Journal of Commercial Law Review
2025, VOL. 9, NO. 3, 32-35
DOI: 10.47297/wspjclrWSP2516-249706.20250903

The Construction of International Law Rules for Digital Trade and Its Interlinked Impact on International Investment and Trade

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ABSTRACT

This paper delves deeply into the construction of international law rules for digital trade and its interlinked impact on international investment and trade. Based on a review of the current development status of digital trade, this paper analyzes the predicaments faced in the construction of current international law rules, and then elaborates in detail on the impact of rule construction on international investment and trade in terms of market access, industrial structure, trade pattern, etc. Research shows that reasonable and complete international legal rules for digital trade will reshape the international investment and trade ecosystem and promote the coordinated development of the global digital economy. Meanwhile, the coping strategies of China in the process of constructing international law rules for digital trade are proposed, with the aim of providing theoretical support for China to secure a favorable position in international competition in digital trade and promote the healthy and orderly development of digital trade.

KEYWORDS

Digital Trade International law rules; International investment

1 Introduction

With the rapid development of information technology, digital trade has become a new engine for global economic growth. According to data from the United Nations Conference on Trade and Development, the global trade volume of digital services reached 4.5 trillion US dollars in 2024, with an annual growth rate of over 15%, far exceeding that of traditional trade. It covers areas such as digital products, services and data flow, breaking through the limitations of time and space to achieve digital production and delivery. Against this backdrop, it is of vital importance to establish appropriate international law rules, which can not only provide a stable institutional framework but also have a profound interactive impact on international investment and trade, and are related to the position and interests of all countries in the global digital economy landscape. Studying this move is of great significance for seizing development opportunities and meeting challenges.

2 The current situation and predicaments of the construction of international law rules for digital trade

2.1 Current situation analysis

At present, the construction of international law rules for digital trade is in a multi-track parallel state. Since the adoption of the Global E-commerce Declaration in 1998, multilateral frameworks represented by the World Trade Organization (WTO) have been committed to exploring digital trade rules. On July 26, 2024, the WTO released the preliminary text of the joint statement initiative on e-commerce - the "E-commerce Agreement", which covers aspects such as empowering e-commerce, open e-commerce, trust and e-commerce, transparent cooperation and development, and telecommunications, reflecting the consensus of some members on digital trade issues. However, the agreement still has gaps in key areas such as cross-border data flows and non-discriminatory treatment of digital products [1-2].

2.2 Construction dilemma

The differences among countries on the core issues of digital trade are hard to bridge, seriously hindering the unified construction of international law rules. On the issue of trade liberalization, cross-border data flow, as a key link in digital trade, different countries hold completely different positions based on multiple considerations such as data security, privacy protection, and industrial development. Developed countries, leveraging their advantages in digital technology and data processing capabilities, tend to advocate the free cross-border flow of data in order to expand their digital service export markets. Developing countries, on the other hand, are concerned about the potential national security risks and the marginalization of industries caused by data outflows, and advocate strict regulation of cross-border data flows. This divergence makes it extremely difficult to formulate unified rules for cross-border data flows within a multilateral framework [3].

3 The Impact of the Construction of International Law Rules for Digital Trade on International Investment

3.1 Changes in investment flow

A sound international law rule on digital trade will create a more stable and predictable environment for international investment, thereby guiding changes in the flow of investment. When the rules clarify data property rights, cross-border data flow norms, and digital market access conditions, investors' confidence in the digital trade sector will be enhanced . For instance, if international law rules ensure the data security and compliant operation of digital enterprises in overseas markets, it will attract more capital to flow into digital trade-related industries such as cloud computing, big data analysis, and digital content creation. Meanwhile, for emerging market countries, if their domestic digital trade regulations are in line with international rules, it will enhance their investment appeal in the digital trade sector, prompt international capital to shift from traditional investment hotspots to these emerging markets, and promote the diversification of the global digital trade investment layout [4-5].

3.2 Innovation in investment models

The construction of international law rules for digital trade will give rise to new investment models. As the rules strengthen the protection of intellectual property rights in digital technology, investment models based on digital technology such as technology licensing and technology equity participation will become more common. For instance, in the field of artificial intelligence, enterprises with advanced algorithms and technologies can obtain investment returns by signing technology licensing agreements with host country enterprises, while also helping the host country enhance the technological level of its digital industry. In addition, to avoid the risks brought about by the differences in digital trade rules among various countries, cross-border enterprises may adopt an investment model of establishing joint ventures to integrate resources from all parties, jointly address rule challenges, and achieve complementary advantages. This innovation in the investment model not only enriches the forms of international investment but also promotes the dissemination and application of digital technology on a global scale [6].

4 The impact of the construction of international law rules for digital trade on international trade

4.1 Reduction in trade costs and improvement in efficiency

Unified and transparent international rules for digital trade can help reduce the cost of international trade and improve trade efficiency. In the field of goods trade, the regulations regulating trade facilitation measures such as electronic documents, electronic signatures, and electronic certifications will reduce the time and human resource costs brought about by the circulation of paper documents. For instance, by promoting electronic bills of lading, the process of goods transportation and delivery has been simplified, the trade cycle has been shortened, and logistics costs have been reduced. In terms of trade in services, clear classification of digital services and market access rules have reduced the uncertainty for enterprises in the process of providing cross-border services and lowered the cost of market entry [7].

4.2 Reshaping the trade pattern

The construction of international law rules for digital trade will reshape the international trade landscape. On the one hand, driven by rules, the scale of digital trade will continue to expand, the boundaries between traditional goods trade and service trade will further blur, and the proportion of digital products and services in international trade will keep increasing. Emerging digital service trade represented by digital music, online education and telemedicine will enter a period of rapid development and become a new growth point of international trade. On the other hand, the differences in the say of different countries in the formulation of digital trade rules will affect their positions in the global trade pattern. Countries that play a dominant role in rule-making will leverage their advantages in digital technology and digital industries to consolidate and expand their trade interests. Developing countries that actively participate in rule-making and adapt to rule changes are expected to achieve trade structure upgrading through digital trade and strive for a more favorable position in the global trade pattern. Conversely, if some countries fail to effectively participate in rule-making, they may be marginalized in the digital trade wave, with their trade deficits further expanding and global trade imbalances intensifying [8].

5 China's response strategies in the construction of international law rules for digital trade

5.1 Actively participate in the formulation of multilateral and regional rules

Against the backdrop of rapid global digital trade development, China, as the world's second-largest economy and a responsible developing country, should actively engage in the World Trade Organization (WTO) e-commerce negotiation process. By joining forces with other developing countries, such as BRICS nations and emerging economies, China should propose practical and feasible solutions on key issues including cross-border data flows and non-discriminatory treatment of digital products, ensuring that these rules fully consider the data sovereignty and fair competition needs of developing countries, thereby promoting the steady evolution of multilateral digital trade rules toward a more equitable and inclusive direction. Meanwhile, at the regional cooperation level, China can leverage the broad platform of the Belt and Road Initiative to strengthen in-depth collaboration with countries along the route in digital trade rules. Building upon the digital trade rules framework already established in the Regional Comprehensive Economic Partnership (RCEP), China should further deepen rule coordination and alignment with neighboring countries in areas such as digital trade facilitation (including simplified customs procedures and electronic payment systems) and data security assurance (including cross-border data transmission and privacy protection). Through signing bilateral or multilateral agreements, China can construct an efficient and interconnected regional digital trade rules network, which will not only help enhance China's voice and leadership in regional digital trade governance but also inject new momentum into regional economic integration, ultimately strengthening China's comprehensive influence in the global digital governance system [9].

5.2 Improve the domestic digital trade regulatory system

Benchmarking against advanced international digital trade rules, China urgently needs to accelerate the construction and improvement of its domestic digital trade legal framework to provide clear, stable, and internationally aligned institutional guarantees. In the field of data security, efforts should focus on refining the specific implementation rules of the Data Security Law and Personal Information Protection Law, formulating more operational supporting regulations. Key priorities include clarifying security assessment standards, operational procedures, and regulatory frameworks for cross-border data flows, establishing a scientific tiered classification management system, and exploring efficient and compliant cross-border data transmission mechanisms while effectively safeguarding national data security and citizens' personal information rights, striving to precisely balance the dual objectives of data security protection and promoting healthy digital trade development. In terms of digital intellectual property protection, China must continuously strengthen intellectual property protection for digital content creation and dissemination, as well as digital technology research and development and application, and improve new intellectual property confirmation, utilization, and rights protection mechanisms adapted to the digital environment. By utilizing advanced technological means to strengthen network monitoring and severely cracking down on various online infringement and piracy activities, particularly cross-border digital piracy, while optimizing fast-track intellectual property rights protection channels, China can create a fair, transparent, and predictable legal environment that stimulates innovation vitality in the digital sector. Through systematic improvement of domestic regulations, China will effectively enhance the compliance awareness and compliant business capabilities of its digital trade enterprises, reduce their institutional costs of participating in international competition, thereby significantly strengthening their core competitiveness and rule adaptability in the global digital trade market. Sound domestic regulatory practices will also provide solid domestic institutional support and practical experience for China's deeper and more proactive participation in, and even leadership of, international digital trade rules negotiation and formulation, helping to enhance China's voice in global digital governance rules [10].

6 Conclusion

The construction of international law rules for digital trade is a key task in global economic governance in the digital economy era, and it has extensive and profound interlinked influences on international investment and trade. Despite the numerous difficulties currently faced in the construction of rules, as countries deepen their understanding of the significance of digital trade and continue to adapt to each other during the rule-making process, the international legal rule system for digital trade is expected to be gradually improved. As a major country in digital trade, China should fully seize the development opportunities of digital trade, actively participate in the formulation of international rules, improve the domestic regulatory system, play a greater role in the process of reshaping global digital trade rules, promote the sustainable development of digital trade under a fair and orderly rule framework, and enhance China's comprehensive competitiveness in the field of international investment and trade.

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