



EU-U.S. TRADE AND TECHNOLOGY COUNCIL

WORKING GROUP 10 – GLOBAL TRADE CHALLENGES


**A Preliminary Stakeholder Event on
Increasing the Use of Digital Tools
to Enhance Transatlantic Trade**

REPORT

Digital event

Date: 4 May 2023, 15:00 – 17:00 (CEST) / 09:00 – 11:00 (EDT)

Format: Online via WebEx



SECTION I – WELCOME AND INTRODUCTION: CONTEXT OF THE EU-U.S. COOPERATION ON DIGITAL INITIATIVES THAT MAKE IT EASIER FOR COMPANIES TO ENGAGE IN TRADE

As recalled in the [Joint Statement](#) of the Trade and Technology Council of 5 December 2022, digital technology can make it easier for companies, particularly small- and medium-sized enterprises, to engage in trade. Therefore, the European Union and the United States committed to compiling and exchanging information on respective initiatives to use digital technology, with the intention to discuss and develop joint best practices for the use of digital tools and to promote compatibility, where possible.

In this framework, the TTC Working Group 10 on ‘Global Trade Challenges’, organised on 4 May 2023 an online stakeholder event to discuss possible transatlantic cooperation on digital initiatives to enhance trade with representatives from the EU and the United States. The focus was on the collection and discussion of concrete initiatives, recommendations and best practices. It represented an initial step, establishing the opportunity for future follow-up stakeholder events, possibly in-person in the United States or Europe, as both the U.S. and EU continue to advance their thinking.


The event was based on the prior U.S. and EU exchange of information on several initiatives that are currently in use or in development in the EU and the U.S.. On the U.S. side, reference was made to a pilot programme of the U.S. Consumer Protection Safety Commission to be launched in October 2023 to allow for the electronic submission of conformity assessment related documents for products they oversee in the United States based on cooperation with the U.S. Customs administration. While the Commission has already selected the thirty companies that will be participating, it is still willing to consider on a case-by-case basis applications by other companies that wish to participate in the programme. Inquiries can be submitted to eFilingPilot@cpsc.gov. On the EU side, the initiatives that are already in use or in development relate to electronic certificates and documents, electronic invoicing, e-signatures, and product traceability.¹

The importance of the event has also been underlined. There is a unique opportunity to harness the very important, and sometimes disruptive, set of technological developments that could also be put to use for trade facilitation. There is in fact untapped potential for public administrations and for companies that have to engage with them to use those digital tools, and transatlantic trade and technological operations in these areas, both on the import and export sides, will be crucial for both economies in the future. The benefits of digital trade are not only limited to large corporations, they also concern small- and medium-sized enterprises (SMEs). It is submitted that there is an important potential for the EU to promote trade by SMEs between the EU and the U.S., to increase their exporting activities and even to increase the number of companies engaged in trade, because some of these barriers are fixed costs that prevent market entry. It has, however, been underlined that digitalisation is not *per se* an automatic recipe for trade facilitation, because digitalisation can also lead to new barriers linked to a lack of interoperability, or technical solutions that are chosen without regard to trade or SME objectives.

SECTION II – STAKEHOLDER INTERVENTIONS & OPEN DISCUSSION

Both sessions of the event comprised first interventions by eight different stakeholders, before

¹ Please refer to the [Prospectus](#) of the event for further explanations of the EU and U.S. digital initiatives.



the floor was opened to the online audience.


Some overarching remarks were made regarding **pre-conditions** that are considered essential for the concrete initiatives to be successful. These pre-conditions relate notably to the EU-U.S. data privacy framework to be adopted and implemented, and a focus on enabling trade in digital services across the economy in areas of shared strengths, like telecommunications, software, business services and financial services (the EU and the U.S. are in fact the world's two largest exporters of digitally-enabled services). They also relate to ensuring that regulatory regimes regarding the cross-border transfer of information by electronic means are aligned with international best practices, the prohibition of data localisation requirements, such as to locate computing facilities in a party's territory, effective consumer protection laws to proscribe fraudulent and deceptive commercial activities, adoption of a legal framework that provides for the protection of the personal information of the users of digital trade, and strengthening existing collaboration mechanisms to rapidly identify and mitigate malicious cyber security incidents.

An overview was given of some of the **ways in which cross-border digital tools and data can enhance the productivity, predictability, security and safety of the supply chain**. In fact, while 60% percent of global GDP is digitised today, 75% of the value of data transfers is estimated to accrue across industries, including agriculture, manufacturing and **especially logistics and supply chain management**. It is also estimated that cross-border digital tools reduce export costs for MSMEs by 82% and transaction times by 29%. The first case study related to cross-border inventory management, whereby data analytics solutions enable users to predict how certain events, such as extreme weather and road conditions, may impact supply, production and delivery. The second case study concerned cross-border demand forecasting based on data analytics tools, such as AI solutions, which are estimated to reduce forecasting errors by 20-50%, and lost sales and product shortages by up to 65%. The third case study on transportation and maintenance revealed that predictive maintenance can avoid and greatly minimise supply chain disruptions due to transportation delays, which is also a prime source for financial losses in supply chains. The last case study related to product track and trace that can be done transparently, safely, quickly and efficiently using technologies such as blockchain.

Stakeholder interventions also discussed **e-invoicing**. On the one hand, the lack of consistency in the formats of electronic commercial invoices sent to a logistics provider, such as DHL, was pointed to, as it entails still the manual entrance of the relevant data into the customs platforms. The Optical Character Recognition (OCR) technology, while a great digital tool, becomes also useless in such circumstances, and it takes a long time to teach systems to correctly identify the data fields on every different invoice format (even if AI technology could perhaps represent a solution). Therefore, it was recommended to the EU and the U.S. to develop a harmonised template for commercial electronic invoices that would assist technologies to read the data and the invoice more accurately and execute an automatic entry into customs platforms without errors, therefore facilitating automated customs reporting based on electronic invoicing

On the other hand, since April 2019, the EU introduced the obligation for the entire public sector to receive and process electronic invoices compliant with the European eInvoicing standard and more than half of its Member States have introduced mandatory e-invoicing in public procurement. Some Member States are also planning to introduce mandatory B2B e-invoicing.

The recent European Commission proposal to modernize the rules around VAT in the digital age, ViDA, aims for mandatory e-invoicing in the EU and also reporting on invoice data. ViDA requires enterprises to exchange electronic invoices based on the EU eInvoicing standard for



cross-border transactions as of 1st January 2028 and to submit a subset of the standard for VAT digital reporting to tax authorities. It is still unclear whether the EU will mandate eDelivery² (either as 4-corner model, whereby the trading partners connect to one access point in a distributed model with a common interoperability framework where the invoice is exchanged, or the 5-corner model, including the TAX authorities).

Nevertheless, on this basis, an area of potential EU-U.S. cooperation has already been identified: building on the European norm to ensure compatibility of invoices and reporting data, with some adaptation needed (notably as regulations on invoices in the EU are VAT-driven, in contrast to the U.S.) focusing on the adaptation to the B2B environment of the e-invoicing semantic data model EN 16931-1, as this norm was initially made for public procurement but is expected to be used also for commercial transactions.

Stakeholder interventions equally acknowledged the importance of **digital trust services** in fostering transatlantic trade thanks to their capacity to increase trust, efficiency, cost savings, security and privacy, and potentially to help comply with regulatory requirements related to cross-border trade. It was explained that the main challenge with trust infrastructures relates to the definition of common standards, including the compatibility of laws, regulations and the way liabilities are treated. In this respect, the recent EU-Japan proof of concept was provided as a promising example, which could be a possible foundation for an EU-U.S. model. Digital identity was referred to as another key component of a trust framework. It has in fact the potential to create economic value equivalent to 6 percent of GDP in emerging economies and 3 percent in mature economies on top of non-economic values like inclusion, rights protection, and transparency. It was explained that there is a movement in Europe from federated ID schemes towards a pan-European harmonised ID scheme, issued by Member States to citizens, residents and businesses, with users in full control of their data. Exchanges between the EU and the US, including a mapping of respective ID schemes, are ongoing. Wide mutual recognition of eID standards or wide use of eID common standards across borders/continents could induce other countries to follow suit and would foster global trade.

Centralized and consistent customs clearance and valuation processes were also discussed as key areas for use of digital tools to facilitate trade, notably regarding the life sciences and medical devices industry. In the EU, customs clearance departments have currently to be established in every location of import, which is not efficient. It was thus suggested to take example on the U.S. 'remote location filing', which allows to import through multiple ports into the U.S., but file customs declaration at one centralised different location. The lack of consistency across EU countries with respect to customs valuation was also stressed, in particular regarding regularly needed import corrections to accommodate transfer price adjustments. A standardised method of post-import correction, such as the U.S. reconciliation programme, has been proposed as a solution. Beyond, an overall centralized space, where electronic documents could be submitted and be pooled by any customs agency, was supported as a potential trade facilitation initiative.

The **EU TRACES system** regarding the agri-food chain was discussed, in particular regarding the issuance of documents as well as protocols for electronic signatures, and the improvements in compatibility of systems concerning the IPPC ePhyto Hub related to phyto certificates.

Finally, the **distributed ledger technologies** were presented as a tool to support customs clearance. They enable in fact to combine a centralised standard and approach in a secure manner

² <https://ec.europa.eu/digital-building-blocks/wikis/display/DIGITAL/eDelivery>



that can be verified. In this respect, pilots are being developed by DHL and other private and public actors, for instance, in Dubai and Egypt. It was noted that the **approach on use cases** is also evolving from proofs of concepts (POCs) to minimum viable products (MVPs) based on a two-step approach involving first the discussion of concepts and then the setting up of some governance structures and principles so that companies and public-private partnerships can play a major role to further expand and influence DLT.



RECOMMENDATIONS BY STAKEHOLDERS

General

Transatlantic cooperation on digital tools, in particular through proofs of concept, should involve all relevant actors, including public administrations and companies, small and large (public-private partnerships).

Transatlantic cooperation on digital tools should focus on: (1) the global value chain perspective, including both the import and export sides; (2) the needs of small and medium-sized enterprises (SMEs).

Pre-conditions, such as appropriate regulatory regimes (including effective consumer protection rules, the protection of personal data and the prohibition of unjustified data localisation requirements), the strengthening of collaboration mechanisms to identify and mitigate cyber security incidents or best practices for digital skills development, should be respected for concrete digital initiatives to be successful in facilitating transatlantic trade.

Logistics and supply chain management

Digital tools should especially be developed regarding logistics and supply chain management, including cross-border inventory management and demand forecasting, transportation and predictive maintenance, as well as product track and trace.

E-invoicing

The EU and the U.S. could develop best practices in interoperability of e-invoicing networks and foster convergence of their systems to ensure the global movement of invoices and supply chain documents.

Based on EU and U.S. policies and especially on the European Commission proposal to modernize the rules around VAT in the digital age, ViDA, transatlantic cooperation should ensure compatibility of invoices and reporting data, with some adaptations.

Digital trust services

Transatlantic cooperation should focus on the definition of common standards to support mutual recognition of trust infrastructures, an example of which would be the recent EU-Japan proof of concept.

The EU and the U.S. should agree on a common standard for distributed digital ID that could become a global standard.

Customs and regulatory processes

Customs clearance processes in the EU should be further centralised, an example of which would be the U.S. 'remote location filing'.

Customs valuation processes in the EU should converge towards a standardised method of post-import correction, such as the U.S. reconciliation programme.

Transatlantic cooperation should work at the digitalisation of all documents required for cross-border trade and the development of a centralised space, where electronic documents could be



submitted and be pooled by the relevant customs or regulatory agencies.

TRACES on the agri-food chain

There should be enhanced compatibility of systems concerning the IPPC ePhyto Hub related to phyto certificates.

Technologies

More specific tools, such as distributed ledger technologies, or AI, should be taken advantage of as part of the transatlantic cooperation on digital initiatives.



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This report has been prepared by Dr Malorie Schaus, coordinator of WG10 of the TTD, assisted by Ms Panka Rekasy, TTD.

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