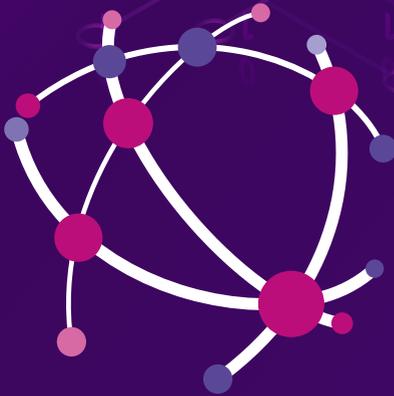


**EXECUTIVE SUMMARY**



# World Trade Symposium

**March 31st 2022**

## Digital Trade

Charting the way forward – The 'Tech-Tonic' opportunity

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# Executive Summary



The 7th edition of the World Trade Symposium brought together representatives of government, industry, and academia to discuss how technology and innovation are opening up new trade opportunities and possibilities for growth and the challenges that need to be overcome to ensure the benefits of digitalised trade are shared relatively and broadly across the world.

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# Advancement of trade using digital technology

The digital transformation of society accelerated during the pandemic, helping businesses to survive and thrive.

Digital technology could help advance trade, informing open and transparent markets, connecting producers and sellers with consumers, bringing down costs, and removing bottlenecks in supply chains. But for now, trade remains very much paper-based, little changed from how commerce was conducted in the 17th century. According to a study undertaken in 2017, only one out of the 15 largest countries for a trade would accept an electronic bill of lading.



Divergent national standards, rule systems, legal infrastructure, and the lack of interoperability between technology platforms stand as impediments to digital trade.

“If you don’t have the legal infrastructure, digital doesn’t flow,” explained Guy Platten, secretary-general, International Chamber of Shipping. “Changing the law to enable the submission of electronic documents is critical.”

Regulation has failed to keep pace with the rapid advances in technology. And technology has opened up new policy challenges such as cybersecurity, data governance, and cross-border information exchange. Rather than enabling seamless trade flows, digital is currently exposing new trade barriers, adding to the costs of doing business.

“[The global trade order] is no longer fit for purpose for the changes that have taken place and will continue to take place,” said José Viñals, group chairman, Standard Chartered. “We used to trade goods; now there is a flourishing global services trade - e-commerce - and the WTO doesn’t have rules for that.”

Panellists called for global standards to regulate digital trade to make it easier for companies to work across multiple markets. They said the country-by-country adoption of the UNCITRAL Model Law on Electronic Transferable Records (MLETR) was critical.

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Graham Floater, chair of the G7 digital trade group, said the UK had assumed a leadership position in pushing for an international set of rules and norms for digital trade. When the UK held the presidency of the G7, it was able to agree on the first set of digital trade principles, which are now feeding into the international debate. The UK's post-Brexit free trade agreements also have data and digital trade at the heart as the country looks to shape the regulatory landscape.

Lynette Thorstensen, chair of the Fairtrade International Board, reminded the symposium that primary internet access remains a challenge for much of the world. She warned there was a risk of a new digital divide developing between small and large businesses and between different regions of the world, which will be to the detriment of the entire trade ecosystem: “The digital divide means less opportunity for everyone in the trade market and the flourishing e-commerce environment.”



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# The development of marketplaces and platforms in the current digital environment



The World Bank estimates the size of the global digital economy to be about 15% of GDP, which equates to around \$13 trillion a year. E-commerce, which increased by about 15% in 2021, is driving the growth in the digital economy, and online marketplaces enable two-thirds of e-commerce.

Digital marketplaces are catalyzing trade and helping SMEs to access international markets. Studies show that businesses that use marketplaces are five times more likely to trade internationally. Marketplaces provide transparency, broaden customer reach, and generally improve operational efficiency and productivity while offering post-sales support and enabling data-driven marketing.

However, Charly Gordon, global policy lead, International Chamber of Commerce (ICC), listed several issues preventing digital marketplaces from achieving their full potential: the digital divide, the absence of digital standards, and a harmonised legal environment, and challenges surrounding cross-border data flows. At present, less than 1% of trade documents are entirely digitised globally.

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The ICC is trying to tackle each of these challenges through initiatives such as its

entrepreneurship centres, its digital standard initiative, and the ICC Trade Comm. It has set up eight centres internationally to promote and support entrepreneurship and digital transformation. The digital standard initiative is pushing for common standards for digital trade through an industry advisory board and legal reform board the adoption of MLETR. The ICC Trade Comm, meanwhile, is an online marketplace established in partnership with Finastra that aims to address the MSME financing gap by providing working capital. Despite being critical to local economies, MSMEs are underrepresented in international trade. Half of MSMEs see their requests for trade finance rejected and struggle to source alternative funding.

“Digital trade platforms and marketplaces can help address concrete business challenges and help build a more inclusive and global economy,” said John W.H. Denton, ICC secretary-general. “We need to address challenges collectively if we want to realise the full potential of digital trade platforms and ensure all businesses can benefit.”

A survey of symposium attendees showed the majority believe institutional and bureaucratic impediments to be the biggest challenge in trade finance, ahead of liquidity and complexity. They said digital platforms and the ICC Trade Comm were possible solutions to the problem but felt that the most immediate challenges could be addressed by the at-scale adoption of existing standards such as MLETR, followed by the creation of industry utilities for credit scoring. The audience said the top actions that would materially advance the provision of financing to SMEs were collaboration, government mandates, and credit guarantees.

**“ Digital trade platforms and marketplaces can help address concrete business challenges and help build a more inclusive and global economy. ”**

**John W.H. Denton AO**  
Secretary General of the  
International Chamber of  
Commerce (ICC)

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# Moving towards sustainability and inclusion



According to Tom Delay, chief executive, of The Carbon Trust, digitalisation is fundamental to achieving net-zero. Investors and the public are increasingly demanding carbon transparency - verifiable disclosures about the carbon footprint of a company's operations, products and upstream and downstream value chain. The only way to do this is with digital technologies. Several platforms are already emerging to meet these needs efficiently, allowing for certification, reporting, labeling and disclosure.

Stanislav Shmelev, executive director of Environment Europe Foundation noted that the sustainability issue is much broader than climate change. There is also a biodiversity and ecosystem problem that urgently needs addressing. Resource use has tripled between 1970 and 2017, while 68% of all species counted since 1970 have been lost. He said there needs to be a complete rethink of business models to include alternative methodologies such as a triple bottom line, and products should be made to last longer and be repairable. Since digital technologies are themselves resource-intensive in terms of both rare piles of earth and emissions, he questioned whether they would actually be able to deliver a net carbon reduction.

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Technology innovation has the potential to open up trade to SMEs across the world, boosting inclusion and cementing a new path for global prosperity. Bindi Karia, founder of Bindi Ventures said the UK tech sector is now estimated to be worth \$1 trillion, accounting for 38% of European unicorns and decacorns. She noted that the UK government was doing well in this area, with plenty of investment directed into the innovation economy. She predicted that global competition for digital skills would become less of a challenge with the advent of cloud computing and remote working. She highlighted the three main digitalisation trends for the future as personalisation, access, and cryptocurrency.

Thomas Boué, director-general, policy, EMEA BSA, The Software Alliance, said governments need to recognise data is the future and has the power to transform economies. Allowing data to flow across international borders was critical. “This is the most important element when you look at prosperity and how society at large can benefit,” he said, adding: “Data policy - this is not a tech issue.”



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# Towards economic growth and trade prosperity

The trade finance market is worth about \$7.6 trillion globally and is dominated by a few large banks that prefer to fund significant corporations and multinationals. MSMEs, which often have much smaller loan requirements, are effectively shut out of the market, even though they are a significant engine in the economy and an important provider of jobs. In 2020, the gap in trade finance availability reached \$1.7 trillion, with more than 65 million MSMEs estimated to be credit constrained.



The trade finance gap is not the result of a lack of liquidity but rather the inability of MSMEs to access finance, perhaps due to a lack of collateral or balance sheet data, or often the reluctance of banks to engage in labor-intensive smaller trade finance transactions.

Christoph Gugelman, co-founder and chief executive, Tradeteq, said one solution to closing the trade finance gap would be to make trade finance an investible asset class. “There is no reason why retail investors shouldn’t access trade finance pension funds, insurance companies, and asset managers. Any other bank asset you can buy.”

Bunmi Bajomo, chief operating officer, CIB, said open, inclusive digital platforms can also help ensure more access to finance for SMEs, such as the lending and payment platform offered by Ecobank, which allows traders and SMEs to process trade transactions across the continent seamlessly. Bajomo said digital innovations such as national biometric IDs could be used for the rapid verification and onboarding of customers.

Panelists said establishing a global set of rules around digital trade should be at the top of the reform agenda. While trade will never be free, it could be fair, and the digitalisation of trade has been proven to help businesses operate more efficiently and drive financial inclusion. One clear example is the introduction of the M-Pesa mobile banking service in Kenya, which has given millions of unbanked people access to the financial system, contributing to a rise in total factory productivity.

The challenge in establishing this global rulebook for digital trade is that countries already have their own standards for data protection and privacy, which would need to be reconciled. Linda Yueh, economist, Oxford University and London Business School, said it should also not be assumed that every country wants to create a global standard: “One of the causes of fragmentation is that people like their own standards.”

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Yueh suggested that one way to make progress would be to use private-sector expertise to arrive at the best standard in very technically defined areas and from that, piece together an evolving set of standards. She said other countries would be able to see the benefit as it would be an industry-driven process rather than a politically driven one.

However, the risk with establishing technical standards is that they could quickly become outdated given the rapid pace of technological evolution.

Panellists suggested that standards could be based on values instead. This is what Visa, which operates in 200 countries, has chosen to do without a global rulebook. Charlotte Hogg, chief executive of Europe, Visa, explained: “Visa takes the highest common standard, and we have created a set of values about how we use data to create a process internally.” She suggested lessons could also be drawn from other industries such as medical science. Hogg advocated strongly against data localisation saying it would lead to higher levels of fraud and cyber risk.

The digitalisation of trade would help improve traceability, transparency, inclusion, fairness, and sustainability and enable, efficiency and productivity gains. It would also make it easier for MSMEs to access global markets. But conflicting and inconsistent regulations are impeding and even preventing international data flows, which are critical to digital trade. Governments need to urgently put the global trade policies and frameworks that will allow digital trade to flourish. Historically, trade agreements have taken many years to conclude, but with technology innovation racing ahead, there is no time to waste.

**“ There is no reason why retail investors shouldn’t access trade finance pension funds, insurance companies, and asset managers. Any other bank asset you can buy. ”**

**Christoph Gugelman**  
Co-founder and chief executive, Tradeteq

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