

**Trading across borders is a notoriously complex process, highly dependent on paper documents — despite decades-long efforts to digitalise.**

**By Lord Waverley**

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A cross-border transaction involves multiple actors and, on average, the exchange of 27 documents. All of this makes trade expensive, slow, and unnecessarily complex.

The British government intends to be the world leader in innovation and regulatory reform by implementing common digital standards and driving technology solutions at scale. As companies around the world struggle with high trade costs and large volumes of documentation, an Electronic Trade Documents Bill presents an important step towards standardisation, digitalisation, and simplification.

While the technology exists, information is not yet free-flowing. Different formats inhibit solutions from being driven at scale. Technology, rules, and standards connect the fragmented systems between governments, shippers, financiers, insurers, traders, and ports. Blockchain has made trade based on electronic documents feasible — but the goal is to enable the tech market to thrive.

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The digitalisation of customs and trade authorisation will not deliver economic gains unless it is combined with legal reform. What is needed is an approach that delivers both, by addressing three barriers to digital cross-border trade.

- Enable national laws recognising commercial trade documents in digital form
- Address the lack of common digital standards to connect systems
- Mass adoption of inter-operable technology solutions.

For the UK, the centrepiece of this year’s legislative programme is the introduction of an Electronic Trade Documents Bill. It will be the start of a journey to revolutionise the trading environment electronically when issuing negotiable instruments and documents of title. This will include the legal recognition of electronic versions of commercial trade documents, such as bills of lading, bills of exchange, and warehouse receipts. They will have the same legal effect as their paper equivalents and create legal certainty for the transacting parties.

Failure to do this will result in higher trade costs for business, fragmented platforms, and systems that do not connect to one other. Basic trade information cannot flow across the system in overly bureaucratic and inefficient processes.

Documents of title, such as bills of lading, are pivotal instruments in transport and logistics. Title and negotiable instruments are core documents in trade and finance which have, until now, been tied to physical documents and manual handling. Delayed or lost bills of lading cause demurrage for the carrier, resulting in charges and loss of income.

Technology was not available for the creation of electronic paper equivalents. It was not permitted under English law, which requires these instruments to be tangible. An electronic document must be the functional equivalent of a physical document for bills of exchange,

promissory notes, warehouse receipts, bills of lading, ships' delivery orders, mates' receipts, marine insurance policies and cargo insurance certificates.

Electronic versions of these negotiable instruments can be issued and handled at a fraction of the cost of the paper equivalent, making them available for SMEs seeking discounting with financial institutions. Exports could be boosted, as receivables converted to debt instruments can be sold.

This will permit affordable transport, logistics management and finance, and promote international trade. Digitalisation would also reduce the illicit trading of goods, lowering the cost for finance and discounting, transport documents, and certificate and customs clearance. Championing neutral trade legislation technology is the [United Nations](#) Commission on International Trade Law (UNCITRAL), which anticipated the need for guidance on the distribution of trade documents and published a Model Law for Electronic Transferable Records (MLETR) in 2017.

Several legal reforms in different regions were inspired by the MLETR principles — but the proposals for Electronic Trade Documents would harmonise and future-proof English legislation for international trade standards and legislation.

Thirty percent of global trade is based on English law, so the passing of the Electronic Trade Documents Bill — as a model for other common-law jurisdictions — should enable technology neutrality. Machine-readable documents enable more efficient sanctions and make anti-money laundering and sanctions processes more efficient.

The UK is in a position to determine its own path in a world disrupted by digitalisation and recovering from a pandemic. It has a clear agenda for maximising technology innovation to achieve high-level digital trade. Once in place, the bill will steer digital trade policy and practice towards the UK's border goals as part of a strategic initiative.

Paperless trade would allow regulation to act as a stimulus for trade growth — and changing laws will cost governments little and deliver considerable economic gains.