

Competition & Antitrust and Trade

# Developments in Cross-Border Paperless Trade

## Singapore Collaborates with Australia and Trade Partners on Blockchain and Other Trade Initiatives

### Introduction

Singapore's Infocomm Media Development Authority ("IMDA") and Singapore Customs began a blockchain trial with the Australian Border Force ("ABF") on 23 November 2020 to simplify cross-border trade between Singapore and Australia. The trial, which aimed to prove that trade documents could be issued and verified digitally across two independent systems, was part of an initiative under the Singapore-Australia Digital Economy Agreement ("SADEA"). The trial successfully concluded on 18 August 2021.

### The Blockchain Trial

#### Methodology and results of the Blockchain Trial

The trial involved testing paperless trade using two independent systems - ABF's Intergovernmental Ledger ("IGL") and IMDA's TradeTrust reference implementation - which are digital verification platforms developed with blockchain technology and used to share electronic trade documents. Certificates of Origin ("COOs"), which are typically required by governments to verify the authenticity and provenance of goods, were used as the first test case.

As part of the trial, QR codes embedded with unique proofs were inserted into digital COOs, which were then digitally scanned or machine read. This allowed the digital COOs to be verified immediately, thus increasing efficiency and enhancing trade flow. The trial successfully tested the interoperability of the IGL and IMDA's TradeTrust reference implementation.

#### Significance of the Blockchain Trial

These results are definitely a boon to businesses. Paperless verification moves away from the current approach, which relies heavily on paper-based documentation. Currently, businesses have to wait until hard-copy documents are delivered by courier before the necessary approvals are obtained, which reduces the ease of trade and slows down supply chains. By removing the need for paper documents, exchanging trade documentation becomes so much easier and more efficient. It also allows for better tracking. Participants of the trial, which included regulators and financial institutions from Australia and

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Singapore, provided feedback that paperless trading plays a valuable role in reducing cross-border transaction costs and increasing trade efficiency.

In our view, the successful trial is an important development towards fostering the interoperability of standards and systems, and yet another positive step towards the adoption of paperless trade. Businesses will need to watch this space and respond accordingly.

## Other Developments in Paperless Trade

### Digital Economy Agreements (DEA)

Besides the SADEA, Singapore had entered into the Singapore's Digital Economy Partnership Agreement ("DEPA") with New Zealand and Chile which came into force on 7 January 2021. It is the world's first digital-only trade agreement and aims to support businesses in digital trade and e-commerce by establishing digital trade rules and digital economy collaboration between the three countries.

In addition, Singapore is currently in negotiations with South Korea to develop the Korea-Singapore Digital Partnership Agreement (KSDPA) and the United Kingdom to develop the UK-Singapore Digital Economy Agreement (UKSDEA).

Both the SADEA and DEPA contain provisions to facilitate paperless trading. Other more modern, non-digital only free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the recently signed Regional Comprehensive Economic Partnership (RCEP) also contain provisions and commitments relating to paperless trading under their e-commerce chapters.

### Legislative Reform

To facilitate digital economy, national legislation will of course have to be modified. To this end, in Singapore, the Electronic Transactions (Amendment) Act 2021, for example, was amended and came into force on 19 March 2021 and, among others, allows the use of digital documentation with international ports and reduces the reliance on hard copy trade documents.

### Data Infrastructure

Another noteworthy development is the developments in terms of data infrastructure. The Singapore Trade Data Exchange (SGTraDex), which was launched on 17 July 2021, is a data infrastructure framework that makes use of a common data highway to facilitate data sharing between supply chain ecosystem partners, thus reducing fragmented information flows caused by varied data ecosystems. Participants of SGTraDex can connect to local and global data systems and garner access to data contributors and users around the world. The increased connectivity brought about by this system also speeds up customs clearance processing, trade financing, insurance and other related activities.

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## **Concluding Remarks**

The developments discussed are important ones that will progressively change the face of trading. Going forward, traditional paper mediums will be replaced by electronic transactions and digital solutions. The digital economy is set to grow, and the restrictions brought on by the COVID-19 pandemic will only quicken it. Indeed, we expect the timeline for the changes to be relatively quick.

Businesses must anticipate and base their next growth plans on these trends. As you plan strategies and consider the plans for the next 12 months to even 60 months, it is critical to be actively relooking and rejigging. Businesses must also keep abreast with the changing regulatory requirements and procedures for trade documentation and update their compliance protocols. As many would know, failure of compliance can have dire consequences, least of all delays caused, in more than one country, disrupting your supply chain.

Rajah & Tann will continue to monitor the developments in this area and keep you updated on the same.

If you have any questions, or would like for us to have an in-depth discussion with your management or legal teams, please feel free to approach our team below.

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