

Research on the Current Dilemma and Breakthrough Path of China's International Economic and Trade Rules for Elevation Standards

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ABSTRACT

Currently, China has entered a stage of high-quality development. To deepen the new round of high-level opening up to the outside world, it is necessary to accelerate the construction of a domestic institutional system that is connected with international high standard economic and trade rules. This article takes high standard international economic and trade rules as the research object, focusing on the "Three Zero" rules, digital trade, competitive neutrality, intellectual property, government procurement, labor rules, etc. By sorting and summarizing the main rules of high standard economic and trade agreements such as CPTPP, USMCA, DEPA, etc., it analyzes the differences with domestic rule systems and the risks and challenges of China's integration. On this basis, this article proposes countermeasures and suggestions for international economic and trade rules based on elevation standards: firstly, steadily promote high-level opening up to the outside world and enhance the level of trade liberalization and facilitation; Secondly, accelerate the completion of domestic institutional reform and build an open economic system that is compatible with high standard economic and trade rules; Thirdly, actively promote the process of joining CPTPP and DEPA; Fourthly, actively participate in international economic and trade rule negotiations, and deeply participate in rule formulation and reshaping. The research findings of this article will provide useful references for China to further promote high-level opening-up and better participate in the formulation of international economic and trade rules.

KEYWORDS

International economic and trade rules; Realistic dilemmas; Breakthrough path.

1. INTRODUCTION

With the further deepening of China's opening-up to the outside world, the 2018 Central Economic Work Conference proposed a shift from commodity and factor flow oriented openness to institutional openness such as rules. Institutional openness is a higher-level and higher-level openness, with the core of benchmarking against international high standard rules. By paying attention to the rules of high-level economic and trade agreements led by developed countries such as CPTPP, USMCA, and DEPA, we can achieve the integration and coordination of trade rules and regulations, investment rules and regulations, production management and standards, which is conducive to the safe and orderly integration of China and the world economy, and achieve high-level opening up.

In recent years, representatives of high standard international economic and trade rules mainly include the American style templates of the Comprehensive and Progressive Trans Pacific Partnership

Agreement (CPTPP) and the US Mexico Canada Agreement (USMCA), the European style templates of the EU Japan Economic Partnership Agreement (EPA) and the Comprehensive Economic and Trade Agreement (CETA), as well as the Digital Economy Partnership Agreement (DEPA) signed by Singapore, Chile, and New Zealand. Many scholars have conducted in-depth research on them, especially the interpretation and analysis of the CPTPP and DEPA that China has applied to join, which has been a research focus in recent years in China. The research on CPTPP mainly focuses on state-owned enterprises, digital trade, and service trade issues. For example, Jiang Fen (2021) , He Xiaoyong (2022) , and Wang Cong (2023) respectively studied subsidy regulations, government procurement rules, and competitive neutrality rules of state-owned enterprises. Cui Haoran and Li Ben (2022) believe that Vietnam can learn from the relevant experience and lessons of responding to the CPTPP state-owned enterprise rules to address the challenges of CPTPP state-owned enterprise rules . Zhang Fangbo (2020) , Li Simin (2022) , and Han Long (2023) proposed suggestions for China to align with the CPTPP financial service rules. The cross-border flow rules of data information in DEPA are an important issue for research. For example, Song Yunbo (2023) believes that it is necessary to debug and integrate China's domestic laws with DEPA's cross-border flow rules of personal information to promote the development of digital trade. He Bo (2022) proposes the need to timely adjust and improve domestic laws on data leakage channels, security assessments, and other institutional contents, actively respond to external pressures and risks, gradually strengthen institutional dialogue on international rules of cross-border data flow, and promote China's timely and smooth accession to relevant agreements . The Regional Comprehensive Economic Partnership (RCEP) is currently the highest standard of international economic and trade rules in China, but there is still a gap compared to CPTPP, USMCA, and others. Li Jiaqian (2023) and Huang Xianhai (2023) compared the similarities and differences of CPTPP, DEPA, and RCEP in digital trade rules and proposed China's response strategies. Quan Yi (2021) compared the differences in rules between CPTPP and RCEP in financial and telecommunications services, and suggested further improving China's service trade laws and regulations, and formulating negotiation strategies to promote service industry growth and opening-up .

At present, in the research field of high standard international economic and trade rules, scholars mainly conduct in-depth comparative studies from the perspective of multiple rules in a single agreement or multiple agreements in a single rule, and have achieved rich results. This article integrates and summarizes these research results, summarizes the differences between China's economic and trade rules and international standards, as well as the difficulties in docking, and proposes a docking path.

2. CHARACTERISTICS OF HIGH STANDARD INTERNATIONAL ECONOMIC AND TRADE RULES

According to the research of Horn, Mavroidis, and Sapir, high standard international economic and trade rules can be divided into WTO plus and WTO extra. WTO plus refers to setting higher standards on the basis of existing WTO rules, while WTO extra refers to setting new rules in addition to WTO rules. The current high standard international economic and trade rules have the following characteristics:

(1) Covering a wide range of content. The focus of negotiations on international economic and trade rules is constantly expanding towards non-traditional fields. With the rapid development of digital economy and artificial intelligence, e-commerce, digital economy, and competition policy have become new negotiation priorities. The issues of state-owned enterprises, competitiveness and supply chain issues, and the survival and rules of small and medium-sized enterprises have also entered various economic and trade agreements.

(2) The rules require higher requirements. From the perspective of the rules themselves, the transparency of decision-making information has increased, digital trade rules have gradually been

established, the principle of competitive neutrality has been widely recognized, the principle of intellectual property protection has become increasingly strict, the scope of government procurement has expanded, and environmental and labor environmental standards have been improved. Moreover, high standard economic and trade rules are no longer just a commitment to "do our best", but have stronger binding force and enforceability, and a more comprehensive resolution mechanism when disputes involving regulations arise.

(3) Vigorously promote the formulation and negotiation of post border rules. Border rules represent more open rules for the flow of goods and factors, such as tariffs and non-tariff barriers, while post border rules represent more institutional open rules, such as transparency, anti-corruption, administrative system, political system, macroeconomic policy, etc. By establishing post border rules, it is possible to strengthen institutional consistency among contracting parties and achieve deeper economic cooperation. There are 20 chapters on post border measures for goods trade between China and Africa in the Comprehensive and Progressive Trans Pacific Partnership (CPTPP), accounting for 71.4% of all issues.

(4) Regional rules come first. With the rise of emerging countries led by China, the contribution rates of various countries in the world economy are not symmetrical with the discourse power of the global economic governance system. The differences in values among different national entities are prominent, the willingness to cooperate collectively is weakened, and the decision-making ability of the global economic and trade system represented by the WTO is weakening. The trend of regional economic and trade rules being formulated before global economic and trade rules is obvious. For example, regional free trade agreements such as the US Mexico Canada Agreement (USMCA) and the Comprehensive and Progressive Trans Pacific Partnership (CPTPP), the European template EU Canada Comprehensive Economic and Trade Agreement (CETA), and the EU Japan Economic Partnership Agreement (EPA) all represent the current level of high standard international economic and trade rules and are gradually becoming important mechanisms for reshaping global economic and trade rules and leading global economic governance.

(5) Deep integration of substantive and procedural rules. Entity rules solve the problem of what should be, while procedural rules solve the problem of what should be done. High standard international economic and trade rules not only require higher substantive rules, but also continuously improve procedural rules to make them more implementable. The USMCA (US Mexico Canada Agreement) is a typical representative, which adds substantive rules in the labor chapter on public place conditions, protection of immigrant labor rights, and the prohibition of violence in the realization of labor rights. It also further improves relevant mechanisms for implementation, consultation, and dispute resolution .

3. REALISTIC DILEMMA OF INTERNATIONAL ECONOMIC AND TRADE RULES REGARDING ELEVATION STANDARDS

3.1. The gap between China's existing standards and high standard international economic and trade rules

3.1.1. Differences between China's current rules for product and factor openness and high standard rules

China's cooperation with the global market is becoming increasingly close, from exporting to earning foreign exchange and selling globally to expanding imports and buying globally. At the same time, it is also committed to promoting the free flow of international and domestic production factors, improving resource allocation efficiency, and integrating domestic and international markets. However, there are still differences between the "Three Zero Rules" and "Negative List Management" and high standard international economic and trade rules. The "Three Zero Principle" refers to zero

tariffs, zero barriers, and zero subsidies. Nowadays, China insists on implementing high-level opening-up to the outside world, continuously reducing tariffs and non-tariff barriers, and narrowing the gap with developed countries. However, in terms of subsidies, China remains a key country in the anti subsidy investigation. As of the end of 2022, China is currently facing 145 anti subsidy measures, exceeding half of the global number of effective anti subsidy measures . There is a significant gap between China and the high-level market access of zero tariffs, zero barriers, and zero subsidies of 99% in the CPTPP. A negative list only lists industries, fields, and businesses that are prohibited or restricted from investment and operation, and foreign investment that is not explicitly prohibited can enter. Compared to a positive list, it has a greater degree of openness and is more conducive to building a new open economic system. RCEP is the regional trade agreement with the highest level of openness among the foreign agreements currently signed by China, which can represent the highest standards and levels of openness in China's service trade. In the RCEP agreement, China still implements a positive list management model, which was only converted to a negative list six years later. This shows that China still has some shortcomings in opening up its service industry.

3.1.2. Differences between China's current digital trade rules and high standard rules

With the rapid development of digital trade, regulations related to the digital economy have gradually been included in the discussion scope of free trade agreements. The digital trade rules include tariffs on digital products, cross-border e-commerce, online consumer protection, cross-border data transmission, data localization, and source code requirements. As the highest standard rule in the field of digital trade in China at present, RCEP still has differences from American and EU rules, which are reflected in: (1) the definition of "digital trade" in China's current standards is relatively narrow. The concept of "e-commerce" is still used in the upgraded versions of the China South Korea FTA, China Australia FTA, China Singapore FTA, and RCEP. These trade agreements only provide clear definitions for computer equipment, personnel involved, electronic authentication, and non commercial electronic information, and do not involve specific definitions of "digital products" and "electronic transmission". In contrast, the trade agreements between the United States and the European Union adopt a broader concept of "digital trade", including definitions of "digital products" and "electronic transmission". (2) The current standards in China do not provide sufficient intellectual property protection for the digital economy and do not involve regulations on source code and algorithms. On the other hand, both the European Union and American rules require mandatory disclosure of source code, while American rules also include source code and critical infrastructure software in their protection scope. (3) The current standards in China do not involve privacy protection regulations, but EU rules emphasize taking appropriate measures for personal data and privacy protection. (4) The highest standard RCEP in the field of digital trade signed by China allows all parties to maintain duty-free electronic transmission, but it will be adjusted in a timely manner according to the new resolution of the WTO Ministerial Conference, and also allows countries to increase their domestic digital tax. Both American and EU rules require permanent and mandatory exemption from electronic transmission tariffs.

3.1.3. Differences between China's current competitive neutrality rules and high standard rules

The purpose of the competition neutrality rule is to eliminate unfair treatment enjoyed by state-owned enterprises, ensure the fair position of market competition entities, create a more fair operating environment, and improve market efficiency. The difference between China's current competitive neutrality rules and international high standard economic and trade rules is mainly reflected in: (1) inconsistent definition of state-owned enterprises. CPTPP and USMCA have expanded the scope of defining state-owned enterprises, with USMCA adding decision-making power for state-owned enterprise recognition, and CPTPP adding two types of constrained entities: sovereign wealth funds and independent pension funds. (2) The restrictions on subsidies are inconsistent. The China Europe Comprehensive Investment Agreement (CAI) is the first international agreement signed by China that includes rules for state-owned enterprises. It mainly involves fair participation of state-owned

enterprises in market competition, leaving room for subsidies. However, American rules include tax incentives, financing incentives, and other government subsidies for state-owned enterprises within the scope of competitive neutrality, and also limit assistance between state-owned enterprises. (3) The requirements for transparency are inconsistent. The China Europe Comprehensive Investment Agreement (CAI) only requires state-owned enterprises of the other party to disclose information on equity structure, personnel appointment, annual income, exemption status, etc. when the interests of one entity are damaged. However, the American style rules greatly enhance the scope of information disclosure for state-owned enterprises, and require annual updates and disclosure of the list of state-owned enterprises, voting rights ratio, government personnel's expired employment status, available annual reports and design reports .

3.1.4. Differences between China's current intellectual property rules and high standard rules

In the era of technology as the core competitiveness, technological competition among countries around the world is becoming increasingly fierce, and intellectual property rules are becoming more faithful to each other. High standard international economic and trade rules are also constantly expanding the scope of intellectual property protection and enhancing protection efforts. The difference between China's current intellectual property rules and high standard international economic and trade rules is mainly reflected in: (1) inconsistent protection scope, and overall, high standard economic and trade rules have a wider scope of intellectual property protection. CPTPP includes sound and odor in the scope of trademark registration, protecting undisclosed experimental data of agricultural chemicals, drugs, and biological preparations. USMCA further expands the protection scope of biopharmaceuticals on the basis of CPTPP, while RCEP does not involve the above content. (2) The regulations on the protection period are inconsistent. The high standard international level economic and trade rules specify most of the protection periods, and the protection period is longer. For example, CPTPP stipulates the copyright period, requires trademark protection period of no less than 10 years, clarifies patent grace period, extends the protection period for undisclosed experimental data in agricultural chemicals, drugs, and biological preparations, etc., but RCEP does not make provisions for these periods. (3) The enforcement intensity is inconsistent. China emphasizes the conviction of intellectual property crimes based on quantity, with "a large amount of illegal gains" as the main criterion, while CPTPP emphasizes the conviction based on sex, with the criterion of having commercial purposes or causing significant harm to the commercial interests of property owners.

3.1.5. Differences between China's current government procurement rules and high standard rules

Government procurement involves high amounts of money and large business scales. If not regulated, it may waste public resources and create transparency issues. At present, China has initially formed a legal system for government procurement, and RCEP is also the first regional trade agreement signed by China that includes a government procurement seal. China has made significant progress in the field of government procurement, but there is still a gap compared to high standard international economic and trade rules, mainly reflected in: (1) inconsistent definition of government procurement. China defines government procurement as the use of fiscal funds by government agencies, institutions, and organizations at all levels from the centralized procurement catalog to constitute government procurement. This limits the procurement entity, nature of procurement funds, and scope of procurement. The definition of CPTPP is relatively broad, emphasizing only the procurement behavior of government entities without considering procurement purposes, without limiting procurement funds and scope, and adding BOT and public works concession contracts on the basis of GPA. (2) Inconsistent requirements for suppliers. Chinese government procurement requires suppliers to meet the conditions stipulated in Article 22 of the Government Procurement Law, among which "good use of social security funds" excludes most foreign-funded enterprises. However, CPTPP has fewer restrictions on supplier qualifications and emphasizes the need to treat foreign-

funded enterprises fairly. (3) The openness of the Chinese government procurement market is relatively weak. For example, China has many restrictions on foreign-funded contracting in engineering procurement projects. For example, in the Government Procurement Agreement (GPA), China adopts a positive list approach, while more than half of CPTPP members adopt a negative list approach. Moreover, China only stipulates 35 services, which is much lower in terms of openness compared to CPTPP members.

3.1.6. Differences between China's current labor rules and high standard rules

The main text of China's current free trade agreements does not include labor standards, and most of them are regulated in the form of signed memorandums, which lack binding force through the "intention to cooperate" model. Moreover, labor and human rights issues have also been the focus of long-term attacks by developed countries on China. Therefore, aligning with international economic and trade rules can not only better protect the rights of workers, but also reduce friction with developed countries. The current differences between China's current labor rules and high standard international economic and trade rules are mainly reflected in: (1) inconsistent arrangements in the trade union system, and the inability to meet the standards of CPTPP in terms of association rights and collective bargaining rights. The All China Federation of Trade Unions is the only trade union alliance in China, and the establishment of a trade union requires approval from the higher-level trade union. Association is not completely free. Moreover, although our country has established the right to collective bargaining, due to oversupply in the labor market, the right to collective bargaining cannot be truly implemented in practice. (2) There is a lack of a comprehensive protection system for occupational safety and health. The current fragmented and incomplete legal regulations, as well as unclear concepts and incomplete scope, have reduced the enforceability of regulations, resulting in situations where overtime is exceeded and workplace safety and hygiene conditions are not met in practice. (3) The dispute resolution and relief mechanism is not perfect. China regards consultation as the only dispute resolution mechanism, which is somewhat singular compared to the three-level resolution mechanism of the United States and the expert group procedure mechanism of the European Union. Moreover, there is no indication of remedial measures for unsuccessful consultations in cooperation agreements and memorandums of understanding, and the relevant system is relatively incomplete.

3.2. Challenges to International Economic and Trade Rules for Elevation Standards

China's active adherence to international economic and trade rules based on elevation standards is of great significance. It not only conforms to the trend of global economic and trade rule reconstruction, but also facilitates the establishment of a high-level open economic system, gains initiative in international negotiations, and clears obstacles for the smooth accession to the CPTPP. In addition to the gap between China's existing rules and high standard rules, there is still a need to be vigilant about the risks and challenges involved in the benchmarking process.

3.2.1. The existing legal and regulatory system is not yet complete, and there is a lack of policy review and evaluation mechanisms

At present, China has not yet formed a sound legal system in areas where there are differences with high standard rules, such as digital trade, intellectual property protection, competition policy, and government procurement, where there is a lack of system and conflicts or overlaps between some laws. Moreover, the regulatory system is not yet complete enough, with problems such as low regulatory technology, insufficient law enforcement, and low public participation in regulation. In addition, China has not yet established agreed evaluation standards and review systems for transparency, state-owned enterprises, and government procurement, which is not conducive to the effective operation of policies and error correction and improvement.

3.2.2. Blind benchmarking can easily lead to social risks

The differences between China's existing rules and high standard rules are mainly reflected in the "Three Zero" rules, digital trade, competitive neutrality, intellectual property, government procurement, labor rules, etc. The degree of differences and difficulty of benchmarking vary among different rules. Among them, there are significant differences and difficulties in benchmarking among digital trade, competition neutrality rules, and the "three zeros" rule. Special attention should be paid to issues related to competition neutrality involving state-owned enterprises. In the benchmarking process, careful identification and gradual progress should be made to avoid blind benchmarking, which may easily impact China's existing basic system and cause social risks. The differences in intellectual property rights, government procurement rules, and benchmarking difficulties are relatively small, and docking can be accelerated on the basis of clear direction. Moreover, high standard rules are generally led and established by developed countries, and in some areas, high standard rules may exceed the existing development level and affordability of developed countries. Blind benchmarking may occupy the living space of domestic enterprises in developing countries and harm their interests. Therefore, caution should be exercised in identifying and coordinating these rules .

3.2.3. Avoid falling into the trap of "pan beautification"

The current restructuring of international economic and trade rules is still influenced by major countries, mainly the United States, representing the interests of developed countries such as the United States. Although Japan led the 11 countries to re sign the CPTPP after the United States withdrew from the TPP, the CPTPP retained over 95% of the TPP's terms and had little difference from the TPP in terms of market access, trade facilitation, e-commerce, and service trade. From this, it can be seen that CPTPP still has the characteristics of American rules, and blind benchmarking can easily fall into the trap of "pan beautification". In addition, although the USMCA led by the United States is also a representative of high standard economic and trade rules, the USMCA's "refusal to grant benefits" clause and "non market country free trade agreement" clause have obvious exclusivity , with the intention of containing China. Therefore, China needs to be wary of unreasonable rule clauses in the benchmarking process.

4. PATH TO INTERNATIONAL ECONOMIC AND TRADE RULES FOR ELEVATION STANDARDS

With the continuous deepening of China's opening-up to the outside world, its international economic and trade strength and status have significantly improved. However, there are still significant differences between the international economic and trade rules and the international leading rules. In the future, we should actively connect with high standard international economic and trade rules and strive to promote the opening up of the high level system. Specifically, China needs to approach it from both domestic and international perspectives: on the one hand, it must firmly promote high-level opening-up to the outside world, reform unreasonable, unfavorable, and backward domestic laws, regulations, and institutional systems, and create favorable conditions for international economic and trade cooperation; On the other hand, we should actively participate in negotiations on international economic and trade rules, strive for legitimate rights and interests, adjust domestic rules and accelerate integration with international rules by joining high-level economic and trade agreements such as CPTPP and DEPA.

4.1. Steadily promoting high-level opening-up to the outside world and enhancing the level of trade liberalization and facilitation

In the field of goods trade, it is necessary to optimize the import management system of goods, pilot the implementation of simplified domestic procedures, and continuously improve customs clearance

facilitation measures. Moreover, China should also strive to align with the "Three Zero Policy" of the CPTPP, further reduce tariff levels and trade barriers, strengthen intellectual property protection, and create a favorable business environment for international trade. In the field of service trade, it is necessary to expand the opening of key service fields of finance and telecommunications, relax the restrictions on foreign investment access in the service industry, implement the negative list management model of service trade, and gradually expand the opening of finance, the Internet, education, medical care, culture and other fields. In addition, the technology industry is an important area that reflects the level of national competitiveness. China needs to expand the import and export of high-tech products and high-end consumer goods, expand the openness of high-end elements such as talent and data, actively connect with high labeled technical standards of developed countries, and pass foreign certification, testing, inspection and other work. Foreign professionals will participate in the formulation of domestic technical specifications and standard process systems, driving the improvement of domestic standards .

4.2. Accelerate the completion of domestic institutional reform and build an open economic system that is compatible with high standard economic and trade rules

The growth rate of China's economy does not match the level of perfection of the existing institutional system, and there are still shortcomings in the existing laws, regulations, and institutional systems compared to developed countries. In order to better achieve high-quality development and high-level opening up to the outside world, China should first accelerate the completion of domestic institutional reform. Currently, developed countries attach great importance to the negotiation and formulation of "post border rules", so "post border" measures are the focus of China's reform. In the field of competitive neutrality, China should promote the reform of state-owned enterprise classification, regulate the market competition behavior of state-owned enterprises, and improve the degree of information disclosure and transparency. In the field of labor rules, improve the legal and regulatory system of the labor market, fully protect the rights and interests of workers, and adjust the rights of association and collective bargaining within an acceptable range. In the process of reform, China should fully leverage the rule testing role of free trade zones and developed cities, and adopt the path of prioritizing pressure testing in free trade zones and developed cities before promoting it nationwide. For example, in the field of intellectual property, cities such as Beijing, Shanghai, and Hainan, which mainly focus on high-end manufacturing, can be chosen to take the lead in benchmarking CPTPP intellectual property rules .

4.3. Actively promote the process of joining CPTPP and DEPA

China officially applied to join the Comprehensive and Progressive Trans Pacific Partnership (CPTPP) and the Digital Economy Partnership (DEPA) in September and November 2021, accelerating the integration of rules, regulations, and standards. There is a gap between China's current system and the Comprehensive and Progressive Trans Pacific Partnership (CPTPP), and the negotiation process is hindered by the United States and its allies, making it difficult to join the CPTPP. Due to the fact that RCEP's member countries cover the majority of CPTPP's member countries, China can fully utilize the scale and influence of RCEP to engage in bilateral free trade negotiations with relevant member countries. In addition, China should also make efforts to adjust its domestic institutional rules and align with international rules. For the Digital Economy Partnership Agreement (DEPA), China can play a pilot role in free trade zones, take the lead in conducting cross-border data free flow pilot projects, attempt to promote compatibility and docking with DEPA's high standard rules, and explore new mechanisms for international cooperation in digital trade.

4.4. Actively participate in international economic and trade rule negotiations, deeply participate in rule formulation and reshaping

As the world's second-largest economy, China actively assumes its own responsibilities and continuously proposes the "China Plan" for global economic and trade governance. In the field of international economic and trade rules, China actively participates in international rule negotiations, deeply participates in rule formulation and reshaping, puts forward China's demands, and strives for more legitimate rights and interests for China's international trade and investment. In the emerging field of digital trade, China has advantages in technology, capital, and market, and has a strong development momentum. It should actively participate in the research and design of rules, strive for the initiative and voice in rule making, and actively formulate rules that are more in line with the interests of developing countries through international negotiations. In the field of rules related to state-owned enterprise issues such as competitive neutrality, due to the significant differences and difficulties in reform between China and European and American countries, China should gradually benchmark and negotiate, and participate in the reshaping of rules. Rule reshaping is not a subversion of the original economic and trade rules, but rather an addition and enrichment of new connotations to the original foundation, making the content of the original rules more perfect and reasonable. Due to the fact that the issue of state-owned enterprises involves some deep-seated institutional design in China, China should negotiate to establish "exceptional matters" and buffer time, increase the rationality of rules, and expand the scope of application to countries. In addition, during the negotiation process, one should be wary of unreasonable factors such as trade protectionism and "pan beautification traps" hidden behind the rules, and safeguard their legitimate rights and interests.

ACKNOWLEDGMENTS

This work is supported by 2022 Anhui University of Finance and Economics National College Student Innovation and Entrepreneurship Training Program Project (202210378110).

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