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CROSS BORDER DIGITAL TRADE WITH SPECIAL REFERNCE TO INDIA & US

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Abstract:

Global business management has experienced dramatic transformation with the expedited evolution of electronic payment facilities and growth in cross-border business. Global trade previously relied heavily on conventional banking networks, which were not just time-consuming but also costly and less accessible. Fintech facilities, blockchain technology, and mobile payment applications have transformed digital payments into an integral force behind global commerce. This paper examines the role of electronic payment systems in the development of cross-border trade and how the technologies have put across a new paradigm in international business administration with special reference to India and US. It aims to highlight opportunities, challenges, and strategic implications of implementing digital payment in overseas markets. Systematic review of literature and secondary data analysis were employed to evaluate global trade flows, fintech adoption patterns, and regulatory problems. Comparative analysis between developed and emerging economies has been presented to understand the different impacts of digital payment solutions. Results show that electronic payments enhance efficiency in international trade since they reduce transaction costs, improve speed, and increase transparency. They also result in higher financial inclusion as SMEs are enabled to participate in global trade. However, regulatory variance, cybersecurity threats, and interoperability issues remain significant impediments. Digital payments are an innovation catalyst for cross-border business management, transforming supply chain efficiency, consumer trust, and cross-border competitiveness. Policy makers and enterprises must collaborate to combat challenges, synchronize rules, and embrace innovation to unlock the full potential of digital payments in cross-border trade.

Keywords: *Cross order Trade, Digital Transactions, Global Trade*

Introduction:

The global expansion of trade has been one of the most characteristic aspects of modern economic growth. Global trade has developed extremely rapidly during the last century, with a drive provided by technological change, liberalization of trade policy, and greater connectivity across borders. Cross-border trade was historically dependent on conventional banking networks and financial institutions (He *et al.*, 2021). Cross-border money remittances were primarily carried out through avenues such as the Society for Worldwide Interbank Financial Telecommunications (SWIFT) system, correspondent banking relationship, and other institutional mechanisms.

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Even though these mechanisms were of central significance in the facilitation of cross-border transactions, they were usually inefficient in character, involving considerable transfer fees, delayed settlement, and limited access to small businesses and individuals.

The reliance on physical banking infrastructure and centralized financial intermediaries also kept businesses in emerging and developing economies away. Many small and medium-sized enterprises (SMEs), which are the pillars of employment as well as innovation globally, were deprived of the benefit of international trade because they had limited access to inexpensive financial services. High transaction charges and the extended settlement period deterred small firms from engaging in cross-border trade, thereby restricting their entry into the global market. Moreover, the traditional systems were non-transparent and non-traceable, consequently increasing the risk of fraud, money laundering, and non-compliance failures.

US says India committed to negotiate on digital trade rules India and the US are progressing in digital trade negotiations as part of a broader interim trade framework.

In the latest update to the US-India trade pact, Washington has said India has committed to removing its digital services taxes and to negotiating trade rules "that address discriminatory or burdensome practices and other barriers to digital trade".

This statement came in a White House factsheet, released recently, US time, that also made clear that the interim trade framework does not talk of any immediate changes to India's domestic e-commerce policy.

Objectives of the Study:

Objectives and Research Questions:

The study seeks to provide solutions to the following objectives:

1. To examine the impact of digital payments on cross-border trade efficiency and inclusivity.
2. To describe opportunities and challenges related to digital payment adoption in international business.
3. To research regulatory and strategic implications for multinational corporations and small and medium-sized enterprises.

Research Questions:

- In what ways do digital payments transform the character of cross-border trade?
- What are the major hindrances and risks in embracing digital payments for international business?
- How may policymakers and companies utilize digital payments to promote international business management?

Key Components of Digital Trade:

In the modern global economy, cross-border digital trade has emerged as a powerful force driving economic growth, innovation, and international collaboration. As businesses and consumers increasingly rely on digital platforms, goods, and services, the importance of seamless digital trade between nations has never been greater. This article explores the concept of cross-border digital trade, its benefits, challenges, regulatory landscape, and future prospects.

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Understanding Cross-Border Digital Trade:

Cross-border digital trade refers to the exchange of digital goods, services, and data across international borders. This trade encompasses various sectors, including e-commerce, cloud computing, financial technology (FinTech), digital content, and software services.

- Digital Goods: Software, e-books, music, movies, and other digital products that can be downloaded or streamed.
- Digital Services: Cloud computing, online education, software as a service (SaaS), and professional services delivered digitally.
- E-Commerce: Online retail and marketplaces facilitating international transactions.
- Data Flows: The transfer of digital information across borders for various business and personal purposes.

1. **The Economic Impact of Cross-Border Digital Trade**

   Digital trade is a major driver of global economic growth. By enabling businesses to reach international customers, it reduces geographical limitations and fosters economic inclusion.

2. **Benefits of Digital Trade**
   - Expanded Market Reach: Small and medium-sized enterprises (SMEs) can access global markets without the need for a physical presence.
   - Cost Efficiency: Digital services eliminate many costs associated with traditional trade, such as shipping and storage.
   - Job Creation: The digital economy generates employment opportunities in tech-driven industries.
   - Innovation Acceleration: Cross-border collaborations in technology and digital services drive innovation.

3. **Statistics on Digital Trade Growth**

   Global e-commerce sales reached $5.9 trillion in 2023, with significant contributions from cross-border trade. The digital services trade grew by 12% annually, surpassing traditional services trade.

4. **Challenges in Cross-Border Digital Trade**

   While digital trade offers numerous advantages, it also presents several challenges:

   I. Regulatory Barriers: Different countries have varying regulations on data protection, cybersecurity, taxation, and consumer rights. These inconsistencies create compliance challenges for businesses operating across borders.

   II. Data Privacy and Security Concerns: The transfer of personal and business data across borders raises concerns about data protection, leading to stricter regulations like the EU's General Data Protection Regulation (GDPR) and China's Data Security Law (DSL).

   III. Digital Infrastructure Gaps: Many developing countries lack the necessary infrastructure, such as high-speed internet and digital payment systems, limiting their participation in global digital trade.

   IV. Cybersecurity Threats: Cross-border digital trade increases the risk of cyberattacks, intellectual property theft, and fraud, necessitating stronger cybersecurity measures.

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5. Regulatory Frameworks Governing Digital Trade

Governments and international organizations have introduced various policies to regulate digital trade and address its challenges.

- WTO and Digital Trade: The World Trade Organization (WTO) plays a key role in shaping digital trade policies through agreements like the Joint Statement Initiative (JSI) on E-Commerce, which aims to establish common rules on data flows, customs duties, and digital services.
- Regional Trade Agreements: i.e.United States-Mexico-Canada Agreement (USMCA): Prohibits data localization and promotes free data flows.Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): Supports cross-border data flows while ensuring privacy protection. EU Digital Markets Act (DMA): Regulates digital platforms to ensure fair competition.
- National Regulations Countries have introduced their own policies:
  - EU GDPR: Regulates data privacy and protection.
  - China's Cybersecurity Law: Imposes data localization requirements.
  - US Cloud Act: Governs law enforcement access to data stored abroad.

6. The Role of Technology in Enhancing Digital Trade

Blockchain technology enhances transparency, security, and trust in cross-border transactions by reducing fraud and enabling smart contracts.

Artificial Intelligence (AI) in Trade Automation AI-driven tools optimize supply chains, personalize customer experiences, and automate compliance processes.

5G and Faster Connectivity The expansion of 5G networks enables faster and more reliable digital transactions, improving the efficiency of cross-border trade.

Digital Payment Innovations FinTech solutions like cryptocurrencies, digital wallets, and central bank digital currencies (CBDCs) facilitate secure and cost-effective international transactions.

Strategies for Businesses to Succeed in Cross-Border Digital Trade Compliance with Global Regulations. Businesses must stay updated with international data privacy, cybersecurity, and tax regulations to avoid legal risks.

Investing in Cybersecurity Protecting customer data and transactions with encryption, multi-factor authentication (MFA), and threat detection systems is crucial.

Leveraging E-Commerce Platforms

Platforms like Amazon, Alibaba, and Shopify provide businesses with the infrastructure to sell globally.

Enhancing Digital Marketing Strategies Adopting localized SEO, multilingual content, and targeted advertising helps businesses reach international audiences effectively.

Building Strategic Partnerships Collaborating with international logistics providers, payment processors, and local distributors ensures seamless operations.

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The Future of Cross-Border Digital Trade

Increasing Digital Trade Agreements Governments are expected to sign more digital economy agreements (DEAs) to facilitate trade while addressing regulatory concerns.

Growth of the Metaverse and Virtual Trade

The rise of the metaverse and virtual marketplaces will create new opportunities for digital trade, enabling businesses to sell virtual goods and services globally.

AI-Driven Trade Optimization

AI and big data analytics will further enhance trade processes, improving demand forecasting, fraud detection, and personalized customer experiences.

Strengthening Global Cybersecurity Standards

Governments and private sectors will collaborate on standardized cybersecurity frameworks to ensure safe cross-border digital transactions.

Decentralized Finance (DeFi) in Trade

Decentralized finance solutions will enable seamless cross-border transactions without reliance on traditional banking systems.

Data Analysis of the Study:

Data analysis was designed to ensure depth, reliability, and applicability. After coding and categorizing literature, findings were synthesized and compared to facilitate broader conclusions. The thematic synthesis elicited agreement and discrepancy among researchers, policymakers, and practitioners (Wu *et al.*, 2021). While numerous studies agreed that electronic payments bring cost-saving benefits, they disagreed on their assessments concerning the readiness of regulation across the regions.

In an attempt to gain a larger representation of the analysis, comparative evaluation was carried out within developed and emerging economies. Developed economies such as the European Union and the United States of America were researched for their advanced regulatory systems, strong digital networks, and widespread use of fintech solutions. On the contrary, India, Nigeria, and Brazil's emerging economies were examined for their rapid adoption of mobile-based payments, growth of fintech ecosystems, and infrastructure and regulatory challenges. In this comparative analysis, the research demonstrated that developed economies lead in regulatory maturity but that emerging economies are catching up on innovation and inclusivity at a faster pace but with greater vulnerabilities.

Wherever possible, quantitative data was integrated into the analysis to support thematic conclusions. To take two examples, World Bank statistics on ownership of digital payments and IMF data on cross-border remittances were utilized in an effort to outline trends in adoption and regional variance. By integrating quantitative evidence into a largely qualitative approach, the study was therefore able to promote a deeper understanding of the phenomenon.

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Resent Outcomes:

For India, the joint statement issued Saturday remains the primary document on the India-US trade agreement, said a person aware of the matter, requesting anonymity.

Rules prohibiting customs duties on electronic transmissions, if they come into force, would prevent India from imposing import duties or similar charges on software downloads, apps, cloud services, digital media, e-books, online subscriptions or data transmitted over the internet, if they are delivered electronically and not as physical goods.

An expert said the overall impact of the proposed changes could be positive, if implemented. The moratorium on customs duties on digital trade remains a contentious issue at the WTO, with India and the United States holding divergent positions, noted Bipin Sapra, partner and indirect tax policy leader at consultancy EY India. For instance, he said, “the levy of GST on digital products under Online Database Retrieval Services has posed significant challenges, and its removal would help resolve several ongoing disputes.”

WTO position, Big Tech rules:

The latest development comes in the backdrop of a recent presentation by India at the World Trade Organization, where its delegation resisted the current moratorium that prevents countries from imposing customs duties on digital products, including software, video games and audio-visual content delivered across borders.

India also has had cases of antitrust against Big Tech such as Play Store levies and a December proposal to tax artificial intelligence (AI) companies for using training data also came as a bolt from the blue.

In August 2024, India scrapped a 2% equalization levy on e-commerce supplies and abolished the 6% Equalization Levy on online advertising, also called the “Google tax” since it was introduced in 2016. The removal, from 1 April 2025, was then seen as part of efforts to address US concerns about discriminatory digital taxes.

An industry body representing Indian communications and technology companies said the White House update was to ensure that digital trade, including e-commerce, cloud computing and cross-border digital services, can flow without new taxes or border charges. "For India, it is sensitive because it limits future policy space to tax or regulate digital flows, which is why the issue is being framed in the fact sheet as something to be negotiated, not already agreed,”

Beyond digital trade:

The digital trade push is part of a broader interim trade framework announced in a joint statement late on Saturday, following a call last week between US President Donald Trump and Prime Minister Narendra Modi. Both sides reaffirmed their commitment to negotiations on a wider US–India Bilateral Trade Agreement.

India is set to gain zero-duty access for goods worth around $44 billion, nearly half of its merchandise exports to the US, under the first phase of the agreement, commerce and industry.

The US agreed to reduce tariffs on Indian produce to 18%, with an executive order signed to formalize the move. The US said this followed New Delhi’s commitment to stop purchasing crude oil from Russia.

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India has also agreed to address non-tariff barriers in priority areas, negotiate rules of origin, and strengthen cooperation on supply-chain resilience, investment reviews, export controls, and technology trade. Key product commitments include dried distillers' grains, red sorghum, tree nuts, soybean oil, certain pulses, and wines and spirits.

Of these commitments, pulses are notable. India's lentil imports from the US surged to $78.43 million in FY25 from $21.11 million in FY24. It is not yet clear what duties will apply to the "certain pulses" mentioned in the factsheet; currently, India imposes a 30% duty on yellow peas imports and 10% on lentils.

Bilateral trade in goods between India and the US rose to $131.84 billion in FY25, up 10% from FY24, with Indian exports to the US increasing 11.6% to $86.51 billion

Conclusion :

Cross-border digital trade is reshaping global commerce, offering unprecedented opportunities for businesses and consumers. However, challenges such as regulatory inconsistencies, data privacy concerns, and cybersecurity threats must be addressed to unlock its full potential. By leveraging advanced technologies, adopting strategic policies, and fostering international cooperation, the future of digital trade looks promising.

Businesses that adapt to evolving regulations, invest in cybersecurity, and embrace technological innovations will thrive in the digital economy. As digital trade continues to expand, it will play a vital role in driving global economic growth and fostering a more interconnected world.

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