

Emerging Trends in India's Digital Trade Diplomacy

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Introduction

Digital Trade is assuming greater importance in today's technology-driven world and has become a strategic tool to gain economic leverage and secure a greater share in the global economy. The Global Digital Trade Development Report 2025, released by the International Trade Centre and the United Nations Conference on Trade and Development (UNCTAD), stated that globally, digital trade increased from \$4.59 trillion to \$7.23 trillion in 2020-2024 and grew at a rate of 12.1% in comparison to the 9.7% growth rate in the overall global trade.¹ India has not explicitly defined digital trade in its diplomatic agreements, but has included prominent agendas pertaining to digital trade, such as cross-border data flows, cooperation on digital products, paperless trade, personal data protection, e-invoices, e-signatures, customs duties on electronic transmissions, online consumer protection, access to source code, etc. Digital trade is broader in scope than e-commerce, as it encompasses not only the trading of goods and services using electronic means, but also the export of digitally enabled services, such as software, education, and cloud computing services. Moreover, digital trade has become an enabler in traditional sectors, such as agriculture, banking, and logistics, which rely on digital services like e-signatures, cross-border data transfers, and real-time shipment tracking.

Globally, digital trade had been recognised much earlier; for instance, the World Trade Organisation (WTO) adopted the Declaration on E-Commerce in 1998 to address trade-related issues related to global e-commerce.² Since then, a lot has transpired, with a gradual shift in the nature and content of the recently forged trade deals such as free trade agreements (FTAs) between various countries incorporating digital trade chapters, standalone digital trade agreements (DTAs) and digital economy agreements (DEAs) as part of diplomatic negotiations, leading to the unfolding of a more specialised digital trade diplomacy. India has recently forayed into the domain of digital trade. Interestingly, cross-border data flows have emerged as one of the most sensitive and highly contested domains in digital trade agreements, due to several factors, including provisions on data localisation in the Digital Personal Data Protection (DPDP) Act, 2023.

The State of India's Digital Economy

The Global Digital Trade Development Report 2025 has recognised India as one of the fastest-growing digital players in the global digital economy, with an average annual growth rate of 16.9% and the third-largest exporter of digital services, which include software, education, data processing, finance, etc.³ India's digital economy accounted for nearly 11.74% of the GDP in 2022-23 and is expected to contribute one-fifth of the

national income by 2029, which is larger than the agricultural and manufacturing sectors.⁴ Moreover, a dedicated division, the Investment and Digital Economy Division in the Department of Economic Affairs, Ministry of Finance, specifically handles policy matters and global partnerships related to India's digital economy. A report titled "Click, Shop, Repeat" by Bessemer Venture Partners has suggested that India's digital economy will cross the 1 trillion threshold by 2030 and has attributed it to factors like rising e-commerce, online financial transactions, and increasing smartphone usage.⁵ With strong projections backing the growth of India's digital economy, digital trade has become more prominent than ever in India's global trade negotiations.

Impact of Digitalisation on Traditional Sectors

Digitalisation is restructuring traditional sectors in the Indian economy to enhance efficiency, productivity, and revenue. For instance, the agriculture sector is employing digital agri-commerce and agri-fintech to streamline processes, and the manufacturing sector is emerging as an exporter of electronic goods for ICT-enabled services. Sectors like retail, education, healthcare, and banking are also providing services through online platforms. There are concerns that smaller firms are struggling to fully operationalise their trade and services in a digital ecosystem; however, in the long run, India could emerge as an exporter of technology solutions, especially for emerging economies looking to modernise their traditional sectors.

Emerging Global Patterns in Digital Trade Diplomacy

Globally, digital trade has become an important agenda item in diplomatic negotiations. The EU's global engagement has largely been value-based, seeking to oppose unjustified barriers to digital trade while ensuring that privacy and data protection measures remain uncompromised. Interestingly, in 2023, the US adopted a pro-regulation stance by withdrawing its support from the Joint Statement Initiative on Electronic Commerce, which supports liberal trade rules.⁶ The absence of globally agreed rules has therefore caused a shift from multilateral to regional and bilateral engagements in digital trade diplomacy. India has negotiated digital trade agreements with Singapore, the United Arab Emirates (UAE), and the UK, and is further diversifying its engagement by bilaterally negotiating with countries such as Chile, Peru, Qatar, and Bahrain.⁷ Moreover, digital cooperation has been a significant component in India-Africa ties as well.⁸

India's Recent Digital Trade Agreements

The India-Singapore Comprehensive Economic Cooperation Agreement (CECA) is one of the earliest FTAs related to digital trade, signed in 2005, that recognises the economic potential of e-commerce and defines key terminologies like digital products and electronic transmissions, and includes non-discriminatory provisions on digital products and a moratorium on customs duties on electronic transmissions.⁹ In 2022, India signed a more comprehensive agreement with the UAE, which includes a dedicated chapter on digital trade, the first of its kind for India. The India-UAE Comprehensive Economic Partnership Agreement (CEPA) is also the first FTA signed by India that includes provisions on cross-border flow of information.¹⁰ Interestingly, it also includes provisions on digital government and cooperation on digital products that aim to foster a more efficient e-governance for citizens, promote digital inclusion, and bridge the digital divide.¹¹

The most recent digital trade agreement, i.e., the India-United Kingdom Comprehensive Economic and Trade Agreement, signed in July 2025, includes binding commitments in comparison to the India-UAE CEPA.¹² India is simultaneously engaging with the EU to forge a bilateral FTA on trade and investments. India is currently showing the strongest potential in the export of its digital public infrastructure called IndiaStack, where it has signed MoUs with countries like Armenia, Antigua & Barbuda, and Sierra Leone, to share IndiaStack, and a few other countries are expressing interest.¹³ Moreover, countries like France, Singapore, UAE, Qatar, etc. have already embraced the Indian Unified Payments System (UPI), making the Indian digital payments system global.¹⁴ India is now working towards positioning itself as a global leader in digital payments by pushing for the adoption of UPI within the BRICS bloc.¹⁵

Evolving Principles on Digital Trade in India

While India's older FTAs largely focused on trade in physical goods, some of the recently forged FTAs have varied levels of commitments on digital trade, with India's digital public goods, like IndiaStack, emerging as a prominent arena for cooperation. Moreover, India's domestic data protection and data regulatory architecture is still evolving, thereby making its approach towards global trade deals more cautious. While India has traditionally opposed WTO provisions on e-commerce, especially those imposing a moratorium on customs duties on digital goods and services, by alleging that they favour developed countries and cause revenue loss for large markets like India, it has softened its hardline stance in recent years.

India's digital trade diplomacy has come a long way from opting out of the Regional Comprehensive Economic Partnership (RCEP), one of the largest FTAs between the ten ASEAN member countries and its FTA partners like Australia, China, New Zealand, Japan etc. in 2019 due to reservations regarding the e-commerce chapter that would potentially compromise its domestic data regulatory space¹⁶ and refusing to sign the Osaka Declaration advocating Data Free Flow with Trust (DFFT) at the G20 in 2019¹⁷ to softening its own data localisation policy in the recently enacted Digital Personal Data Protection (DPDP) Act, 2023.¹⁸ The Central Government has notified the rules for the DPDP Act, 2023 in November 2025 and paved the way for a functioning law that deals cross border data flows in India.¹⁹ Moreover, there is a shift in the degree of commitments agreed upon in the digital trade agreements. For instance, the India-UAE digital trade commitments are not binding but instead based on cooperation to facilitate digital trade. In contrast, the India-UK FTA contains more binding commitments, especially those on preventing mandatory access to source codes, which India has previously refused to concede.²⁰

Emerging Position on Digital Trade Diplomacy

India's stance on digital trade diplomacy appears to be about expanding digital trade by leveraging its position as one of the largest exporters of digitally deliverable services without compromising its domestic regulatory space. Nevertheless, India's legislation in domains like telecommunications, consumer protection, and data protection is likely to influence digital trade policies at the diplomatic level.²¹ Digital trade has the potential to strategically secure India's economic interests through digital trade diplomacy, particularly as geopolitical fault lines widen amid shifting power dynamics in global politics. However, as India sheds its hesitations on forging deeper digital trade commitments, subsequent FTAs, especially the forthcoming one with the EU, are expected to set a benchmark for India's future negotiations and digital trade policy preferences.

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