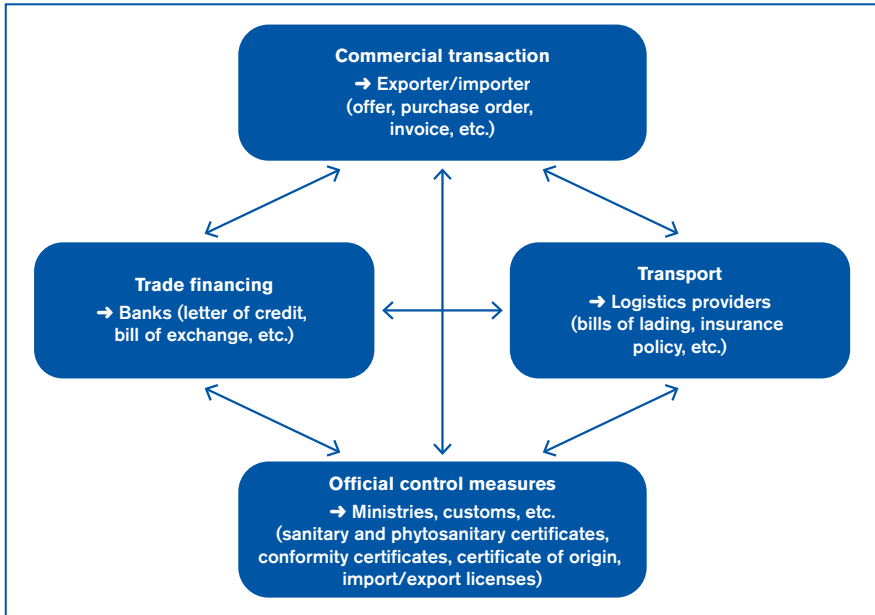


Figure 4 Four processes involved in cross-border trade transactions

Source: Author.

Not only do these various paper intensive processes increase coordination and administrative costs, they are also prone to errors, losses and fraud. Although notable progress has already been achieved, full digitalization of cross-border trade transactions of goods is not yet in sight. The complexity and costs associated with international trade in goods has led an increasing number of companies and governments to investigate how Blockchain could be used to cut paperwork and enhance processes involved in the export of goods, from trade finance to border procedures and transportation, with the hope of moving closer to truly paperless trade.

(a) Can Blockchain facilitate trade finance?

The availability of trade finance is crucial for trading activities. Only a small part of international trade transactions are paid cash in advance, as buyers usually want to pay only once the goods have been properly delivered. Up to 80 per cent of trade is financed by some form of financing (WTO, 2016b), which, broadly speaking, includes traditional mechanisms, such as letters of credit, and supply chain finance – a generic term that refers to a variety of financing instruments used to finance parties in a supply chain. While letters of credit have traditionally been a widely used