THE USA JOURNALS
THE AMERICAN JOURNAL OF POLITICAL SCIENCE LAW AND CRIMINOLOGY (ISSN- 2693-0803)
VOLUME 06 ISSUE01

PUBLISHED DATE: - 31-01-2024
DOI: - https://doi.org/10.37547/tajpslc/Volume06Issue01-18 **PAGE NO.: - 92-96**

RESEARCH ARTICLE **Open Access**

DRIVERS AND BARRIERS OF CROSS-BORDER DIGITAL INVESTMENTS

Inamdjanova Elnora Elbekovna
Lecturer of the Department of International Private Law, Tashkent State University of Law, Uzbekistan

Abstract
Modern international competition has an ambiguous impact on the processes of digital transformation, both from the perspective of mastering new digital technologies and in the context of further stimulation of innovation by countries around the world. The article evaluates the prospects for effective management of the changes that arise under the influence of new drivers of the digital transformation of the world economy. The potential and advantages of new digital technologies create new opportunities for achieving the goals of sustainable socio-economic development of the countries of the world and their economic growth. However, for digital transformation, technologies for ensuring, maintaining and increasing the international competitiveness of national economies are of decisive importance.

Keywords Digital transformation, world economy, cross-border, digital investments, economic growth, technology, cybersecurity protocols, globalization, AI.

INTRODUCTION

The progressive globalization of capital markets through reduced barriers, increased integration, and cross-border flows has been enabled by a complex interplay of international laws, domestic reforms, regulatory harmonization, and technological innovation. This section will closely examine the legal architecture, economic shifts, and ongoing nuances shaping globalized finance. Landmark international laws and conventions like the IMF Articles of Agreement, the OECD Codes of Liberalization, and the GATS framework have anchored capital market globalization within a rules-based system and principles of progressive liberalization. These accords promote ally cross-border investment and set standards. Regional trade agreements like NAFTA, the CETA, ASEAN initiatives, and the African Continental Free Trade Area have also been pivotal drivers through chapters expanding investment protections, market access, and cooperation. Preferential liberalization among partner states propels integration. Domestic reforms and unilateral moves towards capital account liberalization have also been key enablers, documented by extensive empirical research. For instance, studies show lowered restrictions stimulated capital inflows in India, Korea, and Japan. Despite risks, openness expands flows.

The authors concluded that as technology life cycles continue to shorten, digital transformation is intensifying as a result of increased competition at the international level. It was found that modern organizational and legal structures that have developed in the field of regulation of international trade and cross-border investments are no longer effective in the era of digital transformation, since they do not take into account the unprecedented growth in the international exchange of services, which are intangible and difficult to regulate by traditional tariff and non-tariff instruments . It has been proven that in the short and medium term, digital transformation will lead to large-scale structural changes in the global economy, therefore, at the national level, it is necessary to develop an adaptive and flexible economic and foreign trade policy. Important factors for the effective implementation of this policy should be social orientation and inclusiveness, a focus on increasing labor productivity and managing risks associated with the widespread use of digital technologies.

Cross-listing of securities, mutual recognition frameworks, and integration initiatives like the European Single Market have further reduced cross-border frictions, harmonizing standards that facilitate seamless movement. Passporting systems enable efficient origination and distribution. The rise of borderless technologies like the Internet, big data analytics, and algorithmic trading has intensified global integration, as analyzed by scholars of finance and technology. Digital platforms radically improve speed, access, and standardization. However, despite globalization, states still impose restrictions through mechanisms like prudential regulations, capital controls, and investment screening on national security or stability grounds. Complete liberalization remains politically and economically contentious [1]. Ongoing technical and administrative barriers also impede seamless cross-border investment, as evidenced in EU research. Despite progress, fragmentation persists due to divergent national regulations, compliance mechanisms and philosophies. Moreover, highly interdependent globalized markets create risks like contagion during crises, necessitating enhanced international coordination, data exchange and crisis management, as highlighted by the G20 [2]. Globalization is a complex phenomenon with plural effects. In conclusion, contemporary capital market globalization reflects layered legal architecture, domestic reforms, harmonization efforts, and technological innovation. But national controls and fragmentation endure alongside integration, requiring ongoing regulatory innovation and cooperation to balance opportunities and risks in this pivotal sphere.

While innovations like blockchain, big data, and AI are stimulating cross-border digital investing, barriers persist due to divergent regulations, compliance mechanisms, and risks requiring mitigation. This section will examine key technological, policy, and regulatory drivers alongside prevailing legal, oversight, security and interoperability challenges. Scholars highlight how technologies like smart contracts, robo-advisors substantially lower costs and information barriers for cross-border digital investing compared to traditional channels Automation and standardization enable seamless flows across jurisdictions. Trade pacts, tax treaties, and investment promotion policies create further incentives through provisions liberalizing digital asset movements, prohibiting data localization mandates, and harmonizing related regulations [3]. Preferential regimes boost digital investment.

Common technical protocols like ISO 20022, regulatory standards through Global Financial Innovation Network, and interoperability frameworks facilitate interconnectedness across digital investment ecosystems. However, scaling common standards remains challenging. A key barrier is divergent national regulations for emerging instruments like crypto-assets, stable coins, tokenized securities, which impede cross-border interoperability. Compliance with multiple regimes raises costs. Legal ambiguity around jurisdictions, contractual enforcement, liability apportionment and other issues pose additional hurdles for cross-border digital transactions spanning multiple regimes. Clearer universal frameworks would enable freer flows. Localization mandates, investment screening mechanisms, trading platform restrictions, and technology usage limits also constrain uninhibited cross-border digital investing in many contexts (UNCTAD, 2020). Citing national interests, states carefully regulate access. Heightened cyber risks in cross-border digital investing lacking localized oversight are serious concerns highlighted by scholars. Global hacks and fraud underscore surveillance and enforcement gaps in decentralized networks [4]. As such, while breakthroughs like blockchain and AI are fueling cross-border digital investment, realizing its full potential requires bridging divides through regulatory harmonization, governance innovation, and multi-jurisdictional collaboration to balance flows with protections.

Governments and international organizations are actively exploring regulatory initiatives, partnerships, capacity building, sandboxes, and selective liberalization to progressively enable regulated cross-border digital investment while balancing risks. This section will analyze emerging frameworks, agreements, and implementation considerations shaping this complex governance challenge. The EU has taken a harmonization approach with initiatives like the Markets in Crypto-Assets (MiCA) regulations and Digital Finance Strategy to enable aligned standards for cross-border digital asset flows and platforms (EU, 2020). However, global consistency remains challenging. The WTO's General Agreement on Trade in Services (GATS) provides a potential foundation for developing multilateral rules on enabling market access and national treatment for cross-border digital financial services through incremental negotiations [5]. But consensus has proven elusive so far. International bodies like the FSB, BIS and IMF are spearheading efforts to establish common terminology, reporting standards, and principles for cross-border crypto-assets to prevent fragmentation. Taxonomies and disclosure templates promote convergence.

The ASEAN Collective Investment Schemes framework demonstrates the potential for regional mutual recognition arrangements between national regulators to smooth digital investment flows. Similar bilateral agreements like those between Australia-Singapore and UAE-ADGM build cooperation. Selective phased preferential liberalization arrangements focused on facilitating cross-border digital investments as a priority sector can enable controlled exposure by building readiness in areas with highest potential gains according to impact studies. Targeted reforms pilot opportunities [6]. Sandbox collaborations between regulators allow testing of interoperable frameworks for cross-border transactions between digital investment platforms in controlled environments to identify solutions and build capabilities. Leading examples include the UK-Singapore fintech bridge. Technology can also enable aligned ecosystems, as shown by API-based systems integrating national payment platforms regionally (BIS, 2020). Harmonized architectural protocols reduce technical barriers for digital investment connectivity. However, experts caution integrating safeguards are vital alongside liberalization. Prudential regulations, investment screening frameworks, security standards, and macro prudential oversight remain essential to balance risks, even as digitization is encouraged.

In summary, enabling cross-border digital investment calls for a nuanced synthesis of multilateral rule-setting, regional arrangements, regulatory piloting, targeted liberalization, and harnessing technology - underpinned by cooperation and capacity building. With patience and care, this complex but vital challenge can be progressively advanced to responsibly integrate markets. Constructing an international digital investment ecosystem based on accessibility, financial inclusion, and seamless cross-border interoperability will require multidisciplinary design spanning policy, law, technology and ethics. This section will examine potential governance models, roadmaps, capacity building initiatives, risk management systems, and progressive implementation approaches that could responsibly guide this complex undertaking. The overriding objectives should be promoting equal open access worldwide, improving inclusion through affordable digital platforms, enabling universal compatible standards, responsibly expanding freedoms, and fostering trusted connections between cross-border investors and recipients - while appropriately balancing transparency with prudence. Milestone-based incremental roadmaps tailored to each jurisdiction's priorities, development status, and technology readiness could phase countries into a harmonized international digital investment framework (UNCTAD, 2019). This allows managing change adaptabily. Regional initiatives like ASEAN and EU Digital Finance strategies also smooth integration. Capacity building through training bootcamps, hackathons, university courses, industry exchange programs, and open-source platforms can expand proficiency and ensure inclusive participation [7]. Multilingual interfaces and offline digitization techniques further enhance accessibility.

Coordinated governance and cooperation frameworks between national regulators and international bodies can steer alignment. Sandbox collaborations, data sharing arrangements, and mutual assistance treaties foster joint oversight. Industry and expert inputs lend technical insights. Balancing openness with prudence entails implementing appropriate surveillance systems, cybersecurity protocols, anti-manipulation controls, risk disclosures, and stability mechanisms tailored for digital platforms. Technology like AI, blockchain and crowdsourced audits can reinforce oversight. Incorporating self-regulatory mechanisms and decentralized models alongside formal regulation can harness industry expertise for agile governance of rapidly evolving technologies, while retaining state oversight for core protections. In summary, developing the full potential of cross-border digital investing to responsibly expand financial inclusion and prosperity globally warrants dedicated governance creativity. With systematic roadmaps, cooperation, capacity building, and responsible innovation, this monumental but inspiring undertaking can be progressively advanced through multidisciplinary ingenuity.

The emergence of a global borderless digital investment ecosystem intensifies interconnected risks surrounding cybersecurity, money laundering, and systemic stability that require robust multijurisdictional coordination and governance. This section will examine emerging legal frameworks, oversight technologies, early warning systems, crisis management protocols, capacity building initiatives and international cooperation mechanisms to securely manage cross-border risks. Experts emphasize the need for strong identity, access and authorization frameworks spanning diverse platforms and jurisdictions to manage hacking, theft and fraud threats amplified in decentralized networks. Global standards on multi-factor authentication, biometrics, and tokenized access can enhance security. Enhanced international coordination between financial regulatory and law enforcement agencies is pivotal to effectively monitor and investigate sophisticated crimes like cross-border money laundering using complex digital investment instruments [8]. Coalitions can close gaps exploited by transnational illicit activities. Scholars advocate developing globally accepted procedures and emergency powers enabling regulators to swiftly intervene in the event of systemic contagion or asset bubbles proliferating across borders. However, safeguards must be instituted to prevent excessive actions.

Cross-border regulatory stress testing frameworks modeled on the EU-wide banking exercises can help assess risk correlations and vulnerabilities across interconnected markets. Identifying weak points allows preemptive fortification. Early warning systems utilizing machine learning, natural language processing and predictive analytics to synthesize alternative data can also strengthen preparation and response to fast-moving cross-border financial threats. AI-powered insights enhance foresight. Common transparency standards requiring immutable audit trails, disclosures, and transaction monitoring leveraging DLT and open data can likewise aid coordinated oversight across jurisdictions. Responsible data sharing is key. Ongoing capacity building and technology sharing initiatives spearheaded by bodies like the IMF and BIS continue to expand regulatory expertise and tools globally to manage emerging cross-border digital investment risks.

Knowledge transfers multiply preparedness. In summary, robust international collaboration on oversight frameworks, crisis management protocols, risk monitoring infrastructure, and capability development appears pivotal to ensure systemic stability as digital investing erodes national barriers. With diligence and cooperation, this monumental governance challenge can be progressively advanced.

REFERENCES

1. 5 Digital technology investments to consider in 2023 https://www.walkme.com/blog/digital-technology-investments/
2. https://www.nucoro.com/insights/your-

complete-digital-investment-platform-guide

3. Nadir Hirji, Gale Geddes, Realizing the value of digital investments // https://www.strategyand.pwc.com/ca/en/media/whats-your-digital-roi.pdf

4. Fracassi, Cesare and Khoja, Moazzam and Schär, Fabian, Decentralized Crypto Governance? Transparency and Concentration in Ethereum Decision-Making (January 10, 2024). Available at SSRN: https://ssrn.com/abstract=4691000 or http://dx.doi.org/10.2139/ssrn.4691000

5. Xia, Feilian and Barrio Herrezuelo, Diego and Thewissen, James and Arslan-Ayaydin, Özgür and Yan, Shuo, Picturing Success: The Power of Visual Cues for Investors in Initial Coin Offerings (January 17, 2024). Available at SSRN: https://ssrn.com/abstract=4698158

6. Akpan, Mfon and Ukwu, Henry Ugochukwu, Non-fungible Token Valuation Exposed: US Generally Accepted Accounting Principles Compliance and Artificial Intelligence's Disruptive Role (December 22, 2023). Akpan, M., & Ukwu, H. U. (2023). Non-fungible token valuation exposed: US Generally Accepted Accounting Principles Compliance and artificial intelligence's disruptive role. Risk Governance and Control: Financial Markets & Institutions, 13(4), 73–84., Available at SSRN: https://ssrn.com/abstract=4677159

7. Baser, Deepak and Dashora, Parul, A Study of Cryptocurrency: An Investment of Gambling (December 1, 2021). Indian Journal of Accounting (IJA), Volume: 53(2), December 2021, Available at SSRN: https://ssrn.com/abstract=4674293

8. Phua, Jing Wen Kenny and Sang, Bo and Wei, Chishen and Yu, Gloria Yang, The Economics of Financial Scams: Evidence from Initial Coin Offerings (March 23, 2022). Available at SSRN: https://ssrn.com/abstract=4064453 or http://dx.doi.org/10.2139/ssrn.4064453