Towards a digital trade strategy

2017/2065(INI) - 29/11/2017 - Committee report tabled for plenary, single reading

The Committee on International Trade adopted the own-initiative report by Marietje SCHAAKE (ALDE, NL) entitled towards a digital trade strategy.

Whilst the globalisation and digitalisation of economies and of international trade have enabled businesses to grow and provided economic opportunities for citizens, the committee believed that the **digital economy requires a rules-based framework**, including modern trade rules which can reconcile the rapid changes in the market with the rights of consumers, providing the policy space for new regulatory initiatives needed by governments to defend the protection of human rights.

Members underlined that the EU, as a community of values and the world's biggest exporter of services, should set the standards in international rules and agreements on digital trade flows based on three elements:

- ensuring market access for digital goods and services in third countries;
- ensuring that trade rules create tangible benefits for consumers and;
- ensuring and promoting respect for fundamental rights.

They highlighted the following issues:

Personal data: Members recalled that personal data may be transferred to third countries when the requirements enshrined in the current Data Protection Directive and in the forthcoming Data Protection Regulation, are fulfilled. Whilst **adequacy decisions** constitute a fundamental mechanism in terms of safeguarding the transfer of personal data from the EU to a third country, the EU has only adopted adequacy decisions with four of its 20 largest trading partners. The Commission was called upon to speed up the adoption of adequacy decisions, provided that third countries ensure a level of protection 'essentially equivalent' to that guaranteed within the EU. Furthermore, Members urged the Commission to **incorporate into the EU's trade agreements a horizontal provision,** which fully maintains the right of a party to protect personal data and privacy. Such rules and provisions should form part of all new and recently launched trade negotiations with third countries.

Data localisation: the committee called on the Commission to strictly prohibit unjustified data localisation requirements in free trade agreements (FTAs), stating that the removal of such requirements should be a top priority. It pointed to attempts to use such requirements as a form of **non-tariff barrier to trade** and as a form of **digital protectionism**, which seriously hampers opportunities for European businesses in third country markets and undermines the efficiency benefits of digital trade.

Net neutrality: a digital trade strategy must be fully in line with the principle of net neutrality and safeguard the equal treatment of internet traffic, irrespective of its sender, receiver, type, content, device, service or application.

Source codes: Members strongly deplored third country practices that make **market access conditional on the disclosure and transfer to state authorities of the source codes** of the software that companies intend to sell. They felt that such measures are disproportionate as a blanket requirement for market access, and called on the Commission to prohibit signatory governments to FTAs from engaging in such activities.

The report went on to highlight the following points:

- the need to protect **intellectual property rights** and investments in R&D, and push for the worldwide implementation of international standards such as the WTO TRIPS Agreement and the WIPO Internet Treaties;
- the need to use trade agreements to promote the **interoperability of ICT standards** that benefit both consumers and producers, notably in the context of a secure Internet of things, 5G and cybersecurity;
- the need to put in place **simplified, tax- and duty-free customs treatment** of items sold online and returns unused;
- in view of the fact that only 53.6 % of all households worldwide have access to the internet, the Commission should further **mainstream digital technologies and services** into the EU's development policy;
- digital issues should also feature more prominently in the **EU's Aid for Trade policy** to facilitate the growth of e-commerce;
- the Commission should foster the emergence of **global industry standards** under EU leadership for key 5G technologies and network architectures.