

China's Responses and Strategies in Participating in International Digital Trade Rules Negotiations

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Abstract: Against the backdrop of profound reshaping of the current international landscape and the unprecedentedly rapid iteration of digital technologies, the global digital economy landscape and international trade rule system are entering a new era full of changes. Digital trade rules have emerged as a prominent focus in this field. Firstly, through a comprehensive review of sample data such as the WTO e-commerce proposals under the current multilateral framework, we can gain a profound insight into the negotiation practices of major economies regarding digital trade rules. In this context, China has demonstrated strong defensive interests in the “emerging” issues of digital trade, aiming to safeguard national data security and promote the healthy development of the digital economy. Therefore, when participating in the formulation of global digital trade rules, China needs to accurately strike a balance between offense and defense, contribute Chinese wisdom and solutions, and promote the construction of a fairer, more reasonable, and inclusive international digital trade governance system.

Keywords: Digital trade; Trade rules; Business negotiations

Online publication: October 14, 2025

1. Introduction

Driven by the wave of technological revolution and industrial transformation, the digital economy is developing at an unprecedented speed, and digital trade is facing an unprecedented historical opportunity. Focusing on the Chinese market, the China Digital Trade Development Report states that in 2023, China's import and export volume of digitally deliverable services reached 385.9 billion US dollars, a year-on-year increase of 3.5%, hitting a new historical high. To keep up with the pulse of the times, the Opinions on the Reform, Innovation and Development of Digital Trade issued in December 2024 emphasized promoting digital trade development through innovation and accelerating the construction of a strong digital trade country, reflecting China's proactive actions and strategic vision in promoting trade model innovation and reform of the global governance system. However, the rapid expansion of digital trade has also posed severe challenges and new requirements to the existing international trade rule system. A unified and coordinated rule system has not yet been formed globally^[1]. Therefore, this paper conducts an in-

depth analysis of the current international dynamics of global digital trade rules and the core issues of concern, and further explores and puts forward strategic suggestions for China in participating in digital trade rules negotiations, aiming to contribute wisdom and solutions to the healthy development of China's and global digital trade.

2. Literature review

In the academic exploration of international business negotiations on digital trade rules, the primary issue focuses on an in-depth analysis of international trade negotiation rules under the frameworks of GATT and WTO. It particularly emphasizes the core role and widespread recognition of GATT and WTO in promoting the smooth progress of international trade negotiations and resolving trade disputes^[2]. However, the current regulations of the WTO are facing dual challenges from technical barriers and political interference, thus calling for necessary supplementation, optimization, and innovative reforms to the WTO rule system to adapt to the needs of the times. In-depth exploration of international trade negotiation methods constitutes another key dimension in this research field. In the context of e-commerce negotiations between major powers, the simplification of the structure of negotiating members can often significantly improve negotiation efficiency and bring more favorable negotiation results to all participants; on the contrary, at the negotiating table with multiple participants, although small countries have no significant market advantages, they can benefit from broader international cooperation and promote the improvement of global total welfare^[3]. Studies on trade negotiations based on specific cases have profoundly revealed the interweaving of complex domestic and foreign political and economic factors behind negotiation results, including national interest games, dynamics of international relations, international institutional frameworks, etc. These factors interact to jointly shape the complex ecology and final direction of international trade negotiations^[4].

3. Development trend of global digital trade rules

3.1. Parallel operation of the WTO framework and the APEC framework

WTO plays a key role in promoting international trade prosperity and the construction of rule systems. However, the diversity and differences in interest demands among member states have seriously hindered the smooth progress of negotiations. Nevertheless, the signing of the Consolidated Text of the WTO Joint Statement Initiative on Electronic Commerce indicates that the construction of digital trade rules under the WTO framework is gradually deepening. The international rule system that balances the interests of all parties has laid a solid foundation for the prosperity and sustainable development of global digital trade^[5].

As one of the most important economic cooperation mechanisms in the Asia-Pacific region, APEC has played an active role in promoting negotiations on digital trade rules in recent years, such as in cross-border data flow and data protection, e-commerce rules, and digital intellectual property protection^[6]. Currently, digital trade has become an important area of economic cooperation among APEC members. The negotiations on digital trade rules under the APEC regional framework aim to formulate rules and standards adapted to the development trend of the digital economy through consensus, so as to promote the liberalization, facilitation, and standardization of digital trade within the region^[7].

3.2. American and European models

3.2.1. American digital trade framework

The American digital trade model advocates "market liberalization." It has enriched the global layout in the field

of digital trade through participation in TPP, USMCA, and UJDTA, etc.^[8]. In view of the blank state of digital trade rules under the WTO multilateral framework before 2015, negotiation activities on digital trade rules at the regional and bilateral levels increased significantly, becoming an important way to fill this gap^[9]. Among them, the signing of TPP marked an important milestone in the development of digital trade rules, consolidating and expanding the global influence in advantageous digital trade fields such as social networks and search engines. Although the United States later withdrew from TPP, CPTPP, as an extension of TPP, has ensured the continuity and development of core issues related to digital trade.

3.2.2. European digital trade framework

The European Union has constructed a European-style framework for digital trade rules based on integrating its unique values and institutional advantages. This model is unique in global digital trade governance, and TPP has had a profound impact on the EU's digital trade framework^[10]. The EU has borrowed and adopted many core provisions from TPP in a series of trade agreements it has signed, especially in the field of digital trade. This reflects that while maintaining its own characteristics, the EU also actively absorbs advanced international experience to improve its digital trade rule system.

3.3. Asia-Pacific model

As one of the most economically active regions in the world, countries in the Asia-Pacific region have gradually formed a digital trade rule model with Asian-Pacific characteristics on the basis of seeking to balance the interests of liberalization, security, privacy protection, intellectual property protection, and other aspects. Asian-Pacific countries are jointly promoting the formulation and implementation of digital trade rules by strengthening regional cooperation and coordination^[11]. The conclusion of regional agreements such as DEPA and SADEA has built a solid institutional foundation for the vigorous development of digital trade in the Asia-Pacific region. The digital trade rules of the Asia-Pacific model advocated by these agreements significantly emphasize the core values of diversity and inclusiveness, aiming to balance and meet the complex and diverse interests of countries in the region through a flexible design framework.

4. Key areas of China's participation in digital trade negotiations

4.1. Cross-border data flow and data security

Cross-border data flow is one of the core elements of digital trade, involving the transmission, storage, and processing of data between different countries and regions. Data security is an important prerequisite for ensuring that data is not illegally obtained, tampered with, or leaked during cross-border flow. Cross-border data flow and data security are key areas in digital trade regulatory negotiations. Countries often have different laws, regulations, and standards in this regard, which require consensus through negotiations^[12]. China often includes relevant provisions on cross-border data flow and data security in bilateral or multilateral agreements signed with other countries to ensure the legality and security of data in the process of cross-border transmission.

4.2. Rules for digital service trade

Digital service trade is an important part of digital trade, covering multiple fields such as telecommunications services, computer and information services, and royalties for intellectual property^[13]. The formulation of rules for digital service trade involves WTO basic principles such as market access, national treatment, and most-favored-

nation treatment, as well as new issues arising from the particularity and complexity of digital services. As China's first local regulation in the field of digital trade, the "Hangzhou Digital Trade Promotion Regulations" were formally implemented on June 1, 2024. The introduction of this regulation provides legal protection and policy support for the development of digital trade in Hangzhou and even the whole country.

4.3. Digital taxation and anti-tax avoidance

The rapid development of digital trade has brought challenges to the traditional tax system, making digital taxation and anti-tax avoidance important topics in international negotiations. Digital taxation involves issues such as tax jurisdiction, determination of tax base, and setting of tax rates for transnational digital enterprises; anti-tax avoidance aims to prevent transnational enterprises from evading tax obligations through digital means^[14]. China actively participates in international negotiations in this field and promotes the establishment of a fair and reasonable digital taxation system. Internationally, China supports the efforts of international organizations such as the OECD in the field of digital taxation and promotes the formulation of unified global digital taxation rules and standards. Domestically, it strengthens domestic tax legislation and law enforcement work and improves the capacity of digital tax collection and management.

5. China's proposals for participating in international digital trade rule negotiations

5.1. Flexible combination of negotiations: Promoting open cooperation and market access

In international digital trade rule negotiations, countries flexibly combine different negotiation strategies based on their own interests and negotiation goals, aiming to maximize negotiation interests. China's proposal emphasizes promoting open cooperation in the field of digital trade and advancing the building of an open world economy. The digital trade chapter in RCEP reflects China's concept of promoting open cooperation, where member states strengthen cooperation in areas such as e-commerce, data flow, and information security to facilitate the liberalization and facilitation of intra-regional digital trade. China has established multiple free trade pilot zones and implemented a series of innovative digital trade policies and systems, providing a more convenient investment and trade environment^[15].

5.2. Phased negotiations: Ensuring data security and privacy protection

Phased negotiations break down complex negotiation issues into multiple stages to advance the negotiation process step by step, which helps improve negotiation efficiency and gradually build trust and consensus. In international digital trade rule negotiations, due to the numerous and complex issues involved, countries first negotiate on issues that are relatively easy to reach a consensus on. After achieving certain results in these issues, they then gradually move on to more complex ones. China's proposal emphasizes the importance of ensuring data security and privacy protection. It has initiated and promoted the "Belt and Road" Data Security Cooperation Initiative, advocating for joint responses to data security challenges while promoting cross-border data flows.

5.3. High-risk, low-cost negotiations: Driving rule innovation and technological development

High-risk, low-cost negotiations refer to situations where one or both parties face high uncertainty or potential losses in the negotiation process, but the input costs are relatively low. This negotiation method is common in emerging fields or industries with rapid technological iteration, such as international digital trade rule negotiations. China's proposal advocates that, in light of the rapid development of digital technologies and the

continuous innovation of business models, countries should fully consider the characteristics and needs of new technologies, new formats, and new models when formulating digital trade rules. The digital yuan (DC/EP) launched by the People's Bank of China is an important innovation in the field of digital currency. It not only helps improve payment efficiency and reduce transaction costs but also provides an important opportunity for China's international cooperation and rule-making in the field of digital currency.

6. Conclusion

Against the backdrop of global digital economy transformation and the reshaping of trade rules, digital trade rules have become the core of the game in the international economic order. This paper finds that the WTO multilateral framework and regional mechanisms such as APEC and CPTPP jointly form a pluralistic rule pattern, and the interest games among countries around core issues such as cross-border data flow, digital services, and digital taxation continue to deepen.

As an important participant in global digital trade, China has shown strong development momentum relying on its scale advantage, but it still faces challenges such as insufficient experience and standard connections in the formulation of international rules. Its defensive demands in the fields of data security and digital sovereignty reflect the dual considerations of development stage and national interests.

To this end, China needs to uphold the concept of openness and win-win cooperation strategically, and flexibly use tactics such as "combined negotiations," "phased advancement," and "breakthroughs in innovative fields" tactically. It should contribute to rule solutions based on domestic practices, promote the construction of a fair and inclusive new global digital trade governance system, and inject impetus into the sustainable development of the world economy.

Funding

This article was one of the achievements of the 2025 Guangxi Degree and Graduate Education Reform Project on Artificial Intelligence Empowering International Business Master's Teaching Innovation Research (JGY2025036).

Disclosure statement

The authors declare no conflict of interest.

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