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EU digital trade policy

Discussion Paper for the Informal Meeting of Trade Ministers

Digital trade is a quickly developing and rather complex area which urgently merits the EU's attention. Digitalisation is changing the way we trade in services (as well as goods) with digitally-enabled services quickly gaining ground in overall international trade. It is especially important for EU companies since more than 64 %[1] of the EU's overall external trade in services is now digitally-enabled. Specific importance lies in data which are the lifeline of technology industry but also of many traditional sectors linked to manufacturing. It is pivotal to ensure that companies can use their data for their success.

Countries around the world are reacting to those changes and adapting their trade policies although at different speeds. Digital trade is increasingly being covered, either through specific chapters in comprehensive FTAs or as stand-alone agreements focused on facilitating digital trade. It is in the Indo-Pacific region where such stand-alone agreements first generated traction, starting with the DEPA (The Digital Economy Partnership Agreement between Singapore, New Zealand and Chile) and DEA (The Digital Economy Agreement between Singapore and Australia).

Currently, we are witnessing a number of countries (for example the Republic of Korea) announcing their intention to join DEPA which is designed as an open plurilateral agreement and consists of both binding and non-binding provisions.

Alternatively, countries are negotiating their own bilateral digital trade agreements (such as the concluded US-Japan digital agreement from October 2019 and the UK-Singapore DEA from February 2022). Digital trade is also an important part of the US-led Indo-Pacific Economic Framework for Prosperity (IPEF) as part of the trade pillar together with labour and environment-related issues.

[1] https://unctadstat.unctad.org/EN/

Last but not least, negotiations on e-commerce in the WTO Joint Statement Initiative (JSI) setting are well underway and gather all relevant international rule-makers in this field. Especially on complex issues such as data flows, it will be a test to the compatibility of the various approaches to digital trade agenda.

There are various strategies that countries are developing in order to adapt to the changing nature of international trade and establish rules on digital trade. More and more often, these strategies do not strictly follow the traditional model of bilateral comprehensive trade agreements.

- *What is the best approach for the EU to react adequately to the changing digital trade environment?*

The EU itself is taking several steps to engage on digital trade with partners, both at bilateral as well as plurilateral level.

- *What are the key players the EU should focus on with priority?*