STATE OF THE NET

Free Flow of Information Shapes the Internet. What Happens if Information is Restricted?

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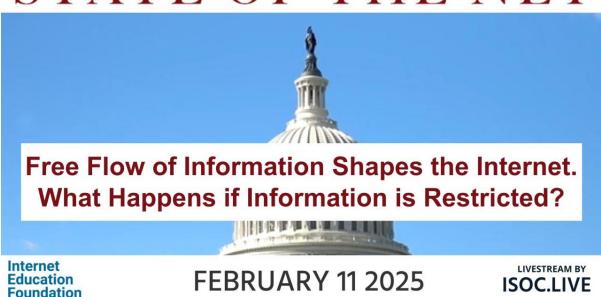
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Taylor Downs, ACT | The App Association

Taylor Downs: Hi, everyone. My name is Taylor Downs. I'm the Federal Policy Manager with ACT, the App Association. We're a trade association focused on representing small businesses in tech. I'm going to talk to you a little bit today about digital trade, which has been something of a hot button issue here since October of 2023, so going on a little while now, but first we're going to do a little bit of scene setting so we can all be on the same page.

Global trade is huge. We've got 33 trillion dollars a year in goods and services -- trade, about 8 trillion dollars a year, as you see on the board here, is services, and then over half of that, 4.25 trillion, is digitally delivered goods and services. That's everything from bank transactions to Etsy purchases to stuff you buy on Facebook marketplace, all of that is digitally delivered goods and services. The digitally delivered goods, or digitally delivered services, grew 9 percent year over year, which is the fastest growing sector of anything in trade, so it's big and getting bigger, and the United States is the top exporter of digital services. Fun fact, we're also the top importer of digital services.

So, a pretty big deal here in the United States.

In my opinion, and the opinion of the App Association, for which I am, in fact, speaking today, we have four key pillars to successful digital trade.

The first one is opposing forced source code transfer, so that's the practice of requiring a company wishing to enter a country's marketplace to turn over their proprietary code, as a condition for entering the marketplace. This can have a couple of Issues. the biggest one would be that if that government so chooses, they can rip off that intellectual property and give it to a homegrown competitor, thus locking the American company out of the marketplace, which, as I'm sure we all believe, would be bad.

Two that sort of go together here, protecting cross border data flows and opposing forced data localization mandates. These both have to do with regulating the flow of information around the world. Cross border data flow is important, not just for the purpose of purchasing things, but also for things like hospital clinical trials. We want to make sure that medication can work not just in the population of people that are in one country, but all over the world.

Forced data localization mandates are, sort of, the opposite of allowing for cross border data flow, that requires companies, when they acquire data from a user in a certain country, to store and process that data in the country of its origin. This becomes a really big problem, especially when you've got a small business that has an app on the app store, and they get three downloads in Estonia, and now they have to buy data storage and processing there, as well as every other country that they have users in, so that that becomes a really fast snowball of costs for companies very quickly.

And then, finally, opposing discriminatory foreign relations regulations. This includes things like the European Digital Markets Act, which identified gatekeeper entities, unfairly targeting U. S. companies, as well as, other similar regulation.

So, the United States has been a supporter of all of these things, which leads us to my favorite fun little allegory here, the Digital Trade Superhighway. Excuse my awful Shutterstock image, but I liked it, so I used it.

What I want to talk about here is the way that digital trade operates now. We have strong protections for cross border data flow, and against data localization, and other things like digital trade tariffs, that leads us to fast seamless transfer of information across country borders. So, you get our beautiful, beautiful Autobahn.

However, in the last couple of years, the United States has started to step back from its role in supporting some of these most important pillars for digital trade, slowly eroding all of the protections that have existed since the dawn of Internet commerce back in the mid nineties, which if it continues into the current administration, will lead to a very different picture.

When the rules are not enforced, when you don't have strong protections for cross border data transfer, when you don't have strong opposition to discriminatory regulation and data localization mandates, you end up with toll plazas on your highway. You end up with traffic jams on your highway.

Everybody who drives on 95 knows that is terrible.

So, the biggest problem with this, for me, for the members of the App Association, is that big companies, that have lots of money and lots of lawyers, will get an easy pass through this traffic jam. But, companies like the ones that we represent are going to be stuck digging change out of their cupholders.

So here, as we enter the Trump administration, as their position on trade develops, in fact, Jamison Greer, who is the Trade Representative Designate, has had his vote this morning in the Finance Committee, so we'll see how that goes. I see some opportunities for the promotion of digital trade, but I also see some risk.

We'll talk about the opportunities first.

Number one, digital trade is a big win for the United States, and we all know that President Trump really likes to win. So, digital trade? As I said, we are the number one exporter of digital services. We're also the number one importer of digital services. They make American companies prosperous. They grow our GDP and they allow us to get all the cool things that make our lives more interesting.

Taking a strong stance for digital trade also is a great way to push back on foreign adversary power, thus making us safer online, and in the real world.

And then, finally, we open up new markets for U.S. goods. So that's the third of the three things that the Trump administration likes to talk about, safety, security, and prosperity. You've got all three right there.

Some of the risks, is a prioritization of hard power. Traditionally, trade agreements are seen as soft power, which we know this administration tends to focus on hard power. We also have a preference for isolationism, and a disregard for established norms.

If you like free digital trade, you can do these three things. You can engage with Congress. You can engage with US Trade Representative as soon as he actually gets confirmed, and you can be a storyteller. You can use your presence on the Internet to talk about why trade is important to you, to your company, to your organization, to the organizations you work with.

So I encourage you to do so.

And that is the end of my time. Thank you.