

# China's Digital Trade Development Strategy and Its Implications\*

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## I. Introduction

In recent years, the Chinese government has announced a series of digital trade development plans and applied to join high standard trade agreements, aiming to gradually expand external openness in line with global digital trade cooperation standards. Since 2023, major government documents have repeatedly emphasized the development of digital trade and e-commerce. This trend reflects not only the growing weight of the digital economy in China's overall economy, but also the government's attempt to offset sluggish domestic growth momentum by accelerating digital transformation. According to data, digital sectors have grown by approximately 3.3 times since 2014, accounting for 42.8% of China's GDP. This indicates that the digital economy has become one of the key growth drivers of the Chinese economy.

With the acceleration of digital transformation and the rapid development of digital trade, frequent trade barriers of various kinds are emerging. This has increased the need for active discussions on digital economy governance and trade rules to effectively manage such barriers. As China's influence in global digital trade continues to expand, understanding and responding to its strategies has become a pressing task for Korea and other trading partners.

## II. China's Digital Trade and Policy Framework

### 1. Growth of China's Digital Trade

China's digital trade has steadily expanded its share in the global digital trade market year by year. As of 2023, China ranked around sixth

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\* The findings outlined in this Brief are based on Lee et al. 2024. "China's Digital Trade Development Strategy and Implications for Korea." KIEP Policy Analyses 24-28. (in Korean)

worldwide in digital services exports, and although still behind advanced economies in absolute volume, its growth rate far exceeds the global average. The rapid growth of China's digital service exports is largely attributable to the country's advances in digital technologies. By the end of 2023, the number of patents held by China increased by 22.4% year on year to 4,015,000, making it the only country in the world with more than 4 million valid invention patents. Among them, high value-added invention patents accounted for 41.5% of the total number of invention patents. According to WIPO, China ranked first globally in the number of generative AI-related patents, recording about 38,000 filings between 2014 to 2023. In addition, cross border e-commerce has become a central driver of China's external trade environment, benefiting from the spread of online shopping habits and innovations in logistics.

China's digital trade encompasses both digitally delivered trade (digital services) and digitally ordered trade (cross border e-commerce). This demonstrates that China's digital trade is not limited to e-commerce alone, but also includes a wide array of service-based digital transactions. In 2023, China's digital services exports totaled USD 216.3 billion, while cross border e-commerce exports amounted to USD 259.8 billion, showing comparable scales between the two forms. Whereas China recorded a USD 170.9 billion deficit in overall services trade, its digital services trade posted a USD 44.9 billion surplus, implying a major shift in the competitiveness of its service industry due

to technological progress. Notably, exports accounted for 77.5% of China's cross border e-commerce trade—far higher than the 57% export ratio in total merchandise trade and the trade surplus in cross border e-commerce equaled 22.6% of the overall goods trade surplus.

## 2. China's Digital Trade Policy

To promote digital transactions, the Chinese government has established open platforms for digital services trade. In November 2021, the Ministry of Commerce (MOFCOM), together with relevant ministries and local governments, issued the *Notice on Supporting the Innovative Development of National Digital Services Export Bases*. The initiative aimed to foster 12 designated digital service export bases, first selected in 2020. These bases have achieved significant outcomes by supporting R&D, talent cultivation, financing, and pilot implementation of international-level digital regulations. By 2023, the regions hosting these 12 bases accounted for 95.9% of China's total digital services exports. To accelerate cross-border e-commerce, the government designated 165 Comprehensive Pilot Zones for Cross Border E-Commerce, offering participating enterprises tax incentives and regulatory benefits.

The Chinese government has also revised its regulatory system governing data infrastructure and cross-border data transfers. In March 2024, China promulgated the *Regulations on Promoting and Regulating Cross Border Data*

*Flows* (“the Regulations”), introducing pilot programs with a negative list approach in selected Free Trade Pilot Zones. This represents a relaxation of one of China’s most frequently criticized digital trade barriers—restrictions on cross border data flows. However, the relaxation remains within the broader framework of China’s existing *Data Three Laws*.<sup>1</sup> Adjustments were mainly made through sub-regulations rather than fundamental legislative reform, suggesting that China’s core regulatory stance remains unchanged. Nonetheless, China’s willingness to revise its framework indicates a strategic preparation for potential DEPA accession and reflects its ambition to expand influence over the establishment of international digital trade norms and promote a China-style digital standard in global governance.

### III. Development of China’s Digital Platform Industry

#### 1. Major Players and Market Structure

With the diversification of business models and technological advances, China’s digital platform industry has grown rapidly and established itself as one of the country’s major economic sectors. The Chinese digital platform ecosystem particularly for e-commerce has been led by Alibaba, JD.com, Pinduoduo, and

Kuaishou, among others. In 2023, China’s domestic e-commerce market exceeded 15 trillion yuan, with B2C models dominating. The government aims to expand this figure to 17 trillion yuan by 2025. Alibaba and JD.com maintain strong competitiveness as traditional e-commerce platforms and have diversified into cloud services, digital advertising, and other businesses. Pinduoduo has grown rapidly through a social commerce model, allowing users to participate in group-buying systems that leverage consumer interaction to negotiate prices. Kuaishou and Douyin (TikTok’s Chinese version) combine social media and e-commerce, utilizing live commerce and short-video-based sales, which have become highly popular forms of digital retail.

These platforms combine traditional e-commerce with social interaction, utilizing real-time consumer data analysis to provide personalized product recommendations and target advertising for major products. Social commerce platforms encourage consumer engagement through live streaming, short videos and social networking features, thereby increasing purchase conversion rates and customer loyalty. Among them, live commerce as exemplified by Douyin’s business model has been particularly effective in promoting repeat purchases through direct communication between sellers and consumers.

<sup>1</sup> Basic laws related to digital regulation: the Network Security Act (effective as of June 1, 2017), Data Security Act (September 1, 2021), and Personal Information

Protection Act (November 1, 2021).

## 2. Government Policy and Institutional Development

In response to the rapid growth of the platform economy, the Chinese government has announced various regulatory and support measures. The main supervisory bodies are the Cyberspace Administration of China (CAC) and the State Administration for Market Regulation (SAMR). Government policies focus on creating a balanced ecosystem encompassing market environment development, enterprise policy support, and consumer protection. In particular, policies are designed to regulate and guide the live commerce industry while simultaneously encouraging innovation. The 2023-2025 Urban “15-Minute Living Circle” Plan exemplifies this approach. It promotes O2O (Online to Offline) integration by connecting digital platforms with local offline stores, stimulating domestic consumption. The initiative also seeks to offer customized services using IoT and big data technologies.

## 3. Structural Trends and Competitive Landscape

China’s digital platform industry continues to evolve through integration of e-commerce and social commerce, leading to intensified competition between traditional retail channels and content-based platforms. The short-form video market has expanded rapidly, with Kuaishou and Douyin enhancing profitability through partnerships with content creators and live-commerce sellers. These developments are supported by policy frameworks that aim

to safeguard consumer rights and business integrity, while promoting digital technology as a key driver of national economic growth. Overall, China’s digital platform sector represents a hybrid ecosystem combining retail, entertainment, data analytics, and financial services. Through both government guidance and technological innovation, it plays a central role in China’s transition toward a digitally driven economy.

## IV. Overseas Expansion of Chinese Digital Platforms

### 1. Growth of China’s Digital Trade

As Chinese digital platform companies with competitive advantages in the domestic e-commerce market expand their overseas presence, China’s position in the cross-border e-commerce market is further strengthening. The United States has become the largest market for China’s cross-border e-commerce exports, while China has emerged as the largest source of online purchases for European consumers. In Korea as well, Chinese platforms have grown significantly, making China the top country for overseas direct purchases by Korean consumers. These companies have penetrated foreign markets through efficient production and logistics networks, flexible supply chains real-time data analytics, massive digital marketing campaigns, and price competitiveness, especially targeting younger consumers (Gen Z).

To navigate diverse international financial

and regulatory environments, Chinese e-commerce platforms have formed partnerships with local mobile payment providers to establish global payment systems. Around 2020, China began integrating non-bank payment institutions and global fintech platforms, fostering innovation in mobile international payment services. China's mobile payment systems have developed rapidly thanks to their lower transaction fees and convenience. In Southeast Asia, Chinese payment solutions such as World First and LianLian Global have emerged as key cross-border mobile payment tools for international e-commerce. The expansion of smartphone-based international payment systems has reduced transaction costs and enhanced efficiency, boosting the global competitiveness of Chinese platforms.

**T**he Chinese government has supported these systems by granting payment operation licenses to non-bank institutions, permitting personal credit evaluation services, and allowing foreign exchange settlements, as part of broader reforms in the international payments regime. In addition, systems like the Cross-Border Interbank Payment System (CIPS) and the internationalization of the renminbi (RMB) have reinforced China's strategic position in digital payments, further enhancing the international competitiveness of its e-commerce platforms.

**A**s Chinese e-commerce platforms expand globally, concerns and regulatory responses are increasing among major economies. The key issues include product quality and safety,

environment and forced-labor concerns, intellectual property infringements, unfair trade practices associated with duty exemptions, data security and privacy protection. In response, governments in the United States and European Union have intensified regulatory scrutiny. Discussions are underway on abolishing duty-free thresholds for small parcels in cross-border e-commerce, a measure that could significantly affect Chinese exporters. The EU is also expected to conduct broader investigations into consumer protection and transparency in relation to foreign digital marketplaces. These developments signal a growing regulatory convergence toward stricter oversight of global digital platforms, particularly those originating from China.

## V. Policy Implications

### 1. Proactive Consideration of China's Participation in Global Digital Governance

**T**he competition between the U.S. and China in the Asia Pacific digital economy is expected to intensify, potentially resulting in a divided digital order with two sets of standards and norms. Such divergence could have a profound impact on the development of related industries, including terminal devices, system software, and core components.

**T**he Digital Economy Partnership Agreement (DEPA), the world's first international agreement specifically in digital economy govern-

ance, has drawn global attention for its comprehensive coverage beyond that of the CPTPP or WTO frameworks. It emphasizes cooperation in areas such as e-commerce, fintech, AI applications, digital innovation, and SME digitalization. As industrial development increasingly revolves around AI and data-driven models, DEPA's governance provisions could become global benchmarks.

This would mean that compliance with DEPA's embedded intellectual property and AI specifications could become a prerequisite for market access, effectively lowering trade barriers only for those who meet its standards. If China joins DEPA, the scope of global discussions on digital trade governance will expand further. By identifying technological innovations and best practices early in this process, Korea can enhance the long-term competitiveness of its traditional industries within the digital economy.

## 2. Balancing Regulations and Support for Platform Enterprises

The Chinese government has recently shifted its stance from restraining large platforms to recognizing their contribution to economic development and digital transformation. After years of tightening controls to curb monopolistic practices, Beijing now aims to foster major platform enterprises under an orderly regulatory system that promotes compliance and innovation.

Korea faces similar challenges. The rapid

progress of AI-based search and advertising models threatens the domestic search market, while large Chinese e-commerce platforms continue to expand their market share in Korea. Given these pressures, Korea also needs balanced policies combining regulation with strategic support to enable domestic platform companies to build global competitiveness.

Since China first announced its national digital economy development plan in 2019, it has continuously introduced measures to strengthen industrial infrastructure, developing data resources, promoting digitalization of industries and government, and to deepen international cooperation. In 2023, Beijing relaxed several regulatory measures on major Internet companies to encourage their overseas expansion, signaling confidence in its established supervision mechanisms. China also issued detailed industry specific regulations, such as the *Regulations and the Administration of Algorithmic Recommendations in Internet Information Services* (2021), jointly released by the Ministry of Industry and Information Technology (MIIT) and the Ministry of Public Security, which prohibit anti-competitive or discriminatory algorithmic practices. The *Regulations on Administration of Deep Synthesis Internet Information Services* (2023) targets deepfake content, requiring clear labeling of AI-generated materials and strengthening the responsibilities of service providers.

While China's regulatory approach cannot be transplanted wholesale to Korea, it highlights

the need for a dual-track policy that combines the regulation of anti-competitive behaviors, and the promotion of domestic platform industries as job creators and global competitors. Korea should therefore ensure that its policies strike a strategic balance between oversight and empowerment.

### 3. Promoting Live Commerce for Local SMEs and Regional Economies

In China, live commerce has grown faster than traditional online retail. Korea's own market also expanded from 400 billion won in 2020 to 10 trillion won in 2023. This trend underscores the growing importance of live commerce in stimulating local consumption and SME sales.

To revitalize local economies, Korea should develop region-specific live commerce platforms, and provide support policies enabling small businesses and SMEs to use these platforms effectively. The Korea Small & Medium Venture Distribution Center (KODMA) currently supports one live-commerce event per year for micro-entrepreneurs, and also operates an annual program selecting 1,000 companies for comprehensive support, including onboarding, broadcasting, sales, and marketing. Such initiatives should be expanded to improve market accessibility for SMEs through digital platforms, and provide opportunities to offer customized products and services to customers nationwide. [KIEP](#)