TradeTrust Framework for India Singapore Trade

Why in news?

India and Singapore piloted the first live paperless transaction using the Trade Trust Platform marking another milestone in the digital connection between two countries.

Bilateral Trade- India and Singapore
• **Trade partner**-India was Singapore's 12th largest trade partner, in 2021-22 with a share of 2.3% in Singapore's overall trade. • Singapore is India's 6th largest trade partner with a share of 2.9% of India's overall trade (2021-22). • **Bilateral trade-** It stood at US$ 30.11 billion in 2021-22. • **Investor**- Singapore is the 2nd largest investor in India, with a cumulative FDI inflow of US$ 140,987 million from April 2000 – September 2022. • **FDI**- Singapore is the leading source of FDI, among the largest sources of External Commercial Borrowings and Foreign Portfolio Investment. • It is the largest trade partner of India in the ASEAN region. • **Import-** Major items that are imported include include nuclear reactors, boilers, machinery, and mechanical appliances etc., • **Export-** Major exported items from India to Singapore include petroleum products (US$ 3,200 million) followed by ships, boats, and floating struct (US$ 936 million), etc. during April-November 2022. • **Guest country**-India invited Singapore to participate as Guest Country in the G20 meetings and summits under India's G20 Presidency in 2023.

What is Trade Trust Platform?

> *It is a joint initiative to enable interoperable electronic Bills of Lading (eBLs) backed Letter of Credit (LC) transactions between Singapore and Indian banks and companies.*

- It is a framework that comprises globally-accepted standards and enables trusted interoperability of electronic trade documents among governments and businesses across digital platforms.
- **Components-** There are 4 key components in trade trust

- **Legal harmonisation**- It provide legal validity for electronic negotiable documents through compliance to United Nations Commission on International Trade Law MLETR (Model Law on Electronic Transferable Records).
- **Standards development**- It develop international standards which is adhered by the trade trust.

- **Accreditation framework**- It certifies technical solutions to meet law requirements.
- **Software components**- A set of open-source software code that can easily integrate backend solutions to the Trade trust network.



  - **eBLs -** They are digital versions of the traditional paper Bill of Lading. (A bill of lading is a contract issued by a transport company to a shipper that spells out the quantity, type, and destination of the goods being shipped).
  - It is a document that
    - Serves as a receipt for goods that have been shipped
    - Serves as a contract between the shipper and the carrier.

What are the advantages of eBLs?

- **Improves efficiency**- eBLs can be exchanged electronically, thus eliminating the need for paper documents to be physically transported.
- **Cost effective-**It helps to save time and money, and it can also reduce the risk of errors.
- **Authenticity-** eBLs are stored in a secure database which makes them less vulnerable to fraud and tampering.
- It is a legally valid performance obligation transfer.
- **Transparency-** All parties involved in a trade transaction can access the same information about the eBL, thus reduces the risk of disputes.
- **Genuine source-** The platform has genuine creators of documents like Carriers, Govt authorities.

What does trade trust platform offer both countries?

- **Real time transaction**- It is based on distributed ledger technology, which allows for the secure and transparent recording of transactions.
- This makes it possible to track the progress of a trade transaction in real time, and to ensure that all parties involved have access to the same information.
- **Improves efficiency**-It will help to reduce fraud and errors and improve the speed and efficiency of trade transactions.
- **Trade facilitator-** The framework is also interoperable with other trade finance platforms, which will facilitate trade between Singapore and India.
- **Economic growth**- It is expected to boost trade between Singapore and India’s small and medium sized enterprises (SMEs), hence they are key drivers of economic growth
- **Secure**- In the past, trade between Singapore and India was often hampered by the lack of trust and transparency.
- This was due to the use of paper-based documents, which were often lost or misfiled.
- **Standard framework**-It is expected to be further adopted by more businesses in the coming years, as it becomes standard for trade finance in the region.
- **Interoperability-** The proposed innovative framework is interoperable with other trade finance platforms.
- This means that it can be used to connect businesses in Singapore and India with businesses in other countries as well.

- **Decentralization-** Key benefits of such a decentralized verifiable architecture-
  - Remove the need for expensive data exchange infrastructure to be put in place in between exchanging parties.
  - Remove tight coupling and inter-dependencies between exchanging systems.
  - This means exchanging parties can proceed to upgrade and make changes to their IT systems at their own pace according to their own priority.

References

1. Business Line- A framework to lift India Singapore trade
2. Economic Times- India Singapore first live paperless transaction

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