International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Digital Trade: A New Frontier for Developing Economies in the Emerging World Order

Heena Jalal[1], Ms. Anshu Ashok Upadhyay[2]

[1]Research Scholar, Faculty of Commerce, Udai Pratap Autonomous College, Varanasi, Uttar Pradesh, India.
[2]Research Scholar, Faculty of Commerce, Udai Pratap Autonomous College, Varanasi, Uttar Pradesh, India. ORCiD ID- https://orcid.org/0009-0003-8710-0089
Email id- upadhyayanshu6514@gmail.com
*Corresponding Author: Ms. Anshu Ashok Upadhyay

Abstract
Global trade is increasingly reliant on digital trade, which includes services and items that are ordered or delivered online. Developing economies confront both fresh opportunities and significant challenges as the global economic order changes due to new technology, changing trade blocs, and more digital interdependence. The research presented here looks at the growth of digital trade in this new global order, evaluating the position of developing nations, the barriers they confront, and the policies that can enable them to fully engage. The strategic frontier of digital trade for growth, inclusivity, resilience, and innovation is highlighted in this study using case studies, UNCTAD data, and contemporary scholarly literature.

Keywords: Digital policy, Trade regulation, UNCTAD, Digital trade, and Developing economies

Introduction

Rapid technical breakthroughs, rising digitization, and more worldwide connectivity are all contributing to an enormous change in the global economic environment. In this regard, digital trade has become a major factor in changing the way that products and services are created, traded, and consumed internationally. It is an example of a new aspect of globalization that is based on the flow of data, digital services, and e-commerce rather than just the movement of tangible products. Digital trade provides emerging economies with a potent means of integrating into the global economy, increasing productivity, encouraging innovation, and advancing inclusive growth. This is a strategic opportunity for developing nations to realign themselves in the global economic hierarchy, rather than merely a technology or commercial occurrence. The ability to engage in digital trade efficiently may decide a nation's success or further marginalization in the twenty-first century, since digital innovation is reshaping the traditional structures of the global economic order.

In general, digital trade refers to transactions involving commodities and services that can be provided or facilitated online. Digital payments, cloud computing, online platforms, e-commerce, cross-border digital services, and the sharing of digital material are all included. By emphasizing the robustness of digital platforms and the weaknesses of conventional supply channels, the COVID-19 epidemic dramatically

facilitated the transition to digital trade. Because of this, digital trade has risen from the peripheral regions to the center of the world economy.

The United Nations Conference on Trade and Development (UNCTAD) reports that a growing portion of services exported worldwide are now digitally delivered, and developing nations are increasingly engaging in this new type of commerce. However, the advantages of digital trade are not equally shared. While some developing nations, like Kenya, Vietnam, and India, have started to use digital platforms to expand their service industries and tap new markets, many others still face major obstacles, such as a lack of digital infrastructure, low levels of digital literacy, regulatory restrictions, and limited access to international digital platforms.

Economic power transfers, regional trade realignments, and the increasing importance of data as a vital economic resource are characteristics of the new global order. In this dynamic global context, digital trade can either strengthen or deepen the gaps between developed and developing nations. It can be used to increase the export of services, empower women entrepreneurs and small enterprises, and broaden the economy. However, digital trade could worsen current disparities, generate new dependence, and leave many nations behind in the absence of suitable policy changes and international collaboration.

Digital trading is still complicated and unevenly regulated. There isn't a single, all-encompassing framework that regulates cross-border digital trade globally. Rather, plurilateral initiatives like the WTO's Joint Statement Initiative on E-commerce, bilateral discussions, and regional trade agreements are being used to define rules and standards. In discussions of digital trade policy, topics like data governance, digital taxation, cybersecurity, cross-border data flows, and intellectual property rights have taken center stage. Participating in these debates and making sure that international digital commerce regulations consider their development aspirations are both difficult and essential for developing nations.

Digital trade also necessitates a strong domestic environment, which includes good legal and regulatory frameworks, strong digital skills, inexpensive internet access, and efficient digital infrastructure. Government, business, and international partners must work together to help many developing nations- especially Least Developed Countries (LDCs)- achieve this degree of digital readiness. Mobile financial services, innovation clusters, digital entrepreneurship, and public-private collaborations are all essential to the success of digital trade in these economies.

Considering the new global economic order, this research study aims to investigate the potential and difficulties that digital trade poses for developing nations. It looks at the ways that digital trade can spur inclusive and sustainable development, the obstacles that prevent developing nations from taking full advantage of its potential, and the legislative and international support systems that are required to foster fair participation in the global digital economy.

Literature Review

- To create consistent, comparable digital trade data, consult the IMF, OECD, WTO, and UNCTAD Handbook on Measuring Digital Trade (Second edition, 2023). Depending on data sources, capabilities, and statistical infrastructure, it explains definitions (digitally ordered, digitally delivered), offers reporting templates, and illustrates how measurement can differ between nations. This guarantees comparability and helps place empirical findings in context.
- UNCTAD Policy Brief No.92, "Digital Trade: Prospects and Measures for Developing Nations," In simple terms, digital trade encompasses "digitally ordered goods and services" (cross-border e-commerce) and "digitally delivered services" (services provided across international networks).

- Research indicates that digital technologies have a favourable impact on the trade of digital services. For example, Research on the Influence of Digital Technology and Policy Restrictions on the Development of Digital Service Trade (MDPI) finds that, particularly in emerging nations, technological advancements promote digital service trade significantly. Policy restrictions reduce this effect, but occasionally policies also moderate or shape the amount of technology that can be delivered.
- According to empirical data in Trade, Policy, and Economic Development in the Digital Economy (Journal of Development Economics, 2023), internet connectivity boosts trade between high- and low-income nations. Preferential trade agreements (PTAs) with terms pertaining to digital trade policy further increase trade, especially for companies that export services.
- New UNCTAD studies (e-Trade Readiness evaluations) in a number of developing countries (such as Ghana, Peru, and Mongolia) demonstrates that gains in e-commerce readiness and digital trade potential are correlated with improvements in ICT infrastructure, regulatory reform, connectivity, and financial inclusion. In contrast to industrialized economies, many LDCs still have very low percentages of their populations that buy online, however UNCTAD notes that there is upward momentum in these areas where accessibility and regulations improve.
- Digital trade barriers (DTBs) have been found to severely limit technological innovation efficiency in low-income or low-innovation-ability countries (The Impact of Digital Trade Barriers on Technological Innovation Efficiency and Sustainable Development, Yan & Liu, MDPI, 2024). R&D expenses are increased and knowledge spillovers are prevented by obstacles like inadequate connection and prohibitive regulations.
- The literature frequently discusses domestic limitations such poor ICT infrastructure, erratic broadband, expensive internet access, uneven mobile network coverage (particularly 4G/5G), and a lack of digital payment mechanisms. These infrastructural deficiencies significantly restrict developing economies' ability to effectively use digital trade, according to the MDPI report, UNCTAD assessments, and country-level studies.
- Revenue and taxation issues: Indirect taxation of e-commerce and digital trade: Implications for developing countries (UNCTAD 2024) discusses the challenges of implementing digital services taxes, indirect tax systems, and customs on electronic transmissions. It also highlights the possibility of revenue loss or compliance difficulties.
- Costs associated with trade policy, rulemaking, and regulatory space: The literature cautions that certain proposed digital trade regulations (such as those in the WTO's Joint Statement Initiative on e-commerce) may favour businesses in developed economies, limit regulatory flexibility, and make compliance more difficult for poorer nations. One such policy-analysis article warns that digital regulations on e-commerce could have a detrimental effect on developing nations (UNCTAD Paper).

Objectives of the Study:

- To investigate the data, patterns, and trends around digital trade for emerging nations.
- To determine the primary advantages that digital trade offers developing nations in terms of resilience, growth, inclusiveness, and diversification.
- In order to fully realize those prospects, many developing economies may face significant obstacles and hurdles.

- To provide case studies that demonstrate the performance of certain developing economies and the lessons that can be learned from them.
- To make policy suggestions to governments, transnational organizations, and corporate entities in order to increase developing nations' involvement in digital trade.

Research Methodology

This study uses a qualitative methodology grounded in secondary data to examine how digital trade contributes to developing nations' economic development in the context of the new global order. The analysis incorporates peer-reviewed articles from academic databases like MDPI and ScienceDirect with statistics and insights from reliable international institutions including the World Trade Organization (WTO), UNCTAD, the World Bank, and the OECD. A thorough assessment of pertinent policy papers, studies, and statistical information on digital infrastructure, trade rules, and digitally deliverable services was conducted. Major trends, opportunities, and policy concerns were identified through the use of thematic and content analysis methodologies. Although secondary data makes it possible to conduct thorough and cross-regional comparisons, the study admits its limitations, including uneven data availability, disparities in how digital trade is defined, and the temporal lag in some published sources.

Opportunities for developing economies

In the global economy, digital trade is becoming one of the most potent equalizers, providing underdeveloped countries with previously unheard-of chances to increase their involvement in global trade. By enabling nations to overcome conventional obstacles like geographic location, capital intensity, and infrastructural constraints, it creates new opportunities for equitable and sustainable development. Here are some points showing opportunities:

- **Increasing Global Reach and Market Access-** Without having to be physically present, digital platforms allow businesses and entrepreneurs in developing nations to connect with customers throughout the globe. Through regional digital marketplaces or e-commerce sites like Amazon and Alibaba, even small businesses can now engage in cross-border trade. By removing middlemen and increasing profit margins, this worldwide visibility enables regional farmers, artists, and service providers to sell directly to customers throughout the world.
- **Fostering Diversification in Exports-** Digital trade gives developing nations a way to diversify and reduce their reliance on inexpensive and traditional goods. Opportunities for emerging nations to engage in high-value sectors of the global market are made possible by the rising demand for digitally delivered services, including software development, design, data analytics, and online education. Nations such as Kenya, the Philippines, and India provide as examples of how service exports can generate significant economic growth.
- **Increasing the Economic Involvement of Women-** Digital tools aid in closing the gender gap in employment and entrepreneurship. Women can overcome social and mobility barriers by running online businesses, working as freelancers, or selling goods from home. More women are able to engage in the economy thanks to the flexibility of digital work, which promotes greater income equality and gender inclusion.
- **Empowering MSMEs (Micro, Small, and Medium-Sized Businesses)-** MSMEs are the foundation of the majority of developing economies, making up a significant portion of both domestic output and employment. But they frequently have to deal with significant obstacles like

expensive entry costs, restricted access to market data, and limited financing options. Digital trade drastically reduces these difficulties by changing the way small businesses interact, conduct business, and expand because digital markets and online platforms eliminate the need for physical infrastructure, they allow MSMEs to minimize marketing and transaction expenses.

- **Promoting New Business Models and Innovation-** New business models in fintech, e-health, e-learning, agritech, and other digital services are encouraged by the digital economy. These developments create exportable solutions that serve both local and international markets in addition to increasing productivity at home. For example, Kenya's M-Pesa mobile money system has sparked similar models around the world, transforming developing nations into centers of innovation.
- **Increasing Efficiency and Integrating Value Chains-** Digital technologies enable small companies to become part of global value chains, increase collaboration, and expedite logistics. Digital design tools, online collaboration platforms, and cloud-based systems allow companies in developing nations to focus on higher-value, specialized tasks within global production networks. Competitiveness and efficiency are increased by this integration.

Key Barriers and Risks in Digital Trade for Developing Economies

Even while digital trade offers developing countries revolutionary possibilities, several institutional and structural obstacles prevent them from taking full advantage of this potential. These difficulties are caused by deficiencies in governance, international coordination, infrastructure, and skills, all of which contribute to the expansion of the digital divide and restrict equitable engagement in the global digital economy. Some of the barriers are mentioned below:

- **The Digital Divide-** The ongoing digital divide inside and across nations is one of the most urgent issues. Unreliable electricity, low adoption of digital gadgets, and insufficient access to reasonably priced, fast internet remain problems in many emerging economies. A sizable section of the populace is unable to access e-commerce platforms or participate in digital transactions due to the exclusion of rural areas and marginalized communities. In the absence of strong infrastructure, digital trade continues to be concentrated among wealthier people and in urban areas, exacerbating socioeconomic disparities.
- **Limited Human Capital and Digital Skills-** The capacity of people and businesses to engage in digital commerce efficiently is limited by a lack of sophisticated ICT skills and digital literacy. Many small businesses lack the know-how to secure digital payments, administer online platforms, or leverage data analytics to expand their operations. In a similar vein, digital competency training has not yet been widely incorporated into the educational systems of many developing nations. In technology-driven industries, this mismatch between the demand for skills and the supply of skills limits employment possibilities and productivity.
- **Insufficient Law and Regulation Structures-** Consumer protection and business confidence are seriously jeopardized by obsolete or inadequate digital trade laws. Comprehensive legislation covering e-commerce, data privacy, consumer rights, and electronic transactions are lacking in many developing economies. For businesses and investors involved in cross-border commerce, the lack of uniform regulatory frameworks across borders breeds uncertainty. In addition to increasing the expense of compliance, this fragmentation deters international involvement and creativity.

- **Cross-Border Limitations on Data Flow-** Other obstacles are regulatory discrepancies pertaining to privacy, data localization, and cross-border data flows. Companies' ability to store and process data is restricted by stringent data localization regulations in some nations, which raises operating expenses. Although data security is crucial, regulations that are too onerous can cut off local businesses from international digital networks and lower their ability to compete.
- **Inadequate Payments and Financial Infrastructure-** The foundation of digital commerce is a robust and effective digital payment system. Nevertheless, a lot of poor nations lack cross-border payment systems that are both economical and interoperable. Small firms can't effectively participate in online trade because of excessive fees, transaction delays, and restricted access to digital financial services. Further complicating cross-border e-commerce transactions are regulatory restrictions in financial systems and currency convertibility.
- **Threats to Cybersecurity and Low Customer Trust-** Online fraud, data breaches, and cyberattacks erode trust in online transactions. Both consumers and businesses are at risk of digital crimes due to inadequate cybersecurity infrastructure and low awareness. Consumer trust declines in the absence of robust digital security measures, which lowers adoption rates and discourages online interaction. This vulnerability presents two problems for developing nations: safeguarding national data sovereignty and promoting a secure digital environment.

Case Studies: Outcomes and Takeaways from Emerging Markets

1. **India: Policy and Infrastructure-Based Digital Transformation:** India serves as an example of how, with the right infrastructure and policies, digital trade can promote inclusive growth. Access to financial services and digital transactions has increased thanks to the “Digital India initiative (2015)” and platforms like Aadhaar, UPI, and DigiLocker. MSMEs have been empowered by e-commerce platforms like Amazon India, Flipkart, and GeM, which have increased exports and creativity. With over 100 billion digital payments in 2023, India is a prime example of how inclusive policies and strong digital infrastructure can boost business expansion, cut expenses, and close the digital gap.
2. **Kenya:** Using E-Commerce and Mobile Money to Drive Digital Innovation: Kenya serves as an example of how digital trade may be revolutionized by mobile technology. With the introduction of M-Pesa (2007), millions of unbanked residents were able to access digital payments, revolutionizing financial inclusion. Additionally, local producers are connected to broader markets through platforms such as Jumia and Twiga Foods. Teach: Even in economies with limited infrastructure, reasonably priced mobile innovation may promote digital trade, inclusiveness, and resilience.
3. **Vietnam:** Joining the World's Digital Supply Network: The importance of matching trade policy with digital readiness is demonstrated by Vietnam's performance as a hub for digital manufacturing and exports. While involvement in CPTPP and RCEP has increased market access, initiatives like "Make in Vietnam 4.0" and ICT investments have drawn significant FDI. Takeaway: Global integration and competitiveness are increased through strategic participation in digital trade agreements.

Suggestions and Policy Recommendations

- **Enhance Digital Infrastructure-** Investments in ICT infrastructure, data centers, and broadband access should be given top priority in developing countries, especially in underserved and rural areas. To provide equitable access to the digital economy, public-private partnerships can aid in resource mobilization.
- **Encourage the development of skills and digital literacy-** To prepare workers and entrepreneurs for e-commerce, fintech, and data-driven business models, governments must fund vocational programs and include digital education into national curriculum.
- **Increase Involvement of MSME-** Micro, Small, and Medium-Sized Businesses (MSMEs) can thrive in digital markets and increase exports with customized support, such as streamlined online registration, digital financing choices, and training.
- **Construct Sturdy Legal and Regulatory Structures-** Customers and investors will be more trusting if clear laws are established regarding data protection, cybersecurity, consumer rights, and electronic transactions. Additionally, if regulations are harmonized across borders, compliance burdens will be lessened.
- **Enable Digital Cross-Border Payments-** For small exporters in particular, bolstering fintech ecosystems and encouraging interoperable digital payment systems can reduce transaction costs and facilitate easier cross-border e-commerce.
- **Encourage collaboration on a regional and global level-** To further align standards, exchange best practices, and gain access to international markets, developing economies should actively participate in regional partnerships and digital trade agreements (such as ASEAN frameworks, RCEP, or AfCFTA).
- **Encourage innovation and startup environments-** Local innovation, entrepreneurship, and foreign investment in technology industries can all be stimulated by the establishment of digital innovation hubs, incubators, and research partnerships.

Conclusion

Digital trade has become a disruptive force that is changing the global economic scene and providing developing nations with previously unheard-of chances to boost competitiveness, achieve inclusive development, and accelerate growth. Countries may get over the old obstacles of cost, scale, and distance by utilizing technology, which enables even tiny businesses and individuals to engage in global marketplaces. Digital trade offers emerging nations a strategic instrument for integrating into the changing global order as well as an economic avenue.

But in order to reach its full potential, enduring issues like poor digital infrastructure, a lack of expertise, inadequate regulatory frameworks, and cybersecurity worries must be resolved. A combination of innovative policies, public-private partnerships, and focused investment in digital capacity-building are necessary for success in digital trade, as demonstrated by the case studies of Bangladesh, Kenya, Vietnam, Rwanda, and India.

In order to guarantee that digital trade turns into a catalyst for equitable and sustainable growth, developing nations must prioritize closing the digital divide, advancing digital literacy, updating trade laws, and encouraging regional and global collaboration. Furthermore, creating a more equitable digital economy would need standardizing practices, boosting digital trust, and guaranteeing the fair participation of MSMEs and underrepresented groups.

Conclusively, digital trade represents a new frontier for global engagement and development, not only a technological change. By properly utilizing it, developing economies can be transformed from passive participants to active designers of the global digital future, so redefining their role in the evolving world order.

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