Modern Maritime and E-Commerce Laws – An Opportunity for the Freight Forwarding Industry

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Benefits of Electronic Records

- Reduce transaction costs
  - Distributional consequences of such savings are unknown
    - Savings will accrue to both shippers and carriers.
    - Investments for an electronic system to be made by carriers or shippers or third parties?
- Faster payment
  - reduce information asymmetry to better manage risks and provide greater access to finance
- make global supply chains secure and sustainable

Closed vs. Open Systems

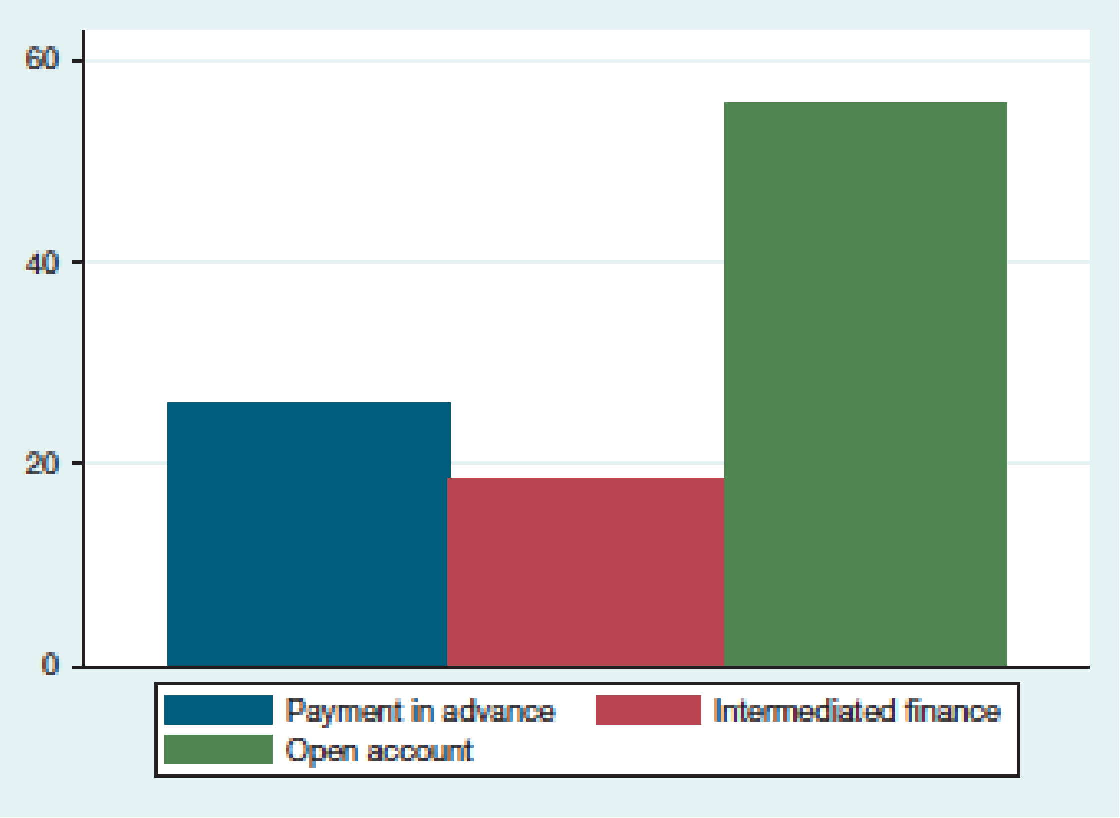
- Closed systems - membership based – English/US law
  - Bolero – registry based model; promoted by the banking industry; evolved to introduce trade finance solutions.
  - essDOCS – registry + token based model.
- Small shippers still use paper documentation while some large shippers use electronic records.
- Conforms to FIATA's existing operations.

- Open system – no membership required
  - Based on the right of control concept under the Rotterdam Rules.
  - The concept has its roots in the 1982 Venice Conference of CMI and the 1990 CMI Rules on Electronic Bills of Lading.
  - UNCITRAL WG-IV initiative on electronic transferable records.
  - Carrier/ Freight Forwarders will have to invest.
    - Compromised Operational Efficiency!
    - Returns?

International Trade and its Financing

- Current international trade relies heavily on global supply chains.
- There exist a two trillion dollar credit gap for MSMEs, a majority of who feed into global supply chains.
- Lead firms push inventory costs down on to the suppliers.
- Open Account Terms leave MSMEs with reduced cash flow.
- The financial profile of the weakest link in the supply chain impacts the entire supply chain.

Average usage of trade finance



Trade finance usage by income level

What is the Opportunity for the Freight Forwarding Industry?

- Facilitate supply chain finance (SCF) which will go hand in hand with supply chain management (SCM).
  - Carriers/consolidators have the best view on location of goods.
    - **where are the goods? (SCM).**
  - Better cash flow for MSMEs.
  - If more information is available to financial institutions on the fluctuating value of goods while they are being transported, there is the possibility to offset collateral against capital, thus turning the entire supply chain into a financial asset. This will enable financial institutions to mitigate financial risk within the supply chain.
  - Warehouse financing.
    - **how much are the goods worth? (SCF)**
- Carriers/ consolidators can develop the electronic transport record system which acts as a channel to access information; use of “big data” in transport.
- Insurances to be included in the bundle of services.

Conclusion

- Are the traditional functions of a bill of lading still relevant? What are the residual functions for which it is being used, and are these useful?
- Over the past decade the closed system service providers have continually evolved.
- What could be the possible future role of FIATA in promoting electronic transport records?
- Law is not a bottleneck.
- Cargo consolidators/ carriers can reshape the future of trade finance by combining new maritime law and e-commerce law and trade practices with the practical financial needs of exporters and importers to make international trade efficient.