

GTR Türkiye, my presentation notes in panel in 6 June 2024 [Abdurrahman Özalp]

Round 1:

How does the world view digitalisation in trade finance? Is it necessary?

Technology, and more specifically digitalisation as we understand it today, has always drawn interest wherever it can be applied. Trade finance is one of these areas. In ancient times, banking took place in temples, but later, due to urbanisation and improved security, banking became more independent. Throughout history, banks and financial institutions have always adopted the latest technology. Initially, stone and clay tablets were used, followed by paper and electronic media. The electronic phase progressed through various stages, starting with traditional methods like internal servers and central computers, which are still in use today. Additionally, there are cloud and distributed technologies (blockchain), which can be used alone or in hybrid forms.

Is it necessary?

Absolutely, yes. Resisting technology is futile; those who do will be left behind. There are no institutions or businesses that succeeded over the past 50 years without embracing technology. Camera and film companies resisted for a while, and some disappeared while others adapted and continued by adopting new technologies. Banks that were highly successful a century ago remain so today, but none operate solely with the technology of that era—they've all incorporated the latest technology to survive.

In terms of trade finance, modern technology encompasses electronic platforms and documents. We refer to this generally as digitisation. Digitisation involves preparing, transmitting, and using documents and messages electronically, achieving the same effect as paper documents. Documents are vital in trade finance. Some documents confirm the sale, delivery, and payment of goods, while others detail commitments and rights transfers. The management of these documents is governed by legal frameworks and regulations. The first challenge in this process has been addressed; it is now possible to prepare, send, and use documents electronically with existing technology. Advanced technology is not required; technology from 20-30 years ago suffices for this purpose. Traditional, cloud, or distributed technologies can easily facilitate sending messages, preparing, signing, and delivering electronic documents. The real challenges lie in the legal and regulatory realms, as well as in people's mindsets. Countries are gradually overcoming legal and regulatory barriers, but overcoming mental resistance is much more difficult. Individuals who resist change cause delays for their institutions and the country. Organisations, including the United Nations, are working to ease this transition. One such initiative is the Model Law for Electronic Transferable Records (MLETR). However, certain countries still have laws and regulations that hinder the use of electronic or transferable documents.

Countries adopting MLETR laws are reaping the benefits. So far, 8 countries have adopted it: Singapore, Bahrain, Belize, and the UK. Germany and France are on the verge of adoption. China, Japan, and India are preparing, and Turkey is also making preparations.

Transactions can be conducted without MLETR, one realized transaction is that of;

TRADE TRUST, Exxon Mobil Asia Pacific (exporter), VLK (vessel owner) Shipment from Singapore to Thailand, Bunkerchain platform, B/L

One of the transaction with MLETR after ETDA is that of; LLOYDS Bank, Federal Bank (India), Paull's Matting (importer) Wave BL (Platform), Enigio Blockchain, 15.5.2024 Digital P/N, eB/L, MSC, COLLECTION

There are initiatives emerging in connection with the latest technological situation. Some of these are structures that can continue to exist depending on the situation, but some of them are structures that cease their activities for non-technological reasons, for example: we.trade, marco polo, contour, etc. There will always be new initiatives, the strong and harmonious ones will survive, the weak and misfit ones will withdraw from the field.

Round 2:

What is the ICC (International Chamber of Commerce)? How does it perceive digitalisation? Are there any ongoing projects in this regard?

The ICC is the world's largest private business organisation. It is the only private entity with representative power at the United Nations. It boasts over 45 million member companies across more than 170 countries. Its mission is to facilitate global trade and be present in the daily lives of those engaging in commerce everywhere, at all times. The ICC was founded in 1919 in Paris, France, by a group of entrepreneurs who called themselves "the merchants of peace". Their aim was to mitigate the devastation caused by World War I and promote the prosperity of nations. Thus, efforts began by identifying the issues in trade, categorising them into areas such as delivery, payments, logistics, transportation, insurance, customs, competition, trade law, and disputes. Commissions were established for each area to address these issues, propose solutions, and develop necessary regulations like INCOTERMS, UCP, and ISP. National committees were formed in various countries to bring local issues to the global stage, making it easier to find solutions and communicate worldwide.

The ICC views digitalisation as an inevitable necessity. It considers it crucial for ensuring that trade is fast, easy, and secure, both in times of crisis and during regular conditions. During the pandemic, the ICC published policy documents and made various recommendations on this topic. To support digitalisation, the ICC has established a commission and a company called Digital Standards Initiatives (DSI). The commission identifies the need for regulations, while the DSI sets the standards for digital trade, and develops and provides tools for those wishing to digitalise their operations. One such tool is the DSI Digital Trade Toolkit. The DSI's website offers numerous guiding documents.

The rules offered by the ICC to support digitalisation are as following;

URDTT 1.0 102T 102E

eUCP 1.1

eURC 2.1

Round 3:

Turkey has always been one of the countries that first grasped and utilised the importance of technology in the financial sector. Currently, the significance of digitalisation in finance has been acknowledged, especially with the active involvement of the public sector. I would like to express gratitude to our Ministry of Trade. Since receiving the initial offer from the EBRD, ICC Turkey and the Ministry of Trade have provided necessary support, initiating work promptly. I believe that we will set an example for many countries and achieve results in a short period of time. Our legal infrastructure is largely ready, making it relatively easy for us to adapt the MLETR. In Turkey, electronic signatures and mobile signatures are utilised. A secure electronic signature is defined in the Turkish Code of Obligations. According to the Law on Civil Procedure No. 6100, data in electronic environments are considered as documents. As per the Electronic Signature Law No. 5070 of 2004, a secure electronic signature is deemed equivalent to a handwritten signature. The Law on Regulation of Electronic Commerce No. 6563 (2015) recognises electronic environments and legal relationships. In Article 15/3 of the Law on Licensed Warehousing of Agricultural Products No. 5300, it is stated that "...warehouse receipts can also be created in electronic form, in addition to paper form..." The Regulation on Electronic Warehouse Receipts dates back to 12.11.2011 and allows for transferable electronic records. According to Article 1526/1 of the Turkish Commercial Code No. 6102, documents used in trade, except for negotiable instruments, can be electronic. This includes bills of lading (1526/2). However, a distinction must be made regarding bills of lading. While some parts of the eB/L can be issued electronically, some parts cannot. Electronic Certificates of Origin are issued in Turkey. Electronic Letters of Guarantee have been used in Turkey since 2017, and customs have been accepting them. Considering all these aspects, it is evident that the MLETR is to some extent accepted, the legal framework is appropriate, and adaptation is ongoing.

Abdurrahman Özalp

ICC Türkiye