Facilitating End-to-End Cross-Border Digital Trade Finance

Despite significant advances in digital technology, processes in trade finance (and trade in general) remain to this day largely paper-based and manual. Lack of common standards for trade documents across economies pose a major challenge, as it hinders the use of technologies such as artificial intelligence, distributed ledger, advanced analytics and Internet of Things, among others to digitalize and automate on an end-to-end basis the various processes involved in trade finance, including product selection, data entry, workflow management, document checks, compliance checks and post-transaction problem resolution.

Lack of inter-operability of legal frameworks surrounding digital documents across jurisdictions also poses another important challenge. Uncertainties over the validity of electronic documents related to acceptance of security or ownership across jurisdictions result in continued reliance on paper documents, including digital documents being re-transformed back into paper documents handled manually after crossing borders.

While various digitalization projects, each operating with its own rules and practices and members, have emerged, such platforms still need to become inter-operable in order to avoid a proliferation of "digital fortresses" that would raise new costs, new barriers and new risks. Enabling inter-operable digitalization of trade finance will require addressing key policy and technical barriers, especially the inconsistent and unclear legal treatment of digital documents and the lack of standards for documents across jurisdictions.

The end-to-end digitalization of trade finance is particularly important for micro-, small and medium enterprises (MSMEs), whose participation in global supply chains is important for them to benefit from and contribute to the region's economic integration. Much of trade is dependent on availability of and accessibility to trade finance, and the high operational costs and amount of time needed to process documents make it very challenging for financial institutions to provide timely access to affordable working capital particularly to MSMEs.

In its 2019 Report to APEC Finance Ministers, ABAC proposed that economies establish a pilot project to digitalize specific supply chain corridors among three or more interested economies. This pilot project would help identify key barriers and specific areas where reform is needed, such as where existing arrangements need to be reviewed to facilitate the cross-border use of digital documents and the legal recognition of digital signatures in digital title transfer documents, and where common standards and inter-operability need to be developed.

In 2022, a pilot was initiated to connect Thailand's National Digital Trade Platform (NDTP) with Singapore's Networked Trade Platform (NTP) and Japan's TradeWaltz. The proof-of-concept undertakings were successfully executed in September and October 2022. This pilot involved implementation of standards for electronic commercial documents: electronic purchase order, e-invoice and e-packing lists. It also involved the process for verifying the authenticity of underlying documents for financing by banks. This initiative adopted three elements: (a) making laws, rules and regulations around trade e-documents and processes legally recognized and enforceable; (b) agreeing on common standards for inter-operability across industries and trading partners; and (c) collaboration among stakeholders within and across trading

partners. The pilot project also demonstrated that the successful inclusive digitalization of trade that can benefit SME exporters presupposes the existence of a robust domestic digital supply chain ecosystem.

Update on Current Initiatives to Promote Digital Trade

There is much ongoing work to promote the development of an inter-operable trade environment. The International Chamber of Commerce (ICC) is currently leading efforts on three fronts:

- Promoting alignment of legal frameworks with the ***UNCITRAL Model Law on Electronic Transferable Records*** (MLETR), with a goal to cover as much as 80 percent of world trade.
- Providing a common overarching framework for parties participating in digital trade transactions through the ***ICC Uniform Rules for Digital Trade Transactions*** (URDTT). It aims to promote standardization, consistency and conformity at the global level, provide a collective understanding of terms and definitions, and support the usage of electronic records, documents and data.
- Equipping supply chain participants with the ***ICC-WTO Standards Toolkit for Cross-Border Paperless Trade***. These include foundational and identifier standards to reduce translation and enable track and trace technologies; standards for commercial transactions; transport and logistics standards for cargo handling, port/airport clearance and real-time shipment tracking; and standards for official control documents.

Significant progress toward these objectives are being made in major trading economies in Europe and America, while international organizations such as UNESCAP, ASEAN and the Commonwealth are promoting alignment with MLETR and multilateral development banks are supporting various jurisdictions through capacity building projects. The impact of all these efforts is expected to be felt within the next few years.

Following are key lessons from these efforts:

- Digitalization of cross-border trade is not just a customs issue, but covers a wide range of commercial issues that make up the trading system and that need to be digitalized.
- Public-private sector partnership is a critical component.
- The design of global technology solutions should cover not just commercial entities but public entities as well.
- Addressing legal barriers is a prerequisite for scaling up technology solutions.
- Focusing on value and volume in key trade corridors, including the types of companies and sectors that can deliver speed and scale, will be key to achieving momentum and reaching critical mass.

Standardization of Trade Documents

The ICC is promoting the standardization of trade documents through its Digital Standards Initiative (DSI). Its aim is to accelerate the development of a globally harmonized and digitalized trade environment.[1] The target is for 70 to 80 percent of key supply chain and trade documents digitalized to consensus data sets, with clearance on trade platforms that facilitate data exchange and sharing of aggregate data within the next 5 years. This will bring benefits to supply chains, governments and MSMEs.

[1] The DSI's strategic direction, objectives and engagement structure are set on a yearly basis by a Governance Board comprising of the ICC, World Trade Organization, World Customs Organization, Asian Development Bank and Enterprise Singapore.

- Supply chains can benefit from speed, traceability and flexibility through enablement of real time data flows and decisions; the digital tracking of sustainability data for consumer choice and preferential financing; and lower overall transport and logistics costs as a consequence of automated clearing, reduced errors and more efficient administrative processes for shipments.
- Governments can benefit from the traceability and security of customs and trade data without corresponding additional manpower demands; decreased incidences of fraud and tax non-compliance; and real-time actions on the supply of key goods and services.
- MSMEs can benefit from easier and more transparent trade standards and border procedures; increased access to finance through data-driven credit scoring; and a level playing field for competing with more established corporates.

A great deal of work focuses on promoting awareness of already existing global standards and protocols that can drive inter-operability among various platforms, reduce fragmentation and improve end-to-end integration of supply chains. This requires facilitation of ongoing dialogues between governments and industry to drive further convergence, identify potential gaps (including legislation) and promote inter-operability across various stakeholders such as industry fora, standards organizations, firms and economies. The ICC-WTO Standards Toolkit for Cross-Border Paperless Trade mentioned earlier provides an overview of these standards as a practical tool to drive inter-operability.

- A case in point of key standards currently moving forward is electronic Bills of lading (eBL). In this space, the Digital Container Shipping Association (DCSA) is advancing to its final phase of inter-operability proof-of-concept for containerized eBL while the International Federation of Freight Forwarders Associations (FIATA) has rolled out the FIATA eBL standard for freight forwarders as well as software providers who serve the freight forwarders community. Both are open-source standards, technology neutral and vendor agnostic, which means the market can decide which platform or solution best suits the needs of different market participants while promoting interoperability.
- Another section of the Toolkit outlines existing inter-operable digitalization frameworks that can be leveraged to support the exchange of electronic trade documents. One of these is Peppol, a set of artifacts and specifications that enable cross-border eProcurement. These include e-Orders, e-Advanced Shipping Notes, e-invoices, eCatalogues and Message Level Responses, among others, that trade partners exchange over the network. Another is TradeTrust, a set frameworks that support the trusted inter-operability of electronic trade documents by enabling the creation of verifiable and transferable documents and legally valid title transfer. This removes the need for building expensive data exchange infrastructure across different digital ecosystems and enables inter-operability for transferable records.

The ICC also conducts online training to increase awareness and adoption, where participants can gain an end-to-end understanding of requirements for digitalizing supply chain processes and obtain a Certificate in Digital Trade Strategy (CDTS). The curriculum, which is accredited by BAFT and the London Institute of Banking and Finance, includes modules on the architecture of international trade and supply chains, challenges in digitizing trade, the legal environment for digital trade, exchanging trade and supply chain data in a trusted environment, and inter-operability frameworks.

Finally, the ICC provides a platform for cross-regional and cross-industry collaboration through its Industry Advisory Board. Its Key Trade Documents and Data Elements Working Group is working to harmonize the digital representations of trade documents and definitions of data elements to create the basis for digital

trade standards. This work currently focuses on 8 documents as a starting point: (a) certificate of origin; (b) commercial invoice; (c) warehouse receipts; (d) packing lists; (e) bills of lading; (f) declaration forms; (g) insurance certificates; and (h) customs bonds.

Legal Reforms

Legal and regulatory regimes have been evolving with financial markets, supporting the enforceability of obligations contained in contracts and promoting certainty in financial transactions and confidence in financial systems. This process includes their evolution and interaction with technologies that underpin finance.[2] In the case of trade finance, new technologies hold the promise of vastly improving efficiency for buyers and suppliers and facilitating expanded access for small enterprises. However, this would require legal reforms that can enable the enforceability of electronic transactions at least as well as the current dominant paper-based processes.

Three key elements of the digital infrastructure are important to take into account. The first is the level of digitalization, starting from digitalization of back-end processes and delivery of services to consumers in financial institutions, through technologies that create new business models to new forms of digital assets, analytics, data storage and communication. The second is the role of electronic payment systems. The third is the role of digital identity systems that can enable broader access to financial services to meet the needs of individuals and small businesses. Reform of legal and regulatory infrastructure needs to take these key elements into account in order to enable effective cross-border inter-operability.

Current initiatives to promote end-to-end cross-border digital trade finance

International trade is a complicated and long journey involving several parties, with various challenges at each stage under current manual and paper-based procedures.

- Ordering goods: The importer bargains with the exporter and submits an order, while the exporter manages the order, including foreign exchange transaction and pricing, as well as any change request.
- Production of goods: The exporter requires additional funds for production and sources raw materials from local and international suppliers, while the exporter's bank analyzes the exporter's credit score and checks for possible fraud such as duplicate invoices or double financing.
- Preparation of export documents: The exporter spends time and resources to submit requests to many stakeholders using similar input information and preparing external documents (certificate of origin, bill of lading, insurance among others) as well as internal documents (invoice and packing list).
- Delivery of goods and customs clearance: The exporter needs to align transport and clearance in time with ship schedule and ensure that the documents are couriered before arrival of shipment.
- Payment: The importer needs to ensure sufficient funds to pay the supplier, while the importer's bank analyzes the credit score and checks for possible fraud. The exporter tracks and reconciles payment against invoices and claims any tax refund from the customs department.

Digital ecosystems, connectivity and inter-operability can help address these challenges, bridge gaps and increase competitive advantage. In the case of Thailand, three initiatives in digital trade transformation in the region are currently contributing to the attainment of these goals.

[2] Douglas W. Arner, Giuliano G. Castellano, and Eriks K. Selga, Financial Data Governance, 74 HASTINGS L.J. 235 (2023). [https://repository.uchastings.edu/hastings_law_journal/vol74/iss2/2], pp. 249-250.

1. Trade Document Registry (TDR): The TDR assists participating banks to detect double financing and fraudulent requests for export or import financing on open accounts. This prevents borrowers from using copies of original underlying documents[3] to apply for a trade loan or using underlying documents to apply for trade loans more than once or from multiple banks. TDR was created by National ITMX and is used by 8 member banks in Thailand.

2. National Digital Trade Platform (NDTP): The NDTP is a B2B platform aiming to connect exporters and importers, logistics providers, insurers, banks, other international trade stakeholders and Thailand's Single Window that connects to the ASEAN Single Window, and to APEC members' platforms. [See Figure 1.] Together with the TDR, it benefits importers and exporters, by (a) simplifying business processes and eliminating unnecessary trade-related procedures; (b) shortening turnaround time for importing and exporting; (c) preventing fraudulent and double financing transactions; and (d) expanding SMEs' access to finance.

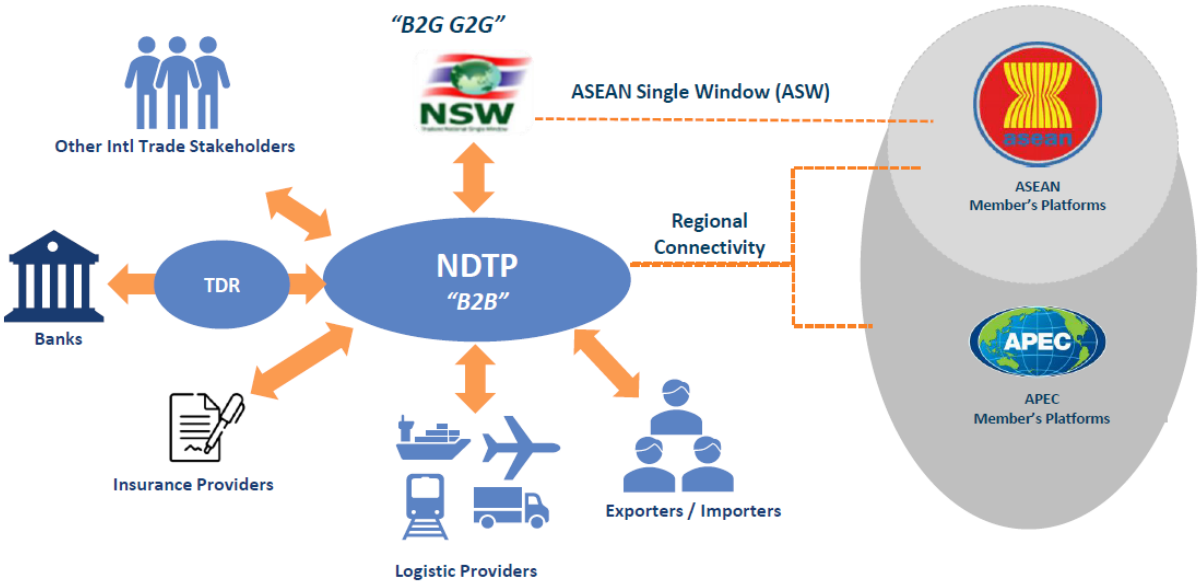
3. Contour (Letter of Credit on Blockchain): Contour was founded by 8 investor banks[4] and industry partners for the purpose of solving long-standing inefficiencies in global trade; transforming trade finance products such as letters of credit using distributed ledger technology; and bringing together banks, corporates and logistics partners on to a common digital trusted network in real time. To date, Contour has on-boarded 20 banks and over 100 corporates covering more than 50 economies in a diverse range of sectors (agriculture, oil and energy, metals and minerals, petrochemicals, consumer goods, retail goods and textiles). Figure 2 illustrates an example of issuing and advising of letter of credit on the Contour platform. Contour is able to reduce turnaround time for issuance of letter of credit (from drafting the letter of credit to advising) from 3 days to 12 hours and for document presentation (from submission of export documents to the nominated bank to the bill payment instruction) from 7 working days to 12 hours – a reduction of total turnaround time from 10 working days to 24 hours.[5]

[3] Underlying documents for exporters include sales contract or purchase order (for obtaining packing credit under purchase order or contract), invoice, bill of lading or airway bill (for purchase/discount on open account or post-shipment packing credit). For importers, these include pro-forma invoice, invoice, purchase order or contract for obtaining trust receipt on advance payment) and invoice, bill of lading or airway bill (for trust receipt on open account).

[4] These are Bangkok Bank, BNP Paribas, CTBC Bank, Citi, ING, SEB, Standard Chartered Bank and HSBC.

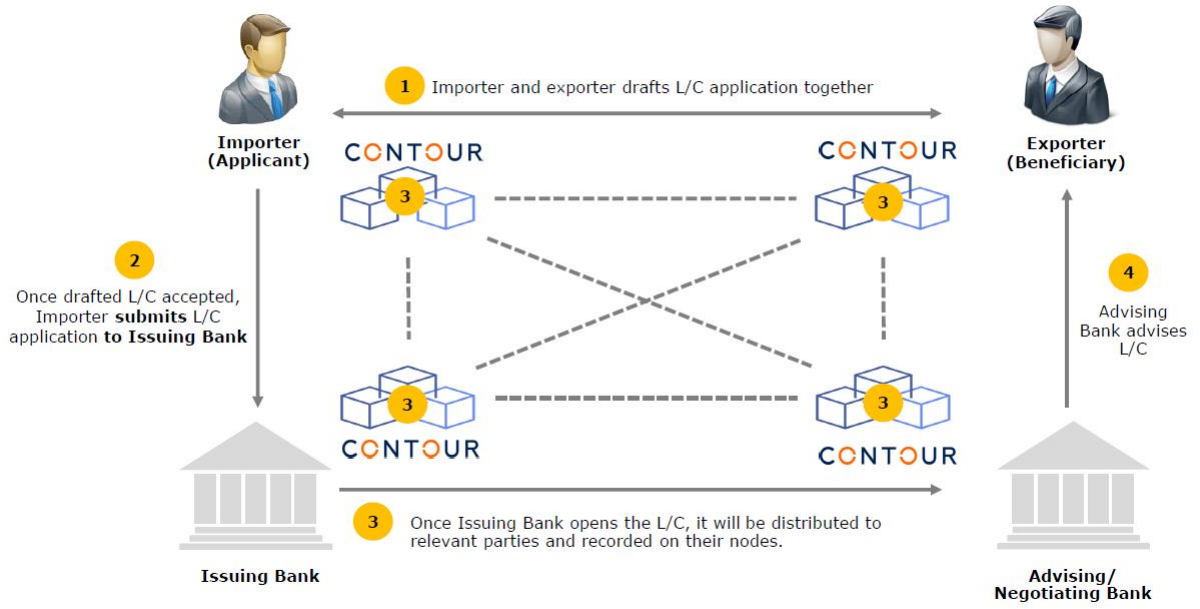
[5] Excluding time for preparing export documents, and based on best-case scenario.

Figure 1: Thailand's National Digital Trade Platform (NDTP)



Source: Bangkok Bank

Figure 2: Example of Issuing and Advising of Letter of Credit on Contour



Note: Excludes time to prepare export documents. Assumptions are based on best case scenario.
Source: Bangkok Bank

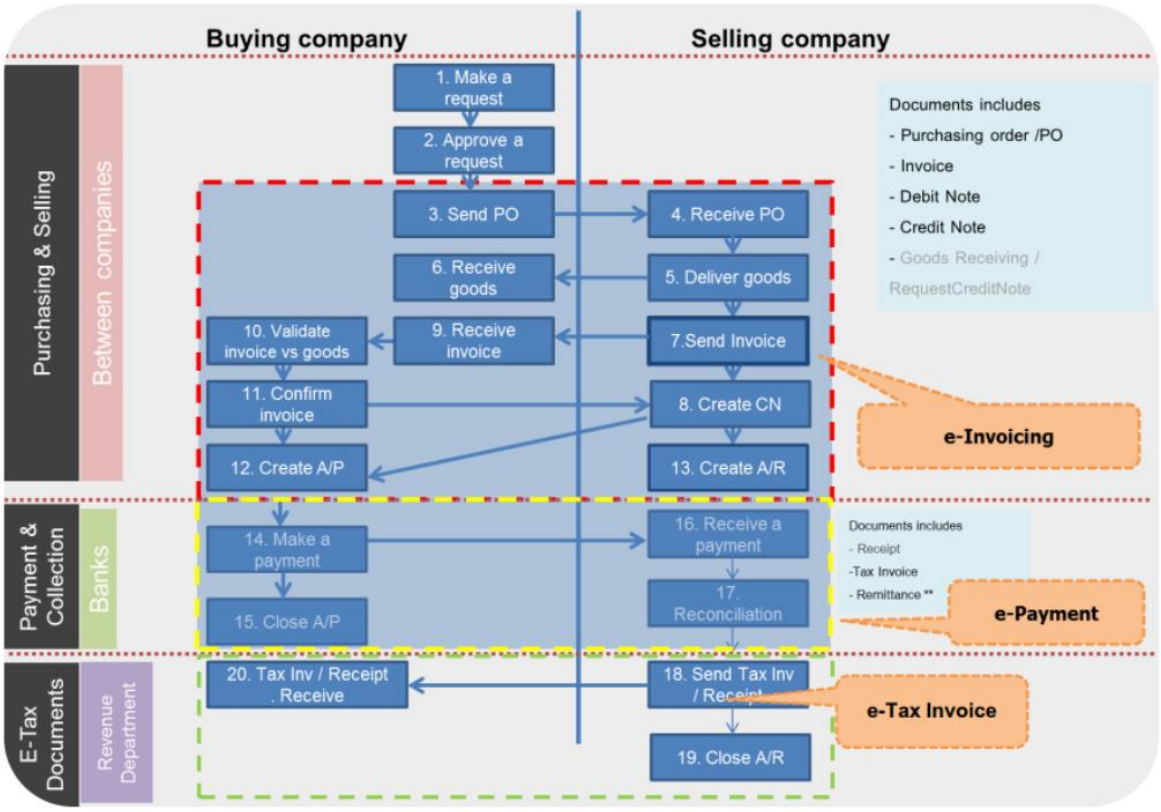
Update on the Development of Domestic Ecosystems for Digital Trade

Case Study 1: Thailand

The development of robust domestic ecosystems for digital trade is an important prerequisite for inclusive end-to-end digitalization of trade finance. This involves digitizing various documents used among key

participants, including buyers and suppliers, banks and the tax authority. In the case of Thailand, the digitization of purchase orders, invoices, debit notes and credit notes in the process of buying and selling between companies enables the introduction of e-invoicing, while the digitalization of tax invoices, remittances and receipts in the processes of payments and collections enables e-payments and e-tax invoices. [*See Figure 3*.]

Figure 3: Thailand – Trade Activities and Related Documents



Source: Federation of Thai Industries

Various legal reforms, including alignment of domestic laws with internationally accepted model laws, have been key to the creation of Thailand's digital trade ecosystem.

- The Electronic Transactions Act of 2001, enacted to align with the UNCITRAL Model Law on Electronic Commerce and Model Law on Electronic Signatures, provided the legal recognition of e-transaction services and government e-transactions.
- The Electronic Transactions Act (No. 2) of 2008 enabled the use of electronic documents converted from paper-based documents and vice versa.
- The Electronic Transactions Act (No. 3) of 2019 adopted key principles of the UN Convention on the Use of Electronic Communications in International Contracts such as in invitations to make offers, the use of automated message systems for contract formation and in processing errors in electronic communications.
- The Electronic Transactions Act (No. 4) of 2019, also based on the same UN Convention, provided legal recognition of digital ID.

In addition to the above, two pieces of legislation are currently being considered.

- One is a draft Royal Decree on Regulating Digital Identity Services for ensuring trustworthiness in the supervision of the digital ID.
- The other is a draft revised Electronic Transactions Act designed to align the with the draft UNCITRAL Model Law on the Use and Cross-Border Recognition of Identity Management and Trust Services, and the Model Law on Electronic Transferable Records (MLETR), adopting the principle of Identity Management (IdM) and facilitating trust services and e-transferable records.

Alongside legal frameworks, the development of standards for identity management and trust services and establishment of supporting services are the other key elements of the domestic digital trade ecosystem. Key standards include the following:

- Digital Identity Standard, setting out the framework, identity proofing requirements and authentication requirements
- User guidelines for the use of electronic signatures
- Minimum requirements for e-seals
- Standard for Information Security for Data Message Generation, Transfer and Storage Service Providers (e-tax service provider)
- Standard for e-timestamp services
- Government standard for website authentication.

Key services that have been introduced include the identity provider under the Department of Provincial Administration, the certification authority (National Root Certification Authority), web validation services, service provider for certification for e-tax, the e-timestamp service (Time Stamp Authority) and the Secure Socket Layer (SSL) certificate. Examples of how these trust services are used in facilitating e-Trade are as follows:

- E-tax invoice: The supplier creates a draft e-Tax invoice that is sent via registered e-mail to both the buyer and the Time Stamp Authority. The latter provides the time stamp for the e-Tax invoice, which is then sent to both the buyer and the government's Revenue Department.
- Electronic signature and seal: The exporter uploads an e-document with digital signature to the Department of Foreign Trade's e-Filing System. The system issues the e-Certification of origin with digital signature and e-seal, which is then sent back to the exporter.

Moving forward, Thailand sees the promotion of inter-operable standards and legal frameworks for digital ecosystems through collaboration with other jurisdictions as key to the end-to-end digitalization of trade with its economic partners.

Case Study 2: Singapore

The Infocomm Media Development Authority (IMDA) plays a central role in the development of Singapore's digital trade ecosystem. It has four main functions: (a) As digital champion, it drives digitalization across industries and supports a digitally enabled workforce. (b) As industry developer, it oversees the development of the digital technology and media industries and fosters a data ecosystem for the digital economy. (c) As enabler, it creates the master plan for connectivity, digital infrastructure and standards and prepares the human resources in the technology and media sectors and segments of society for digital readiness. (d) As regulator and protector, it ensures the resilience of the

telecommunications and broadcast networks and governs market conduct, protecting consumer interests through regulation of infocomm, media, postal and data protection.

IMDA leads Singapore's TradeTrust framework, which seeks to address major issues arising from the manual and paper-based processes in cross-border trade. With just one shipment involving many parties across different sectors, multiple exchanges of information and a multitude of siloed systems, cross-border trade has been vulnerable to fraud and involves high costs. It is estimated that the cost of documentation alone makes up around 20 percent of the total cost of shipping.[6]

TradeTrust aims to provide industry the means to verify the authenticity and source of a document, and to enable digitalization of transferable documents (e.g., bills of lading) into Electronic Transferable Records (ETRs) with the legal ability to effect title transfers. To achieve these aims, Trade Trust uses decentralized identifiers (DID)[7] and digital signatures to verify authenticity and source, as well as non-fungible tokens and smart contracts to represent title ownership that can be transferred across parties. Creation and use of ETRs were made legally possible through the amendment of the Electronic Transactions Act to incorporate MLETR in 2021.

The TradeTrust framework includes standards that are globally accepted and that can connect governments and businesses to a public blockchain, thus enabling trusted inter-operability of electronic trade documents across digital platforms. It has four key components:

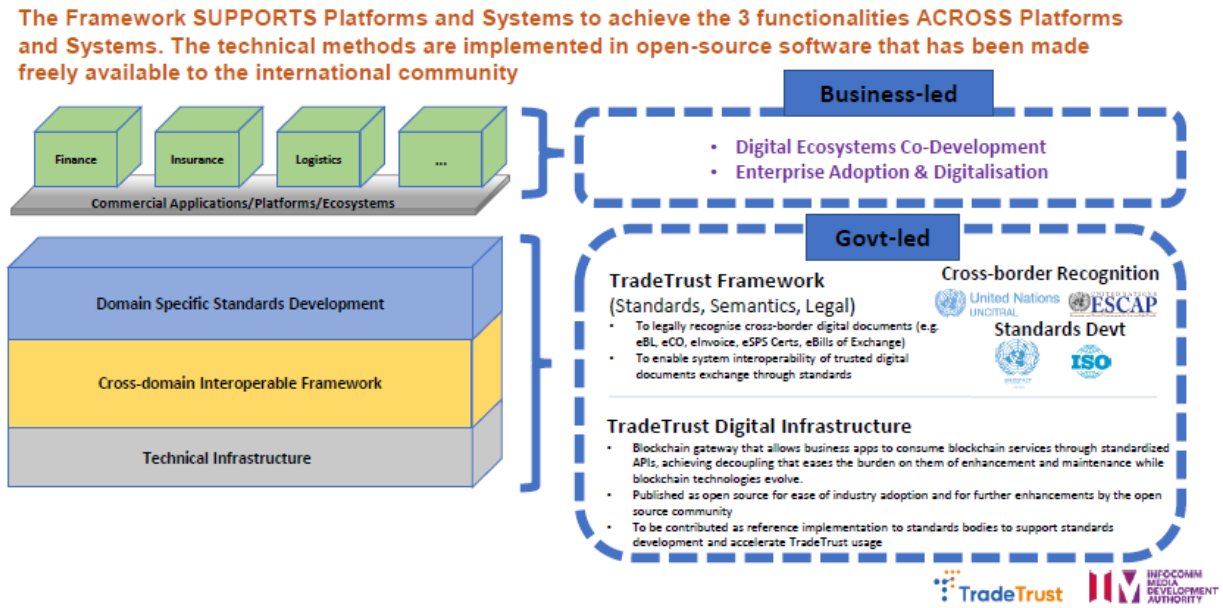
- Legal harmonization, which provides legal validity for electronic negotiable documents through adherence to MLETR
- Accreditation framework certifying technical solutions that meet legal requirements
- Standards development
- Software components, which are a set of open-source software code to integrate backend solutions to the TradeTrust network.

TradeTrust provides the technical infrastructure, cross-domain inter-operable framework and domain-specific standards that support commercial applications, platforms and ecosystems used by market participants in the finance, insurance and logistics industries. [*See Figure 4.*] This is facilitated by its design principles; TradeTrust is (a) public and permissionless (not governed by any central authority); (b) data off-chain (preserves data confidentiality), (c) payload agnostic (no restrictions on data format or standards), (d) open-source (full transparency for faster adoption), and (e) compliant with MLETR. Figure 5 illustrates how TradeTrust enables the inter-operability of transferable documents (in this case a bill of lading as an example), while Figure 6 illustrates how Trade Trust does this for normal documents (with a certificate of origin as an example).

[6] Michael White, "A global trade platform using blockchain technology aimed at improving the cost of transportation, lack of visibility and inefficiencies with paper-based processes,"[https://www.ibm.com/blogs/blockchain/2018/01/digitizing-global-trade-maersk-ibm/]

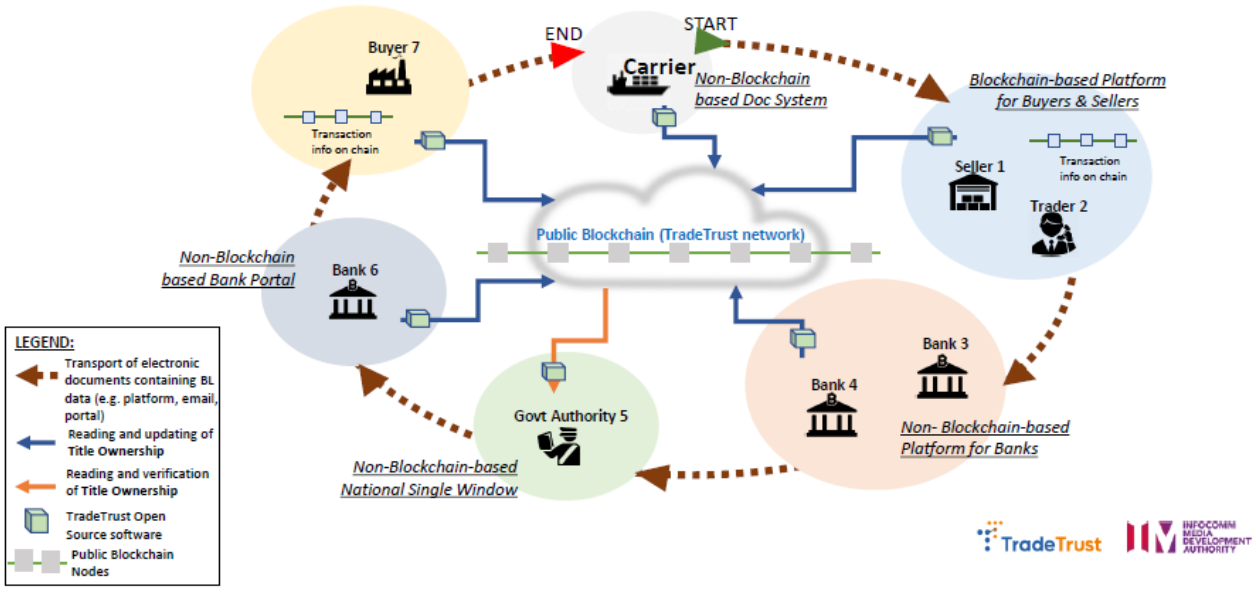
[7] DIDs are a new type of cryptographically verifiable identifiers that can be decoupled from centralized registries, identity providers and certificate authorities.

Figure 4: The TradeTrust Framework



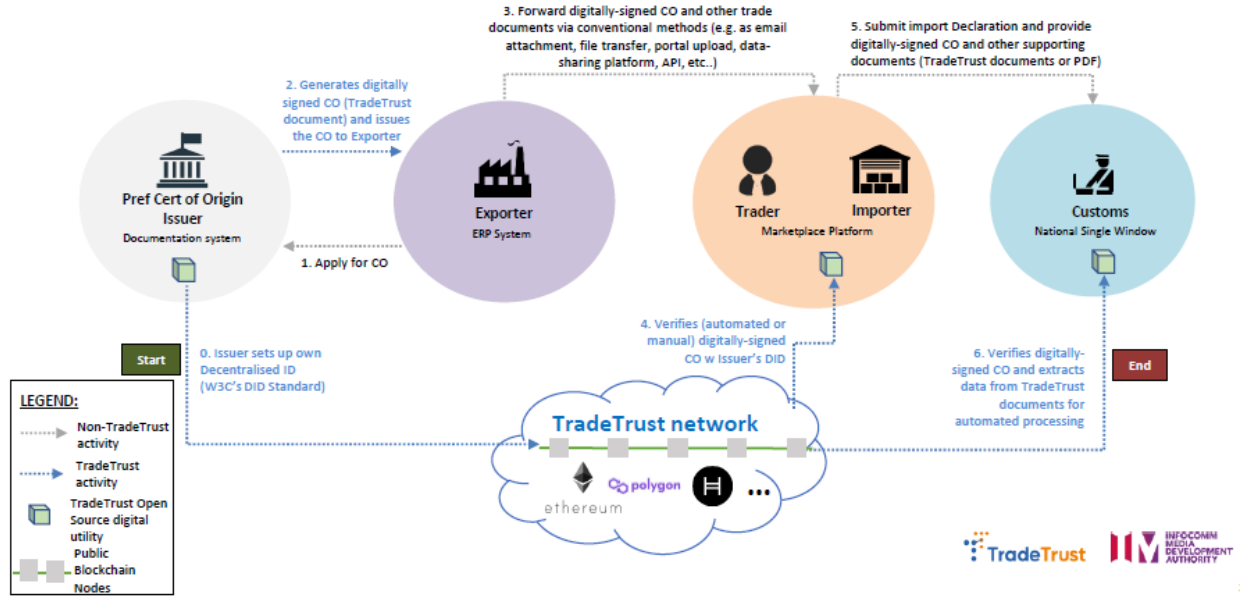
Source: IMDA

Figure 5: How TradeTrust Enables Transferable Documents' Inter-Operability



Source: IMDA

Figure 6: How TradeTrust Enables Normal Documents' Inter-Operability



Source: IMDA

TradeTrust continues to work to expand its network of trading ecosystem participants (shipping lines, shippers/consignees, logistics service providers, financial institutions providing trade financing services and government authorities in charge of cross-border matters) that are co-creating Proofs of Value, as well as technology companies and platform providers that can incorporate the TradeTrust code in their applications.

Case Study 3: Japan

In Japan, several major companies from the manufacturing, trading, logistics, technology, banking and insurance sectors established a blockchain-powered digital trade platform called TradeWaltz to digitalize paper- or PDF-based B2B exchanges that involved significant manual processes. This has enabled trade operations to be carried out remotely and the status of inventory and logistics to be clearly visible on a dashboard. A proof of concept undertaken in 2018-2019 showed reductions in time for completing a trade transaction by 44 percent within Japan and by 60 percent in ASEAN economies, and analog work cost by 44 percent in Japan.

TradeWaltz functions as a cross-industrial platform among exporters, nominated and issuing banks, importers, insurance companies, forwarders, carriers and issuers of certificates of origin. [*See Figure 7*] It provides a platform for the exchange of a wide range of structured documents, including letters of credit, invoices, sea waybills, packing lists, shipping instructions, export permits, certificates of origin, bills of exchange and insurance policies. Figure 8 illustrates this process as documented in the proof-of-concept that was undertaken in 2017.

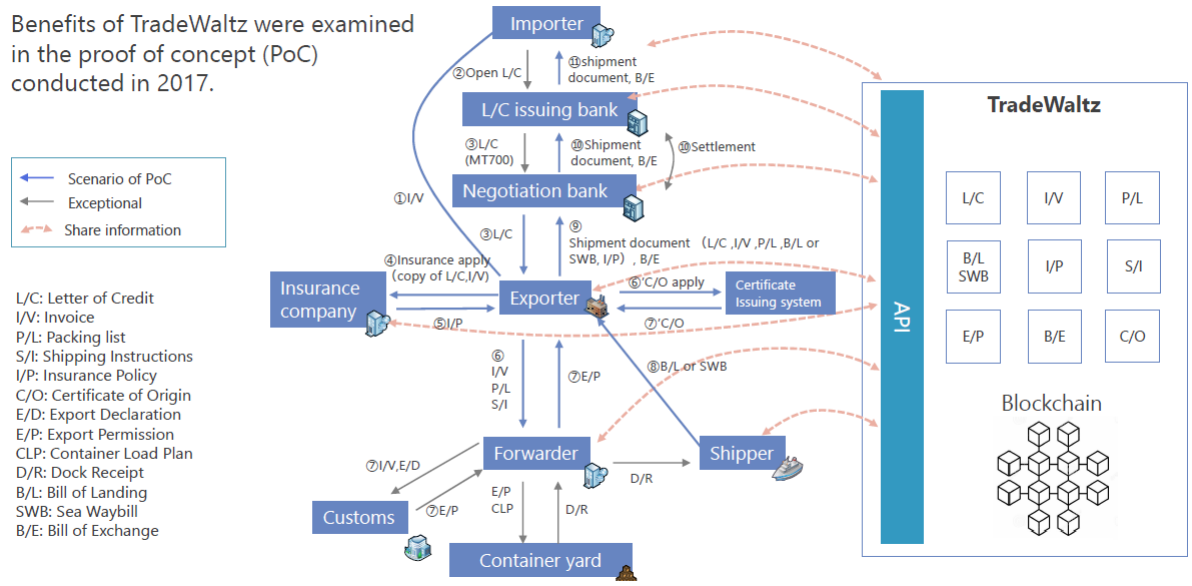
TradeWaltz also plays an important role in creating the new business ecosystem through collaboration with other platforms and utilization of accumulated data. It has launched a project to connect with other digital trade platforms in APEC member economies to enable cross-border exchange of trade information. To date, it has succeeded at the system level to connect to Thailand's NDTP, Singapore's NTP and Australia

and New Zealand's TradeWindow. Figure 9 illustrates the vision for inter-operability with other economies' digital trade platforms. The effort is currently being undertaken to ensure and upgrade supply chains for essential products, such as masks and pharmaceuticals at the time of COVID-19, between Japan and Thailand. Discussions are also ongoing to expand partnerships with ASEAN economies including Cambodia and Viet Nam as part of high-level political cooperation between Japan and individual economies. Having successfully demonstrated trade settlement in digital currency by crossing its own trade blockchain with Ethereum's financial blockchain for the simultaneous exchange of electronic bill of lading and digital currency, TradeWaltz has included digital currency payment as part of its future plans.

Figure 7: From Analog to Digital Trade

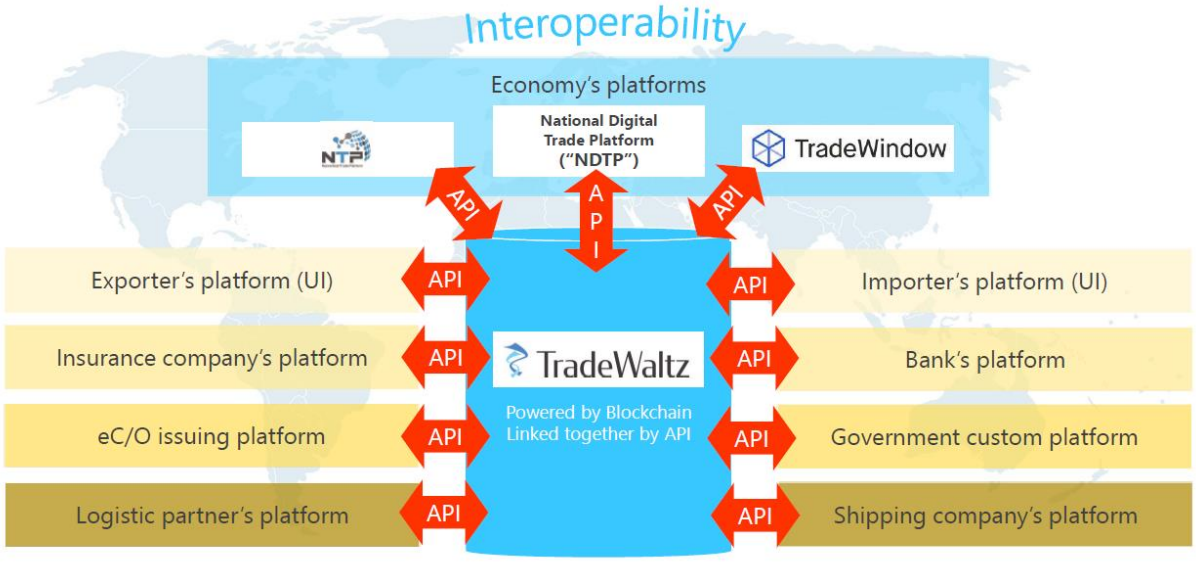
Source: TradeWaltz

Figure 8: Digital Document Flow from TradeWaltz's 2017 Proof-of-Concept



Source: TradeWaltz

Figure 9: Mechanism for Inter-Operability between TradeWaltz and Overseas DX Platforms



Source: TradeWaltz

Case Study 4: Peru

Case study 4 is about the first Business Clearing House. It is a *Central Securities Depository* that provides infrastructure for managing the settlement and financing of e-invoices to companies and financiers. Under the local legislation it is the only institution that may validly register the conversion of an e-invoice to an e-security, the transfer thereof and its status. It is the single source of truth and trust for trade transactions.

The blockchain based infrastructure provides API's for companies, financiers and service providers to integrate, as well as mobile and web tools for MSMEs. It integrates with various official registries and the tax authority to validate the e-invoices and with the financial institutions to realize the flow of funds.

The BCH enables validation of documents, enables easy acceptance of documents, promotes efficient dispute resolution, ensures fast and efficient acquisition of finance and feeds risk engines to make better decisions. It targets to provide a full-stack root core solutions for MSME financial fulfillment.

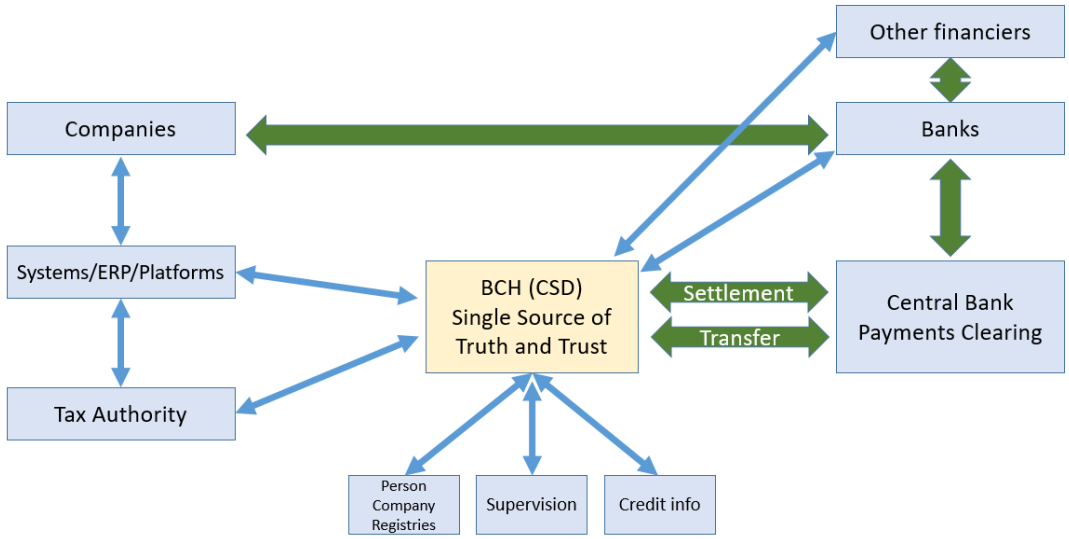
Under the local legislation, the BCH must treat all companies (micro to corporate) and financiers (small to large) equal in terms of pricing and access. It delivers a much more equitable trading and finance environment that is driven by the quality of underlying goods and services. In this way the BCH also contributes to several of the UN Sustainable Development Goals through its operations that benefit MSMEs.

Figure 10 illustrates the role of the Business Clearing House in Peru's financial system infrastructure.

The development of the BCH has been a partnership between the public and private sectors. The government prepared the environment at the outset by conducting a market study and impact analysis, which led to the introduction of the legal framework. The private sector and financial supervisors collaborated in its implementation (including the preparation and establishment of the BCH,

implementation and testing of systems, integration and licensing) and in its operations (including support for initial participants and companies and the training of personnel and supervision). It is envisioned that the BCH will provide the platform for cross-border exchange of digital trade documents in tandem with international payments clearing. [*See Figure 11.*]

Figure 10: The Role of the Business Clearing House in Peru's Financial System Infrastructure



Source: Capital Tool Company

Figure 11: International Business Clearing

Source: Capital Tool Company

Conclusion

Promoting trade is the central concern of APEC, and the challenge today is how to enable its digitalization. This is critical for the continued growth of trade and the wider participation of micro, small and medium

enterprises in the regional integration process. For the financial sector, this is key to the digitalized and automated end-to-end processing of trade documents that are needed to lower the cost and speed up the process of providing working capital, both factors critical to MSMEs' wider participation in global supply chains.

The Roundtable highlighted several ongoing initiatives, tools and training projects to help address this challenge, indicating that tremendous progress could be achieved over the next few years. Among these are the ICC's Digital Standards Initiative and the work on legal framework reforms under international organizations like the Asian Development Bank, the World Bank and UNCITRAL. Within APEC, Japan, Singapore, Thailand, Australia and New Zealand have taken up the initiative to advance the digitalization of trade through the pilot project on standardization and digitalization of trade documents and continued development of domestic digital supply chain ecosystems.

If expanded with the participation of more APEC economies, this can accelerate digital trade transformation and connectivity in our region. Considering that APEC accounts for over 44 percent of total world trade, an initiative to digitalize trade under its leadership can influence the rest of the world to move faster. Because it will lower costs and speed up the processing of trade documents, this will also have a profound impact on MSMEs' ability to access trade financing and participate more widely in global supply chains.

There is an important role that APEC can play, in collaboration with the private sector through ABAC and leveraging public-private collaboration platforms such as the APFF, to provide a forum for promoting expanded and more active participation by member economies in this initiative. Concrete discussions will need to be undertaken on how more APEC economies can work with the business sector in promoting the standardization of trade documents and identifying legal reforms needed to facilitate the cross-border use of digital trade documents. It is also important to look at how economies can develop and link domestic digital ecosystems to ensure inclusiveness -- that MSME suppliers, including second and third tier suppliers, can connect to and benefit from digitalized supply chains.