



# EXPAND DIGITAL TRADE OPPORTUNITIES

## Policy Factsheet

### Why It Matters to Washington

Washington is one of the largest and most innovative technology hubs in the world with hundreds of companies generating economic growth for our state and seeking to improve the quality of our lives by creating better ways to communicate, work, shop and play. Our large technology brands are globally recognized and fueling developments in cloud computing, software and data analytics, while our small tech companies are advancing technological developments on everything from healthcare and retail to environmental conservation. The digital advancements developed by Washington's companies are in demand globally, and with 95% of the world's customers outside the U.S., it's crucial that our businesses reach foreign markets.

However, many barriers prevent success digitally-traded goods. As digital products like software, electronic communications or cloud services are not physical objects transported via traditional container ship, we need an updated set of global trade rules to govern the rapidly growing trade of digital products and ensure opportunities for Washington's tech companies' growth and success.

### Fast Facts

**226,500** technology jobs in Washington<sup>4</sup>

**13,362** technology businesses in Washington<sup>4</sup>

**\$134,755** is the average technology job salary in Washington state<sup>4</sup>

### The Future is Digital

Cross-border data flows are the fastest growing component of modern trade. Growth in global markets for digital technologies is likely to continue since over **60%** of the world's population is not yet online.<sup>1</sup>

**79%** of users on the top 10 internet platforms live outside of the US, and Washington businesses need to be able to access these customers to stay competitive in the future.<sup>2</sup>





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### Policy Recommendations

#### **Include digital trade in trade agreements**

The way we live and do businesses has transformed rapidly since many of our trade agreements were negotiated. For instance, when NAFTA was finalized, the internet, smart phones, e-commerce, or cloud computing did not exist. As we negotiate new and update old trade agreements, we must create a framework to govern the trade of digital services and open new opportunities for digital trade. The Trans-Pacific Partnership (TPP) made strides on digital trade, and we can build upon this framework in future trade agreements.

#### **Ensure digital trade rules are enforced**

Trade agreements and digital trade rules in WTO have created greater certainty, enhanced rule of law and allowed US to participate in crafting of regulations. However, established rules must be enforced to be effective. For example, our FTA partner, South Korea, has restrictions on cloud computer and cross-border data flows. Numerous WTO members violate rules through preferential treatment of domestic firms or requirements to disclose intellectual property to do business in the country.<sup>5</sup>

#### **Ensure data can cross borders freely and the internet remains free and open**

The cornerstone of digital trade is the freedom of data to flow across borders - email, online shopping and banking, video streaming, or software downloads couldn't happen without it. When a country requires servers to be built locally, puts limitations and censors on the internet, or imposes customs duties on electronic transmissions, this impedes the flow of information and makes digital trade much more costly and inefficient - and sometimes impossible. To ensure Washington businesses can reach consumers all over the world, these barriers must be addressed.

#### **Protect intellectual property and strengthen cybersecurity**

Our companies cannot invest in new technologies and spur innovation if they cannot protect their intellectual property. Our trading partners' copyright laws should be in line with international standards, and governments should penalize IP infringements and cyber theft of trade secrets. They also must not force companies to transfer their technology or source code. However, governments should not use false or discriminatory security or privacy regulations as a mechanism to block U.S. companies' access to the market.



### Quick Citations

1 Aaronson, Susan Ariel, "The Digital Trade Imbalance and its Implications for Internet Governance," February 2016 | 2 Meeker 2015; Meeker 2014; World Bank 2014 | 3 Meeker 2015; Meeker 2014; World Bank 2014 | 4 Computer Technology Industry Association (CompTIA), Cyberstates 2017: The Definitive National, State, and City Analysis of the U.S. Tech Industry and Workforce, p 62 | 5 Information Technology Industry Council, Comments in Response to Executive Order Regarding Trade Agreements Violations and Abuses, August 2017