

# Innovation in international settlement contributes to the high-quality development of new offshore trade

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**Abstract:** The development of new offshore trade is of great significance to China's foreign trade in the process of improving the quality, upgrading and transformation. However, in the review of trade background, the difficulties of banks are more prominent, which is the essential feature of the new form of offshore trade, "third-rate separation". The innovative use of back letter of credit settlement tools can help banks to eliminate the false and retain the true and improve the settlement efficiency in the new offshore trade background review.

**Key words:** new offshore trade, international settlement, high-quality development

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## 1. research background

New offshore trade involves a variety of forms of trade between Chinese residents and non-residents, the characteristics is the goods through China's first line of customs border, also not included in the category of Chinese customs statistics.

Although China has become the leading country in the global trade in goods, its development pace is slightly slower than the significant advantages of the import and export of goods. To promote the rapid development of new offshore trade, the primary purpose is to broaden the channels of foreign trade growth, help trade enterprises to integrate into the global trade network more comprehensively, and promote the vigorous development of an open economy.

## 2. The importance of international settlement innovation to the new offshore trade

### 2.1 Improve the settlement efficiency

Traditional international settlement methods, such as letter of credit, collection, etc., which often require a lot of time and labor costs. With the help of new international settlement innovative tools of blockchain technology, such as cross-border payment system, it can realize real-time payment and rapid settlement of funds.

### 2.2 Enhance the security of settlement

In offshore trade, credit risk, exchange rate risk, operational risk and other multiple risks are often faced by both sides of the transaction. International settlement innovation can effectively improve the security and transparency of transactions by introducing advanced encryption technology and other means.

### 2.3 Promoting trade financing facilitation

The new offshore trade has still achieved significantly in the absence of adequate financial support. The integration and innovation of supply chain finance and international settlement enables financial institutions to provide enterprises with more accurate and efficient financing services according to the real trade background, thus opening up more trade financing channels.

## 3. The main forms and applications of international settlement innovation

### 3.1 Application of blockchain technology in international settlement

Because of its decentralization, inability to be tampered with and smart contracts, the blockchain technology has become an international payment tool with great development prospects. By reducing the participation of intermediate

links, the cost and risk of settlement are reduced.

### 3.2 The integration of digital currency and international settlement

Its application in international settlement has also gradually attracted more attention along with the rise of digital currency. Digital currency has the legal tender property of peer-to-peer payment and low transaction costs.

### 3.3 Fintech platform promotes international settlement innovation

The emergence of various fintech platforms has provided a strong support for the innovation of international settlement, which leads to the development of international settlement. The platform brings together experts and companies from various fields to use the latest science and technology.

## 4."New offshore trade business model of" third-rate separation"

With the continuous development of international trade, some trade chambers of commerce began to promote order matching, and their main functions were changed to provide information services. Taking offshore resale transaction as a typical representative of the new type of offshore trade as an example, these intermediaries are not directly involved in the physical movement of goods, but ensure the goods directly from foreign sellers to foreign buyers through the comprehensive management of order delivery, goods transport routes and capital flow process.

In the new offshore trade, the phenomenon of "three-rate separation" means that in the international settlement process, the order flow, goods flow and capital flow operate independently. When making settlement, banks mainly rely on the apparent authenticity verification of the commercial documents such as contracts and invoices, and it becomes extremely difficult to identify false transactions, because the actual flow of goods completely occurs in foreign countries, and the lack of effective logistics monitoring mechanism and auxiliary verification means such as customs data.

## 5.The development of new offshore trade

### 5.1 Insufficient standardization of business development

Since the international financial crisis in 2008, China's transit trade sector began to emerge and continued to show the growth trend of arbitrage activities. In order to earn the benefits brought by the exchange rate or interest rate difference, some enterprises use the entrepot trade as a way to illegally allocate cross-border funds by constructing a false trade background.

### 5.2 Financial institutions have concerns

Because of its complex trading structure, the new offshore trade puts forward high standard requirements for the risk control ability and settlement efficiency of banks. In this field, the interweaving of credit risks, policy risks and operational risks leads to many banks to take a cautious stance on such business, which undoubtedly brings certain obstacles and restrictions to the further promotion of new offshore trade.

## 6.Supporting new offshore trade in international settlement

### 6.1 Establish a risk prevention and control system with the "customer-product" dimension, and strengthen the innovation and development of international settlement products

In order to effectively prevent and control the risk under the perspective of "customer-product", we must invest heavily in the innovation and development of international settlement products, by clearly distinguish the settlement needs of real traders and false traders, we can establish a set of new "customer-product" guidance, to meet the personalized needs of customers.

### 6.2 Implement the dynamic offshore trade anti-money laundering strategy

At present, the anti-money laundering work of banking financial institutions mainly focuses on the "blacklist" screening system and the "blacklist" reporting mechanism for large transactions and

suspicious transactions. This strategy combines the customer credit evaluation system to monitor and early warning account fund transactions to determine whether there are suspicious activities.

### 6.3 Promotion of electronic documents and further improving trade facilitation

As the global epidemic continues to spread, the traditional financial products, such as letter of credit, collection, etc., still need a lot of paper documents to complete the transaction settlement process, however, with the implementation of cross-border logistics epidemic prevention control measures, the paper documents delivery cycle is greatly shortened, leading to international settlement efficiency greatly reduced.

## 7.Challenges of international settlement innovation in driving the development of new offshore trade

### 7.1 Laws and regulations lag behind

International settlement innovation often involves emerging technologies and business models. The lag of laws and regulations brings uncertainty to the innovation of international settlement and restricts its wide application in the new offshore trade.

### 7.2 Technical standards are not uniform

Financial institutions in different countries and regions may follow different technical standards and norms when adopting innovative international settlement technologies, which leads to poor compatibility and interoperability between systems. The inconsistency of technical standards hinders the promotion and application around the world.

### 7.3 Security and privacy issues

With the gradual transformation of international settlement to digital and intelligence, the security and privacy issues are becoming more and more prominent. Security incidents such as cyber attacks, data leakage and other security incidents may bring huge losses to enterprises and financial institutions.

## 8.Outlook for high-quality development of new offshore trade driven by international settlement innovation

### 8.1 Technological innovation has continued to deepen

In the future, the innovation of international settlement will show a more diversified and intelligent development trend with the continuous progress of technology. Cutting-edge technologies and the Internet of Things will be deeply integrated with existing innovative technologies such as blockchain and digital currency, further improving the efficiency and security.

### 8.2 Strengthening cross-border cooperation and coordination

To meet the challenges posed by international settlement innovation, governments and financial institutions will strengthen cross-border cooperation and coordination. In terms of laws and regulations, international organizations and national regulatory agencies will work together to formulate unified rules and create a favorable legal environment .

### 8.3 The industrial ecology was gradually improved

With the deepening of international settlement innovation, a new offshore trade industry ecology will gradually form. In order to meet the settlement and financing needs of different customers, financial institutions will constantly innovate products and services; technology enterprises that provide technical support for international settlement innovation will continue to invest in R & D; trade enterprises will actively apply innovative settlement methods to improve competitiveness; and the regulatory authorities will strengthen the supervision of innovation development and risk prevention and control.

## 9.Conclusion

The key force driving the new quality of offshore trade development is the innovation of international settlement. Although currently in the process of development faced with laws and regulations lag, technical standards are not unified, security privacy, and many other challenges, but with the progress of technology, strengthen cross-border cooperation and gradually improve the industrial ecology, international settlement innovation will have more broad prospects for development, for new offshore trade prosperity injected new vitality, promote global economic integration to a higher level.

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