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China's technology protectionism and its non-negotiable rationales

*by Martina F. Ferracane and Hosuk Lee-Makiyama,
Research Associate and Director respectively of ECIPE*

Brussels, Belgium, 28th June 2017 - China's restrictions on the internet and the ICT sector are tightening, with over 50 measures targeting this sector implemented just in the last decade. The rationale for these restrictions is not merely about shielding the country from foreign competition or security threats, but also to defer politically challenging reforms. Much of the rationale behind such digital protectionism is historically unprecedented and uniquely Chinese.

This paper explores the policy framework applied to the digital sector in China. More often than not, China's digital mercantilism is interlinked with non-commercial objectives, such as public order, fiscal governance and national security, making them more difficult to reform or to negotiate. China's technology restrictions protract many economic and political reforms, but inaction also comes at a cost: Digitalisation is necessary to spur consumption, improve industrial productivity and revitalise the Chinese economy.

China short-term and long-term needs are an unsolvable digital dilemma – to borrow the words of the ancient historian Livy: China is unable to neither bear its ills nor its cure. On one hand, deferring market reforms worsens a dangerous economic slowdown that would destabilise the country. On the other hand, reforms could severely limit a governance model that is needed to maintain stability.

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Media Contact: ECIPE, info@ecipe.org