

# China's Policy Option for Participation in Governance of International Digital Trade Rules Under the Background of COVID-19 Pandemic

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## ABSTRACT

Benefiting from the rapid development of artificial intelligence, cloud computing, big data and other technologies, digital trade has grown rapidly worldwide, changing the original development pattern of Digital Trade Rules, and being virtual, digital, intelligent, and convenient have become the new trend of current development of international trade. After the COVID-19 pandemic, the world has realized rapid development in digital economy, and digital trade, as an integral part of the digital economy, is becoming an important trend in the development of global trade. With China's rapid rise in digital trade, it needs to play a more essential role in formulating digital trade rules. China is lacking in the depth and promotion of digital trade rules. On the one hand, it has not yet formed a "Chinese template". On the other hand, it has not publicized and promoted Chinese rules to the international community. The Chinese government needs to take measures to thoroughly improve its international discourse power in the field of digital trade rules.

**Keywords:** *Digital Trade, COVID-19 Pandemic, Trade Rules, International Community, Chinese template*

## 1. INTRODUCTION

According to data from UNCTAD, the global export volume of digital trade in 2020 was USD 3,192.6 billion, with its proportion in service trade increased from 47.3% in 2010 to 52% in 2020, and its share in global trade increased to 12.9%. In 2020, the export volumes of digital trade in advanced economies, developing economies, and transition economies were USD 2,431 billion, USD 720.4 billion and USD 41.2 billion, accounting for 76.1%, 22.6% and 1.3% of global digital trade exports, respectively. It can be seen from the market share of different countries that developed economies including Europe and the United States still dominate the market relying on their overwhelming superiority in digital service scale, digital technology and industry. Among them, thanks to the super cross-national

technology enterprises such as Apple, Facebook, Amazon and Microsoft, the U.S. total volume of digital trade imports and exports was USD 845 billion in 2020, ranking first in the world. The U.S. is closely followed by the United Kingdom, which has advantages in the finance and insurance service industries. Ireland, Germany, Netherlands, India, France, and China ranked the 3rd to 8th. In the process of global digitization, due to the differences in the degree of possession and application of information & network technologies and the innovation capability between different countries, the "digital divide" between developed and developing countries has gradually formed.

After the COVID-19 pandemic, the world has realized rapid development in digital economy, and digital trade, as an integral part of the digital economy, is becoming an important trend in the development of

global trade.<sup>[1]</sup> In the overall context of the continuous global economic slump, digital trade has promoted the reform of global value chain, lowered the threshold of trade, promoted the transition and upgrading of traditional trade and business models, and has gradually developed into a new engine for global economic growth. However, the existing digital trade rules are incomplete and lagging behind practice, and are far from meeting the requirements for the rapid development of digital trade, which restricts the development of the global digital economy to a certain degree, and affects the sustainable and healthy development of the global economy.

## **2. UNDER THE BACKGROUND OF THE COVID-19 PANDEMIC, CHINA URGENTLY NEEDS TO PARTICIPATE IN THE GOVERNANCE OF INTERNATIONAL DIGITAL TRADE RULES**

As the world is stepping into a period of rapid development in the digital economy, digital trade is becoming an integral part of the digital economy and an important trend in global trade development. The cause of this trend lies on two aspects: On the one hand, digital trade strengthens the inter-industry sharing of knowledge and technological elements through data flow, promotes the close integration of manufacturing and service industries, and drives the digital transition of traditional industries. On the other hand, digital trade has made disruptive innovations in various sectors with digital technology and digital services and created a large number of new business and models, which injects new impetus to global economic growth.

Internet technology knows no borders, and big data systems are free of barriers. However, global competition is cruel, and the contestations over benefits between major powers are everlasting. There are also disputes on intellectual properties in new Internet technologies, and even the international trade is full of barriers. After the COVID-19 pandemic, the global supply chain has been blocked, and the global trade in goods is facing energy shortages, chip shortages, and high logistics costs.<sup>[2]</sup> As the world's largest trading country in goods, China is also confronted with severe challenges. In this case, the shortcomings of goods trade can be solved through digital trade solutions. Compared with traditional service trade, digital trade improves the efficiency of contract signing, reduces the difficulty of orders, and saves transaction costs. Relying on the platform and big data system, trading parties can not only realize the standardized operation of the contract signing process, but also freely select trading partners through the platform big data system. They can enjoy the risk guarantee and supporting services of the platform to avoid transaction risks and realize all-win in interactive trade. In particular, high-tech service products related to

big data, such as mobile movies, can be directly paid for download through mobile terminals. It can be said that service trade can be completed in an instant, which completely avoids the inherent costs and uncertainties in complex traditional freight channels.<sup>[3]</sup>

With the iterative upgrade of the new-generation information technology, although digital trade cannot completely replace traditional service trade, it will become the main mode of service trade. With the booming of the wave of digitization driven by the new-generation information and communication technologies, the scale of digital industrialization is expanding, and the trend of industrial digitization is strong, promoting the digital economy and digital trade to become the new engine of global economic development. In particular, the COVID-19 pandemic has greatly changed people's styles of production and life, and has caused uncertainties to the economic stability and trade growth of countries around the world. Online shopping, online education and other fields have achieved rapid growth. Digital technical solutions and digital trade have gradually become popular, which injects new momentum to and opens up new spaces for economy recovery. They also change the consumption and living habits of ordinary people, and accelerating the coming of era of digital globalization centered on digital trade.<sup>[4]</sup>

As estimated by IDC, digital economy will account for more than 60% of global GDP by 2022. With the rapid development of the digital economy, digital trade has increasingly affected the world economy and trade pattern. Information technology has profoundly affected traditional trade modes. The traditional trade system is being upgraded to a new international trade system represented by digital trade. Cross-border trade of enterprises, cross-border comprehensive e-commerce services, and cross-border e-commerce government regulation are also gradually transiting towards digitalization. As the world's largest country of trading in goods, China has the world's largest market of mobile terminal, and has great potential in the sector of service trade. Currently, the global digital governance system has not been formed, and the rules of law for digital trade are imperfect. China urgently needs to take the advantages of digital trade to form its own discourse power in the digital governance system, rules of law, and digital security, so as to create a new legend of China's digital trade.

## **3. CHINA'S POLICY OPTION FOR PARTICIPATION IN GOVERNANCE OF INTERNATIONAL DIGITAL TRADE RULES**

Digital trade has represented the general trend<sup>[5]</sup>, and it has also become the focus of competition and contest among different countries in the high value-added trade fields. The vigorous development of global digital trade

will bring profound changes to the distribution of global trade benefits and the governance of global value chain. Participating in the formulation of global digital trade rules will be the key to the new round reconstruction of international economy and trade rules.

Due to the different development stages, economic structures, and industrial developments of various countries, their degree of importance and development for digital trade also vary. Generally speaking, the more developed the economy and the science & technology, the higher degree of importance for digital trade and its rules. With the rapid development of global digital trade and its gradual penetration into various economy and trade sectors, different countries and international organizations have been concerned about issues such as data security and privacy protection, and the tendency of digital trade protectionism has started to appear. Currently, the digital trade barriers proposed and constructed by some countries have hindered the economic globalization and the development of world economy and trade to a certain degree, and have also set up barriers and restrictions on cross-border transactions for enterprises and consumers. Therefore, it is urgent to establish a complete set of international digital trade rules that meet the needs of modern trade. Digital trade rules not only lag behind the development of digital trade, but also have great differences among countries. Viewing from the international perspective, the relatively well-formed digital trade rules at this stage mainly include the "American template" and the "European template". The United States advocates lowering barriers to data flow and promoting digital trade liberalization, and has preliminarily formed an "American template", while the "European template" emphasizes more on privacy protection. From the perspective of the global overall situation, the formulation of digital trade rules lags far behind the growth of digital trade, and there are great differences among countries. Common rules relating to personal privacy protection, Internet security, and online payment need further exploration.

In recent years, developing countries have also started to pay increasing attention to global digital trade rules. Many developing countries have also given suggestions and opinions on digital trade rules in multilateral, bilateral and regional trade negotiations. For example, India, Russia and other countries have all proposed that information and data should be stored locally on the premise of the national information security and cross-border data flow security. But overall, these countries have not yet formed a systematic rule system and their influence is limited.<sup>[6]</sup>

The extensive application of digital technology has increasingly deepened the impact on the international economy and trade system, and new global economy and trade rules are being formed. China is the largest country in e-commerce and the second largest in the digital

economy. The Chinese government needs to make advance deployments, clarify the policy doctrine and actively participate in the formulation of global rules, thus creating an international economy and trade rule system in favor of us and forming a "Chinese template" for international digital rules. As China's network information technology industry goes abroad, and overseas enterprises settle in China to share market dividends, digital trade barriers will inevitably become a key game chip. Under the background of the once-in-a-century pandemic, the Chinese government needs to look into the future changes in the trade pattern and attach great importance to digital trade and its strategic response.

#### 4. CONCLUSION

As of November 25, 2021, World Real-Time Statistics show that the cumulative number of confirmed cases of COVID-19 has reached 259,637,260, and the cumulative number of deaths has reached 5,190,465. Under the background of the once-in-a-century pandemic, the features of digital trade of breaking physical barriers and reducing physical contact have shown great advantages, and its characteristics of low marginal cost and obvious scale effect have been brought to the extreme. Digital trade is becoming a new growth pole of global economy and trade, and it has also opened up a new track for international rule competition. From the global perspective, while the rapid development, the formulation of digital trade rules has shown the characteristics of imbalanced advancement, diversified paths, and fragmented rules. Looking at the world, major powers are introducing national strategies for digital trade successively, and the improvement of domestic legislation and other digital trade rules has become a new track and field of international competition. Nevertheless, the global digital governance system has not yet been formed, which will expand the digital divide and digital trade imbalances, and affect global inclusive growth.

Since the outbreak of the COVID-19 pandemic, the global economy has shown an asynchronous recovery, which has caused major impact on the integrity of the global industrial chain and trade chain. The global economic contraction has a significant impact on service trade. In contrast, digital trade shows strong development resilience. With the normalization of the pandemic, many governments have adopted preventive and control measures, and more offline demands have been converted into online demands. It further accelerated the construction of the cyberspace for global economy and trade, promoted the integration and optimization of global innovation chains, industrial chains and value chains, and played a role of promoting the restructuring of global elements, resources and global economic structure. Under the background of the COVID-19 pandemic, the rapid development, the wide radiation range, and the unprecedented integration depth of the

digital economy are becoming a key force in reshaping the economic structure and changing the global competition pattern. With China's rapid rise in digital trade, it needs to play a more essential role in formulating digital trade rules. China is lacking in the depth and promotion of digital trade rules. On the one hand, it has not yet formed a "Chinese template". On the other hand, it has not publicized and promoted Chinese rules to the international community. The Chinese government needs to take measures to thoroughly improve its international discourse power in the field of digital trade rules.

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