



# Trade Barriers for Digital Exports

## Identifying Threats to U.S. Leadership in Global Digital Trade

*Internet-enabled trade in goods and services is a driver for U.S. economic growth, but firms are experiencing a rise in barriers that prevents them from reaching new markets. The U.S. should lead in setting rules of the road for digital trade, and identifying key threats around the world is critical to achieve this goal.*

### What's At Stake?

The Internet is integral to U.S. economic growth. Since 1998, the digital economy grew at an annual rate of 9.9 percent, compared to 2.3 percent overall economic growth. According to U.S. Department of Commerce [estimates](#), the digital economy accounted for 9.0 percent (\$1,849.3 billion) of current-dollar gross domestic product (GDP) (\$20,580.2 billion) in 2018. Further, the digital economy supported 8.8 million jobs, which accounted for 5.7 percent of total U.S. employment (154.7 million jobs) in 2018.

This is ever more apparent in these current times due to the ongoing global pandemic. Internet services around the world have facilitated communications across borders, and enabled business activity to continue remotely.

International markets continue to present the most significant growth opportunities for major U.S. companies, even as international competition has grown. However governments are increasingly adopting policies designed to favor domestic innovation and specifically target U.S. companies, ushering in a new form of protectionism. Trading partners' pursuit of "technological sovereignty", with protectionist features, is an alarming trend U.S. Internet and technology services encountered in 2020. The U.S. should engage with trading partners to raise concerns, pursue trade agreements that will open up foreign markets for U.S. services exports, and ensure that countries fulfill their international obligations.

### Key Threats

- ❖ **Rising Protectionism and under the guise of "Technological Sovereignty".** Regulatory frameworks and policy agendas imposed pursuant to this goal will undermine U.S. leadership in the digital economy, pose conflicts with international trade commitments on national treatment, and threaten to disrupt the global nature of the free and open Internet. Exporters report that it is no longer just regimes such as China and Russia that are pursuing an isolationist and protectionist digital environment, but also markets such as the European Union seeking to draw up digital borders. This risks unprecedented fragmentation of the open Internet and delivery of digital services.
- ❖ **Targeting the U.S. Digital Economy for Discriminatory Taxation.** Countries continue to pursue unilateral digital services taxes, or similar discriminatory taxes. CCIA supports a long-term multilateral solution driven by the OECD's collaborative process rather than these conflicting interim measures.



- ❖ **Restrictions on Cross-Border Data Flows and Infrastructure Localization Mandates.** Cross-border data flows are critical to digital trade and forced data and infrastructure localization mandates make it difficult for U.S. exporters to expand into new markets. The U.S. should work to remove barriers to cross-border data flows and discourage data localization mandates, encouraging partners to build off strong commitments in the digital trade chapter in USMCA. EU courts' invalidation of the U.S.-EU Privacy Shield threatens transatlantic business activities. Industry is also concerned about localization-related policies in India, China, and Vietnam.
- ❖ **Online Content Regulations.** U.S. firms operating as online intermediaries face an increasingly hostile environment in a variety of international markets which impedes U.S. Internet companies from expanding services abroad. While ostensibly in pursuit of legitimate and valid goals to address illegal content online, many of the proposals are over-expansive in scope and will conflict with free expression values.
- ❖ **Censorship and Internet Shutdowns.** Among the most explicit barriers to digital trade are the outright filtering and blocking of U.S. Internet platforms and online content, a trend that continues to grow. Another concerning trend in recent years is authoritarian governments pursuing content regulations to fight “fake news” that have the effect of targeting dissidents and political opposition. Developments in Egypt, Russia, and Turkey are of immediate concern.
- ❖ **Market-Based Platform Regulation.** The idea of “platform regulation” is spurring measures around the world, including the EU, Japan, and Australia. In some cases, platform regulation serves as a backdoor for outcome-oriented competition policy, targeting leading U.S. Internet services in order to advantage local firms. Regulations should be pursued on a industry-neutral basis, pursuant to a transparent rulemaking process that follows international norms.
- ❖ **Customs Duties on Electronic Transmissions.** The WTO moratorium on customs duties on electronic transmissions has recently been under threat. The moratorium has been key to the development of global digital trade and reflects the international consensus with respect to the digital economy, reflected in the number of commitments made in free trade agreements among multiple leading digital economies. Its renewal should be made permanent in the context of the ongoing Joint Statement Initiative on Electronic Commerce at the WTO.
- ❖ **Undermining Security in Communications.** Strong encryption has been increasingly enabled on now ubiquitous smartphones and deployed end-to-end on consumer-grade communications services and browsers. Many countries, at the behest of their respective national security and law enforcement authorities, are considering or have implemented laws that mandate access to encrypted communications which threatens to undermine security.

*The Computer & Communications Industry Association (CCIA) is an international, nonprofit trade association representing technology products and services providers of all sizes. This summary draws upon CCIA's annual submission to the Office of the U.S. Trade Representative, as U.S. trade officials prepare the 2021 National Trade Estimate Report.*