



## CHINA'S DIGITAL TRADE CHALLENGES AND STRATEGIES IN THE CONTEXT OF CPTPP

**Cao Gang**

*PhD Candidate, National University of Uzbekistan;  
Associate Professor at Inner Mongolia University of Finance and Economics*

### ABSTRACT

Digital trade is reliant on internet technology, with the majority of traded items being products and services that contain significant intellectual property. With the rise of advanced digital technologies, including artificial intelligence, big data, cloud computing, and blockchain, the number of digital products is on the rise, resulting in burgeoning global digital trade. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a consequential regional trade pact in the Asia-Pacific region that significantly affects international trade between China and its member nations. This paper examines the definition and significance of digital trade, assesses the current state of China's digital trade, investigates the evolution of CPTPP and its potential effects on China's digital trade, identifies challenges to China's digital trade development, and proposes countermeasures for addressing key issues.

**KEYWORDS:** CPTPP; Digital Trade; Digital Innovation and Technology Cooperation; Cross-border Data Flows

### 1. INTRODUCTION

The flourishing global digital economy has made digital trade a vital contributor to international trade and a significant driver for economic growth. As the second-largest economy in the world, China's economy largely depends on digital trade. CPTPP ranks among the most noteworthy large-scale free trade agreements (FTAs) currently in existence. Although there have been various studies exploring the advantages and difficulties faced by the participating nations, as well as the role played by important member nations such as Japan and Australia in the CPTPP, only a limited number of studies have examined the correlation between CPTPP and digital trade while discussing the influence and challenges on China's digital trade. Based on the aforementioned analyses, targeted response strategies have been suggested.

### 2. LITERATURE REVIEW

A high-standard regional economic agreement - the CPTPP<sup>[1]</sup>, The aim is to create a free trade agreement in the Pacific between 11 economies (after the US withdraws). Once in force, this would pose a threat to other economies<sup>[2]</sup>. RCEP and CPTPA will deepen East Asia's production networks and raise productivity, wages and employment across much of East Asia<sup>[3]</sup>, Bringing social and economic benefits to the Asia-Pacific region<sup>[4]</sup>. The potential market space in the agreement's member countries attracted China to join. China applied to join the agreement in 2021, but has not yet been accepted.

The continuous application of big data, cloud computing and business intelligence technologies has changed the mode of operation of the regional economy, effectively reduced the cost of international trade, resulting in rapid growth in the scale of digital trade. Especially in the face of the global economic downturn, suffered a sudden attack of the global epidemic played a central role in the radiation, data elements as an important factor of production plays a key role. The digital economy has become a new driving force for global economic development and an important strategic deployment in China. However, compared with the international advanced level, there are still many gaps in China's digital economy in terms of the technological foundation, the degree of digital transformation and the level of digital governance<sup>[5]</sup>.

Digital trade as a new form of trade, digital trade in the global scope of the widespread emergence of the global



value chain, supply chain, product chain, service chain restructuring, the existing rules of international trade has brought a great challenge<sup>[6]</sup>. Strengthen the top-level strategic design of digital trade, actively participate in the negotiation of digital trade rules, promote the sustainable development of supporting elements, and improve the construction of the domestic digital trade rule system<sup>[7]</sup>. Important for accelerating the development of digital commerce in China.

Core members of the CPTPP such as Japan, Australia and Singapore possess a superior advantage in digital technology. The agreement's signing erects trade barriers to fortify competitive advantages for non-members. It is imperative to investigate the correlation between CPTPP and digital trade. It is of great practical significance to carry out a comprehensive analysis of the impact of CPTPP on China's digital trade, its challenges and devise strategies to overcome them.

### 3. METHODS

After a thorough analysis of literature using a comprehensive methodology, this study conducts qualitative research to investigate the concept and meaning of digital trade, analyse the development and evolution of CPTPP, summarize its impact and challenges on China's digital trade, and propose coping strategies.

## 4. ANALYSIS AND DISCUSSION

### 4.1 The concept of digital trade

Digital trade refers to commercial activities conducted through electronic means, encompassing both goods and services. The United States initially introduced this concept, which has undergone several revisions. The OECD, WTO, and International Monetary Fund jointly issued the Metric Manual of Digital Commerce in 2020. The manual outlines digital commerce as "all international trade that is ordered and delivered digitally," with digital trade further classified according to the type of transaction, such as trade in goods and services. It is classified as "all digital international trade which is ordered and delivered digitally," and is categorised into three sections depending on the type of transaction: digital ordering trade, digital delivery trade, and digital platform-enabled intermediary trade. Therefore, digital trade represents a novel mode of commerce that employs digital technology as its medium, data as its central production factor, digital platforms as its carrier, digital services as its primary content, and digital delivery as its key attribute. The data chain expedites the optimization and consolidation of the supply, innovation, and industrial chains, augmenting the value chain's value-added capabilities.

**Table 1 Digital trade versus traditional trade**

	<b>Traditional trade</b>	<b>Digital trade</b>
Commercial entity	Large multinational enterprises dominate	Internet Platform Enterprises
Trade partner	Dominated by physical goods and factors of production	Trade in digital goods and services dominated
Mode of transport for trade	Mainly by land and sea transport	Significant trend towards paperless and electronic
Timeliness of trade	Long transaction cycle and high trade costs	Significantly weakened geographic and other constraints
Key technology	Manufacturing, Transport & Logistics	Information and communication technology
Regulatory authorities	Customs, Inspection and Quarantine, Foreign Exchange Administration	Digital content audit department, industry security sector
Trade policy	Bilateral and regional trade agreements, etc.	Data regulation, privacy protection, etc.

### 4.2 Status of digital trade development in China

The digital technology revolution has given a powerful new impetus to the development of trade in services, the information technology revolution and industrial transformation continue to advance, and economic globalisation has entered a new data-driven stage. The scale of global trade in digital services in 2022 was 3.82 trillion U.S. dollars, up 3.9% year on year, accounting for 53.7% of the global trade in services. dollars, an increase of 3.9% year on year, accounting for 53.7% of global services trade. China's total import and export of digital services in 2022 was 371.08 billion U.S. dollars, an increase of 3.2% year on year, ranking third among the top countries in



scale. China's digital services trade continued to maintain a surplus, the international competitiveness of further enhance the scale of the net export of digital services trade amounted to 46.75 billion US dollars, a year-on-year increase of 55.8%. The import and export of cross-border e-commerce goods amounted to 1.92 trillion yuan (RMB, same below), up 18.6% year on year, accounting for 4.9% of the total import and export. Enterprises delivered offshore service outsourcing execution amounted to RMB 860 billion, up 17.8% year on year. With the technical support of big data, algorithms and computing power, the overseas market of search engine and social media platform services is expanding, and the number of users is steadily increasing.

Laws such as the Cybersecurity Law, the Data Security Law and the Personal Information Protection Law have been successively enacted, which together form the cornerstone for safeguarding China's cybersecurity, data security, personal information security and economic development in the digital era, and provide legal support for stimulating the development potential of the digital industry and ensuring the standardised and orderly development of digital trade. A number of laws related to the digital economy and digital industry, including the Copyright Law and the Law on the Protection of Minors, have been amended and enacted, and efforts to protect copyrights and minors on the Internet have been continuously strengthened and regulations improved.

In 2019, accelerating the development of digital trade was first proposed in the Guiding Opinions on Promoting the High-Quality Development of Trade. In 2022, the Government Work Report explicitly called for the innovative development of digital trade. The 14th Five-Year Plan for the Development of the Digital Economy explicitly proposes to "improve policies to promote digital trade and strengthen institutional supply and legal protection". The "14th Five-Year Plan for the Quality Development of Foreign Trade" makes the "vigorous development of digital trade" a key task. The National Informatization Plan for the Fourteenth Five-Year Plan took "accelerating the development of digital trade" as the main direction, and priority "open and cooperative measures for digital trade". The 14th Five-Year Plan for the Development of Trade in Services has established a special theme to promote the development of digital trade. In accordance with relevant national plans, local governments have successively introduced policies, action programmes and implementation plans for the development of digital trade, promoting the formation of a policy system that combines point-to-point, focuses on breakthroughs and leads by traction. They have continued to liberalise market access in the service sector, fully implemented the national treatment before entry plus negative list management system for foreign investment, further reduced the negative list for foreign investment, and accelerated the liberalization process in the fields of healthcare, culture, education and telecommunications.

It has successively established 28 pilot regions for the innovative development of service trade, 37 service outsourcing demonstration cities and 12 national digital service export bases, building a comprehensive and multi-level innovation platform and stimulating the development potential of digital trade. Twenty-one pilot free trade zones have been approved and established, forming a pilot pattern covering the east, west, south, north and south.

China has actively participated in international cooperation on global digital trade and improved the international rule-making system. Actively promote the discussion of digital trade-related issues in multilateral mechanisms such as the Group of Twenty (G20) and the Asia-Pacific Economic Cooperation (APEC). 2021 China will apply for accession to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA), benchmark itself against international high-standard economic and trade rules, and push forward the expansion of opening-up to the outside world. 2022 Promote the conclusion of the BRICS Digital Economy Partnership Framework. It has signed memorandums of understanding with 16 countries on cooperation on the Digital Silk Road, and has built 34 cross-border land cables and a number of international submarine cables with neighbouring countries. It has reached consensus with ASEAN on strengthening cooperation in digital policy coordination, emerging technologies, digital technology innovation and application, and digital capacity building.

#### **4.3 The evolution of CPTPP**

To promote economic cooperation and trade liberalization among member countries, a total of 12 countries, including the United States, Canada, Mexico, Australia, New Zealand, Japan, Singapore, Malaysia, Vietnam, Chile, Peru and Brunei, signed the Trans-Pacific Partnership Agreement (TPP) in 2015. However, on 23 January 2017, the United States announced its withdrawal from the TPP, preventing the agreement from entering into force.



On 11 November 2017, with the active promotion of Japan and Vietnam, the 11 countries, excluding the United States, formally agreed to continue the TPP and the 11 countries will sign a new free trade agreement, and in March 2018, they formally signed the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

The CPTPP largely retains the content of the TPP, but some provisions have been adjusted to reflect the absence of the United States. For example, some requirements have been reduced in areas such as government procurement and intellectual property protection. The CPTPP entered into force on 30 December 2018 and covers a market with a total economic volume of approximately \$13.5 trillion. The signing of the agreement promotes trade liberalization, reduces trade barriers such as tariffs, strengthens intellectual property protection and promotes higher environmental and labour standards.

The excellent performance of the CPTPP agreement has attracted more countries to express interest in joining, with countries such as Thailand, Indonesia, South Korea and the UK formally approved to join the framework in July 2023, bringing the number of members of the agreement to 12, while the economic zone extends to Europe.

China formally applied to join the CPTPP on 16 September 2021, but has not yet been admitted.

#### **4.4 Impact of CPTPP on China's digital trade**

The U.S.-led TPP was originally established to create a more open and free trading environment in the Asia-Pacific region to promote economic growth and trade cooperation, strengthen economic and trade ties between the United States and its Asia-Pacific partners, and promote higher levels of trade liberalization, market openness, intellectual property rights protection, and labour and environmental standards. At the same time, the rules and standards of the TPP will help to shape a US-led global economic order and counter China's growing economic and trade influence. The CPTPP agreement will therefore inevitably have an impact on China's international trade.

Japan, Australia, Singapore and other major economies in the Asia-Pacific region have advanced technology and experience in digital economy and digital trade. For example, Japan is the world's leading technology innovation centre, and its digital trade enterprises have significant advantages in technology research and development, product design, etc. Australia and Singapore, on the other hand, have a high level of development in cross-border e-commerce and digital payments. Australia and Singapore, on the other hand, have a high level of development in cross-border e-commerce and digital payment. After the signing of the CPTPP agreement, China will face stricter market access and brutal competition in this market space. At the same time, China, as the world's largest online consumer market, will provide more market opportunities for digital trade products of the above-mentioned economies under the overlay of a comprehensive open policy. Specifically, the following aspects are included:

First, it is a missed market opportunity. According to the International Monetary Fund (IMF), the total GDP of CPTPP member countries accounts for about 13.5% of the world's GDP, covering a huge market. As companies in the member countries can benefit from the trade facilitation, tariff reduction and legal protection provided by the CPTPP, Chinese companies will face higher trade barriers and competitive pressures, and miss out on economic growth and trade opportunities.

Second, it is not conducive to digital innovation and technological cooperation. The CPTPP requires member countries to reach consensus on intellectual property protection, data flow and e-commerce rules, thus creating a more stable and transparent environment for digital trade. Chinese companies and companies from member countries will inevitably face more barriers to digital innovation and technological cooperation, limiting cooperation and exchanges between companies.

Third, uncertainty about laws and regulations: The CPTPP has established a set of unified trade rules and standards, providing legal protection and dispute settlement mechanisms for trade between member countries. However, Chinese enterprises may face more uncertain laws and rules when trading with member countries, and may lack the initiative to participate in the formulation of relevant rules.

Fourth, there is a lack of a framework for cross-border data flows. The CPTPP requires member countries to establish transparent and stable data flow policies and ensure that the privacy of personal information is adequately protected, while Chinese companies will face more restrictions and uncertainties in cross-border data flows.



Fifth, competition in intellectual property rights has further intensified. The CPTPP has strengthened intellectual property protection, including provisions on patent, trademark and copyright protection. In international trade, IPRs are often used as a weapon in trade wars, as a means to impose trade sanctions on other countries, and as a tool in antitrust investigations. In the event of an IPR dispute between a Chinese company and a company from a Member State, the complex litigation and arbitration procedures involved can lead to protracted legal disputes and high costs.

#### **4.5 Challenges to the development of digital trade in China**

Despite the publication of the OECD-WTO-IMF Digital Trade Measurement Manual, which clarifies the scope of digital trade statistics, the measurement framework and the source channels of the underlying data, there is no internationally recognised standard classification and measurement system, resulting in inconsistent rules for statistics on the size of digital trade in different versions. Due to the lack of classification rules for digital trade, there is overlap between statistics on digital orders and those on digital deliveries. Although digital platform intermediary services (DIPs) are widely involved in the digital trade process, there is no consensus on how to measure the explicit and implicit intermediary costs of DIPs and the value of the services they provide, and whether they should be included in the statistics on the size of digital trade.

As a result of digital trade has not yet formed a unified understanding of the relevant industrial development planning is lagging behind, the policies that have been introduced is not strong operability, business operations at the same time facing a shortage of high-end professional and technical personnel and management personnel.

While the widespread use of technological tools such as artificial intelligence, big data and blockchain has effectively lowered transaction costs, improved transaction efficiency and enhanced user experience, it has also increased market concentration, posing new challenges to the digital governance of trade. Larger firms, most of which have monopoly power, are leveraging their market position and using algorithms to set differential and discriminatory prices, charging different fees for different regions and types of firms, or limiting the degree of participation of firms. Such behaviour is highly susceptible to trade disputes in digital commerce.

The Internet has given rise to a large number of platforms such as cross-border digital content sharing platforms and online literature translation, and the forms of digital products such as digital collections, meta-universe weddings, virtual anchors, short videos and online games are constantly being updated, which has effectively accelerated the international dissemination of digital products. It should be noted that digital products also have certain cultural characteristics, which have an important impact on value formation and cultural diffusion, and to some extent have become an important indicator for measuring a country's soft competitiveness. However, problems such as pirated texts, distorted translations and poor quality of digital products are widespread, leading to cultural conflicts and distortions in dissemination. Relevant laws and regulations are lagging behind, and areas such as knowledge security, personal privacy and data protection are essentially in a state of limbo.

In terms of the structure of digital trade, China has certain advantages in areas such as computers, telecommunications, information services and outsourcing services, but has a trade deficit in areas such as cultural and entertainment services, insurance and intellectual property rights. Basic software and core technologies are heavily dependent on imports, placing it at the bottom of the digital economy value chain.

### **5.CONCLUSION**

In the era of digital economy, the value of data will be further emphasized, and in order to promote the orderly development of digital trade, the following measures should be taken: first, to improve the data regulation mechanism, make good use of existing technologies and tools, conduct investigation and research on security risks and leakage of personal information in the process of cross-border data flow, and improve laws and regulations to effectively protect data security. The second is to implement graded and classified management according to the importance of sensitive and confidential data, improve the data desensitisation review system, set up a "whitelist" for cross-border data flows, and establish a data rapid response and emergency programme. Thirdly, it will accelerate the mutual recognition of digital identities, promote docking with international standards such as the Cross-Border Privacy Regulations and the General Data Protection Regulation, ensure the orderly flow of data, effectively control security risks, promote the formation of digital supply chains and digital innovation networks, and reshape the value chain of the digital economy. Fourth, accelerate the





construction of digital infrastructure to build an intelligent and comprehensive digital infrastructure network with a higher level of intelligence, broader network connectivity and higher degree of digitization, seizing the opportunities of new infrastructure and making full use of new technologies such as big data, cloud computing, blockchain and artificial intelligence.

Taking advantage of existing platforms and policies, it has taken the lead in establishing systems and standards suitable for China's national territory in the fields of e-certification, e-payment, tariffs, customs clearance and non-discrimination of digital products, and has implemented, fed back and evaluated these systems through the FTA, gradually extending them to CPTPP member countries, countries along the Belt and Road and other regions, so as to vigorously push forward the industrialization of the digital industry and the pilot process, and effectively enhance the vitality of digital trade.

## REFERENCE

1. Hoang, N.H. and T.Q. Hoan, *Vietnam and the CPTPP: Achievements and Challenges*. 2019.
2. Khan, M.A., N. Zada, and K. Mukhopadhyay, *Economic implications of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on Pakistan: a CGE approach*. *Journal of Economic Structures*, 2018. 7(1): p. 1-20.
3. Park, C.-Y., P.A. Petri, and M.G. Plummer, *The economics of conflict and cooperation in the Asia-pacific: RCEP, CPTPP and the US-China trade war*. *East Asian economic review*, 2021. 25(3): p. 233-272.
4. Wu, T. And D. Chadee, *Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): Implications for the Asia-Pacific Region*. *International Business in the New Asia-Pacific: Strategies, Opportunities and Threats*, 2022: p. 53-74.
5. He Wei, *An overview of the development of China's digital economy*. *Information and Communication Technology and Policy*, 2021(2): p. 1-7.
6. Xu, Jinhai and Zhou, Rongrong, *Digital Trade Rulemaking: Development Trends, International Experiences and Policy Recommendations*. *International Trade*, 2019(6): p. 61-68.
7. Lan Qingxin and Dou Kai, *The Evolution of Digital Trade in the U.S., Europe and Japan, Development Trends and China's Strategy*. *International Trade*, 2019(6): p. 48-54.