Mongolia's Digital Trade Week:

25-28 March 2025, Ulaanbaatar

Session 3A. Basic Understanding of How Digital Trade is Changing Trade Environment



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Agenda of this session

- Digital trade policy vs traditional trade policy
- Digital trade integration and trade agreements
- Making digital trade fosters sustainable development: economic growth, reduces inequalities, and promotes sustainability

UN trade & development

ESCAP Economic and Social Commission for Asia and the Pacific

UNIDO

Online Course on Unleashing Digital Trade and Investment for Sustainable Development

Online course: 9 - 27 September 2024, Virtual meeting (ZOOM)



FACILITATOR

Kati Suominen, *Nextrade Group*

- Trends, policies, multilateral and regional cooperation in digital trade for SDGs
- 8 main video modules and quizzes (2.5 hours) & 4 optional video modules (1 hour)
- 2 live sessions with international experts and digital business leaders (1.5 hours each)
- UN e-certificate

Register



Let’s do a quick exercise

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Which one is the best representation of of digital trade integration



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What happens when a country pursues digital trade integration?

Reduced trade costs

More pacels crossing borders

More trade and investment in services

More markets reached

More data crossing borders

Trade in traditional sectors (e.g.agriculture, mining, tourism) increases

Strongly disagree

Strongly agree

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Digital trade openess benefits only developed coutnries



Digital trade policy

Laws, regulations, and frameworks that govern the trade of goods, services, and flows of data enabled by digital technologies



Access to Infrastructure and equipment



Digital services & Data



Cross-border E-commerce (goods and services)

Trade Policy vs Digital Trade Policy

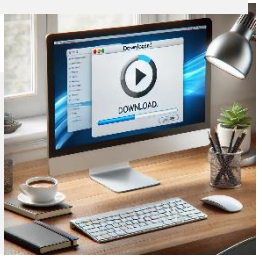
	Trade Policy	Digital Trade Policy
Scope	Regulations for cross-border movement of goods and services	Regulations for cross-border data flows, digital services, e-commerce
Negotiations	Tariffs, quotas, market entry conditions rules of origin	Cross-border data flows and digital service market access
Ex. Non-tariff barriers (NTBs)	Meat & dairy safety standards Import restrictions on coal	- Data localization rules prevent Mongolian firms from storing Chinese client data outside China - E-commerce taxes & digital payment restrictions make it harder to sell online to global markets
Trade facilitation	Customs modernization, Improves logistics, shipping, and trade documentation.	Mutual recognition of digital contract, digital IDs and e-signatures
FDI (Services trade mode 3)	FDI in infrastructure and services generally	FDI in data centers, cloud computing, digital platforms, digital services

How Digital Trade Regulations Enable E-Commerce Trade Facilitation

E-commerce facilitation	Digital trade regulations	Impact
Customs & Border Procedures	✅ Data Governance ✅ E-Transactions & Contracts ✅ Cybersecurity ✅ Taxation	Faster clearance, secure data sharing, automated customs compliance
Paperless Trade	✅ E-Transactions & Contracts ✅ Data Governance ✅ Cybersecurity	Seamless trade documentation, reduced fraud, and efficient cross-border transactions
Digital Payments	✅ Data Governance ✅ Consumer Protection & Cybersecurity ✅ E-Transactions & Contracts ✅ Taxation	Secure, seamless cross-border transactions, reduced fraud risks
Logistics & Last-Mile Delivery	✅ Platform Governance & Competition ✅ Data Governance ✅ E-Transactions & Contracts ✅ Consumer Protection & Cybersecurity	More reliable logistics, better tracking, fair competition, and supply chain efficiency

Digital Trade Integration

Digital economy	Network of economic activities enabled by digital technology
Digital trade	Trade in goods and services that are digitally enabled (ordered or delivered), including cross-broader ecommerce and online services
Ecommerce	Ordering goods and services over the internet (A subset of digital trade)
Digital trade integration	**Aligning digital trade policies, -infrastructure, and -regulatory frameworks across borders to support regional and economic integration**





Digital trade integration: Mega-trends



WTO: The Joint Statement Initiative on E-commerce has made substantial progress in digital trade rules.



RTAs: Preferential regional trade agreements are now the main forum for comprehensive digital trade rule-making.



Emerging consistency in RTAs may help develop a multilateral consensus on digital trade rules.

- Businesses are driving demand for new rules that address emerging technologies and digital trade challenges.
- New stakeholders, including content creators and influencers, are influencing the evolution of digital trade regulations.
- The scope of DTAs and DEAs is likely to expand, incorporating issues like AI governance and digital identities.

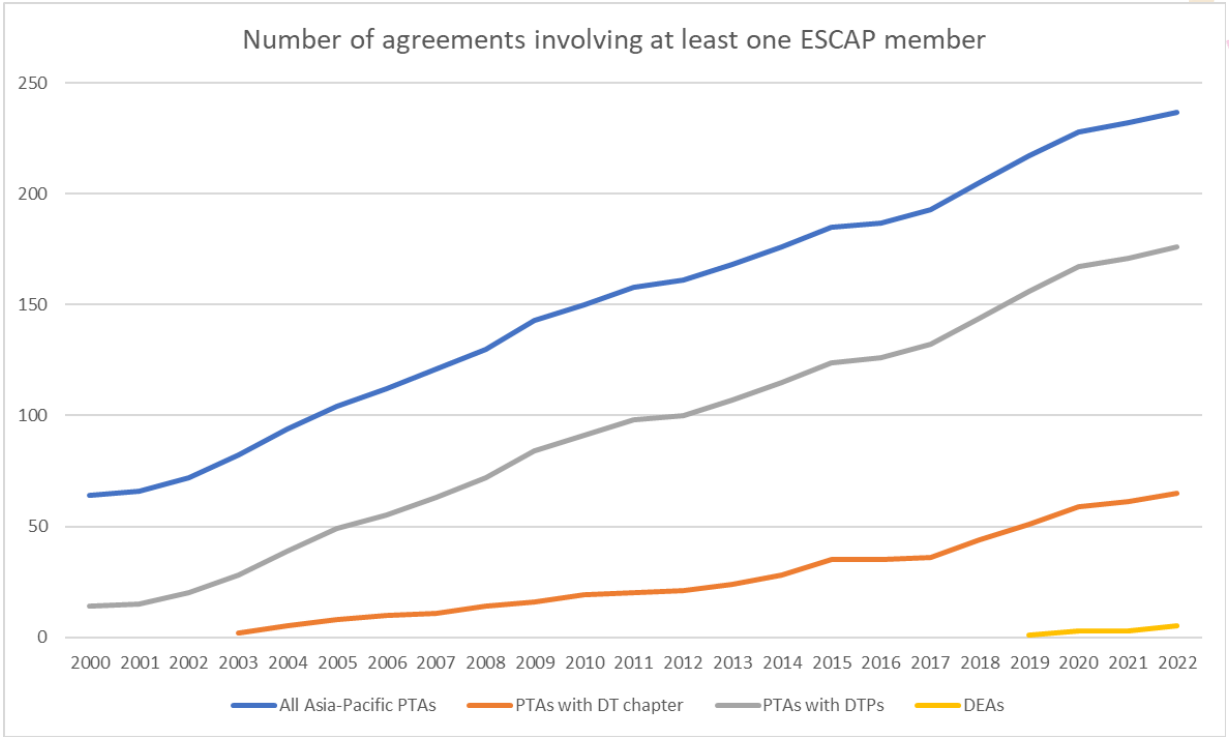
Source: Sven Callebuat's presentation (2024)

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Asia-Pacific trends

- To embed coverage in bilateral free trade agreements (FTAs)
- To include digital services more explicitly in regional FTAs
- To create a “stand-alone” digital trade arrangement
- To create a deeper set of rules for digital trade attached to an existing FTA



Managing digital trade rules through digital trade agreements

- To embed coverage in bilateral free trade agreements (FTAs)
- To include digital services more explicitly in regional FTAs
- To create a "stand-alone" digital trade arrangement
- To create a deeper set of rules for digital trade attached to an existing FTA

Best Endeavor Provisions

- Best endeavor provisions allow flexibility in adopting digital trade principles, particularly for developing countries.
- These provisions guide domestic policy development, offering a pathway to align with international standards.
- Advanced economies often pursue these policies unilaterally but benefit from common principles established in DTAs and DEAs.
- Review mechanisms, like FTA Commissions, help monitor and enhance the implementation of these provisions.

Impacts of DTAs and DEAs



DTAs and DEAs promote trade in digitally deliverable services more effectively than traditional FTAs.

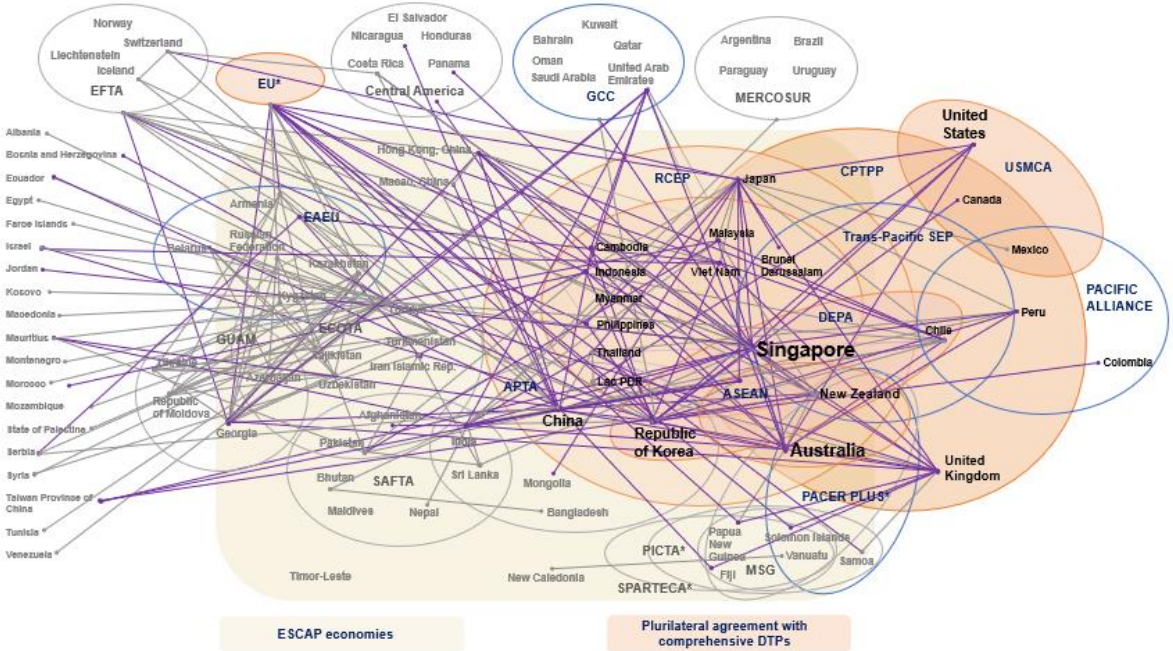


These agreements facilitate cross-border data flows, reduce trade costs, and enable modern business operations.



Firms value commitments to cybersecurity, free data flows, and consumer protection as key benefits of these agreements.

Asia-Pacific's noodle bowl of digital trade agreements



*Not all members shown. Plurilateral PTAs are not represented, i.e., D-8 PTA, GSTP, PTN and TPS/ OIC.

Signed and enforced agreements with DTPs

Signed and enforced agreements without DTPs

Blue circle: plurilateral agreement with DTPs; Grey circle: plurilateral agreement without DTPs.

Economy that have signed larger number trade agreements with DTPs is presented in a bigger font.

Source: APTIR 2025 (Forthcoming). Available at https://unescap.org/kp/APTIR2025

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

Key Regional Agreements

Trade Agreement with EC or DT Provisions

- CPTPP: 11-member agreement including Australia, known for its comprehensive e-commerce chapter.
- RCEP: 15-member agreement including China, Japan, and ASEAN countries, with a focus on e-commerce.

Digital-only Agreements

- DEFA: Regional agreement among ASEAN Members
- DEPA: Digital Economy Partnership Agreement among Singapore, New Zealand, and Chile.

What's negotiated: Traditional- vs. Digital Trade Agreement

Traditional trade agreement	Digital trade agreement
Tariff preferences	**Regulatory preferences**
Quota exemptions	Conditions for cross-border data flows
Customs streamlining	Mutual recognition of digital rules
Rules of origin benefits	Legal certainty for digital service delivery
Market access schedules	Inclusion in digital standards cooperation

Cost-benefit analysis of digital trade integration

	Potential benefits	Potential costs
Regulatory Alignment	**Harmonized digital standards** among signatories	Reduced policy space
Market Access	Lower compliance costs Less restrictions on data transfer	**Adjust domestic regulations** to meet agreement obligations Risks of fragmentation if rules diverse across agreements
Investment Attraction	Investor confidence	Upfront investment to improve legal certainty and enforcement capacity
Capacity building	Access to cooperation mechanisms – training, technical support	SMEs need additional support to comply with strengthened standards
Tax base	Encourages digital trade while preserving space for non-discriminatory taxation	Potential revenue leakage if dominant foreign platforms are not effectively taxed or regulated

UN Regional Digital Trade Integration index (RDTII) Framework

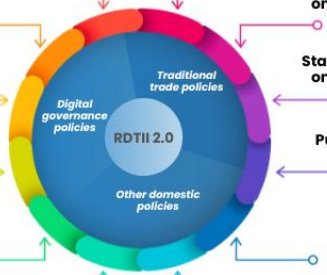
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Traditional trade policies

Other domestic policies

Digital governance

ESCAP-ECA-ECLAC framework



Pillar 12 Online sales & transactions
- 12.1 Foreign equity limits in e-commerce sector
- 12.2 Online purchases & delivery limitations
- 12.3 Licensing requirements in e-commerce sector
- 12.4 Online payment limitations
- 12.5 Low De Minimis threshold
- 12.6 Domain name requirements

Pillar 9 Content access
- 9.1 Blocking or filtering
- 9.2 Internet shutdowns
- 9.3 Online advertising requirements
- 9.4 Licensing requirements

Pillar 8 Internet intermediary liability
- 8.1 Lack of safe harbour for copyright infringements
- 8.2 Lack of safe harbour for other illegal activities
- 8.3 User identity requirements
- 8.4 Monitoring requirements

Pillar 7 Domestic data protection
- 7.1 Lack of comprehensive legal framework for data protection
- 7.2 Minimum period of data retention requirements
- 7.3 DPIA or DPO requirements
- 7.4 Requirements to allow government access to personal data

Pillar 6 Cross-border data policies
- 6.1 Ban & local processing requirements
- 6.2 Local storage requirements
- 6.3 Infrastructure requirements
- 6.4 Conditional flow regimes
- 6.5 Not participate in agreement with data transfer commitments

Pillar 5 Telecom regulations & competition
- 5.1 Lack of passive infrastructure sharing
- 5.2 Foreign equity limits in telecom sector
- 5.3 Shares owned by the government
- 5.4 Lack of functional/accounting separation
- 5.5 Licensing requirements in telecom sector
- 5.6 Not in WTO Telecom Reference Paper
- 5.7 Lack of independent telecom authority

- 12.7 Local presence requirements
- 12.8 Lack of legal framework for online consumer protection
- 12.9 Not in UN Convention of Electronic Communications
- 12.10 Not in UNCITRAL Model Law on Electronic Commerce
- 12.11 Not in UNCITRAL Model Law on Electronic Signatures

Pillar 4 Intellectual property rights
- 4.1 Patent application issues
- 4.2 International patents enforcement issues
- 4.3 Not in WIPO Patent Cooperation Treaty
- 4.4 Lack of copyright framework & exceptions
- 4.5 Online copyright enforcement issues
- 4.6 Not in WIPO Copyright Treaty
- 4.7 Not in WIPO Performances and Phonograms Treaty
- 4.8 Mandatory disclosure of trade secrets
- 4.9 Lack of trade secrets legal framework

Pillar 1 Tariffs on ICT products
- 1.1 Effective tariff rates
- 1.2 No duty free-tariff lines
- 1.3 Not in WTO Information Technology Agreement
- 1.4 Trade defence measures

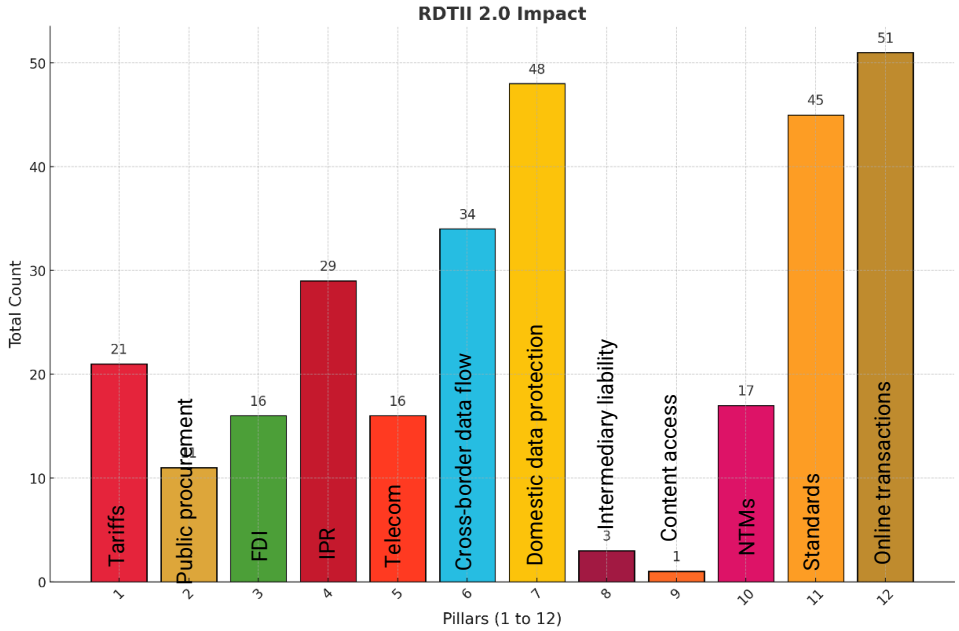
Pillar 10 Non-technical NTMs on ICT products/ online services
- 10.1 Import bans
- 10.2 Other import restrictions
- 10.3 Local content requirements
- 10.4 Export restrictions

Pillar 11 Standards & procedures on ICT products/ online service
- 11.1 Non-transparent technical standards
- 11.2 Self-certification limitations
- 11.3 Product screening & testing requirements
- 11.4 Deviation from international encryption standards

Pillar 2 Public procurement of ICT products/ online services
- 2.1 Foreign exclusions
- 2.2 Specific requirements
- 2.3 Limitations in procurement bidding
- 2.4 Not in WTO Government Procurement Agreement

Pillar 3 FDI in sectors relevant to digital trade
- 3.1 Foreign equity limits
- 3.2 Joint venture requirements
- 3.3 Nationality or residency requirements
- 3.4 Investment screenings
- 3.5 Commercial presence requirements

Where digital trade agreements impact digital trade policy



Policy areas covered in ESCAP-ECA-ECLAC RDTII 2.0

Source: Author's calculation

Note: This figure is based on a selection of digital trade-related agreements in which RCEP countries participate.

Digital trade provisions in trade agreements

Topics	ASEAN E-commerce Agreement	RCEP (Ch.12)	ASEAN-Australia-New Zealand FTA (Ch.10)	USMCA (Ch.19)	CPTPP (Ch.14)	DEPA	Austria-SingaporeDEA	WTO JSI on e-commerce (2024)	Mongolia-Japan EPA (Ch.9)	APTA
E-commerce	X	X	X	X	X	X	X	X	X	
E-commerce chapter	X	X		X	X	X	X	X	X	
Artificial intelligence							X			
Competition							X	X		
Cooperation	X	X	X	X	X	X	X	X	X	
Cross-border transfer of information by electronic means	X	X		X	X	X	X		X	
Customs duties		X		X	X	X	X	X	X	
Cybersecurity	X	X		X	X	X	X	X	X	
Data innovation							X			
Digital identities						X	X			
Digital inclusion						X				
Digital products				X	X	X	X		X	
E-trade facilitation (other, varied)								X		
Electronic authentication	X	X	X	X	X		X	X		
Electronic contracts		X						X		
Electronic invoicing						X	X	X		
Electronic payments	X					X	X	X		
Electronic signatures	X	X	X	X	X		X	X	X	
Electronic transactions	X	X	X	X	X	X	X	X		
Express shipments						X	X			
Fintech						X	X			
Government procurement							X			
ICT Products and use of cryptography						X	X	X		
Interactive computer services				X						
Internet interconnection charge sharing					X		X			
Location of computing facilities	X	X		X	X	X	X		X	
Location of financial computing facilities							X			
Online consumer protection	X	X	X	X	X	X	X	X	X	
Online safety and security						X	X			
Open governmental data				X		X	X	X		
Open internet access				X	X	X		X		
Paperless trading	X	X	X	X	X	X	X	X	X	
Personal data protection	X	X	X	X	X	X	X	X	X	
Regtech							X			
SMEs, MSMEs		X				X	X	X	X	
Source code		X		X	X		X		X	
Spam		X		X	X	X	X	X	X	
Stakeholder engagement	X	X				X	X	X		
Standards for digital trade							X			
Submarine cable systems							X			
Telecommunications								X		
Transparency	X	X	X	X	X	X	X	X		

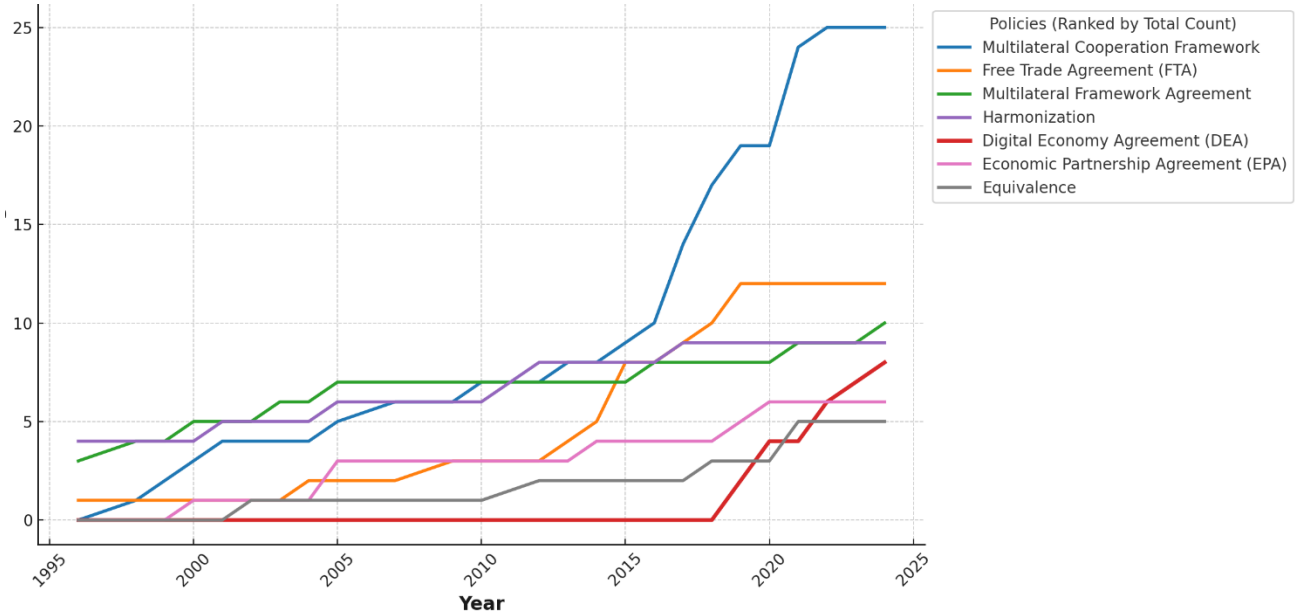
Blue = common e-commerce provisions (e.g., cybersecurity, e-signatures, paperless trade),
Orange = moderately common provisions (e.g., open gov data, source codes),
Green = Less common promvisions (e.g., AI, digital identities, digital inclusion)

Digital trade provisions in trade agreements

Topics	ASEAN E-commerce Agreement	RCEP (Ch.12)	ASEAN-Australia-New Zealand FTA (Ch.10)	USMCA (Ch.19)	CPTPP (Ch.14)	DEPA	Austria-Singapore DEA	WTO JSI on e-commerce (2024)	Mongolia-Japan EPA (Ch.9)	APTA
E-commerce	X	X	X	X	X	X	X	X	X	
E-commerce chapter	X	X		X	X	X	X	X	X	
Artificial intelligence							X			
Competition							X	X		
Cooperation	X	X	X	X	X	X	X	X	X	
Cross-border transfer of information by electronic means	X	X		X	X	X	X		X	
Customs duties		X		X	X	X	X	X	X	
Cybersecurity	X	X		X	X	X	X	X	X	
Data innovation							X			
Digital identities						X	X			
Digital inclusion						X				
Digital products				X	X	X	X		X	
E-trade facilitation (other, varied)								X		
Electronic authentication	X	X	X	X	X		X	X		
Electronic contracts		X						X		
Electronic invoicing						X	X	X		
Electronic payments	X					X	X	X		
Electronic signatures	X	X	X	X	X		X	X	X	
Electronic transactions	X	X	X	X	X	X	X	X		
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Interactive computer services				X						
Internet interconnection charge sharing					X		X			
Location of computing facilities	X	X		X	X	X	X		X	
Location of financial computing facilities							X			
Online consumer protection	X	X	X	X	X	X	X	X	X	
Online safety and security						X	X			
Open governmental data				X		X	X	X		
Open internet access				X	X	X		X		
Paperless trading	X	X	X	X	X	X	X	X	X	
Personal data protection	X	X	X	X	X	X	X	X	X	
Regtech							X			
SMEs, MSMEs		X				X	X	X	X	
Source code		X		X	X		X		X	
Spam		X		X	X	X	X	X	X	
Stakeholder engagement	X	X				X	X	X		
Standards for digital trade							X			
Submarine cable systems							X			
Telecommunications								X		
Transparency	X	X	X	X	X	X	X	X		

Blue = common e-commerce provisions (e.g., cybersecurity, e-signatures, paperless trade),
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Policy instruments for digital trade integration



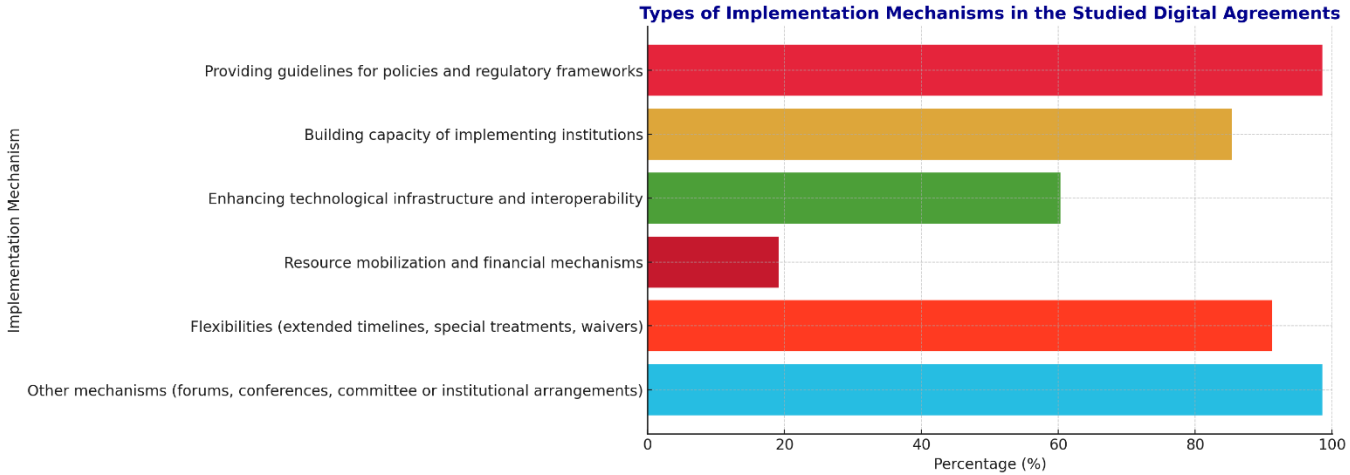
Source: Author's calculation

Note: This figure is based on a selection of digital trade-related agreements in which RCEP countries participate.

Technical Assistance and Capacity Building

- Leveraging partnerships with developed economies and international bodies can provide the necessary expertise and resources to overcome digital trade challenges
- Focus on regulatory alignment, digital infrastructure development, and the creation of supportive legal environments
- Regional initiatives, like RCEP, can play a pivotal role in coordinating technical assistance and fostering collaboration among member states

Implementation mechanisms in regional initiatives



Source: Author's calculation

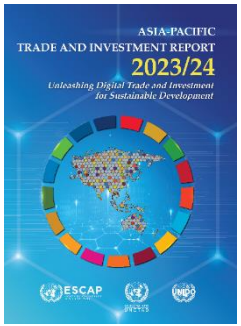
Note: This figure is based on a selection of digital trade-related agreements in which RCEP countries participate.

How digital trade has changed trade-development models

	Traditional model	Digital trade model	Implications on new requirements
Driver of trade growth	Labor-intensive manufacturing, Commodity exports	Data, digital services, AI, green technologies	Digital-driven manufacturing Green compliance Digital regulation compliance
Trade patterns	Final and Intermediate goods GVCs	Digital Trade: Digital services, ecommerce (goods and services) Digitally-enabled (Data/AI) GVCs	Reskilling Digital infrastructure Digital trade regulations (Data, AI, platforms, IP, ICT)
Trade challenges	Tariffs, SPS, TBT, ROOs Negotiating FTAs	Regulatory-based barriers: Data, platforms, IP, Online transaction etc. Negotiating Digital Trade Provisions in Trade Agreements	Align with digital trade agreements and modern regulatory frameworks

When will digital trade work for sustainable development?

Growth	When digital trade allows businesses to expand domestically and internationally
Inclusivity	When digital trade provides opportunities to small businesses
Sustainability	When digital trade helps reduce carbon footprints and encourage eco-friendly practices



Digital trade can advance SDGs, but it is not guaranteed.

Source: APTIR 2023/24 available at https://www.unescap.org/kp/APTIR2023

What conditions are needed?

Seamless

Interoperability of systems

Harmonized regulations

Efficient infrastructure

Trust

Consumer protection

Robust data handling

Cybersecurity

Fair regulations for all sizes

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Digital trade is typically tariff-free. True or False?



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True

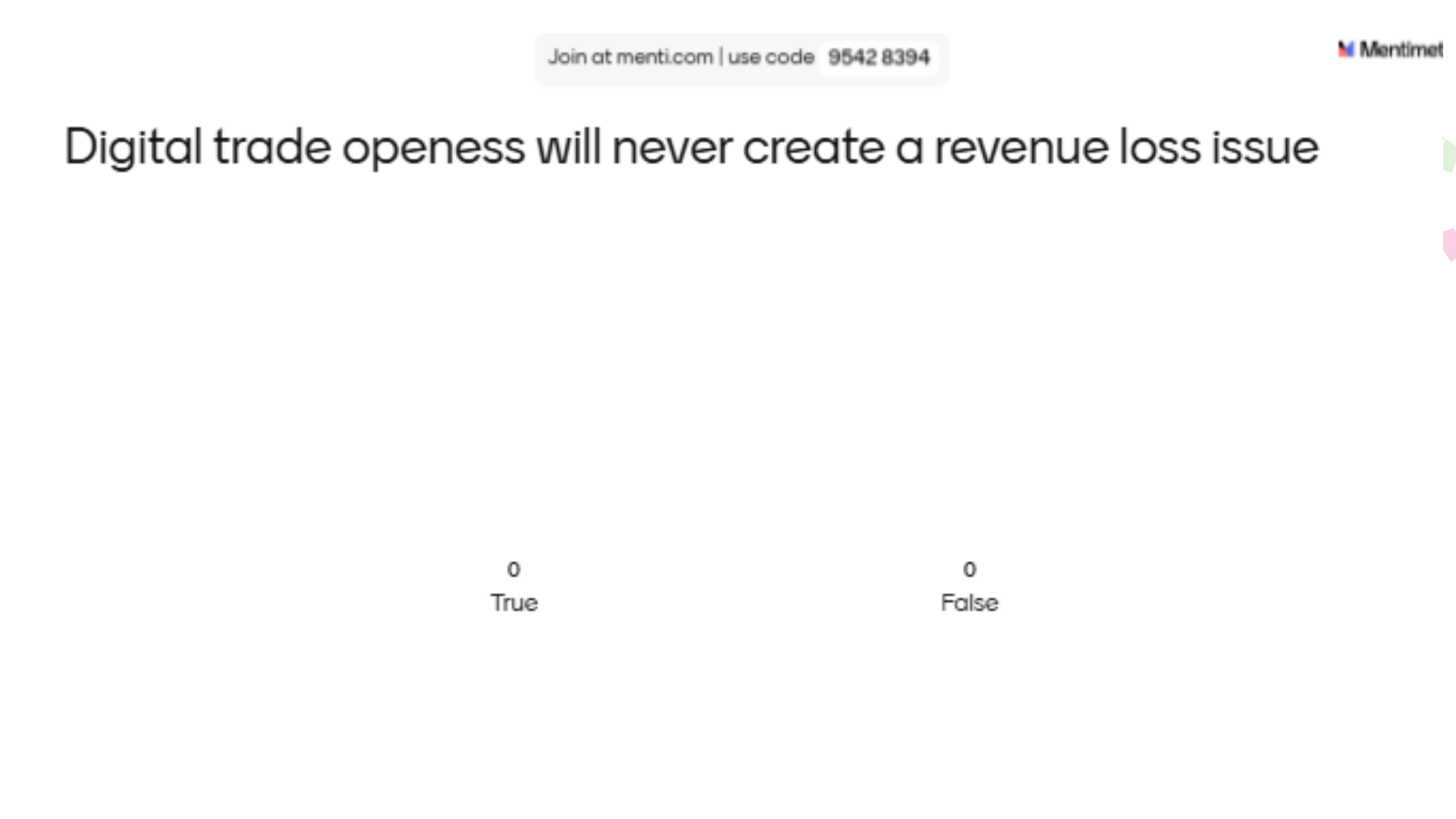
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False

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Digital trade openess will never create a revenue loss issue



Addressing Tax Challenges

Digital trade requires **updated tax policies and enforcement tools**

- VAT/GST registration for foreign sellers
- Digital services taxes (DST)
- OECD Pillar 1 & 2 participation
- E-invoicing & transaction tracking
- Legal reform for digital economy

How to get ready for digital trade

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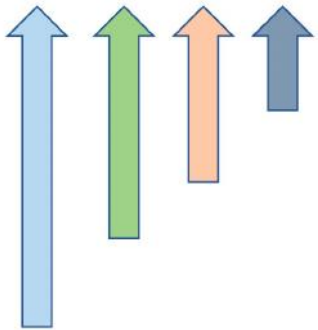
Standard recommendations

- Invest in digital infrastructure
- Prioritize capacity building
- Develop robust legal frameworks
- Public-private partnerships

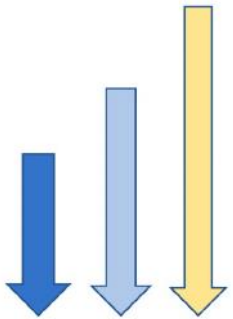
Policy Tips

- Early mover advantage
- Be pragmatic
- Unilateral, regional, global
- Work closely with business sector, including SMEs

- International
- Megaregional
- Regional
- Bilateral
- National



- International
- Megaregional
- Regional
- [Bilateral]
- National



THANK YOU

For more information:

ESCAP-ECA-ECLAC Initiative on Digital Trade Regulatory Integration

Regional Digital Trade Integration Index 2.0: A Guide

Digital Trade Regulatory Review for Asia-Pacific, Africa, and LAC 2024

Asia-Pacific Trade and Investment Report 2023/24
Unleashing Digital Trade and Investment for Sustainable Development

Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA)

Trade Digitalization Index 2024

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