Written submission from Computer and Communications Industry Association (CCIA) (UST0030)

UK trade with the US

CCIA is an international, not-for-profit trade association representing a broad cross-section of communications and technology firms. For more than 50 years, CCIA has promoted open markets, open systems, and open networks. CCIA members trade and support trade between the UK and the US, including:

- investing in the UK to develop services traded globally, including in the US;
- trading services developed in the US in the UK; and
- providing services that support other companies, including both established corporations and growing startups,[1] trading in the US market.

Given the committee's request for short responses, we have focused on the questions where we believe CCIA can best contribute, i.e., priorities for a UK-US technology agreement, rather than on important issues relating to other sectors or the business impact of developments thus far.

The UK Government has previously rightly recognised that "Digital trade has the potential to further economic growth and unlock new opportunities for businesses, workers and consumers."[2], and this submission is provided in support of efforts to strengthen the UK-US digital trade relationship in ways that promote innovation, investment, and trusted cross-border digital markets.

This submission is prepared as a response to the House of Commons Business and Trade Committee's investigation into UK trade with the US.

The EPD commits to negotiate ambitious digital trade provisions covering services, including financial services, as well as paperless trade and digitised customs procedures. What specific provisions should the UK be seeking in these negotiations, and what red lines should it maintain?

1. CCIA would support development of the Economic Prosperity Deal to enable alignment of customs procedures between the US and UK to allow for more efficient treatment of low value parcels within a specific US/UK corridor as well as simpler, more favorable treatment for used goods. The number of low-value parcels has

[1] Engine & CCIA Research Center, *Tools to Compete: Lower Costs, More Resources and the Symbiosis of the Tech Ecosystem*, https://ccianet.org/research/reports/tools-to-compete/.

[2] UK Government, *US Economic Prosperity Deal: Government Response to Business and Trade Committee Sixth Special Report of Session 2024–26*, https://publications.parliament.uk/pa/cm5901/cmselect/cmbeis/1545/report.html

increased dramatically over the past decade and customs authorities do not have the resources to inspect every small parcel shipment.

2. Moreover, secondhand goods present additional pain points for customs compliance, including country of origin determination, as third-party sellers are not the original manufacturer or importer of the goods themselves. More expeditious customs treatment for secondhand goods will not only improve efficiencies for customs officials, but deliver meaningful benefits for consumers as these goods offer affordable alternatives in a budget-constrained environment.

The EPD and subsequent deals span multiple government departments. What evidence is there of effective whole-of-government coordination, and where have gaps or conflicting departmental priorities emerged?

3. There are a range of potential barriers to trade over which US policymakers (including USTR and Congressional leaders) have expressed concerns. In order for agreements with the U.S. to prove durable, and avoid the risks of retaliatory trade measures, the UK should address these concerns and that will often involve policy measures related to areas where the Department for Business and Trade (DBT) is not responsible (or not immediately responsible):
4. While other countries have scrapped digital services taxes or proposals to introduce digital services taxes, including Canada, India, Pakistan, and New Zealand, the UK now has potentially the largest in the world by revenue. USTR has previously found this to be a barrier to trade that could justify retaliatory measures under Section 301. This is primarily the responsibility of HM Treasury.
5. US Congressional leaders and the U.S. Trade Representative have expressed concerns over how the 2024 Digital Markets, Competition and Consumers Act has been implemented, and the potential for broadly-defined interventions, creating prolonged uncertainty for American companies, undermining innovation, degrading user privacy and security, reducing consumer welfare, and impairing investment. This is immediately the responsibility of the Competition and Markets Authority (CMA) with DBT as the responsible Ministerial Department.
6. US stakeholders including the Director of National Intelligence and Congressional leaders have expressed concerns over UK policy undermining security online particularly by impairing encryption. This includes:
    a. The Online Safety Act and its Section 121 or 122, which could be used to require companies to break end-to-end encryption or otherwise weaken the security of products. This is primarily the responsibility of Ofcom and the Department for Science, Innovation and Technology (DSIT).
    b. The Investigatory Powers Act (IPA) and relevant Codes of Practice where appropriate guardrails are needed to ensure they do create any obligation for U.S. suppliers weaken product security – including by requiring that they be capable of decrypting data or blocking the rollout of security features. This is primarily the responsibility of the Home Office.
7. In many cases, the UK could address these concerns in a win-win fashion by making commitments that also reassure businesses investing in the UK. For example, the U.S.-Cambodia ART includes a provision: “Cambodia shall not introduce a digital

competition regime in Cambodia that unreasonably or unjustifiably restricts U.S. commerce." If the UK committed that it would not by the implementation of its competition regime unreasonably or unjustifiably restrict U.S. commerce, that would provide a backstop in extremis that could reassure U.S. policymakers and investors without unduly limiting the actions of the CMA.

What is missing from the TPD that you would prioritise for the British and American governments?

8. The Technology Prosperity Deal (TPD) can be understood as an attempt to catalyse collaboration, including between British and American companies, public bodies, and research institutions.
9. This means it does not address the normal priorities for a services-related trade agreement: establishing rules binding on either or both parties to align regulations, mitigate non-tariff barriers, and thereby encourage trade and investment. It would be valuable to build on the TPD with a digital trade agreement which addressed regulatory and other barriers to trade.
10. CCIA explored the precedents for such an agreement in a February 2025 briefing, including the U.S.-Mexico-Canada Agreement, the U.S.-Japan Digital Trade Agreement, and the UK-Singapore Digital Economy Agreement. The UK Trade Strategy subsequently included Digital Trade Agreements as one of the "trade levers" available to the Government and cited examples such as the UK-Ukraine Digital Trade Agreement.
11. In that February 2025 briefing, CCIA articulated the case for such an agreement and the options by which it might be delivered. As arguably[3] the first and second largest exporters of digitally-delivered services, the US and UK represent world leaders in digital trade with a common interest in encouraging its growth. Any agreement could raise the ambition of other agreements that those two countries make with third parties, or third parties make with one another. There is therefore both a *direct* opportunity to deepen and strengthen their existing ties, but also an *indirect* opportunity to lead by example and seize a common interest in raising the bar for global rules to encourage digital trade.
12. A more durable UK-U.S. technology agreement could therefore help position the UK as one of the leading global environments for AI investment and deployment, reducing regulatory fragmentation between two of the world's largest digital economies and shaping international standards.

What provisions should a durable UK-US technology agreement include on artificial intelligence governance, data flows, and digital infrastructure?

13. CCIA published Rules of the Road: Trade Principles for a Competitive Global AI Market in November 2023. While the salience of these issues has grown since then, as the scale of the AI opportunity has become more apparent, the paper still

[3] There are some measurement issues relating to Ireland.

provides a good overview of measures that can help avoid the risk of a fragmented global market.

14. That paper identified a set of trade rules relevant to AI:
15. **Cross-border data flow rules.** The richness of cross-border data flows, accordingly, will have a significant impact on the quality, relevance, and utility of many AI applications. Trade rules facilitating the ability of companies to move data, subject to reasonable safeguards, are not new and preceded any focus on AI. For example, recognising that cross-border financial services are practically impossible without the movement of data, a core group of WTO members concluded an addendum to the General Agreement on Trade in Services (the GATS) in 1994 called the Understanding on Commitments in Financial Services that guaranteed financial service suppliers the ability to move data between the territories of signatory members.

    It was not until the negotiation of the Trans-Pacific Partnership that this rule was extended to other sectors, but since then, it has been a standard feature of high-standard trade agreements. More recent Agreements on Reciprocal Trade have also committed parties to facilitate the cross-border transfer of data for the conduct of business across trusted borders, while recognising interoperable mechanisms for personal data protection. Incorporating these principles into a durable UK-U.S. technology agreement would help reduce compliance burdens and support integrated digital markets.
16. **Location of Computing Facilities.** One of the hallmarks of some of the most promising AI applications is their reliance on unprecedented computing power, both in processing data for training models and generating specific outputs for consumers and businesses once the model is mature. Countries that require that computer processing and storage for specific applications be done locally will undermine their ability to participate in the training and implementation of relevant applications, to the detriment of foreign suppliers and their own economic development. While bigger companies may conclude that they cannot afford to bypass larger markets and may submit to such restrictions, the inevitable limiting of smaller players will mean that some of the most innovative services and applications may not be available there, potentially stymying innovations in such markets.

    Expanding, through trade rules, the principle that governments should not mandate the use of local facilities is critical to ensuring that the benefits of AI can be distributed globally.
17. **Protection of Source Code and Algorithms.** Computing and software development have long benefited from open-source development, an approach that has stimulated broad ecosystems of codevelopers and sparked an untold amount of innovation. In the earlier days of AI, academic involvement using an open-source approach was the norm. Even now, several major foundational models (e.g., Meta's LLaMA) are open source. On the other hand, for many companies, significant investment in AI is based on the goal of offering a differentiated product whose design is its competitive advantage, a business model that can also spur innovation. Accordingly, when mandated disclosure of source code and embedded algorithms can result in competitors (or a government) appropriating that advantage, incentives to invest and innovate will be diminished.

A trade rule protecting source code and algorithms from disclosure builds on a general consensus that trade secrets should generally benefit from protection, and was first introduced as a specific trade rule by Japan in the Trans-Pacific Partnership Agreement (TPP). Similar language exists in recent Agreements on Reciprocal Trade, prohibiting mandatory transfers of source code, algorithms, or other proprietary technologies as a condition for market access.

Such a rule does not preclude robust testing and certification of products, based on the broad-based consensus that testing can be accomplished without access to source code. Neither does such an approach conflict with the view that trustworthy AI systems should incorporate robust "explainability," so regulators and consumers understand the basis of automated decision- making. But the explainability of a system need not include how complex algorithms are coded in software, disclosure of which is unlikely to advance that goal.

Technology agreements should therefore protect proprietary source code and algorithms from forced disclosure, while still allowing appropriate regulatory testing and oversight.

18. **Reasonable Exceptions and Limitations in Copyright Regimes.** A significant portion of data used to train AI models is protected by copyright, meaning that some uses of that data are restricted by copyright law, but limitations and exceptions apply. In the United States, courts have found that, to the extent that training infringes any of the uses restricted by copyright law, the mass copying of raw material to build databases for uses by AI processes is permitted under fair use. Israel's Ministry of Justice recently issued an opinion that its fair use provision, modelled on U.S. law, permits the copying of works for AI training purposes. Further, the EU, Singapore and Japan have adopted provisions on text and data mining under their copyright laws, which would permit AI training. These provisions are all consistent with existing international IP law, which provides adequate flexibility to support both AI developers and rightsholders.

    Additional trade provisions designed to either explicitly permit AI training or to ensure that relevant exceptions and limitations are consistently maintained could be helpful in maintaining a predictable legal environment for the growth of AI. This would avoid fragmentation across priority partner markets for the UK.
19. **Reliance on International Standards and Conformity Assessment.** As governments begin to regulate AI, particularly for uses deemed high-risk (i.e., uses that can significantly impact health or safety, or affect individuals' legal rights), consistency of approach will be critical to ensuring both the global acceptability of specific models and applications, and a consistent and effective mitigation of potential harms. While high-level principles for trustworthy AI have begun to emerge and gain global acceptance (e.g., the OECD's AI Principles) and countries have begun to institute more granular frameworks (e.g., NIST's AI Risk Management Framework), efforts to create detailed technical standards critical to achieve regulatory goals are still nascent. Nevertheless, these efforts are well underway, mobilizing broad-based expertise in finding consensus approaches to addressing core issues.

    While many of these standards are still under development, the fact that consensus standards development fora have mobilized their expertise and resources to

address this breadth of issues provides a clear path to consistent, globally-applicable outcomes, and the possibility of avoiding trade-restrictive fragmentation of regulatory requirements. Global standards are one of the only ways smaller companies and smaller countries can navigate a path to global relevance, critical when risky investment is at stake.

    a. Relatedly, recent Agreements on Reciprocal Trade have adopted commitments on relying on international standards, non-discriminatory treatment of conformity assessment bodies, and the reduction of duplicative testing and certification requirements.

20. **Good Regulatory Practices.** Trade rules have recently begun focusing on the importance of consistent procedures in the development of regulations, and these are particularly relevant to AI. Accordingly, rules incorporating such practices (e.g., Good Regulatory Practices chapters of TPP and USMCA, Agreements on Reciprocal Trade, and under negotiation in the U.S.-Taiwan Initiative and the Indo-Pacific Economic Partnership) are a significant step forward and should be encouraged.
21. **National Treatment of Service Suppliers.** Given the nature of the internet, digital services, including AI-enabled services, will be generally available wherever internet access is a reality. Nevertheless, whether through discriminatory standards or a perceived need to promote local suppliers at the expense of competing foreign services, trade-restrictive measures remain a constant threat. AI-enabled services will generally benefit from existing commitments to national treatment, where available, given trade partners' general acceptance of the technologically neutral nature of trade commitments. However, gaps in coverage in many countries remain, and a temptation to characterize an AI-enabled service as novel and outside the scope of existing commitments means that expanding such commitments, ideally on a "negative-list" approach (focusing on scheduling exceptions, rather than underlying services), should remain a long-term goal for the support of AI.
22. **Non-Discriminatory Treatment of Digital Products**: Digital products, including software, digital designs, music, video, and AI-enabled applications, are increasingly delivered as discrete products transmitted across borders without a traditional physical presence. These areas represent clear strengths of both the UK and the United States, reflecting a mutual interest in rules supporting reciprocal trade. To address the growing risk of governments disadvantaging foreign digital products, many modern trade agreements include commitments that digital products created, produced, published, contracted for, commissioned, or first made available in the territory of another Party receive treatment no less favorable than like domestic digital products. The UK has already accepted such obligations under the CPTPP, and such a rule is consistent with the UK's longstanding open market policy. Incorporating digital product commitments into a durable UK-U.S. technology agreement would therefore represent an extension of existing UK trade policy and provide greater certainty for suppliers operating across integrated digital markets.

To what extent do the existing UK-US agreements address economic security risks - including supply chain resilience, export controls, and technology transfer - and where do gaps remain?

23. CCIA addressed this topic in comments to USTR on supply chain resilience in April 2024.
24. The OECD argues in its policy toolkit for supply chain resilience that one of the policy tools available to strengthen critical supply chains is increased access to digital trade. The research claims that governments can "support risk management strategies of the private sector by creating the right digital regulatory environment and by investing in digital infrastructures", and that governments should "continue to enable digital trade to enhance the resilience of supply chains, to mitigate the economic slowdown, and to speed up recovery."
25. High-standard trade agreements often include rules that would increase supply chain resilience, for example, by ensuring the ability to monitor economic, political, technological, and environmental events that affect the supply of goods and services. Agreements ensure access to networks, that companies can own and operate their own networks, that they can transfer information into and out of the country related to the conduct of their business, and that they will not be forced to maintain infrastructure in locations that may expose their network to additional threats or disruptions. The US and UK can strengthen these kinds of provisions globally by leading by example in their own trade agreements.
26. More recent agreements have sought to bolster cybersecurity protections through the promotion of industry best practices and commitments to share threat information between trade partners. The UK-U.S. Data Access Agreement (and the associated U.S. CLOUD Act) includes these kinds of provisions, providing a framework for lawful cross-border access to data for law enforcement purposes whilst seeking to maintain trust in digital services and transatlantic cooperation on cybersecurity and public safety matters. Ongoing debates around encryption and investigatory powers in the UK have also raised concerns among U.S. stakeholders regarding long-term cybersecurity, trust in cross-border digital services, and the predictability of the UK's wider digital regulatory environment. These concerns risk creating uncertainty for companies managing globally integrated digital infrastructure and services across both markets. Clear safeguards, transparency, and proportionate implementation of investigatory powers frameworks would help reinforce confidence in continued UK-U.S. digital cooperation, while supporting both cybersecurity objectives and trusted international data flows.

Conclusion

27. CCIA welcomes the positive intent behind recent UK-U.S. engagement on technology and digital trade, including the Technology Prosperity Deal and wider cooperation on AI, digital infrastructure, and economic security. The UK and U.S. remain two of the world's leading digital economies, with a shared interest in promoting open digital markets, trusted cross-border data flows, and innovation-friendly regulatory frameworks. Building on this progress, a more ambitious and durable technology agreement could strengthen bilateral trade and investment while also helping shape standards that support the continued growth of the global digital economy.

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