

## **Closing Remarks**

**H.E Mr. Abdelsalam Mohamed Al Ali, Plenipotentiary Minister, UAE Representative to the WTO**

### **Blockchain and International Trade: Opportunities, Challenges and Implications for International Trade Cooperation**

**27 November 2018, 17:30, Room W, WTO**

Good evening Distinguished speakers, ladies & gentlemen,

It is an honour to be here today at the sessions and deliberations were extremely informative and interesting.

We cannot deny that the world is witnessing a rapid adoption of blockchain strategy and according to the World Economic Forum, blockchain could boost trade by more than \$1 trillion by 2028.

The global trade financing gap currently stands at around \$1.5 trillion – a figure that could rise to \$2.4 trillion by 2025, the report warns. And therefore, the importance of new technologies such as the Blockchain cannot be undermined.

By removing barriers and streamlining trading processes, technologies such as Blockchain could facilitate up to \$1.1 trillion of new trade volume, roughly a 30% increase, thus, significantly plugging the gap.

That's not the only way 4<sup>th</sup> Industrial Revolution technology is changing the game of international trade in industries such as trade finance, IP, transport and logistics. "Single window" systems have reduced border clearance time in some countries by 90%, at the same time slicing costs by 60%.

Take the case of logistics and transport sector - Transportation companies are always in need of authenticated secure data that would help them consistently improve their operations, which isn't that easily available right now and is open to manipulation.

Blockchain helps to reduce costs in the freight Industry, because tasks under the blockchain are self-executing and only work when specific conditions are met, and this helps to cut unnecessary administrative costs and remove all the probable errors that may have occurred.

What blockchain introduces, fundamentally, is greater trust across the ecosystem. With blockchain, participants have everything they need to know about their shipments and transactions in one place, and they know the information is reliable because of the security of the distributed ledgers. In terms of the challenges and the needs of the transportation industry, blockchain can become a transformative tool.

New technologies can also significantly affect what we trade, who trades what, and how we trade. The wide adoption of digital technologies is changing the composition of trade in different categories of services and goods and is redefining intellectual property (IP) rights in trade.

WTO's report highlights that all digital technologies, but especially blockchain, will help to improve physical trade. Specifically, by optimizing custom procedures, increasing logistics efficiencies, helping with language issues, and reducing contract enforcement costs.

Trade finance, and particularly letters of credit and supply chain finance are areas where the WTO observed significant activity.

Ladies and Gentlemen,

Coming to the UAE – we, very early, understood the importance of these new technologies and what they would mean for our economy.

The UAE government launched the Smart Dubai initiative in 2013, an ambitious project looking to provide cutting edge technological innovations across the country.

A central part of the initiative is to improve government efficiency by using blockchain technology, in the hopes of making Dubai a global leader in the space. This includes a transition to digital systems which will see visa applications, bill payments, and license renewals move away from traditional paper documentation.

In April 2018, the UAE Government launched the Emirates Blockchain Strategy 2021. The strategy aims to capitalise on the blockchain technology to transform 50 per cent of government transactions into the blockchain platform by 2021.

Partnering with the Dubai Department of Finance, a blockchain-powered payment system was officially launched in September 2018. The Payment Reconciliation and Settlement (PRS) system aims to allow government entities like the Dubai Police, Roads and Transport Authority, and Dubai Health Authority to transact in real-time, providing a transparent system for intergovernmental processes.

The Financial Services Regulatory Authority (FSRA) – which is the financial regulator of the Abu Dhabi Global Markets (ADGM), a free zone in Abu Dhabi – has become the first regulator in the UAE to issue comprehensive guidance and regulations on carrying such activities.

By adopting this technology, the UAE government expects to save close to AED 11 billion in transactions and documents processed on routine basis, 398 million printed documents annually, and 77 million work hours annually.

We also set up the Global Blockchain Council, an initiative that includes 42 government entities and private companies to discuss the best applications in Blockchain technologies.

In fact, Dubai intends to be the first city fully powered by blockchain by 2020.

As we know, Blockchain and blockchain-based distributed ledger technologies can have tremendous impact on the global trade supply chain. Organizations such as Dubai Chamber of Commerce and Industry have also launched an initiative to leverage blockchain technology to address global trade issues such as high costs and lack of transparency and security.

In addition to making movement of goods more efficient and reliable, blockchain-based solutions are disrupting the world of trade financing. For example, blockchain is being used to simplify the long and tedious process of obtaining a Letter of Credit (LoC), a payment mechanism used in international trade.

We firmly believe that success in adapting to blockchain can only be achieved if the government uses it for all its services, creates an ecosystem for the business community and lead the international debate by understanding cross border blockchain use cases.

The government also wants to use blockchain before implementing Artificial Intelligence (AI) in the country.

With AI, encryption of data is crucial, and we believe that blockchain can serve as the foundation for AI initiatives of the UAE. With blockchain, we can trace which data the AI used and find out what AI is doing and how we can improve it.

Blockchain will bring improvements that are not incremental but transformative. But I would advise, cautious optimism – just with every new thing, we need to test the impact of blockchain on trade and ensure a seamless transition. I do acknowledge that there's still a lot of work to be done.

Also, we all know that the use of blockchain technology raises several legal issues, ranging from the legal status of blockchain transactions to applicable law, and liability issues -who has liability if something goes wrong and what resolution mechanism applies in case of conflict? not to mention possible compatibility issues with existing regulations,

Ladies and Gentlemen,

International trade demands a faster, more secure and more efficient way to handle the document approval workflows needed to move goods across international borders

Numerous industry participants have launched plans to examine the use of Blockchain technology in cross-border transactions. Sooner than later, this technology will enable banks and organizations to abolish paper contracts, faster settlement of transactions, securing digital networks from cyber-attacks and helping them implement cost-effective solutions.

In the years to come, the extensive use of Blockchain in international trade will help in decreasing friction in the international economy and will benefit importers and exporters as it will grant them access to the financial support in areas where the current financial arrangement is lacking.

There is still some nitty-gritty to be taken care of while implementing blockchain solutions such as proper regulation guidelines. However, we hope the regulators will work towards solving these issues as the positive or rather as I said the brighter side of trade – generating profit for businesses, building economies, by simplifying trade and workflow, is tremendous because of Blockchain.

On this note, I would like to thank you all for being here today and wish you the best!

Thank you.