

Better governance to unleash the value of data: China's practice of building a data trading system in the global context

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China's government is pursuing multiple policy goals in data governance as it seeks to balance trade-offs between the use of data as an economic 'factor of production', its harnessing and protection for purposes of domestic governance and national security, and the protection of personal information. Among these objectives, the leveraging of data as a source of enormous economic value is an important and underexplored key to understanding China's data governance regime. For China's leaders, ensuring efficient data circulation and unlocking the value of data is the top priority, as upgrading the real economy through digitalization has become vital for the country's future growth and prosperity.

The construction of China's domestic data market is playing an increasingly important role in this regard. China's efforts at tapping the potential value of data can be traced back to 2014, when the country launched its first big data trading platform, the Beijing Zhongguancun Data Ocean Big Data Trading Platform, the same year China released its national strategy for big data development. Despite those attempts, serious problems and challenges have hindered China's experiments at building well-performing data marketplaces. Dozens of data trading platforms and data exchanges established since 2014 have failed to meet expectations. As of 2020, China's first big data exchange, the Guiyang Big Data Exchange located in Guizhou province, which is dubbed as 'the big data valley of China,' had an annual trading volume of less than 5 million yuan, far less than the expected daily trading volume of 20 billion yuan. China's data trading platforms are, essentially, empty shells, with barely any data being traded. Some outstanding problems include difficulties in data pricing and the definition of ownership and usage rights, lack of standards to assess data's value, lack of trading rules and mechanisms to facilitate trust-building among trading partners and, until very recently, the absence of laws and regulations that could supervise data trading.

In 2021, the entering into force of the Data Security Law and the Personal Information Protection Law signaled regulators' determination to put an end to this chaotic situation. China's data market has entered a new phase of development, with major cities, including Beijing, Shanghai, and Shenzhen, having established data exchanges under strong central guidance. The new marketplaces are meant to facilitate the "orderly sharing of data" to increase productivity and public welfare while protecting security and privacy. From a fragmented and unregulated market, China's data trading system is thus undergoing a profound transformation towards a better governed and, possibly, a more integrated one.

To guide this development, in December 2022 the Chinese Communist Party's Central Committee and the State Council released a major set of policy measures. The twenty measures call for building "a system of data property rights with Chinese characteristics," dividing data into three distinct categories— public data, corporate data, and personal data— and establishing a graded system through which rights pertaining to these three types of data shall be verified and enforced. Accordingly, data rights shall be divided into three categories, namely the right to possess data resources, the right to process and use data, and the right to commercialize data-related products. Based on the new classification and definition of data rights, these measures seek to establish an efficient and compliant system of data circulation and trading, covering both over-the-counter markets and exchange-traded markets. By doing so, policymakers hope to encourage market actors, such as tech firms, to share and trade their datasets, while putting an end to longstanding malpractices like the theft and misuse of personal data.

However, specific, and essential measures for building a well-performing data trading system are not yet available, and it remains to be seen whether the newly established data exchanges in China can meet expectations and avoid repeating past mistakes. Whether China can build an efficient and competitive data trading system and data economy will depend on the practices in the years to come. The prospects of success remain uncertain, given the complexity and difficulties associated with building successful and well-regulated data marketplaces, as well as the notorious problems of policy implementation in China.

This paper will seek to adopt an integrated approach, comprising an examination of original Chinese-language sources, such as policy documents, laws, regulations and local expert commentaries, case studies, and field research (virtual interviews only and, when possible, in-person interviews) to try and shed some light on the progress and possible implications of China's practice of building a data trading system. The research will utilize three mini case studies of the transport sector, the development of the Guiyang Big Data Exchange, as well as emerging practices in Shenzhen to explore how better governance could unleash the value of data. Specifically, the paper will focus on four main challenges in China's practice, including data pricing and the creation of diversified pricing mechanisms, the definition of data rights and new classification of data, the establishment of rules and mechanisms for trusted data trading, as well as the formation of unified national standard systems in the area of data quality, trading, and security.

The paper will also employ a comparative analysis of practices in different jurisdictions. It will compare the differences and similarities between approaches to the governance of data trading in China, the EU and Canada to illuminate how different countries are dealing with the valuation of data. This section will summarize the main progress and challenges in China's data trading system and compare them with practices in the EU and Canada. Only by putting China's developments in a broader context that also considers trends

in other jurisdictions will we be able to appreciate the significance of China's data governance experiments and their potential implications for the rest of the world.

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