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ECIPE PRESS RELEASE — NEW POLICY BRIEF

We Need to Talk Trade and Technology!

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Brussels, Belgium, 3rd May 2021 - Nowadays, we live in a world of connected objects that rely on sophisticated embedded software. Recently, Volkswagen's CEO admitted that the only way for VW to remain a successful car manufacturer is to become a successful software company. And while he may be the latest CEO to recognise the business irrelevance of such a goods-services distinction, he certainly is not the only one. Apple understood it well before many other companies when designing mobile phones and their underlying software ecosystem without having any production facilities. Now Apple wants to produce cars. And so do several Chinese telecom giants, like ZTE or Huawei. And the list is longer: Amazon, Tencent, Google, Baidu. All these corporate announcements are another way of saying that mode 5 services are going to be one of the most important ingredients of global competitiveness in many sectors.

In trade policy, this new reality is well understood. Take, for instance, the latest EU trade strategy launched at the beginning of 2021. The importance of trade and technology is clearly understood and feature prominently among the top keywords defining the EU trade policy priorities. Global regulatory standards and digital technologies are seen as a key ingredient to ensure that EU companies can compete fairly along GVCs.

These headline announcements from global manufacturing companies entering the software market and vice-versa, confirm a simple truth: in order to stay competitive, companies can no longer see themselves just as a manufacturing firm, or a services firm. And this simple truth goes beyond the automotive sector. Underpinning this radical shift is a series of digital disruptive technologies, affecting everything from product standards, industrial design, intellectual property, and investment decisions. Such technological developments are game changers for many traditional manufacturing sectors.

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