

# AUSTRALIA-SINGAPORE DIGITAL ECONOMY AGREEMENT

SUBMISSION TO THE DEPARTMENT OF FOREIGN AFFAIRS AND  
TRADE

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## SUMMARY

1. Australia and New Zealand Banking Group Limited (ANZ) supports the proposed Australia-Singapore negotiation of a Digital Economy Agreement (DEA). We would also welcome the negotiation forming part of a reinvigorated Australian government *trade digitisation* strategy.<sup>1</sup> Singapore is further advanced with digitising trade data. In Australia, trade infrastructure technology is less digitised than processes and systems for many industries, raising costs and increasing the risk of fraud.
2. ANZ believes a DEA that advances bilateral cooperation on *digitisation of trade documents*<sup>2</sup> and *digital trade standards* would benefit businesses and the Australian economy. A number of other priority areas identified for the negotiations are interrelated with these two objectives.
3. The proposed DEA would be the first of its kind and we support the Australian government seeking an ambitious outcome that presents a 'template' for future negotiations. ANZ suggests that at a minimum the DEA address three issues to advance the goal of *trade digitisation*.
4. First, the DEA could provide guidance for Australia and Singapore to cooperate and pilot distinct elements of an Australian single window platform (e.g. phytosanitary certificates) and potentially further developments to Singapore's Networked Trade Platform (NTP). It could also explain options available for Australian importers and exporters to register directly with the NTP.
5. Second, the Agreement could provide a framework to facilitate greater Customs cooperation, including the sharing of digital Certificates of Origin issued by Chambers of Commerce and lodged with Customs in the exporting country. This may be similar in effect to the Customs cooperation provisions of the recently revised China-Singapore FTA.
6. Third, the DEA could also advance work on a legal framework to support the acceptance of electronic documents used for bilateral trade. Singapore's plan to amend its *Electronic Transaction Act* suggests that they are advancing in this direction.
7. On *trade standards*, a DEA could articulate both countries' support for work underway to develop open technology standards and protocols that ensure digital trade networks in

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<sup>1</sup> The Minister for Agriculture's announcement on 22 November 2019 is a welcome development, <https://minister.agriculture.gov.au/mckenzie/media-releases/digital-drive-smooths-food-export-path>

<sup>2</sup> Trade digitisation refers to the transition from paper-based trade documents (e.g. bills of lading, customs clearance, invoices, packing lists, inspection certificates) to digitised information flows.

different countries and regions can transfer information seamlessly. This work is being advanced through the International Chamber of Commerce's Universal Trade Network (UTN) and in Singapore by the Info-communications Media Development Authority (IMDA) and its TradeTrust initiative. At a minimum, this would involve the DEA recognising the importance of developing standards. Further collaborative steps could also be enshrined in the agreement, including committing the two countries to coordinated discussions at multilateral forums such as the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT).

8. Beyond a DEA, there is work on trade digitisation underway within government and industry. ANZ sees an opportunity for greater ambition from the Federal Government through an overarching government strategy that could expedite this work and bridge the gap between Australia and some other countries in our region. ANZ continues to cooperate with all parties on the push to digitise trade documents, including by providing insights from the bank's involvement in digital trade platforms in Singapore and Hong Kong.

## INTRODUCTION

9. ANZ welcomes the Australian Department of Foreign Affairs and Trade (DFAT) and Singaporean Ministry for Trade and Industry joint announcement of the launch of negotiations for a bilateral digital economy agreement. We continue to engage with government and industry on 'digital economy' issues, in particular efforts to digitise trade documents through a single window, and the related task of developing trade standards and protocols to ensure data can be shared across platforms.<sup>3</sup> This submission builds on themes articulated through that engagement.

## TRADE DIGITISATION

10. International trade involves a raft of documents including bills of lading, customs clearance, invoices, packing lists, inspection certificates, and government documentation. Most documents are issued in paper form creating inefficiencies for importers, exporters and service providers facilitating trade.
11. These inefficiencies have four key implications for Australian exporters and importers:
  - There is a cost to moving and processing paper documents for every participant in the supply chain. For example, a company which processes around 1,000 export shipments per year saved close to USD250,000 by moving to a digital trade solution.<sup>4</sup>
  - Slower processing and cash flow. A digital trade platform can send a bill of lading through an entire supply chain in three minutes. Traditional processing requires physically checking documents, couriering the documents overseas and then the receiving company or bank inspecting the documents.
  - Paper-based documentation is susceptible to forgery, or documents being altered to circumvent internal controls or sanctions and money laundering checks.
  - The risk of fraud and lack of transparency associated with paper based open account processes reduces the availability of financing to industry. In open account trade, suppliers send the physical trade documents directly to an end buyer, rather than using the banking system. Banks, regulators and law enforcement authorities have

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<sup>3</sup> ANZ made a submission to the Parliamentary Joint Committee on Trade and Investment in November 2017 on the benefits of trade digitisation to trade facilitation, and appeared before the Committee in August 2018

<sup>4</sup> essDOCS case study, [https://www.essdocs.com/sites/default/files/imce-files/CargoDocs\\_Refinery\\_One\\_Case\\_Study.pdf](https://www.essdocs.com/sites/default/files/imce-files/CargoDocs_Refinery_One_Case_Study.pdf)

less visibility of the transaction. Open account trade now represents 80 per cent of trade flows.<sup>5</sup> Small and medium-sized businesses which lack quality trade data find it harder to access trade finance.<sup>6</sup>

## Digital trade platforms

12. Two major Asian financial centres, Singapore and Hong Kong, have in place leading examples of trade digitisation platforms and are collaborating on blockchain infrastructure (based on distributed ledger technology) that could become the standard for digital trade.<sup>7</sup> The joint project has been launched as the joint Global Trade Connectivity Network.
13. The Singapore Custom's Networked Trade Platform (NTP) is the latest generation of its trade 'single window'. The NTP allows parties involved in trade to access government or regulatory trade-related services, as well as offering the option to interact with other businesses, and access services such as shipping, logistics, banking and insurance. It allows government systems to connect with businesses, community systems and platforms.
14. The Hong Kong Monetary Authority's eTradeConnect, launched in October 2018, is a blockchain-based trade finance platform that allows corporates to track transaction flows, reconcile transactions through invoice or purchase order matching, and reduces the risk of duplicate financing for the participating banks.

## Benefits of digitising trade processes

15. Eliminating paper-based trade processes can increase the speed of trade and reduces the cost of trade transactions. Digitisation using encrypted data also provides parties with greater certainty about the authenticity of trade.
16. Even e-mailed PDF invoices and purchase orders today create downstream inefficiencies for companies as they require manual reconciliation prior to entering the information to

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<sup>5</sup> ICC, 2017 Rethinking Trade Finance, <https://iccwbo.org/publication/2017-rethinking-trade-finance/>

<sup>6</sup> A University of Technology Sydney survey of 1,000 businesses with turnover less than \$20m found that 32% of respondents were unsuccessful with their applications for more trade financing, 16% of respondents believed they would be unsuccessful in obtaining finance, and 10% indicated the balance sheet was not strong enough to source more debt.

<sup>7</sup> P Shadbolt, 'Hong Kong and Singapore to build blockchain trade finance highway', *The Corporate Treasurer*, 16 November 2017, <http://www.thecorporatetreasurer.com/article/hong-kong-and-singapore-to-build-blockchain-trade-finance-highway/441055> (behind paywall)

their enterprise resource planning (ERP) systems. A digitised solution allows customers to directly move the data in and out of their ERP system.

17. The Singapore and Hong Kong projects generate data which can also be used by regulators and law enforcement agencies. Moving “off paper” increases the scope for using advanced systems to identify financial crime. Trade finance reliance on paper-based processes can be burdensome for businesses. Some businesses eschew trade finance in favour of direct open account arrangements with their customers. This shifts trade outside the banking system and makes identification of illegal transactions more difficult.
18. Greater use of digital trade platforms and trade finance will also simplify monitoring for money laundering activity and ensuring compliance with international sanctions regulation.
19. Certainty about authenticity reduces risk for finance providers and will encourage them to increase risk appetite. It will increase competition by encouraging new entrants to offer trade finance.
20. More efficient transacting of trade and an increasingly competitive trade finance market could offer greater opportunities for small and medium-size companies to access trade finance.

### Cooperation on digital trade platforms

21. To assist trade digitisation in Australia, the DEA could potentially put in place a framework for cooperation between Singapore and Australia to pilot future digitisation of Australian trade processes. This might begin with one or two government-generated licenses or certificates, once these processes are tested within Australia. The DEA could also allow for collaboration and pilot testing of updates to Singapore’s NTP.

### Facilitating Customs cooperation

22. Singapore has recently updated the China-Singapore Free Trade Agreement (CSFTA) to include areas for cooperation between Singapore Customs and China’s General Administration of customs.<sup>8</sup> The agreement allows Customs agencies to electronically transmit Certificates of Origin lodged with Customs in the exporting country. Including this

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<sup>8</sup> See <https://www.customs.gov.sg/-/media/cus/files/notices/2019/notice182019-ver-1.pdf>

in the DEA would facilitate faster clearance of Australian goods – particularly perishable goods – through Singapore Customs, and vice versa.

## Legal framework for use of electronic trade documents

23. Underlying the digitisation of trade processes is the assumption that an electronic trade document can be recognised in law as the original document and need not be linked to a paper document. The traditional difficulty with electronic documents is that there is no one true copy and a court, if asked to enforce an electronic document, is left to decide which version is the original.
24. Negotiations could discuss rules governing the acceptance of electronic documents and the DEA could include agreement that Australia and Singapore expedite work towards the acceptance of electronic documents in all cases.
25. ANZ understands from DFAT that Australian legislation does not yet support the use of digital documents for cross-border trade. However, Australia is considering acceding to the 2005 United Nations Convention on the Use of Electronic Communications in International Contracts (“Electronic Communications Convention”)<sup>9</sup> and the Attorney General’s Department website advises that “the Electronic Transaction Acts of the Commonwealth, states and territories have been amended to accord with the convention by clarifying traditional rules on contract formation.”<sup>10</sup>
26. Singapore has been an early adopter of laws that recognise the use of electronic signatures and electronic records. The enactment in 1998 of the *Electronic Transactions Act* (ETA) meant Singapore was the first country to adopt the Model Law of Electronic Commerce from the United Nations Commission on International Trade Law (UNCITRAL). The ETA was updated in 2010 to reflect the 2005 Electronic Communications Convention and updated the regulatory framework for certification authorities to facilitate growth in secure electronic transactions.
27. A recent consultation paper for an ongoing review of the ETA, outlined three principles underlying the Act:

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<sup>9</sup> See Attorney General’s Department website, <https://www.ag.gov.au/RightsAndProtections/ECommerce/Pages/default.aspx>

<sup>10</sup> See Attorney General’s Department website, <https://www.ag.gov.au/RightsAndProtections/ECommerce/Pages/UNConventionElectronictransactionsininternationalcontracts.aspx>

- **Non-Discrimination** - An electronic document should not be denied legal effect, validity or enforceability solely on the grounds that it is in electronic form.
- **Functional Equivalence** - Electronic records or communications are treated as fulfilling a traditional paper-based requirement if specified conditions are met.
- **Technological Neutrality** - Provisions are drafted to be neutral with respect to the technology used.<sup>11</sup>

## TRADE STANDARDS

28. Setting global standards ensures that parties to trade transactions adopt a common approach to presenting information. The DEA could identify areas of common interest for Australia and Singapore to pursue through multilateral forums.
29. The Universal Trade Network (UTN) initiative, recently renamed the Digital Standard Initiative, is developing open technology standards and protocols that ensure the interoperability of digital trade networks. The UTN Organization (UTNO) – an industry body creating and promoting these standards and protocols – is incorporated as a legal entity in Singapore and part of the International Chamber of Commerce (ICC).
30. The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) conducts forums and events to drive development of global trade document standards, including digital standards. The Singaporean regulator, Info-communications Media Development Authority (IMDA) represents Singapore at UN/CEFACT events and has also developed the TradeTrust framework to help with interoperability of digital trade platforms or ecosystems.<sup>12</sup> TradeTrust could potentially play a role in housing agreed standards.
31. The DEA could acknowledge ongoing multilateral work and reconfirm Australia’s and Singapore’s commitment to developing and complying with common standards through this process.

## CONCLUSION

32. ANZ welcomes the decision to negotiate a DEA and supports the Agreement being an important element of a broader, more ambitious policy to digitise trade documents in Australia. We continue to cooperate with all parties on this work, including by providing

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<sup>11</sup> InfoComm Media Development Authority, 'Review of the Electronic Transaction Act', 27 June 2019, pp. 3-4.

<sup>12</sup> See <https://www.imda.gov.sg/programme-listing/international-trade-and-logistics/tradetrust>

insights from the bank's involvement in the digital trade platforms in Singapore and Hong Kong.

**ENDS**