Paperless Trade

GEA represents the three leading express delivery carriers: DHL, FedEx, and UPS

The express delivery industry has long supported trade facilitation as a means of lowering the cost of cross-border trade and stimulating export-led growth. It has pioneered the transmission of advance electronic data on incoming cargo shipments, which makes automated risk assessments possible.

Yet, paper documents, original signatures and wet stamps are still required by many border agencies in many countries today. According to recent WTO-ICC study, **"fewer than 1% of trade documents are fully digitized globally – with a typical transaction requiring the exchange of 36 documents and 240 copies in hard-copy."**[1] For example, many customs authorities still require paper for commercial invoices, certificates of origin, and other documents. Other border agencies require paper documents for a host of regulated goods, especially for medicines and goods requiring animal and plant health certificates.

Automation of customs clearance will only work effectively on the basis of electronic data originating from the shipper (and potentially other actors), ideally provided in advance, instead of paper-based forms and documents attached to a shipment. Continuing growth in cross-border shipment volumes makes it impossible for Customs and express carriers to systematically check paper invoices and other documents.

Governments should now work towards a fully paperless, electronic environment for cross-border trade regardless of the size, weight and value of a shipment, or the mode of transport used to convey it.

A lot of work remains to be done.

The COVID pandemic showed how modern border processes brought about greater supply chain resilience during a major crisis. Governments that relied less on paper and traditional border controls experienced fewer disruptions.

[1]icc-and-wto-launch-first-ever-standards-toolkit-for-paperless-trade

This transition should be based on the following **principles**:

Ambition and interoperability

- **Set high standards:** Countries should set strong international commitments to phase-in fully electronic records, with clear implementation windows. Where both electronic records and paper documents with the same information are available, the former should be preferred to the latter.

- **Avoid unilateral loopholes:** Any international agreement in this area should also limit the ability of participant countries to unilaterally adopt national laws that would undermine the overall goals. Any exceptions to these high standards should be narrowly defined, time-limited, and formulated on articulable concerns.

- **Enact a robust legal framework:** National law should give electronic records (both digitized images and forms, and formats suitable for automatic electronic processing) and electronic signatures the same legal validity as paper documents and hand-written signatures.

- **Use open international rules and standards to ensure mutual recognition and inter-operability** such as:

  - Legal frameworks, e.g., UNICTRAL's Model Laws on Electronic Commerce (1996), Electronic Signatures (2001) and Electronic Transferable Records (2017).

  - WTO/ICC Standards Toolkit for Cross Border Paperless Trade including:

    - Data Models: UBL and WCO
    - Electronic data-exchange: e.g., XML or JSON
    - Certification, e.g., e-Phyto

- **Use international encryption standards for data transmissions** and set the encryption level to match the sensitivity of the information conveyed.

A whole new design

- **Use a whole-of-government approach:** All Government agencies should coordinate their implementation of a paperless environment, including through a single window where border agencies are concerned. It is crucial that all border agencies, not just customs authorities, participate equally in these initiatives.

- **Assess information needs before digitizing:** Just digitizing current documents may defeat the broader purpose. Before going digital, Governments should take stock of existing documentary and data requirements for cross-border trade, eliminating those that no longer serve a purpose or are redundant, and aligning them across agencies.

- **Allow for free flow of data across border so that it can be stored once and looked up locally:** Allow the storage of electronic data in secure global networks and enable local access to such data for control purposes.

- **Build a resilient system:** Put in place fallback and business continuity plans and test them on a regular basis to make sure the underlying IT systems withstand outages and other incidents.

- **Secure the system and provide for transparent governance:** Put in place rules to ensure that electronic documents and signatures are only accessed by those authorities who need to see them, and protect personal and commercially sensitive information that is transmitted in connection with cross-border transactions.

- **Innovate:** Use new technologies to further simplify and facilitate the generation, exchange, access, storage, and re-use of digital information. Consider accessing data in supply chain actors' IT systems to run data analysis, rather than request data for every transaction.

- **Review periodically:** Governments should commit to periodic reviews of their border documentation burdens, to further streamline all forms and processes in the manner recommended by this paper.

Trade facilitation

- **Make electronic forms publicly available.**

- **Require authentication only where necessary:** Require digital authentication and electronic signatures only on a need-to-have basis rather than replicating in digital form the traditional practices from the former paper-based environment.

- **Enable electronic payments, including cross-border ones:** Electronic payments of duties, taxes and fees, especially when permitted on a periodic basis, speed up border processes and leave auditable traces.

- **Facilitate low value shipments:** Simplify or waive documentary requirements for shipments below a value of 1,000 SDR (approx. 1,400 USD) as per the WCO Immediate Release Guidelines. In addition to WCO guidance, this practice also finds support in regional trade agreements.

- **Apply risk assessment to decide if additional documentary support is needed:** Require submission of additional supporting electronic documents only where a shipment has been selected for either documentary or physical examination, based on an automated risk assessment.