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Global Digital Trade Takes Off: Is EU Digital Policy Keeping Pace?

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Brussels, 12 November 2025 - *From GDPR to AI rules: How Europe Can Still Lead in Digital Trade.*

Europe's strict data and AI rules are undermining its digital trade potential, according to new ECIPE analysis, even as global rivals scale up. Adjusting cross-border data rules, expanding adequacy arrangements and deepening digital partnerships could strengthen the EU's competitive position in the world economy.

Global digital trade is increasingly shifting toward faster-growing regions outside Europe, creating rising external demand for the EU's digitally deliverable services. As digital supply chains mature, new opportunities are emerging for Europe to expand its role in the global digital economy. However, new ECIPE study shows that the EU's current regulatory environment risks holding it back – while also pointing to concrete policy reforms that could strengthen Europe's digital competitiveness.

Since its introduction in 2018, the GDPR's cross-border data transfer rules are estimated to have reduced EU digital services trade by 10-12%, affecting both imports and exports and weakening Europe's position in increasingly interconnected digital value chains.

The research highlights several paths for reform:

- Modernise GDPR cross-border safeguards, while retaining data-protection provisions with a positive but limited impact on trade.

- Expand the EU's adequacy framework to cover more key trading partners – a move that could raise digital services trade by up to 9%, with even greater gains where the United States is included.
- Avoid regulatory duplication between the GDPR and the AI Act and introduce a parallel AI adequacy framework, easing compliance for firms using personal data in AI systems.
- Broaden Digital Partnership Agreements: even non-binding cooperation on data, AI, competition, and standards can boost AI-related trade by up to 9%, supporting Europe's innovation capacity and global competitiveness.

The findings underscore a clear message: **Europe's digital leadership will depend not only on protecting data and setting standards, but also on enabling digital openness and cross-border collaboration.**

"The Draghi report makes clear that regulations such as the GDPR risk holding back Europe's innovation ambitions, noting that regulation must support competitiveness while safeguarding rights. Our research shows these rules also constrain the EU's digital-trade growth. As innovation becomes increasingly global, Europe needs to adapt its digital rulebook to stay open, competitive and influential - while preserving standards of data protection", says Elena Sisto, co-author of the analysis.

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