

Sound digital trade policy is a vital part of promoting domestic technology entrepreneurship—lowering barriers to trade **unlocks markets for U.S. startups to expand, compete, and find success.**

How sound digital trade policy helps American startups and workers:

Emerging tech companies are essential to advancing technology and make outsized contributions to economic progress and net job creation. Digital trade policies that keep barriers to trade low help startups reach foreign markets and be competitive there—supporting their growth domestically and bolstering their contributions to the economy. In addition to providing good, well-paying jobs in their communities all across the country, startups help other small businesses and workers—from artists to farmers to manufacturers—reach markets domestically and abroad, grow, and be successful.

Principles for digital trade policy:

The recent U.S.-Mexico-Canada and U.S.-Japan Agreements enshrined commonsense digital frameworks and can provide a template for future agreements. Inspired by these agreements, digital trade policy should embrace the following principles, which can support the success of U.S. startups looking to expand into foreign markets and engage customers abroad:

Provide proportionate, tailored, and certain intermediary liability frameworks.

Balanced intermediary liability frameworks, like those found in the U.S., provide the legal certainty needed for startups with business models that rely on user content—whether it's comments, photos, reviews, etc.—to grow and thrive. Around the world, however, common methods for governing intermediaries are taking root that undermine a startup-friendly environment and create new uncertainties and costs for U.S. companies. Laws that require the appointment of local representatives, impose tight content takedown timelines, require automated filtering, require the removal of content that is not otherwise illegal, and threaten heavy fines create barriers to entry for startups and reduce the number of foreign markets available to them.

Facilitate cross-border data flows.

The Internet allows startups to access foreign markets with little additional investment. Conversely, policies that restrict how and when data can be transferred across borders erect barriers to trade and increase costs that startups with limited resources have difficulty overcoming compared to their larger rivals.

Foster innovation and market access.

Extraterritorial regulations adopted in other jurisdictions, including around data privacy and emerging technologies, can limit innovation opportunities and market access for American startups. Because they often apply any time a business encounters a user in or from that jurisdiction, startups with relatively few users there are likely to forgo serving that jurisdiction because of the regulatory structure. U.S. policymakers should work through the appropriate fora to ensure American startups encounter a consistent and level playing field.

Avoid technology sector-specific levies.

While startups are rarely subject to digital services taxes (DSTs) themselves, they rely on the services of larger companies who are, to build their products and reach customers. DSTs increase the price of these services, putting startups at a disadvantage in jurisdictions with them. Working through multinational fora to reach a global solution promises the best step toward a uniform tax environment.

Prohibit duties on digital transactions.

The WTO moratorium on e-commerce is critical to fostering digital trade, and it is especially important for startups. Since 1998, member countries have agreed to not impose customs duties on electronic transmissions, but some countries have recently expressed interest in limiting or ending the moratorium.

