Digitalization of Trade Finance:

IDLY (A south Indian hygiene food item) is an excellent source of PCF (power protein, complex carbs and friendly fat) diet, containing 82% carbohydrates, 15% protein, and 3% fat. It is a good source of dietary fibre, protein, phosphorus, magnesium, copper, selenium, manganese, pantothenic acid, and vitamin D.

For Trade Finance as well we need a similar kind of hygiene system called **IDLY - Interoperability, Digitalisation, Legal Framework & Yield.**

Deutsche Bank (DB) recently released a white paper on the digitalization of Trade Finance titled “A Guide to Digital Trade Finance”. International Chaber of Commerce (ICC), India as well released a similar White Paper on digitalization initiatives/platforms in India titled “White Paper on Trade Finance 2024” which covered majority of the initiatives taken & platforms across globe including India. Namely, following platforms and initiatives additionally covered in ICC, India report.

Trade Platform in India

* National E-Governance Services Ltd
* Trade Receivables Discounting System and International Trade Finance Services Platform
* Indian Banks' Digital Infrastructure Co. Pvt. Ltd
* Unified Logistics Interface Platform

Govt. of India initiatives

* The Digitize India Platform (DIP)
* Digital Document Execution
* Information Technology Act, 2000

RBI initiatives

* Trade Receivables Discounting System (TReDS)
* Account Aggregator Framework

Other platforms which are in advance stage of digitalisation outside India are not mentioned in both the White Papers:

* ICE Digital Trade (IDT), formerly known as essDOCS, UK
* Complidata, Belgium
* Revival of Contour, Singapore
* Traydstream, UK

In my view, to see the light at the end of the tunnel quickly and to take it forward, ICC should take the following measures immediately:

* Instead of waiting for the completion of mammoth activity of bringing all stakeholders together for 100% digitalisation, ICC/Banks/Industry/Govts should focus on implementing digitalisation on pilot basis for low-risk Trade Finance products such as Open Credit where trust between parties already established. This is a quick kill to facilitate trade and to gain industry confidence by demonstrating the fruitful results and to take it to next level.
* If ICC/Banks/Industry/Govts think, the Uniform Rules for Digital Trade Transactions (URDTT) & eUCP (eRules) are not serving the purpose of digitalisation, ICC should draft a model law immediately based on the laws already passed in India, UK, USA, Singapore & other countries with few modifications applicable across globe in the similar lines of UCP600 to enjoy the fruits of digitalisation at least for low-risk products.

Other important aspects:

* Sudan’s Red Sea location is close to the Suez Canal, a major conduit of world trade, already threatened by Houthi attacks. Countries including Russia and Middle Eastern powers are accused of pouring in money and arms. This is another side of the coin where systems are in place. But actual goods are at risk which is the chief purpose of the exporter and importer. If this fails, entire system fails. Governments to take remedial steps to address such concerns and peace needs to be restored for smooth sailing of goods in the interest of stakeholders of Trade Finance. Otherwise, investment in technology is a drain.
* Who are happy (majorly): 1. Exporter 2. Importer 3. Banks 4. IT Companies

Who are unhappy (majorly affected): 1. Ground level employees preparing paper documents at all related industries except IT 2. Post/Courier companies 3. Paper manufacturers 4. Print/Photocopy/Scan machine manufacturers 5. Chub/Rack Manufacturers 6. Stationery manufacturers 7. Doc checkers

* Unhappy class could be the showstoppers though their services since ages are tremendous and commendable. However, it’s time for a paradigm shift in the interest of the Trade Finance. There should not be any room for resistance.
* Currently doc checking automation focuses on paper documents. While continuing the same, it should be integrated with new systems and should have the capabiity to scrutinize digital documents online.
* Involvement of ground level personnel from the industry viz., banks, shipping companies etc., to minimise issues post deployment.

**Digitalization of Trade Finance**:  
IDLY (a traditional South Indian food item) is an exemplary source of a balanced diet, offering power protein, complex carbohydrates, and healthy fats (PCF), comprising 82% carbohydrates, 15% protein, and 3% fat. It also provides valuable nutrients such as dietary fiber, protein, phosphorus, magnesium, copper, selenium, manganese, pantothenic acid, and vitamin D.  
Similarly, in Trade Finance, a system akin to IDLY—Interoperability, Digitalization, Legal Framework, and Yield—needs to be established to ensure an efficient and streamlined process.

Deutsche Bank recently released a white paper titled *"A Guide to Digital Trade Finance"*, which explores the digitalization of trade finance. The International Chamber of Commerce (ICC) India also released a similar report, *"White Paper on Trade Finance 2024,"* which highlights several global initiatives and platforms, with a particular focus on India.  
Key platforms and initiatives mentioned in the ICC India report include:

**Trade Platforms in India**:

* National E-Governance Services Ltd (NeSL)
* Trade Receivables Discounting System (TReDS) and International Trade Finance Services Platform
* Indian Banks' Digital Infrastructure Co. Pvt. Ltd (IBDIC)
* Unified Logistics Interface Platform (ULIP)

**Government Initiatives**:

* Digitize India Platform (DIP)
* Digital Document Execution
* Information Technology Act, 2000

**RBI Initiatives**:

* Trade Receivables Discounting System (TReDS)
* Account Aggregator Framework

In addition to the platforms mentioned, there are other advanced digitalization efforts globally that were not covered in the white papers, including:

* ICE Digital Trade (IDT) (formerly essDOCS), UK
* Complidata, Belgium
* Revival of Contour, Singapore
* Traydstream, UK

**Recommendations for Accelerating Digitalization**:  
To expedite progress in Trade Finance, the ICC should take the following immediate steps:

* Rather than waiting for the monumental task of integrating all stakeholders for full-scale digitalization, ICC, banks, industry, and governments should focus on pilot projects for low-risk Trade Finance products like Open Credit, where trust between parties is already established. This approach will yield quick results and boost confidence in digital trade.
* If the current Uniform Rules for Digital Trade Transactions (URDTT) and eUCP are insufficient to facilitate digitalization, the ICC should develop a model law based on existing regulations in India, the UK, the USA, Singapore, and other countries. This would allow for a more universal application of digital trade rules, similar to the UCP600.

**Other Important Considerations**:

* The geopolitical risks, such as those in Sudan near the Red Sea—a key trade route near the Suez Canal—need attention. While systems may be in place, threats to actual goods can undermine the entire trade process. Governments must take proactive steps to ensure peace and stability to safeguard global trade, otherwise investments in technology may be wasted.
* **Beneficiaries of Digitalization**: Exporters, importers, banks, and IT companies stand to benefit the most.
* **Disadvantaged Parties**: Traditional roles such as document preparers, postal services, paper manufacturers, and equipment suppliers like printers and rack manufacturers may be negatively impacted, although their services have been historically valuable. However, resistance to change must be minimized for the greater good of Trade Finance.
* The current focus on automating document checks should be expanded to include digital document scrutiny to integrate seamlessly with new digital systems.
* It’s essential to involve ground-level personnel, such as those from banks and shipping companies, to reduce post-deployment issues and ensure smoother implementation.