Why it matters to startups:

The continued digitalization of world economies has contributed to the significant growth of digital trade, letting startups and the smallest Internet companies reach users across the globe. And while maintaining an open, secure Internet continues to be a policy goal of the U.S. government, individual countries often implement laws and regulations that stifle digital trade and have a disproportionate impact on small startups that lack the compliance resources of their larger industry competitors. Non-tariff trade barriers represent a significant hindrance to the growth of digital trade and the ability of U.S. startups to compete abroad. Recent trade agreements included novel digital trade frameworks that help create certainty for startups, but these provisions are not yet the norm.

Key takeaways:

- Trade policy should seek to lower tariffs, reduce regulatory burdens, increase market access, and promote stability to ensure that startups are able to compete abroad.
- Exporting U.S. legal and regulatory frameworks and promoting digital trade will increase innovation, competitiveness, and opportunities for U.S. startups.

What policymakers can do:

As U.S. negotiators prepare to work on trade agreements with other countries and international organizations, policymakers should work to dismantle non-tariff barriers to digital trade. Though these barriers affect all companies seeking to operate abroad, they are particularly burdensome for startups, which often lack the resources to comply with a patchwork of laws and regulations designed to impede competition. The recent U.S.-Mexico-Canada Agreement and the U.S.-Japan Trade Agreement represent key steps to enshrining commonsense digital trade frameworks and should be used as templates for future trade agreements. Policymakers should continue to work for—and press the incoming administration on—adopting trade agreements that contain similar digital trade frameworks. The U.S. should similarly continue to engage with the World Trade Organization as it works toward a framework that eliminates barriers to digital trade and as it discusses its e-commerce moratorium, which if not renewed or made permanent, would allow for the imposition of customs duties on electronic transmissions.

Cross-Border Data Flows - Government policies that restrict the flow of data and require data localization are often couched as necessary to preserve privacy or security, but in actuality these policies—sometimes intentionally—merely have the effect of favoring domestic companies over foreign competitors. Policymakers should continue to fight against restrictive data policies across the globe, so that startups are able to be competitive abroad. Whenever possible, provisions prohibiting data localization and provisions enabling cross-border data flows should be included in future trade agreements.

Intermediary Liability - Recent trade agreements put in place a novel, commonsense digital trade framework that included crucial intermediary liability provisions. They provide U.S. startups—which lack the resources to navigate a patchwork of country-by-country frameworks—with the certainty they need to launch and expand their business operations in a globally competitive online marketplace. Congress and the U.S. Trade Representative should recognize the importance of commonsense and consistent intermediary liability frameworks to startups and should advocate for these provisions in 21st century trade agreements.