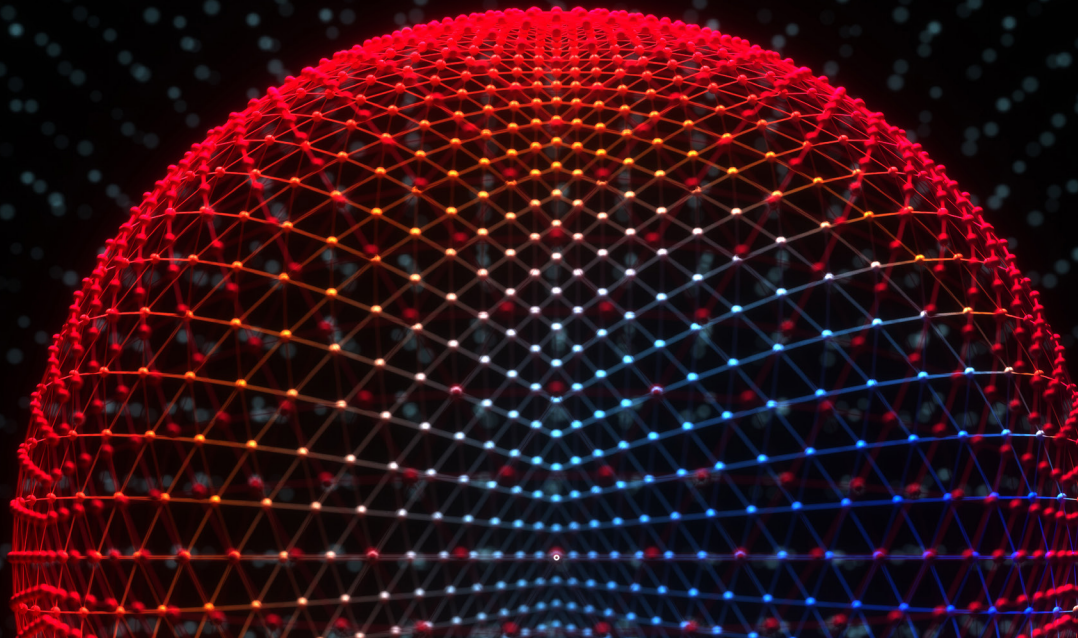


Digital Trade Policy

Trend Topic: **Readiness**



Policymakers must recast how they think about digital trade policy

Unhindered flows of data across borders underpin our global economy.

By



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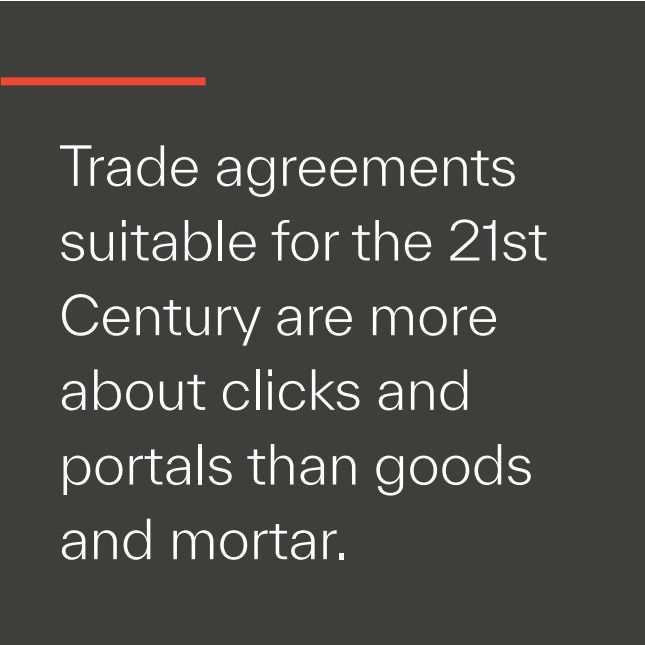
Behind the activities that people and businesses undertake every day—like paying for a coffee or running a query on ChatGPT—a complex interplay of global data transfer is at work.

It is obvious that new innovations will drive future economic prosperity. But what is less obvious, and seldom noted, is the role of trade policy as a key enabler of the invisible activity that keeps digital services operating seamlessly between jurisdictions. This is because trade rules are increasingly responsible for running open digital markets and ensuring data privacy to combat cybersecurity threats and other risks stemming from the evolution of the digital economy. Put simply, trade agreements suitable for the 21st Century are more about clicks and portals than goods and mortar. The nature of trade has evolved.

If this point is not fully recognised by decision-makers, then we are in danger of taking the worldwide digital marketplaces of today and the technologies of tomorrow for granted.

The truth is that digital trading frameworks are at an inflection point. Although tariffs are in the limelight, they are being employed as a negotiating tactic for an increasing array of tangential political objectives. Liberalising and comprehensive Free Trade Agreements—the sort that lower costs to consumers—will remain few and far between. But this leaves space at the margins to reimagine what modern trade policy should look like.

We can choose to chart a static course and remain in a steady state. However, this runs the risk of lending credence to certain countries who would rather see digital trade restricted than enabled. Make no mistake, this risk is real, as we have recently seen with efforts to disband the WTO's electronic transmissions moratorium. This fundamental initiative bans customs tariffs on digitally delivered services for WTO members. But time and again it is used as a reckless bargaining chip, creating unnecessary uncertainty for businesses and governments. We cannot guarantee its future.



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So, it is up to us to reinvent how policymakers think about trade policy more broadly, with digital frameworks front and centre. At a minimum bespoke digital trade agreements can provide us with the tools to forge a path forward to keep trading relations fit for purpose and support business readiness to react to future challenges.

The opportunity to deliver for our innovative economies and increase the ease with which technology supply chains transcend borders and regulations keep pace with digital services has never been clearer. But success hinges on clear political commitments specific to digital trade against a backdrop of increased global uncertainty.

Leaders on both sides of the Atlantic should look to each other to determine how best to promote first-class digital agreements that collectively raise standards and lean into future-forward digital policies. Getting these next steps right is critical to helping businesses navigate the technological transformations that inevitably lie ahead.

As we look to the future, now is an appropriate moment to consider how deeper cooperation on digital trade and coordinated global leadership can be leveraged to keep our innovative industries competitive.

For the UK and the US, deeper integration on digital trade makes sense. Both countries are leading global digital innovators and critical players in the supply chain of digital goods and services. The UK is a key trading partner for America's digitally enabled services, already accounting for more bilateral exports than Canada, Germany and Japan. We share the same values. And the opportunity to enshrine essential policies that secure the future of our technological ecosystems—from AI to fintech—by scaling domestically and exporting internationally should not be passed up without serious consideration.

Equally, there are opportunities to capture momentum and increase ambition with other regional leaders in this field to deepen market access and harmonise digital regulations. Singapore, Australia, Chile, New Zealand, Japan, and Canada are all at the leading edge of the art of the possible when it comes to promoting trade cooperation on emerging technologies. We should all consider what opportunities exist to capture the momentum this grouping of countries is creating to drive forward plurilateral actions to establish and promote effective global digital policies.

Digital trade agreements can add unique value to the global economy, enrich bilateral relationships and support corporate readiness at a time of increasing geopolitical volatility. Digital trade is the fastest growing segment of world trade. We must keep pace with the rate of change to sustain this growth. Sensible policy design, genuine collaboration and committed implementation will ensure that we can continue to facilitate free trade in goods and services, provide safeguards to foreign investors, and establish considered and aligned regulations on the future application of technologies. We should all do our part to urge the decision-makers of today to recast how they think about trade policy. Digital is the future of trade.

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