

Approaches to trade digitalization by the Japanese government

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Reiji ISHIDA,

Deputy Director, Trade Promotion Division,

Trade and Economic Cooperation Bureau,

Ministry of Economy, Trade and Industry of Japan

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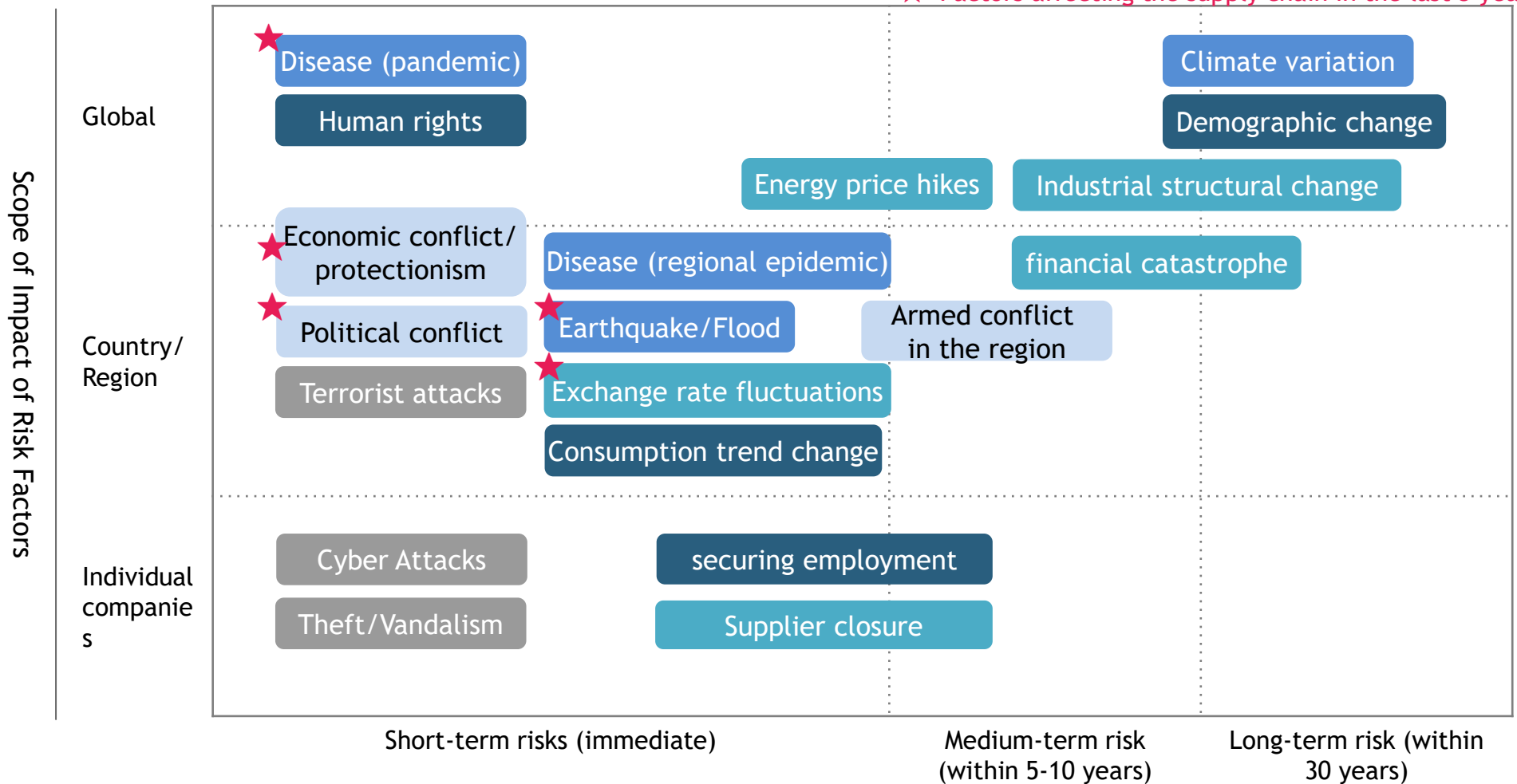
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Increasing Supply Chain Risks

- Supply chain risk has increased in recent years

■ : Natural risks ■ : Geopolitical risks ■ : Economic risks ■ : Social risks ■ : Crime risk

★ Factors affecting the supply chain in the last 3 years



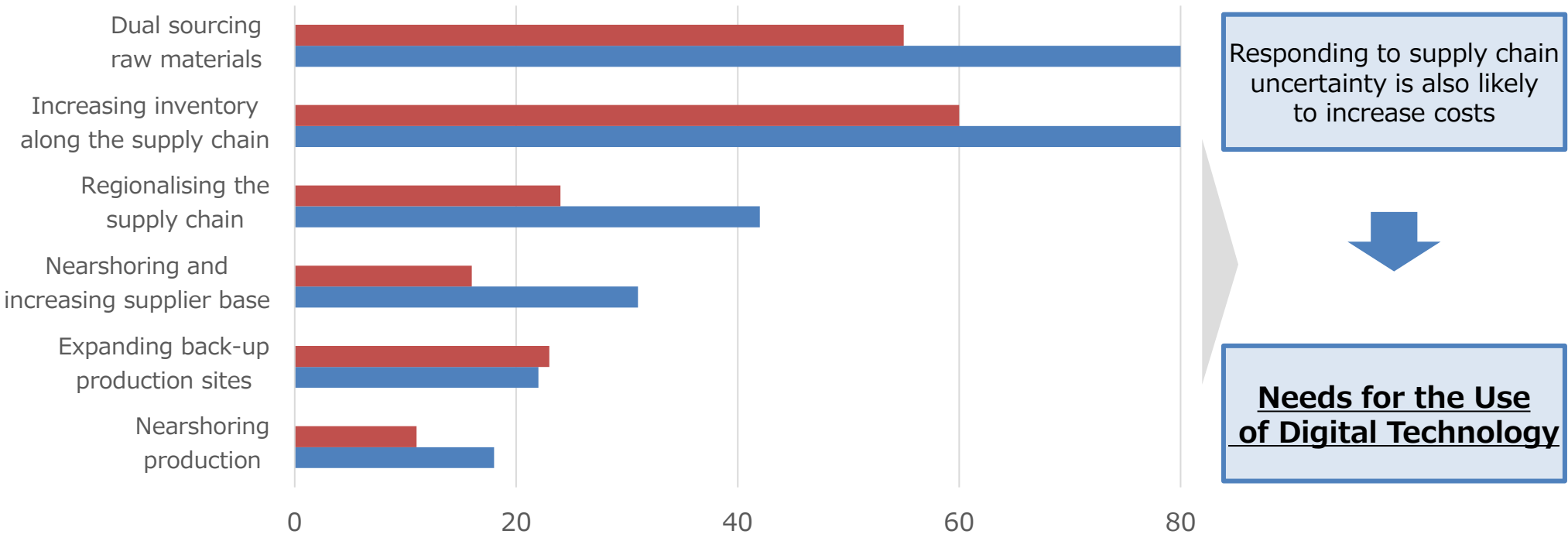
Various measures have been taken to address supply chain resilience risks, but costs are likely to increase

- Companies have been responding to uncertainty by diversifying procurement sources and building up supply chain-related inventories, but these actions are also likely to increase costs.

Ways for strengthening supply chain resilience

Global supply-chain leaders,% responding March-April 2022

Implemented between: ■ May 2020-Apr 2021 ■ May 2021-Apr 2022



The situation surrounding trade

- Paper-based trade procedures are prevalent and regarded as inefficient. In addition, development of trade platform faces challenge in terms of interoperability.



Non-digitized, inefficient trade procedures

There are still many paper-based trade procedures, and the creation, submission, filing and inspection of documents take a large amount of time and man-hours.

Some have been digitized but most of the communication use unstructured data such as email and PDF documents.



Concurrent systems with low interoperability

While multiple entities have been developing digital trade platforms, interoperability among digital trade platforms is not fully guaranteed yet.

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Survey on the utilization situation of electronic bills of lading(From March to June in 2021)

- About 25% of shipping companies that answered to the survey indicated that they had issued eBLs by utilizing digital platform services such as Bolero and essDOCS in the last one year(2020).
- Main reasons for keep using paper BLs are “requests from clients”, and “necessary for L/C transactions”.

Reasons for using paper BLs

- Requests from clients based on contracts
- Necessary for L/C transactions
- Necessary to use BLs as negotiable securities
- Using paper BLs is routine procedure.
- Some stakeholders haven't accepted electronic trade documents yet.
- Substantially no other option but to use paper BLs for several reasons including undeveloped legislation and infrastructure for eBL, low awareness of eBL, etc.

Reasons for not using digital platform services to digitalize BLs

- The law on eBL hasn't been established yet in Japan, so it'll be difficult for a company to find out a solution with their trade partner in case they get into some trouble on their trade transaction with eBL.
- Electronic BL can be used effectively when all of stakeholders have an access to the platform service to use eBL, which is a limited situation.

Survey on the utilization situation of electronic bills of lading - continued

Comments for demand on eBL through platform services

- Receiving requests to digitalize BL to resolve “the crisis of Bill of Lading”, which arises on the trade with neighbor countries such as China and South Korea
- Receiving requests to digitalize BL to avoid the lost BLs
- Increasing demand to make paperwork more efficient
- Showing interest in digitalizing BL to accelerate the entire digital transformation

Source) Japan Institute of Business Law “Research report on digitalization of business law -Digitalization of Bill of Lading- ” April 2022

Situation on the amendment of Commercial Code on digitalizing bill of lading

- ✓ The Commercial Code subcommittee of Legislative Council of the Ministry of Justice on eBL has been regularly hold since April 2022.
- ✓ From March to May 2023, the public comments were asked for to the interim draft on the amendment of provision on BL. Positive comments were made for preparing a law to digitalize BL based on MLETR.
- ✓ The purpose of the law amendment is to recognize eBL legally in addition to ordinary paper BL, neither mandating eBL nor prioritizing eBL over paper BL.
- ✓ The digitalization of warehouse receipt has also been discussed in the Commercial Code subcommittee as well as the digitalization of BL.

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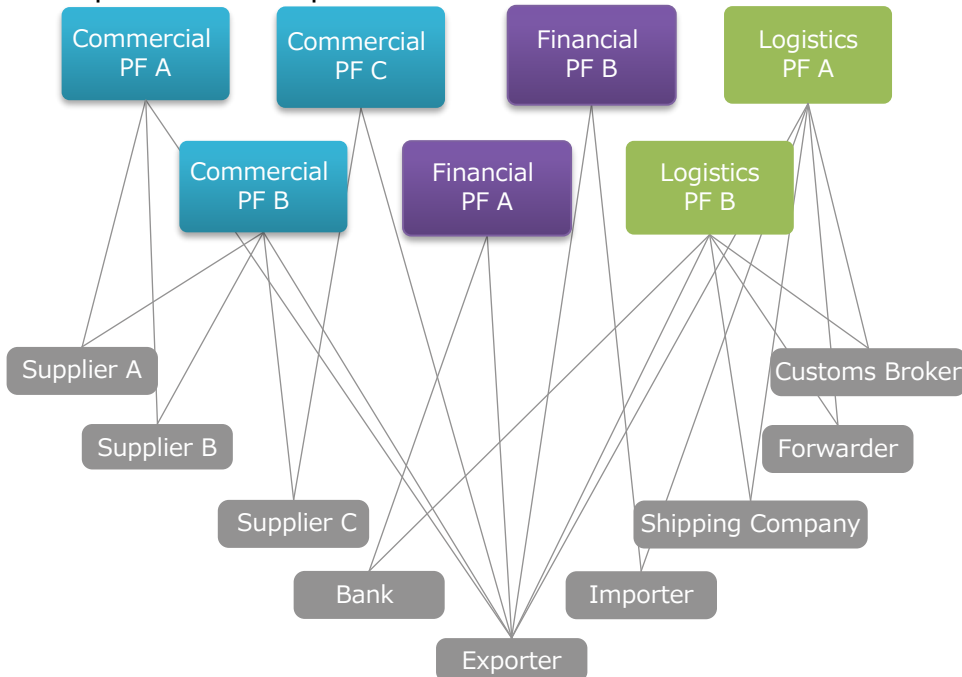
4.Potential collaboration for trade digitalization

Trade data linkage based on international standards established by UN/CEFACT

- International standards could be the important tool to improve the efficiency of "data linkage".

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There are a number of trade platforms (PFs) in both Japan and other countries. A company is often required to use multiple PFs to exchange data with business partners, which imposes a huge cost on the company to implement multiple interfaces.



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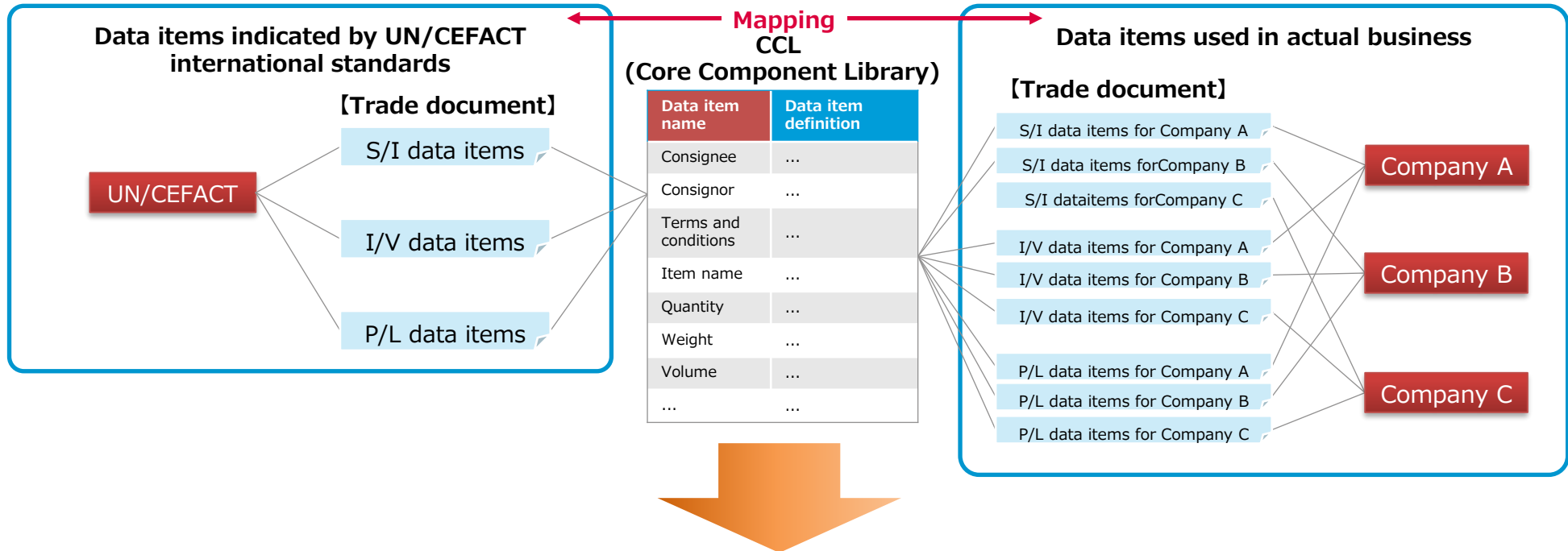
By utilizing international standards, a company will be able to exchange data with all PFs and trading partners systems smoothly at minimum cost.



Verification of the practicality of international standards

● Data mapping between international standards and practical data

- Data Mapping : "Data items indicated by the UN/CEFACT international standards" and "data items that companies practically use on their actual business" in the same trade document.



- It found out that some data items used for actual trade business are not registered on the UN/CEFACT international standards.
- Working on requesting additional data items registration for the UN/CEFACT.

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Potential collaboration for the trade digitalization

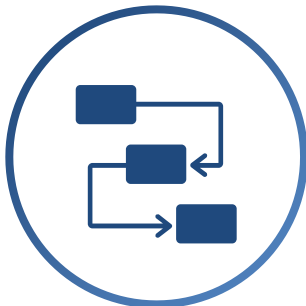
To generate network effects that increase trade platform value, enhancement of trade platform interoperability and support for the deployment of trade platform are essential.

Support for the deployment of trade platform



For countries that do not yet have platforms, assisting to establish the trade platform by providing necessary technology, funding, and human capital through regional organizations including ERIA.

Enhancement of trade platform interoperability



Assisting multiple trade platforms to build interoperability, aiming to facilitate document preparation, application processes, and data sharing on trade procedures.

ASEAN-Japan collaboration for the trade digitalization

- Digitalizing trade procedures contributes to the cost reduction and the resilient supply chain between ASEAN and Japan.
- AMEICC and ERIA have been working on drawing up a road map to accelerate the trade digitalization in each ASEAN country.
- METI will create use cases to facilitates trade digitalization between ASEAN and Japan.

【Drawing up a road map】

AMEICC (From May 2023)

- Analyze infrastructure environment for the trade digitalization in ASEAN and potential changes that would be brought by governmental policies.
- Draw up a road map to accelerate the trade digitalization in ASEAN-wide.

Proposal at AEM-METI and special leaders' summit

ERIA (Second half in 2023)

- Prepare action plans to arrange environment for the trade digitalization in each ASEAN country.

【Creating use cases】

- Conducted POC project for the interoperability between JP's trade platform and four trade platforms in Thailand, Singapore, Australia and New Zealand.
- 60% time saving on trade procedures.



Thank you!!

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