ASIA-PACIFIC TRADE AND INVESTMENT REPORT

Unleashing Digital Trade and Investment for Sustainable Development

Highlights and Recommendations

ESCAP
Economic and Social Commission for Asia and the Pacific

UNITED NATIONS UNCTAD

UNIDO
The Economic and Social Commission for Asia and the Pacific (ESCAP) is the most inclusive intergovernmental platform in the Asia-Pacific region. The Commission promotes cooperation among its 53 member States and 9 associate members in pursuit of solutions to sustainable development challenges. ESCAP is one of the five regional commissions of the United Nations. The ESCAP secretariat supports inclusive, resilient and sustainable development in the region by generating action-oriented knowledge, and by providing technical assistance and capacity-building services in support of national development objectives, regional agreements and the implementation of the 2030 Agenda for Sustainable Development.

The United Nations Conference on Trade and Development (UNCTAD) is the focal point, within the United Nations system, for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment, services and sustainable development. Globalization, including a phenomenal expansion of trade, has helped lift millions out of poverty. But not nearly enough people have benefited. And tremendous challenges remain. UNCTAD supports developing countries to access the benefits of a globalized economy more fairly and effectively. It provides analysis, facilitates consensus-building, and offers technical assistance. This helps them to use trade, investment, finance, and technology as vehicles for inclusive and sustainable development.

UNIDO is a specialized agency of the United Nations with a unique mandate to promote and accelerate industrial development. Its mandate is reflected in Sustainable Development Goal (SDG) 9: “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”. However, UNIDO’s activities contribute to all the SDGs and draw on the synergistic effects of industrialization to maximize the impacts of development work. UNIDO’s vision is that of a world without poverty and hunger. A world where industry drives low-emission economies. A world with improved living standards which preserves the environment and global public goods which are the common inheritance of the whole of humanity. UNIDO provides support to its 172 member States through four mandated functions: technical cooperation, research and policy-advisory services, normative standards-related activities, and fostering partnerships for knowledge and technology transfer. UNIDO’s work is concentrated on three focus areas: ending hunger by helping businesses from farm to fork, climate action particularly using renewable energy and energy efficiency to reduce industrial greenhouse gas emissions, and supporting sustainable supply chains so that developing country producers receive a fair deal and scarce resources are preserved.

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To harness the potential of digital trade and investment for sustainable development, it is essential to carefully craft trade and investment policies. These policies should take into account the related societal and environmental opportunities and challenges. This report presents an integrated approach to policy-making, aimed at enhancing the understanding of trade and investment policymakers regarding their roles in realizing the potential of digital trade and investment as effective means for the achievement of the Sustainable Development Goals (SDGs).

**The role of digital trade and investment in sustainable development**

‘Digital trade’ encompasses all international trade transactions that are digitally ordered or delivered. In the developing regions of the Asia-Pacific, the growth of digital trade is largely dependent on foreign direct investment (FDI) for the development of digital infrastructure, digital technology adoption and digital businesses. This ‘digital FDI’ provides essential capital, expertise, and cutting-edge technologies, which are vital for establishing a competitive stance in digital trade. Moreover, digital trade necessitates Information and Communication Technology (ICT) networks, equipment, and services. These ‘digital-trade enablers’ facilitate the process of ordering and delivering all digital trade transactions.
Digital trade and investment present a promising means for economies in the Asia-Pacific region to achieve the SDGs. Central to this dynamic are digitally deliverable services, notably those associated with data, online platforms and services facilitating online transactions. Empirical studies conducted by United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the United Nations Industrial Development Organization (UNIDO) found a positive relationship between increased digital trade and overall progress towards the SDGs. This association was especially pronounced for SDG targets connected to social development.

The benefits derived from digital trade are closely tied to Internet penetration. Thus, unlocking the full potential of digital trade urgently calls for bridging the digital divide. ESCAP research suggests that a 1% increase in digital trade value is associated with a 0.8 percentage point rise in the growth rate of an economy’s real Gross Domestic Product (GDP) per capita. Additionally, the study finds that the positive outcomes of digital trade are often reliant on widespread internet access. The results underscore the importance of addressing the digital divide. This is especially urgent for Least Developed Countries (LDCs), the economies of South- and South-West Asia (SSWA), Pacific Islands Developing Economies (PIDEs) and Land-Locked Developing Countries (LLDCs).

**Trends in digital trade and investment in Asia and the Pacific**

**Digital trade has become an important component of global trade.** In 2022, global exports of digitally deliverable services reached US$ 3.9 trillion, constituting 55% of the total global services trade. In the same period, the Asia-Pacific region exported digitally deliverable services valued at approximately US$ 958 billion, representing 52% of the region’s total services exports.

**The Asia-Pacific region has emerged as a dynamic player in digital trade.** From 2015 to 2022, the region’s growth rate in digitally deliverable exports was nearly 9% per year, outperforming the global average of approximately 6.8%. An important driver of this growth has been the increasing intraregional demand, as evidenced by the rise in the proportion of intra-regional exports from 36% to 39% during the same period.

**Opportunities in digital trade and investment are highly concentrated in six economies of the region.** Similar to traditional trade trends, economies in North and Central Asia (NCA), South Asia and the developing Pacific have accounted for insignificant shares in digital trade. The export landscape is markedly concentrated; just six economies represent 85% of the region’s digitally deliverable exports. Of these six, four are from the East and North-East Asian subregion (ENEA), which contributed almost 44% of the region’s exports of digitally deliverable services in 2022. A similar trend is evident in digital FDI inflows, with a significant portion channelled to ENEA, South-East Asia (SEA) and India.

**Asia-Pacific LDCs have seen rapid growth in digital trade, but further growth and engagement is constrained.** Only 0.10% of the region’s digital FDI inflows were channelled towards the Asia-Pacific LDCs in 2021, suggesting possible underinvestment in crucial infrastructure and digital businesses necessary for enhancing their competitiveness in digital trade. In addition, these countries also grapple with other challenges. Notable challenges include a shortfall of workers equipped with the necessary skills and regulatory issues pertaining to data protection and online transactions, which drive up operational costs for digital enterprises. As a result of such obstacles, the Asia-Pacific LDCs accounted for less than 1% of the region’s exports of digitally deliverable services in 2022.
Trends and development in digital trade and investment policies in Asia and the Pacific

The digital trade policy environment in the Asia-Pacific region exhibits a dual-pronged approach. On one side, there is a shift towards regulatory simplification, prominently in areas like tariffs, trade facilitation and intellectual property rights (IPRs). Such policy development is expected to boost digital trade, mitigate costs, and amplify competition. However, when one delves into the policies pertaining to digital service trade, investment and the overarching framework for digital governance, there is a growing trend towards stringent policy enforcement. This rigorous approach is more prevalent, on average, in the NCA and SSWA economies.

Policies affecting infrastructure and cost of access

State monopolies are quite common in telecommunications services in the Asia-Pacific region. Robust competition in the telecom market can improve coverage and reduce consumer costs. Achieving this necessitates prioritizing private investment and reducing trade and investment barriers for ICT goods and services. From 2007 to 2022, the telecom regulatory landscape in the Asia-Pacific region improved significantly. However, many LDCs, LLDCs, and PIDEs remain entrenched in state monopolies. In several economies, particularly in NCA, licensing often carries nationality and residency requirements.

Trade in ICT products is frequently subjected to Non-Tariff Measures (NTMs). The compliance cost becomes significant when these measures deviate from international standards. While tariffs on ICT goods are generally low, there are significant exceptions, especially in LDCs and SSWA economies. Furthermore, across the region, there are varied technical standards, intricate certification processes, and Local Content Requirements (LCRs). Adopting international standards, streamlining business approval processes, and implementing the World Trade Organization’s Information Technology Agreement (WTO ITA) and Trade-Related Investment Measures (TRIMs) Agreement should be actively considered by policymakers in the Asia-Pacific region.
Policies affecting costs and trust in digital trade

**Paperless trade is key for reducing trade costs for cross-border e-commerce.** In the Asia-Pacific region, implementation of paperless trade measures rose from 56% in 2019 to 66% in 2023 according to the United Nations Survey on Digital and Sustainable Trade Facilitation. However, the adoption of cross-border paperless trade facilitation is still progressing slowly, currently at 42%, an increase from the previous 31%. Economies in the PIDEs and the SSWA subregion are notably lagging behind.

**The region has made progress in online consumer protection frameworks, but they vary in nature.** Comprehensive regulations are needed to address each stage of online transactions, from advertising to solving post-purchase disputes. While many regional economies have extensive consumer protection and cybersecurity laws, they are diverse in nature given the absence of widely accepted international guidelines. Moreover, remedies for cross-border online transaction disputes are lacking, although promising regional frameworks are in the pipeline via Asia-Pacific Economic Cooperation (APEC) and Association of Southeast Asian Nations (ASEAN) initiatives.

**Stringent data regulations are particularly prevalent in NCA, followed by SSWA.** While data regulations can foster trust and propel the digital economy, overly complex rules hinder cross-border businesses, particularly for Micro-, Small- and Medium-sized Enterprises (MSMEs). Fifty-seven per cent of the Asia-Pacific economies, covered in the Organisation for Economic Co-operation and Development (OECD)’s Digital Services Trade Restrictiveness Index (DSTRI), allow sharing personal data with economies offering comparable privacy safeguards. However, there is no clear benchmark of equivalence and standards for data-sharing protocol. Similarly, most of them have cybersecurity laws, but few align with international treaties.

**Fiscal incentives, digital Special Economic Zones (SEZs), and regulatory sandboxes are deployed to attract FDI.** However, stringent ownership and licensing regulations potentially counteract these incentives. Foreign ownership caps on digital FDI are in place in 77% of the economies covered in ESCAP’s RDTII, and licensing requirements are present in 64% of them. Investment restrictions are most pronounced in NCA and are also notable in SSWA. Some major economies in the region are easing these constraints, albeit in a fragmented manner.

Policies affecting innovation and Industry 4.0

There is a rising focus on IPR policies to boost investor confidence in research and development (R&D) and innovation. Increased participation in the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement and several treaties of the World Intellectual Property Organization (WIPO) reflects the region’s commitment to balancing the protection of proprietary rights with public access, fostering innovation. By September 2023, about 61% of the Asia-Pacific economies had committed to the WTO TRIPs Agreement. In addition, half of these economies ratified the WIPO Patent Cooperation Treaty (PCT), while 51% joined the WIPO Copyright Treaty. However, most regional economies are not part of the WTO Government Procurement Agreement (GPA) and the prevailing tendency is to limit foreign involvement in public procurement in the digital realm. Data from ESCAP’s RDTII reveal that numerous Asia-Pacific economies still lack clear encryption guidelines and self-certification mechanisms for technical standards related to Industry 4.0.

Promoting sustainable development in digital trade: The role of trade and complementary policies

Digital trade for inclusivity

To ensure inclusivity in digital trade, policies should prioritize competitive equity for both large and small enterprises rather than simply differentiating between offline and online entities. MSMEs constitute more than 90% of businesses and 70% of jobs in many Asia-Pacific economies. The micro firms are often the primary avenue through which underserved groups, especially women, participate in digital trade.

With the phasing out of tax-free digital trade, streamlining of trade processes is essential to counteract rising costs. At present, MSMEs in digital trade confront increasing challenges due to the diversity and uncertainties in digital trade rules. These challenges also encompass the reduction of De Minimis Thresholds and uncertainties surrounding the renewal of the Moratorium on Customs Duties on Electronic Transmissions.

Adopting consistent trade and digital governance policies that ensure a broader development perspective, rather than focusing solely on sector-specific benefits, is crucial. Asia-Pacific economies have already encountered challenges in cross-border delivery of essential services such as e-health-care and e-education, due to barriers to services trade. Digital trade policies that impose restrictions on data flows, as well as regulations around platforms, introduce further hurdles to cross-border digital delivery of these services.

Challenges concerning taxation and informality faced by digital economy workers can be addressed by incorporating labour-related clauses into trade agreements and engaging in international labour and tax treaties. This approach is particularly relevant in developing Asia-Pacific economies, where many independent workers in the digital economy lack tax registration and social protections. Furthermore, policymakers can leverage investment and business regulations to foster collaboration with online platforms. For example, they can use digital accounts on platforms to facilitate the registration of workers, ensuring the workers have access to essential social benefits.

Digital trade for environmental sustainability

An open digital trade and investment environment is necessary for achieving a circular economy, which is an economic system aimed at eliminating waste and the continual use of resources. The circular economy requires digitally delivered services such as real-time tracking, data analytics, and cloud-based services for having a complete overview of sustainable supply chains. Additionally, enabling data flow is
needed to monitor and trace the movement of materials, products and waste throughout the entire product lifecycle. Complementary measures should include the removal of trade and investment barriers in environmental services, facilitation of trade in waste, recycling, and recycled goods, and alignment with international eco-labelling standards. However, the growth of digital trade and digital economy increases demand for ICT goods, which in turn escalates e-waste and raises concerns about the risks of illicit transboundary e-waste movements. This underscores the need for international collaborative efforts on pre-emptive trade measures to mitigate the risks.

**Trade digitalization should be accelerated to reduce the impact of trade procedures on the environment.** Research from ESCAP indicates that fully digitalizing trade procedures in the Asia-Pacific region could reduce Carbon Dioxide (CO₂) emissions by 13 million tons, equivalent to planting 439 million trees. Similarly, a study by the United Nations Conference on Trade and Development (UNCTAD) finds the electronic Single Window in Vanuatu reduced CO₂ emissions by 5,827 kg. Furthermore, the Asia-Pacific Trade and Investment Report (APTIR) 2021 indicates that trade information portals is an efficient tool in reducing energy consumption as they increase transparency and make it easier for traders to access the information needed to fulfil administrative trade requirements.

**Achieving sustainable development through multilateral and regional cooperation in digital trade**

**Preferential agreements have become an important forum for rulemaking in digital trade.** The Joint Statement Initiative on E-commerce, which involves 89 WTO members, seeks to lay down a foundation for minimum cooperation standards in digital trade, although achieving an ambitious outcome may be challenging. Meanwhile, economies in ENEA and SEA subregions have been proactive in incorporating digital trade provisions (DTPs) into their preferential trade agreements (PTAs), while economies in NCA and SSWA subregions have not kept pace. An analysis of 463 PTAs, 237 of which involve at least one Asia-Pacific economy, reveals a consistent growth in the inclusion of such provisions. However, low- and lower middle-income economies are trailing in this endeavour.

**Cooperation in digital trade rules could potentially act as a catalyst for sustainable development.** To date, most agreements have focused on enabling and facilitating trade digitalization without delving into sensitive areas such as data governance or in-depth digital service commitments. However, there is an obvious trend towards certain common commitments, such as promoting paperless trade and reducing restrictions on cross-border data flows. Despite these commonalities, the degree of obligation within DTPs varies, sometimes significantly, leaving varying degrees of policy space. Nevertheless, there is increasing evidence that including DTPs in trade agreements helps in boosting digital trade, especially in digitally deliverable services, and may also have significant positive impacts across various development areas as well. ESCAP research indicates that 10 additional DTPs in trade agreements are associated with an increase of 0.08 percentage points in the growth rate of an economy’s real GDP per capita.

**Cooperation is needed to avoid a new “noodle-bowl” of digital trade agreements, and to facilitate the participation of small developing countries.** Since 2019, Digital Economy Agreements (DEAs), or ‘digital-only’ agreements, have gained traction, addressing a wider scope of emerging issues than PTAs. These DEAs emphasize inclusive digital economies and sustainable development, catering to aspects like MSMEs and regional capacity-building. Moreover, several regional arrangements focused on specific digital trade issues have emerged. Efforts should be made to ensure interoperability across agreements and to include provisions for capacity-building and differential treatment for less advanced countries from the region.
**Figure 4. PTAs with and without Digital Trade Provisions (DTPs) signed by Asia-Pacific economies, 2023**

- 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.

*Not all members shown*

**Sustainability impact of ICT goods trade and digital trade-related policies**

Higher trade and economic growth can be achieved by addressing non-tariff barriers (NTBs) in imports of ICT products under the WTO ITA. ESCAP employed Computable General Equilibrium (CGE) modelling to examine the impact of various digital trade-related policies on GDP, trade, employment, and CO2 emission. The analysis shows the effects of tariff cuts in ICT goods as part of implementation of the WTO ITA I and II are negligible to the region as a whole since most large trading economies have already implemented them. In contrast, addressing NTBs on ITA I and II products could significantly increase trade and economic growth, potentially increasing the region’s exports by 0.17% and 0.23%, and GDP by 0.07% and 0.06%, respectively. These results suggest that discussions on NTBs on ICT goods should be a trade policy priority in negotiations carried out by the Asia-Pacific economies. Such NTBs could also be addressed unilaterally.

Asia-Pacific economies could reap sizeable economic gains by reducing policy restrictions that affect digital trade flows, as well as by fully implementing cross-border paperless trade. The rise in protectionist digital trade policies, as measured by the OECD’s DSTRI, is estimated to already reduce the Asia-Pacific region’s real GDP by 0.4% annually. Across all subregions, the most pronounced effects are in the NCA subregion. The simulation results show that even partial reductions in restrictive digital trade policy measures could have a positive impact on economic and trade growth. For example, sizable economic benefits are found from marginal reductions in restrictions on cross-border data flows. Another set of positive economic impacts could come from the full implementation of measures aimed at...
facilitating cross-border paperless trade procedures, as envisaged by the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific (CPTA). According to the model results, Asia and the Pacific could realize an increase of almost 1% in GDP from advancing the CPTA implementation, with the resulting economic benefits shared by every subregion, and with the SEA subregion reaping more benefits in relative terms.

**While the overall net economic effect of policy measures facilitating digital trade is found to be positive, the simulation results suggest that policymakers need to implement policies that support sectoral transitions of employment and business activity to offset potential negative effects in the short term.** The sectoral impacts of policy measures that facilitate digital trade flows and cross-border paperless trade are uneven and require Governments to mitigate such impacts with supplementary support, including to affected workers. The policy changes simulated in this report reveal that policy measures affecting different domains of digital trade could have contrasting sectoral impacts. For example, simulated reductions in NTBs are found to reduce the output of manufacturing sectors by 0.33%, and to expand the output of the services sector by more than 15% across the Asia-Pacific region. The sectoral impacts of digital trade policy measures are found to be larger than those of conventional trade policies targeting ITA-related products. The simulation results indicate that increases in digital trade restrictions lead to contractions in services sectors, benefiting agriculture and, to a lesser extent, manufacturing across the Asia-Pacific region. Conversely, reduced digital restrictions negatively impact manufacturing and agriculture but benefit the services sector. Changes in skilled and unskilled labour requirements largely align with these sectoral output patterns, although employment shifts in the services sector tend to have a greater impact on unskilled labour.

**Supplementary policies are needed to offset Carbon Dioxide (CO₂) emissions in expanding sectors.** The modelling results from ESCAP suggest that removing traditional and digital trade barriers in certain sectors will stimulate economic expansion, leading to a rise in greenhouse gas emissions. Therefore, it is crucial to concurrently introduce additional policies aimed at neutralizing these emissions to ensure environmental sustainability. The most extreme effect was observed in implementation of full digitalization of trade procedures, increasing emissions by 0.41% in the region (while adding 0.89% to the regional GDP). Notably, however, move from manufacturing (contracting under most policies affecting digital trade) to service sectors (expanding) is less carbon intensive in most cases examined.

**Attracting digital FDI to cultivate a sustainable and inclusive economy**

**FDI in the digital economy promotes economic growth while supporting sustainable investment approaches.** FDI in digital infrastructure furnishes host economies with crucial capital, technology, expertise and employment opportunities, which are indispensable for developing and preserving digital infrastructure. Investing in the adoption of digital technology is pivotal for digitalizing operations, enhancing resilience and introducing new business opportunities. Simultaneously, FDI in digital businesses brings forward innovative business models that circumvent conventional challenges, forge collaborative ventures with local firms, and promote non-equity modes of FDI in host economies.

**To attract digital FDI, policymakers in trade, investment and ICT must closely collaborate with national Investment Promotion Agencies (IPAs) in crafting cohesive strategies.** The policy framework for digital FDI, especially regarding digital infrastructure, should include a national broadband plan, policies on converged licensing, spectrum allocation, infrastructure sharing, universal service funds, number portability and a dedicated framework for data centres. Success in attracting digital FDI, especially regarding digital business and digital adoption, hinges on digital connectivity, digital proficiency, ease of doing business, and robust digital trade and investment policies. In addition, the digitalization of industrial parks and SEZs is crucial.
RECOMMENDATIONS

The report offers action-oriented policy suggestions related to trade and investment. It begins with overarching policy recommendations, involving collaborations at both multilateral and regional levels. It then proposes recommendations specific to each of the three pillars of sustainable development outlined in this report: Growth, Inclusion, and Environmental sustainability. For all these pillars, the nexus between domestic regulations and international cooperation is highlighted. Below is a summary of the main policy recommendations discussed in this report.

1. Overarching policy recommendations: Leveraging multilateral and regional cooperation mechanisms to align digital trade and investment policies with WTO Principles

   - **Align domestic regulations with the principles of transparency and non-discrimination**, ensuring compliance with the minimum requirements stipulated by existing WTO guidelines. It is essential that the WTO principles are consistently upheld across all policy interventions, at the unilateral, regional, or multilateral levels.

   - **Leverage existing agreements and initiatives to accelerate regional digital trade cooperation.** The Asia-Pacific region stands to gain by utilizing international and regional agreements to construct adaptable regulatory frameworks. Such an approach should be incremental, guarding against the risks of regulatory fragmentation and protectionism. A high priority should be placed on regional regulatory cooperation to enhance transparency, including regulatory dialogues to establish cooperation where universal standards are absent, and the establishment of digital trade and investment information portals to facilitate business compliance. Capacity building should be integrated into trade agreement design and implementation.

   - **Expedite implementation of trade facilitation, digitalization agreements, and adoption of international standards.** It is recommended to complete implementation of the WTO TFA, accelerate accession and implementation of the CPTA, and adopt or align with the United Nations Commission on International Trade Law (UNCITRAL) model laws when formulating digital trade policies. By leveraging these global and regional frameworks and standards, economies can significantly enhance cross-border interoperability for e-commerce facilitation, offering substantial benefits for MSMEs. Moreover, fully digitalizing trade regulatory processes in the Asia-Pacific region will reduce the adverse impact of trade on the environment.

2. Digital trade and investment policies for growth: Building efficient, safe, and trusted digital trade

   - **Increase coherence between trade, investment, and ICT policies to bridge the digital infrastructure divide.** Public-private partnerships and investments are vital, especially in areas where private ventures are less viable. Policies need to be tailored to attract investors by establishing streamlined licensing systems, efficient spectrum distribution, independent regulatory bodies, compliance with international standards, and an open FDI regime to enhance private sector involvement in digital infrastructure. It is important to align telecommunications regulations with the General Agreement on Trade in Services (GATS), including its telecommunications annex, and the Telecom Reference Paper, to maintain a competitive and transparent telecom sector. Furthermore, lowering import duties on ICT equipment in line with ITA should be actively considered, while also simplifying the processes for approvals and permits for ICT trade and
investment. Adopting ICT technical standards consistent with those of the International Telecommunication Union (ITU) and engaging in international ICT dialogues are also important steps to consider.

- **Strengthen online consumer protection to address the full spectrum of the online transaction process**, to ensure consumer confidence and promote robust growth in digital trade. This includes from pre-purchase activities such as advertising and information dissemination to purchase protocols including contract terms and payment security and extending to post-purchase support like dispute resolution. In data privacy, recognizing “equivalency” or “adequacy” among different jurisdictions can facilitate international data flows, supported by increased collaboration between privacy authorities and the integration of privacy measures into trade agreements to harmonize data protection standards. Cybersecurity is also critical, necessitating that organizations adhere to international standards such as the ISO 27000 series.

- **Align national regulations with international guidelines** on intellectual property (IP) and Technical Barriers to Trade (TBT) to spur innovation and propel Industry 4.0 forward. In addition, promoting an open FDI regime and coordinating with IPAs to simplify processes for foreign investors are essential for creating an inviting investment climate for the growth of the digital economy.

3. **Digital trade and investment policies for inclusivity**

- **Support cross-border e-commerce of MSMEs and marginalized groups.** Promoting cross-border e-commerce for MSMEs involves facilitating the movement of parcels and efficient handling of returns. Promoting MSMEs also includes, maintaining a tariff-free environment for electronic transmission and low-value consignments. This should be complemented by a sales tax system to ensure fair competition. Moreover, crafting a specific, enforceable provision in PTAs that promotes non-discrimination and collaborative capacity building is crucial for enhancing the participation of marginalized groups, such as women, in digital trade. This provision should be clearly and definitively articulated and positioned in prominent sections of the agreements to emphasize its significance. The support extended should be targeted, drawing on comprehensive needs assessments that take into account the distinct needs and attributes of marginalized groups within their particular contexts.

- **Leverage digital trade and investment in the health-care and education sectors.** Recognizing the significance of interoperable data privacy standards and the facilitation of data exchanges are important for unlocking the potential of trade in digital healthcare and online education services. It is also crucial to lower traditional trade and investment barriers in order to bolster both online and conventional delivery methods of these services. Developing and implementing international standards and an accreditation system is important for ensuring consistent quality across countries. Moreover, it is recommended to include provisions for remote delivery within these systems to ensure that services provided digitally meet the same quality standards as in-person services.

- **Address digital-economy worker challenges through international cooperation.** It is recommended to integrate an impact assessment of DEAs and PTAs on workers’ conditions into trade agreement designs, negotiation, and implementation. Adopting international standards, such as the World Economic Forum’s Charter of Principles for Good Platform Work and the International Labour Organization (ILO) Tripartite Declaration, is crucial for creating a globally consistent framework for digital-economy workers. Moreover, reinforcing collaboration between multinational platform companies and governmental bodies can be useful for establishing a standardized set of guidelines for the cross-border employment of digital-economy workers. This effort requires a detailed realignment of standards and protocols tailored for digital-economy workers who operate across international borders. This should be complemented by agreements on taxation, digital identity, and data privacy. Additionally, developing clear tax guidelines for cross-border
digital services is essential to avoid the risks of double taxation. The adoption of the UN’s model tax treaty could be instrumental in providing a standardized approach to structure tax treaties that recognize revenues from digital engagements appropriately.

4. Digital trade and investment policies for environmental sustainability

- **Foster a circular economy through open digital trade and investment.** A circular economy relies on monitoring and traceability of materials throughout product lifecycle. It requires cross-border data exchange and online services supporting the monitoring process. Having a digital infrastructure, effective data governance and standardized interoperability guidelines is fundamental. This also needs to be accompanied by streamlining regulations to facilitate trade and investment in environmental goods and services – like waste treatment and recycling. This can be achieved by lowering licensing fees and clarifying legal frameworks. Technical regulations, including those for waste and packaging, must align with international standards and comply with the WTO TBT agreement as well as the Basel Convention. Collaborative efforts in trade agreements to standardize environmental regulations and define the scope of environmental goods and services are encouraged.

- **Establish a harmonized approach for traceability of goods throughout their lifecycles and for facilitating legal e-waste movement.** By adopting paperless procedures for the notification and consent of e-waste exports, the efficiency of tracking illegal e-waste activities can be increased. Embracing amendments such as the World Customs Organization’s (WCO) Harmonized System (HS) 2022, which provides specific classifications for e-waste, and adhering to global standards for repair, reuse, remanufacturing, and recycling, is an important step towards this endeavour.

Conclusion

Throughout the report, a consistent theme emerges—**unleashing digital trade and investment for sustainable development requires giving particular attention to the regulatory impacts on consumers, small firms, workers, and the environment.** Central to these strategies is the need for a streamlined and simplified regulatory framework. This involves avoiding regulations that unduly increase compliance costs for businesses. Such regulatory environment is particularly advantageous for small enterprises, pivotal for achieving inclusive growth outcomes. Essential to this framework is simplifying processes associated with business establishment, licensing, permits, as well as their associated costs and durations.

Moreover, the importance of creating mechanisms that encourage regulatory cooperation and interoperability cannot be overstated. Aligning technical requirements within regulations with international standards and mutual recognition arrangements guarantee a level of global consistency and interoperability.

For a conducive setting for digital trade and investment, a holistic policy approach is vital. This entails coordination among various agencies, unwavering commitment to transparency, and engaging public consultations. Furthermore, as the digital trade and investment landscape evolves, preparing enforcement agencies for changes is crucial. Specialized training programmes can empower these institutions, enabling them to efficiently enact and promote the newly established or revised regulations. ESCAP, UNCTAD and UNIDO stand ready to assist in this endeavour.
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The Asia-Pacific Trade and Investment Report (APTIR) is a biennial publication prepared by the Trade, Investment and Innovation Division of the United Nations Economic and Social Commission for Asia and the Pacific to provide insights into the impact of recent emerging developments in trade and foreign direct investment on countries’ abilities to meet the challenges of achieving sustainable development.

The theme of APTIR 2023/2024 is “Unleashing digital trade and investment for sustainable development.” Prepared in collaboration with the United Nations Conference on Trade and Development and the United Nations Industrial Development Organization, the report explores the roles of digital trade and investment in guiding the Asia-Pacific region towards sustainable development. It examines digital trade and investment patterns in the region and provides an overview of the digital trade and investment policy environment, viewed through a sustainable development lens. The report also assesses the potential of unilateral policies on trade and investment, as well as the impact of multilateral and regional cooperation, in maximizing the benefits of digital trade and investment while focusing on the Sustainable Development Goals (SDGs). Incorporating a quantitative assessment, this study evaluates the role of digital trade in achieving the SDGs and examines the impact of various policy scenarios. Building on this understanding, the report concludes by offering a series of action-oriented policy recommendations, specifically targeting the trade and investment domains, to ensure that digital and investment policies effectively unlock the potential of digital trade and investment for sustainable development.