

# Innovation and Exploration of Digital Trade Business Environment

## -- Based on RCEP Background

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### Abstract

With the rapid development of digital economy, digital trade, as a new trade mode, has gradually become a new engine to stimulate the growth of global trade. The development of digital trade also promotes the transformation of international trade and the establishment of a new system of international business environment. The traditional trade business environment is upgrading to the new international trade business environment represented by digital trade. In order to promote the benign development of the digital economy industry, the Chinese government first proposed to accelerate the formation of a new development pattern with the domestic and international double cycles as the main body and the domestic and international double cycles promoting each other. Following the signing of the Regional Comprehensive Economic Partnership Agreement (RCEP) with 15 Asia-Pacific countries, such as Japan and South Korea, it was proposed that the digital economy should be taken as a new opportunity to improve the trading environment and form a high-level dynamic balance initiative with higher supply quality and more dynamic domestic demand. In the short term, to promote the stable recovery of China's economy, a good business environment is indispensable, and the construction of a business environment matching digital trade is the most important. How to give full play to the national competitive advantage, construct the digital trade business environment and develop the digital trade has become the key problem to be solved urgently.

### Keywords

RCEP; Digital Trade; Business Environment; Policy Recommendations.

## 1. Status of Digital Business Environment

With the rise of the digital wave driven by the new communication technology, the scale of the digital industry is expanding rapidly, and the digital situation of the industry is strong, which promotes the digital economy and digital trade to become the new engine of the global economic development. Against this background, China's digital trade development momentum is good, especially after China signed the RCEP agreement, blowout development has become a necessary key word to describe the development of China's digital trade. Digital trade has played a positive role in implementing the "speeding up the construction of a new pattern of dual-cycle development" put forward in the report of the Fifth Plenary session of the 19th CPC Central Committee. However, because China's digital trade is still in the primary stage of development, the digital business environment is not perfect enough, the construction of digital infrastructure is relatively lagging behind, the development of digital trade is

structurally unbalanced, all kinds of risks often occur, and there is still a big gap compared with developed countries.

In order to carry out the construction of the new pattern of double circulation of domestic and international economy, Our country continuously deepens "release management service" reform, Speeding up the transformation of government functions, Create a market-oriented, legal, international first-class digital trade business environment. According to the World Bank's Doing Business report, China's business environment score continues to rise from 78th place in 2017, Especially after 18 to 19 years of eight business environment reforms, The business environment ranked 46th in 2018 and 31st in 2019. As a result of vigorously advancing the reform agenda, For the second year in a row, China ranks among the top 10 economies in the world (World Bank, Business Environment Report 2020). Especially after China signed the Regional Comprehensive Economic Partnership Agreement (RCEP) in late 2020, China's foreign digital trade has entered a new stage of development, Its business environment ranking is expected to be further improved in 2021. At the first executive meeting of the State Council in 2021, The business environment has become the top issue. Premier Li Keqiang asked for a third-party assessment report on the implementation of the Business Environment Optimization Ordinance, Further open the implementation of the blocking point, Improve the level of rule of law in the business environment. Right now, Thanks to China's first control of the epidemic, the first to restore the economy and many other positive factors, Investment, one of the troika driving economic growth, is accelerating recovery. According to official data, Fixed asset investment (excluding farmers) increased by 2.6 per cent from January to November 2020, Growth was 0.8 percentage points faster than in January and October. Among them, Private investment rose 0.2% year on year, The growth rate changed from negative to positive for the first time. Meanwhile, China's absorption of foreign capital is also growing steadily. January - November 2020, The actual use of foreign capital in China is 899.38 billion yuan, An increase of 6.3% over the same period last year. As of November, The amount of foreign capital absorbed by China has achieved "eight consecutive increases ". Considering that the epidemic continues, The internal and external environment facing China's economy is still grim and complex, To further optimize the business environment has become an effective mobilization of the enthusiasm of various market players, Activate business, The key to stabilizing economic growth.

## **2. New Challenges to the Digital Business Environment**

Looking at the trend of the development of digital trade, the field of digital trade in China is becoming more and more diversified, but the system is still imperfect on the whole, and the relevant rules and laws of the gradual integration of domestic and foreign trade lag behind.

### **2.1. The Digital Business Environment Index System is not Yet Sounds**

The existing business environment index system is mainly constructed and evaluated around the enterprise entities, which leads to the existing business environment index system still has a big gap in digital trade. The index system of digital economy trade and real economy trade has no clear boundary division. Because digital trade is based on ICT( information and communication technology), the degree of specialization is high, which objectively results in uneven development of different population groups, different countries and different regions. At the same time, because of the real-time cross-border transaction characteristics of digital trade, it involves new problems of transnational security, brings new problems to international cooperation and multilateral trading system, and the protection of intellectual property rights becomes more complex.

## 2.2. The Level of Quasi-people in the Digital Industry Market is Low

According to the survey of UNCTAD, the media and entertainment, retail, high-tech manufacturing, medical, transportation, telecommunications, professional services, financial services and other industries are the most affected by digitization, many of which are relatively low in China's market. In particular, the market quasi-person level in the media and the health, telecommunications and financial sectors is significantly below the developed countries average.

## 2.3. Low Level of Facilitation of Digital Trade Liberalization

According to the Global report on the Development of Digital economy Competitiveness (2018), China is the largest output of the digital economy, but the scale of digital trade lags behind that of the United States, India, the United Kingdom, Germany, France and Ireland, which to some extent reflects the high degree of digital trade barriers, low level of liberalization and facilitation, and the general trend towards conservatism in cross-border mobility policy, which is not fully consistent with China's second largest digital economic industrial capacity. Typical digital trade barriers include: barriers in the digital trade start-up environment, such as network filtering and blocking, restrictions on cloud computing, restrictions on online advertising, etc.: technical digital trade restrictions, such as restrictions on cross-border data flow, electricity to authentication and electricity to signature, electricity to payment platforms, etc.

## 2.4. Multiple High-weight Secondary Indicators Favour Manufacturing

At present, the most recognized business environment index system in the world is derived from the annual Business Environment report issued by the World Bank. The index system is to track and observe the cyclical development of all industry entities from a micro point of view, focusing on the theoretical life cycle points of enterprises. However, the weight of each index should be different for different industries without taking into account the actual situation. For example, the index of building license should be significantly higher than that of small and medium-sized enterprises that do not need to start factories for large-scale production. At the same time, as a new engine of economic development of cross-border trade, cross-border trade in services has not been mentioned too much in the Business Environment report, and the indicators rarely involve the industry characteristics of high convenience of cross-border services. As the evaluation center of the World Bank's construction of business environment index system, business convenience still has great limitations in the index reference of service industry.

## 2.5. Digital Trade for RCEP Countries Still has a Lot of Room

With the rapid development of digital economy in the world, digital full name has become the main direction of a new round of economic globalization. Whether it is the rapid rise of digital multinational enterprises or the rapid digital transformation of traditional enterprises, digital regional economic and trade cooperation has become the key topic of China's economic engine. Particularly after China signed the Regional Comprehensive Economic Partnership Agreement (RCEP), China's further participation in Asia-Pacific economic and trade activities still has great room for upgrading digital multinational enterprises that attract RCEP cooperation countries.

## 2.6. The Structure of Digital Trade is in Urgent Need of Innovation

According to the definition given by the relevant official agencies in the United States, digital trade includes both goods and services. Digital trade is defined by the United States International Trade Commission (USITC) in Digital Trade in the United States and the Global economy (second report) as a business activity that completes products and services through the transmission of information networks. "The Internet (information technology) and

Internet-based technology play an important role in the ordering, production or delivery of products and services, domestic and international trade , " digital trade includes the means to assist digital trade (such as Internet platforms and applications), but also includes data flows.

Digital trade includes not only the sale of consumer products on the Internet and the provision of online services, but also data flows, product flows, services to achieve intelligent manufacturing, and countless other platforms and applications to realize global value chains. And digital trade presents the characteristics of rapid technology renewal, rapid product iteration, rapid information to digital, intelligent transition. This makes the rules to be explored in digital trade broader, more real-time, more complex and more uncertain than traditional trade in goods and services.

### **3. Policy Recommendations for Improving the Business Environment for Digital Trades**

#### **3.1. Optimizing the Digital Trade Body**

The digital trade is based on science and technology (especially ICT technology), it is often caused by the lack of business standard thinking of technicians, which leads to commercial confusion and market failure. At the same time, because of the wide composition of non-technical personnel engaged in digital trade, the educational level varies greatly, which objectively leads to the increase of the threshold of digital trade.

Therefore, the government and market regulators should vigorously cultivate and support the integrated service system of digital trade, and make up for the simple technical personnel business board and the simple commercial personnel technical board with the professional integrated service platform. Realize the convenience of digital trade and GSP.

#### **3.2. Strengthening Digital Trade Sector Management**

Whether under goods or services, involves the characteristics of cross-industry integration, the traditional industry management model has not kept up with the development of the situation, to some extent, has become a stumbling block to China's digital trade.

The state should promote paperless and digital office in depth, especially the business service departments and competent regulatory departments facing the market; accelerate the establishment of cross-departmental and cross-agency data real-time exchange mechanism, provide transparent, simplified and accurate tax exemption or tax collection mechanism for industries and enterprises, resolve the difficulties of tax regulation, and strengthen the protection of online supervision and intellectual property rights.

#### **3.3. Increasing Digital Innovation**

The digital trade is based on the development of science and technology, it involves the technology neutrality and non-discrimination between the first advantage and the bottom whole digital trade, so it has become the focus of the competition of digital trade to maintain the technological advantage continuously. Increasing digital technological innovation requires us to:(1) accelerate the application of artificial intelligence technology. The advantage of artificial intelligence technology is different from the function of paperless transmission and random call of information or simple digitization, but lies in the function of independent recognition and interpretation of machine. Because digital trade has the characteristics of cross-cultural and cross-legal system, it involves a lot of problems of understanding and interpreting different cultures and different rules and laws. Therefore, the deep intervention of artificial intelligence, on the one hand, through greatly reducing labor costs, enhance the competitiveness of digital trade, but also strengthen the accuracy of digital trade impact assessment and countermeasures research. (2) attach importance to and actively promote the

international chain of electronic evidence. With the help of encryption algorithm, relay responsibility transmission, electronic document unified label, distributed data storage, consensus mechanism and other computer technology, the transparency of digital trade chain can be traced back, so that the digital trade participants can realize the whole process of high degree of freedom, low friction rate connection, and realize the whole process of visual supervision of cross-border digital trade.

### **3.4. Promoting the Ethics of Doing Business in Digital Trade**

Due to the increasing extension of the field of digital trade, people's value trends and living habits have also changed. The development direction of business environment is no longer concerned about the qualification of the main body. But increasingly turned to the public direct participation of convenient and low-cost balance needs. And due to the high degree of internationalization in the field of digital trade and the entry into force of the Trade Facilitation Agreement, the business environment of digital trade is greatly affected by the international environment, and the business environment of domestic and international integration is an inevitable trend. We should:(1) actively use media and social media to carry out the discussion of digital trade ethics, starting from the essential cognition of the intrinsic mechanism of digital trade, to create a good atmosphere of digital trade culture innovation. Not only the ethical issues of digital trade itself, but also the ethical issues of practitioners and participants in digital trade, greatly improve and restore the overall international image of digital trade in China (especially the ethical quality of e-commerce practitioners) as a whole. (2) simultaneously reduce the entry threshold of various industries, perfect the service system, separate the prior restriction from the post-processing, and accelerate the formulation and improvement of the new digital trade norms and legal system.

### **3.5. Integrating an International Business Environment**

The new round of international economic and trade rules requires us to adopt measures conducive to the international trade environment when building a digital trade business environment. We should do the following four things:

(1) deepen the innovation and international trend under single window service. Lead single window applications to deep services and international applications, especially to countries along the Belt and Road coast.

(2) international digital trade rules: actively use international institutions such as WTO and WCO, regional economic cooperation organizations and multilateral trade framework system, and strive for the right to participate in the formulation of international digital trade rules and the initiative to FTA digital trade negotiations in order to reduce the obstacles to the development of digital trade caused by trade barriers.

(3) the international comprehensive service right: pay attention to cultivate and vigorously support the international market integrated service system. Because of the characteristics of international marketization of digital trade, the original simple government cannot solve the problems brought by the main body of international market. Many problems need the main body of market operation to complete and strive for the leading position of international market operation. As the saying goes: international diplomacy is not enough by the excellent work of the Ministry of Foreign Affairs alone, and sometimes some aspects must be done by the overseas Chinese Federation at home and abroad.

(4) government leads and participates in the formulation of international digital trade rules with civil society: because digital trade is different from ordinary trade, digital trade is largely based on the platform. Often the actual digital trade rules are transformed or embedded in the platform's rules. Therefore, while the government actively participates in the formulation of international rules of the game, we cannot ignore the role of private market subjects in actually

controlling digital trade rules. For example, Amazon, GOOGLE and so on, in fact, through the platform service rules and master the digital trade rules in this field. It is suggested that the government should pay attention to cultivating and vigorously supporting the integrated service platform of the private international market, help the platform to realize the independent policy proposition of the digital trade rules, and raise the understanding to the same height as supporting the overseas Chinese society.

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