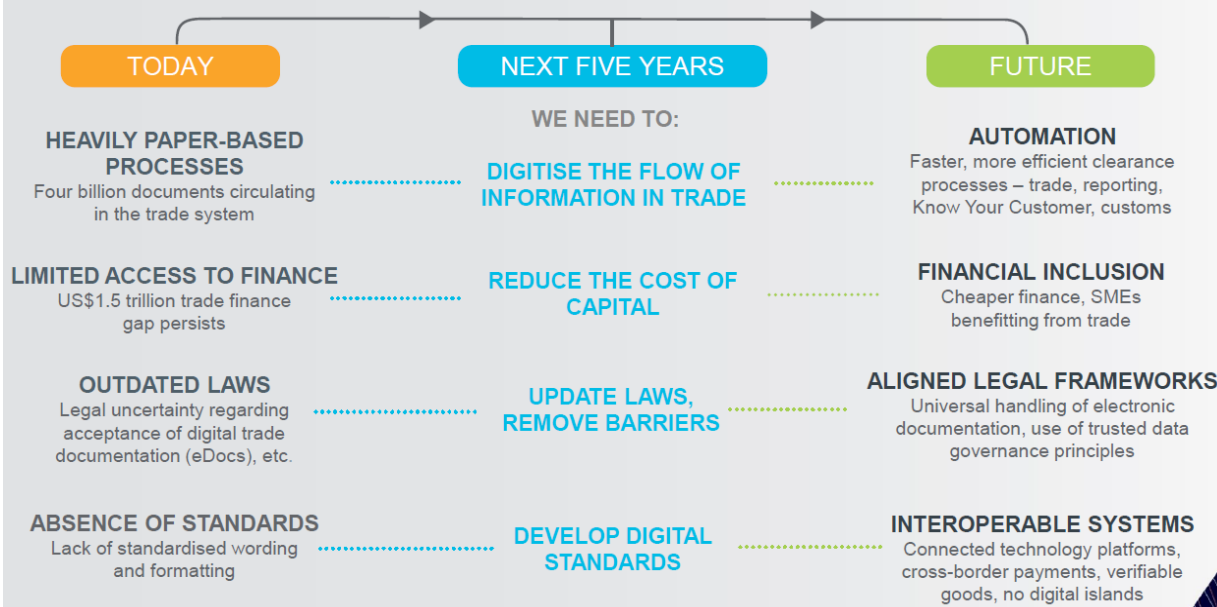
BCG analysis, ICC Survey 2018

Paper & Process in Traditional Trade Finance

- 35-45 pages of documentation per transaction
- 600 million documents, 1.8 billion pages per year
- 400-600 data fields per transaction, 20 billion annually
- 4,000 – 6,000 data field interactions per transaction, 200 billion per year
- **YET: Each transaction involves only about 60-80 unique data fields!**

*Ships commonly arriving at port of destination **before** the “paper” clears the banking system*

WHAT ACTIVITIES GET US THERE?



ICC Digitisation Roadmap

- Specific actions to reach a digital end-state
- Speaks to industry, advocacy entities and governments
- Touches on legal and regulatory issues, access to finance and financial inclusion, and interoperability of systems
- Development of Digital Standards is a core element

- ✓ Cost reduction, unlocking billions in economic value
- ✓ Inclusion and development through access/engagement
- ✓ Transparency
- ✓ Fraud and financial crimes reduction
- ✓ Reduction of systemic frictions in trade

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- ADB/TSCFP at forefront of advocacy, funding and technical assistance to advance Digital Trade
 - Engagement through international and multilateral institutions, industry associations and others to achieve critical mass
 - Supporting adoption of important enablers like the GLEIF Legal Entity Identifier

