

BRUSSELS, 21 November 2014

H.E. Cecilia Malmström
Trade Commissioner
European Commission
200 Rue de la Loi
1049 Brussels

Dear Commissioner Malmström,
Your Excellency,

RE: EU Trade Policy Agenda – Digital Trade – Forced Localization Measures

DIGITALEUROPE represents the digital technology industry in Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital Technology companies.

Trade is an important driver for growth and the European digital technology industry is well positioned to compete on an international level. The opportunities can only be seized if our companies get full market access. We therefore strongly recommend that Digital Trade becomes an important priority for the new EU Trade Policy of the new European Commission.

We very much welcome your willingness to support the WTO as the core of the multilateral trade system and to take active steps for making it a successful tool.

During the St. Petersburg G20 Summit in September 2013, global Leaders took the engagement of "resisting all forms of protectionism and keep their markets open". However, the rise of forced localization policies in Europe and outside Europe, notably in important sectors such as manufacturing, services and information and communication technologies (ICT), marks a troubling shift in the global trade and economic policies. Many governments are beginning to abandon established trade policies that have led to decades of economic growth and the improvement in the quality of life, liberalization, openness, and economic integration in favor of discriminatory market access barriers.

The study "Local content requirements: A global problem" by the Peterson Institute for International Economics found that local content requirements in numerous countries and industries found that these policies reduce global trade activities by as much as EUR 75 billion annually.

Within our sector, these policies include mandatory technology transfer requirements, local content requirements in government and private sector procurements, forced local ownership of foreign firms and/or their intellectual property, discrimination against foreign online sellers, mandating local hires explicitly or implicitly - including restrictions on movement of skilled technical personnel -, in-country testing and certification requirements, import restrictions, and restrictions on the ability to move data across borders, mandatory domestic data center location and data hosting requirements.

Following the announcement of new localization requirements in Europe and its trading partners, the Foreign Affairs Council Trade meeting this 21 November provides an opportunity for the European Union to elevate forced localization related issues as an European and global economic priority. Europe has to recognize and acknowledge that forced localization policies are critical barriers to European economic growth and therefore should strongly support new trade disciplines (such as within bilateral, plurilateral and multilateral fora) to counter such policies.

We encourage the European Union to resist protectionism and to take leadership on the European and global approach of digital trade for transforming opportunities of digitalization in real benefits. Any local content requirement has a strong impact on EU businesses - ICT and non-ICT - inside and outside Europe and on the worldwide economy as the supply chain of the Industry is global and connected. We would recommend to include in bilateral (e.g. TTIP, EU-Vietnam FTA) and in plurilateral free trade agreements (e.g. TiSA) provisions related to WTO engagements (GATS) in order to avoid disconnected national strategies and support global economy as a whole. In addition, we would also recommend that the yearly DG Trade Non Tariff Barriers report also includes the barriers in the ICT industry.

We would be pleased to organize a multi-stakeholders forum on digital trade in order to prepare the next Non-Tariff Barriers Workshop related to the Information Technology Agreement at the World Trade Organization next May. Forced Localization Policies will be strongly addressed by the global industry during the workshop.

Yours sincerely,



John Higgins
Director General
DIGITALEUROPE

ABOUT DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies.

DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. DIGITALEUROPE's members include 58 corporate members and 36 national trade associations from across Europe. Our website provides further information on our recent news and activities: <http://www.digitaleurope.org>

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