



## Trade in a digital world

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**Cecilia Malmström**, *Commissioner for Trade*

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Dear Marietje,

it's a pleasure to be asked here to speak on digital trade.

I'd like to talk about what I think digital means for our economy, and for global commerce. I'd like to talk about the online opportunities we can enjoy – but also some of the downsides we need to address, and the policy issues we face.

In many senses it's obvious we're in a digital world: if only because, everywhere you look, there are new digital markets, new digital companies, new digital jobs.

Ask people to name — say — a US company they use every day: these days, they are unlikely to say Ford or Procter & Gamble; it is more likely to be Apple, Facebook, or Google. The global market in ecommerce is worth over 12 trillion euros; in Europe, it is 6% of GDP, and rising fast.

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But this isn't just about one sector of the economy, or a handful of Silicon Valley millionaires. Digital is transforming every sector of the economy and segment of society, opening new horizons. The EU is the world's largest exporter of digitally deliverable services<sup>1</sup>: we are in a strong position to benefit from these opportunities.

Twenty years ago, it would have been awkward if not impossible for a shopper in Stockholm to buy from a store in Seattle or Shanghai; today, that is just a click away.

Twenty years ago, the trade in many services was limited to the local neighbourhood; today the internet makes it possible to sell them far and wide. EU service exports have doubled over a decade.

Twenty years ago, a new innovative business would face significant barriers to grow and reach new markets. Today, a start-up run from a kitchen table in Kenya could be helping the local community, or reaching out to the world. The digital dividend pays off in the developing world, too.

This change has huge implications for trade. New technologies support sectors central to global commerce, from logistics to financial services. Whether you're shipping goods, or using a cash machine abroad, chances are that is underpinned by digital tools and techniques.

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<sup>1</sup> [Source: Brookings Institute 2014](#)

And, today, value chains are getting more and more complex; in a way that would just not be possible without the global information and communications network.

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That is the promise of digital technology. But I also want to talk about the pitfalls.

For one thing, there are barriers to online opportunity, within and outside the EU, that we need to deal with. My colleague Andrus Ansip is working to make Europe a digital single market, with the protections that ensure they can trust it— from areas from parcel delivery prices to reforming copyright.

Beyond Europe's borders, we are committed to a modern, effective trade policy, relevant and responsive to the digital age. We are working on many issues in our bilateral and plurilateral negotiations and at the World Trade Organisation.

Indeed, we think the WTO could usefully look at four clusters of issues:

- the regulatory framework in areas like spam, consumer protection or e-payments;
- the liberalisation of trade and markets, with non-discriminatory treatment and market access for online services;
- trade facilitation and technical assistance for developing countries in areas like e-signatures, or e-procurement; and
- boosting transparency, by publishing those measures that impact on e-commerce or telecoms.

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Alongside this, it's also important to acknowledge and address digital downsides. Technology leads to rapid economic change: and that has a social impact, sometimes negative. At some level, I believe these economic changes are inevitable, but you cannot ignore the issues they raise. Governments need to help people adapt: investing in reform, in education, in infrastructure.

The alternative is that people blame technology, or trade, for society's ills; and that the resulting backlash means we miss out on a golden opportunity. I don't want that to happen; it's better to be honest in tackling this issue.

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And I'd like to close by discussing one very promising yet tricky policy issue connected to the digital age: data. From buying an e-book to updating your Instagram, almost any online transaction requires the transfer of data. And data can be merged and remotely analysed to boost efficiency and create jobs in many sectors.

Like helping physical retailers tailor and target to better meet their customers' needs; manufacturers improve their wares; scientists make new discoveries.

The central role played by data has led some to describe it, not just as a new kind of product, but as the currency of the digital age. It is not an exaggeration to say: no data - no trade. The free flow of data has much to offer our companies, our consumers, our communities.

But data is not just another product. Especially personal data. It cannot be just a public resource to be tapped without limit. Respect for privacy, and the protection of personal data, are fundamental rights protected in the EU's Charter and subject to the control by the European Court of Justice. When we make trade deals, fundamental rights or the protection of privacy are not on the negotiating table. Rules on personal data processing are not affected by trade agreements. And when — for example — we had our recent discussions with the US on the Privacy Shield, it was my colleague Věra Jourová who led the negotiations from the EU side. That is exactly as it should be.

That said, I cannot, as Trade Commissioner, ignore data. Digital is transforming the economy, and transforming trade; and a big part of that transformation is underpinned by data.

Restrictions on cross-border data flows inhibit trade of all kinds: digital and non-digital, products and services. We cannot just pretend that this doesn't exist, or that data has nothing to do with global trade.

But let's not kid ourselves: some data restrictions out there are purely protectionist. Rules that require data to be localised in a particular place, or that impose limits on transferring data, often have no justification, other than to inhibit market access by overseas companies. That is not data protection, it is protectionism; that is our trade partners not playing fair. And that is a legitimate topic for trade deals.

There is nothing revolutionary about addressing data flows in trade agreements. As long ago as the late 1990s, we subscribed to something similar for financial services, leading to the GATS Understanding on Commitments in Financial Services; and to provisions in bilateral agreements like EU-Korea. But, just as banking did in the 1990s, now sectors from marketing to booksellers also rely on cross border data flows. So unjustified restrictions on data flows can represent protectionism for those sectors, too.

Last year, we said in our Trade for All Communication that the Commission would seek to use international trade deals to set the rules for e-commerce.

Ensuring data can flow freely, without putting data protection into question. This is vital, not just to fundamental rights, but for the trust and confidence in the system which underpins trade growth. That remains the position of the Commission and we are actively looking into how to achieve it.

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In this area, as in many others – we need to shape globalisation, not submit to it.

Europe enjoys high standards of data protection. Long may that continue.

But to ensure it does continue, we need to be out there setting the global agenda. Standing up for our values, convincing others, striking the deals, shaping the model for tomorrow's trade. Ensuring that it is European standards that are recognised and reflected across the world.

We shouldn't have to compromise our protections to trade with the world, not even in the digital age. By shaping globalisation, we can ensure that we do not have to.  
Thank you.