

# TRADE



## Why it matters to startups:

Thanks to the significant growth of digital trade, startups and the smallest Internet companies reach users across the globe. A global patchwork of laws and regulations that create a mosaic of different rules about the same issue can stifle digital trade and have a disproportionate impact on small startups that lack the compliance resources of their foreign and larger industry competitors. These barriers hinder the growth of digital trade and stand in the way of U.S. startups' ability to compete abroad.

## KEY TAKEAWAYS:

- Sound digital trade policy is a vital part of promoting domestic technology entrepreneurship—lowering trade barriers unlocks markets for U.S. startups to expand, compete, and find success.
- U.S. trade policy should seek to smooth global regulatory patchworks, facilitate cross-border data flows, avoid sector-specific levies, and lower barriers to foreign markets.

## What policymakers can do:

To support startups' domestic growth and contributions to the U.S. economy, policymakers should strive for digital trade policies that improve startups' international competitiveness and keep barriers to trade low by facilitating cross-border data flows, promoting regulatory certainty, avoiding tech-sector specific levies, and providing proportionate, tailored, and certain intermediary liability frameworks.

Cross-border data transfers are critical to supporting digital trade and U.S. startup success. Policymakers must enable data flows and oppose data localization requirements that can steer where and how startups can scale. Tech-sector-specific levies, like digital services taxes, negatively impact startups because they increase costs for services startups use to reach and grow in new markets. Policymakers must continue negotiations to avoid the return of digital services taxes or take vigorous steps to counter where they are imposed. The absence of customs duties thanks to the WTO e-commerce moratorium has shaped the market around digital trade without tariffs and the moratorium should be made permanent. Finally, balanced intermediary liability frameworks, like those found in the U.S., should be exported to 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.



## STARTUP SPOTLIGHT

### Arascope

(Arlington, Va.)

Olivia Walch, CEO

Arcascope translates the power of circadian rhythms into actionable products that help prevent shift work burnout.

"If we had an Indian user whose data had to be stored exclusively within India, we'd be at the mercy of our third-party vendors' capability to comply with that rule. We'd also face the practical question of how to serve that user. We're a small team, and I'm based in the U.S. Can I access that data? Would we be forbidden from downloading a local copy or would we have to use a virtual private network (VPN)? It'd be a huge pain, and it probably would make it so it was no longer worth it to us to offer our products in that region."