

# Dematerialization of Trade Finance and International Trade: France Must Accelerate to Stay in the Global Race

*By Philippe Henry\**

The era of paper in international trade is coming to an end. The good news is that France is mobilizing to digitize documentary and financial flows as well as logistics data, a strategic challenge for the country's efficiency, competitiveness, and economic sovereignty.

## A Decisive Turning Point for International Trade

While negotiable financial securities (stocks, bonds, etc.) were dematerialized more than 40 years ago (law of December 30, 1981) by removing the possibility for companies to issue paper securities and creating these securities by simply registering them in an account or electronic register, the digitization of negotiable commercial instruments (bills of lading, bills of exchange, promissory notes, etc.) has long seemed impossible.

Indeed, these instruments, created several centuries ago by commercial practice, have the particularity of incorporating in their medium a right (to the delivery of the goods described in the bill of lading or to the debt mentioned on the commercial instrument), so that possession of the original instrument is necessary to exercise this right or transfer it (by endorsement or, in some cases, by simple physical delivery).

While, for many years, the creation of an electronic document bearing an electronic signature has been easily achievable, ensuring the possession of the original of a dematerialized instrument seemed to some an insurmountable task.

The **United Nations Commission on International Trade Law (UNCITRAL)** overcame this difficulty by developing, in 2017, the text of a **Model Law on Electronic Transferable Records (MLETR)**, allowing, among other things, the functional equivalence of possession of the paper instrument by the exclusive control of the dematerialized instrument.

## Why Digitize Trade Finance?

The dematerialization of millions of commercial documents generates considerable benefits:

- **Increased Efficiency:** Automation reduces costs and lead times and simplifies transactions for banks, businesses, and shipping and logistics groups.
- **Enhanced Security:** Fraud and document forgery become virtually impossible thanks to digital technologies.
- **Transparency and Traceability:** Platforms enable real-time monitoring of trade and financial flows.

These challenges are particularly crucial for SMEs and ETIs, which struggle to mobilize their working capital needs internationally. Their development is hampered by inefficient processes, over-reliance on paper documents, and a lack of data interoperability.

Yet, according to Bpifrance and Les Echos, 62% of SMEs that export want to go beyond the EU by 2025.

## **The Mobilization of the Paris Financial Center: A Major but Still Incomplete Advance**

Since 2022, Paris Europlace, ICC France, and trade finance players, with very strong support from the Ministries of the Economy, Justice, Foreign Trade, but also the Treasury and Bpifrance, have engaged in a dynamic to accelerate the digitization of international trade.

The **Paris Europlace report** submitted to the ministers in June 2023 highlighted the need to adapt our legal and financial infrastructures and to mobilize our authorities on the subject of international trade.

These recommendations led to the vote of the **law on attractiveness of June 13, 2024**, where the principles of the MLETR model law were included in Title II, aimed at increasing business financing and the attractiveness of France.

This legislative framework, which fully recognizes the dematerialization of transferable commercial instruments in French law, offers companies and banks the opportunity to free themselves from paper documents, thus reducing administrative costs, processing times, and fraud risks.

An implementing decree will be published soon. This will play a key role in:

- Providing a stable regulatory framework for fintechs and trade finance players.
- Managing consistency with European regulations (eIDAS2, eFTI, MiCA).
- Integrating digital trade finance tools into centralizing portals for transport and customs data.

But France, which is one of the first countries in the world to have adapted its law in this area, cannot be satisfied with the legislative and regulatory framework alone: it must structure a robust (which can serve as a European structure) and interoperable national infrastructure.

Although progress has been made, the fragmentation of initiatives is slowing down their implementation.

The EU **eFTI (Electronic Freight Transport Information) regulation**, for example, requires Member States to put in place a common architecture by July 2027 to accept and process **transport information in digital format**. This transformation must be aligned with the digitization of trade finance (MLETR) to maximize efficiency.

The national logistics strategy, updated in November 2024, insists on the need for **efficient and sustainable digitization**, with a roadmap for 2025-2026. However, **these initiatives remain fragmented**, conducted separately and in silos by different ministries, administrations, and professional organizations. A **coherent and coordinated approach** is essential to maximize efficiency gains, ensure interoperability of systems, and integrate all actors, including SMEs and small carriers.

The creation of an **interministerial committee** could make sense in order to coordinate the implementation of eFTI and MLETR, and structure a **national public/private platform** for the registration of digital documents.

The transition to digital remains too timid in France, while the digitization of international trade finance is becoming a strategic imperative at a time when a recent Rexecode report warns of the decline in French exports on the international market with a trade deficit of nearly €90 billion in 2024. According to Bpifrance figures, only 17% of SMEs export regularly, while 100,000 exporters are still missing in France compared to our German and Italian neighbors.

## A National Platform to Structure the Future

While China, Hong Kong, and India are accelerating the digitization of trade documents, France must take a strong initiative.

The creation of a **national platform for the management of digital trade documents** is becoming essential.

Co-managed by **Bpifrance, credit insurers, French banks, shipping and logistics companies, and major exporters**, this infrastructure would allow:

- **Standardization of practices** for large-scale adoption.
- **Better structuring of short-term export support mechanisms**, in terms of risk and financing, particularly for ETIs.
- **Interoperability with international platforms** to guarantee the recognition of electronic instruments.
- **Strengthening the competitiveness of French companies** in the face of the demands of modern trade.

## The Signal Given by International Initiatives

The example of Trafigura, a company specializing in the commodity trading, illustrates the potential of digital technology: at the end of 2024, the company structured a \$2.88 billion borrowing base facility using **digital bills of lading** (eBLs) as bank collateral.

This advance reduces the risk of fraud and speeds up transactions.

Other markets go even further:

- **China:** COSCO Shipping has issued more than 350,000 eBLs in one year thanks to a favorable regulatory framework.
- **Hong Kong:** GSBN has integrated the **tokenization of eBLs** to facilitate their exchange on the financial markets.
- **India:** The BharatTradeNet platform plans to standardize more than 30 types of trade documents to optimize international trade.
- **Morocco:** The TijarAI/Portnet single window aims to simplify and optimize foreign trade operations with Morocco thanks to AI. It already allows the electronic management of import and export securities and will integrate the additions made necessary by the planned integration of the principles of MLETR into Moroccan law.
- **Egypt:** Implementation of the Egyptian Single Trade Window (Nafeza), an integrated digital government platform designed to facilitate foreign trade operations. It centralizes and coordinates procedures and information relating to imports, exports, and transit operations, allowing stakeholders to submit all required documents via a single portal.

Finally, the **BIS Innovation Hub Hong Kong** has launched the **Aperta project**, which aims to connect the open financial infrastructures of several jurisdictions to **facilitate the portability of financial data** and modernize the financing of international trade.

However, no French player is among the partners of this initiative supported by, among others, the Central Bank of the United Arab Emirates, the Banco Central do Brasil, the Financial Conduct Authority (United Kingdom), the Hong Kong Monetary Authority, the Global Legal Entity Identifier Foundation, and ICC DSI.

## **An Imperative for the Competitiveness of French and European Companies**

The challenge goes beyond simply modernizing infrastructure: **it is a crucial financing lever for French and European companies.**

Today, many SMEs and ETIs must operate internationally on an **"open account"** basis, without being able to mobilize their receivables as collateral with banks.

With the digitization of trade finance, they could access new financing (for example, by mobilizing irrevocable bank commitments for term payment, such as those resulting from documentary credits or the endorsement of commercial instruments), while **strengthening transaction security.**

A concrete example: **FranceAgriMer**, the national establishment under the supervision of the Ministry of Agriculture & Food Sovereignty, responsible for supporting and organizing the agricultural, agri-food, and fisheries sectors in France.

By digitizing the granting of **agricultural endorsements and promissory notes**, it will be possible to accelerate the settlement of harvest campaigns, directly benefiting farmers and streamlining the entire value chain.

## **The Presidential Council for Foreign Trade Announced for May 2025 as an Accelerator**

President Emmanuel Macron has announced the holding of a Presidential Council for Foreign Trade in May 2025, reaffirming the priority given to the internationalization of French companies and the competitiveness of our foreign trade.

Through this initiative, the State intends to mobilize all economic players in order to structure a coordinated response to the challenges of world trade and to position France as a leader in innovation in the field of international trade.

There is therefore still hope that these subjects can be placed at the heart of the discussions of this Council.

In particular, improving support for ETIs internationally and reducing the **"trade finance gap"** are major challenges requiring concrete and coordinated measures.

## **Conclusion: The Paris Financial Center Must Take the Lead**

The train of digitization of international trade is on the move.

France must **structure its ecosystem** in order **not to suffer** from this change but to **take full advantage** of it.

The establishment of such a **co-managed national platform**, modeled on the former **Sicovam** or the **GIE Cartes Bancaires**, for the management of digital promissory notes and bills of exchange, would be a strategic step forward to:

- **Accelerate the adoption of digital technology and AI in trade finance.**
- **Strengthen the competitiveness of French companies in export** by promoting their financing.
- **Guarantee the financial sovereignty of the Paris Financial Center.**
- **Encourage the securitization of commercial instruments.**
- **Support initiatives such as the India-Middle East-Europe Economic Corridor (IMEC)** recently discussed during Prime Minister Modi's visit to Marseille.

While the countries of the Global South, which are our trading partners, are making great strides, **France must act with ambition and determination.**

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