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Page: 1/2

Committee on Technical Barriers to Trade

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PROPOSAL ON DIGITALISATION OF PRODUCT INFORMATION

NINTH TRIENNIAL REVIEW

Submission from the European Union

The following submission, dated 15 June 2021, is being circulated at the request of the delegation of the European Union.

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1 BACKGROUND

1.1. International trade transactions involve a multitude of actors and continue to rely extensively on paper. In 2014, shipping company Maersk followed a container from Kenya to the Netherlands to document the maze of physical processes and paperwork that impact every shipment. The numbers speak for themselves: they found that around 30 actors and more than 100 people were involved throughout the journey, with the number of interactions exceeding 200. The shipment took about 34 days to go from the farm to the retailers, including 10 days waiting for documents to be processed.[1] A large number documents have to be issued, certified submitted, validated and accepted by various players in multiple countries in the context of international trade. Certificates of conformity is one of the most important trade documents to ensure that a product or service meets the technical and safety requirements in the country of importation.

1.2. An increasing number of governments have started to explore or are developing paperless trade platforms. Among the various solutions, many are considering the use of blockchain technology to facilitate trade and improve compliance, making it easier for both market operators and public authorities to determine the provenance of products, traceability and compliance with norms and mandatory requirements, thus reducing red tape, customs-related fraud, safety concerns and improve the efficiency of market surveillance efforts. However, the move to digital certificates and trade documents has raised new issues, such as interoperability, acceptance of electronic signatures, legal governance, and the need for regulatory cooperation between various competent authorities in trading partners.

1.3. New technologies (blockchain, smart sensors, Internet of Things) makes the adoption of digital trade certificates less costly and available on a large scale). With its decentralized nature, multiple authentication layers and the immutability of its records, the blockchain technology guarantee a high level of trust for each producer involved in a supply chain. Blockchain participants along the distribution chain can see how, when and where a particular product has been brought to the market, check the underlying data guaranteeing the validity of conformity certificates, and see who was involved every step of the way. Enthused by this potential, numerous blockchain initiatives, mostly private, have emerged worldwide (e.g. the IBM-Maersk TradeLens, NTT-led TradeWaltz, or the we.trade platform, to name just a few). These initiatives are at various stages of development, testing the blockchain potential for various aspects of international trade facilitation.

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[1] Park, T. (2018), "Blockchain Is About to Revolutionize the Shipping Industry", Bloomberg, 18 April 2018. Retrieved from https://www.bloomberg.com/news/articles/2018-04-18/drowning-in-a-sea-of-paper-world-s-biggest-ships-seek-a-way-out on 20 April 2018.

1.4. However, for a blockchain solution to work in the area of international trade, it requires the buy-in and expertise of public agencies involved in trade policy making. Hence the need for public authorities to get involved in the design and testing of possible blockchain solutions. The European Commission, alongside other partners, has stepped in with great ambition in this area (e.g. the European Blockchain Forum). Many WTO members have been actively pursuing several pilot scheme using blockchain for trade documents. DG TRADE also launched recently a pilot project (#EUBlockchain4Trade) to map the possible applications of such technologies, including for certificates of conformity.

2 PROPOSAL

2.1. The European Union proposes a thematic session that would explore the current landscape of Member and stakeholder views and actions with regard to digital solutions for conformity certificates with a view to (1) understand current national attempts to promote the digitalisation of trade processes in general, and notably of conformity certificates and (2) to promote the application of digital regulatory approaches in accordance with core TBT principles and good regulatory practice to minimize trade costs while achieving the legitimate policy objectives. Topics and areas of focus could include:

a. A short stocktaking presentation of the legal and technological developments that can be leveraged in support of greater use of digital certificates (e.g. blockchain, Single Window, legal approaches for regional and international e-transferrable records, etc.);

b. Presentations by WTO Members that are currently developing standards for electronic certificates of conformity and other digital solutions for trade facilitation involving customs authorities, market surveillance authorities and other market operators along the supply chain (exporters, importers, conformity assessment bodies, ports, shippers, distributors, etc.). The aim is to promote the use of new and innovative approaches and identify best practices for trade facilitation and conformity assessment.

c. Presentations by interested stakeholders, including Members, industry, international organizations, or non-government organizations, that are currently developing or have developed concrete applications for digital certificates along their supply chains, with a view to identify the necessary prerequisites for their further development, the potential for interoperability and possible implementation challenges.