



October 30, 2023

Ambassador Katherine Tai
United States Trade Representative
600 17th Street NW
Washington, D.C. 20508

Dear Ambassador Tai:

Engine is a non-profit technology policy, research, and advocacy organization that bridges the gap between policymakers and startups. Engine works with government and a community of thousands of high-technology, growth-oriented startups across the nation to support the development of technology entrepreneurship. Lowering barriers to trade unlocks markets for U.S. startups to expand, compete, and find success and is a vital part of promoting domestic technology entrepreneurship. The decision to withdraw support for smart digital trade policy at the WTO—especially with regard to data flows—threatens to harm U.S. startups’ competitiveness, and we write to express our profound disappointment and encourage you to reverse course.

U.S. startups are at the fore of global innovation and domestic job creation, largely thanks to the Internet, digitization of world economies, and forward-looking digital trade policies that have enabled startups to reach markets beyond their borders. Still, U.S. startups encounter myriad barriers as they grow and scale beyond U.S. borders to serve users and clients abroad, and such barriers dictate where startups can feasibly reach users. Principal among these challenges are barriers posed by data localization requirements and restrictions on cross-border data transfers,¹ which makes the decision to abdicate U.S. leadership on these issues at the WTO all the more alarming.

The U.S. has long supported smart digital trade rules that facilitate critical data flows underpinning startups’ ability to compete abroad on a level playing field. When startups encounter restrictions on how and when data can be transferred across borders, it increases costs and can cause startups to lose clients in jurisdictions where the restrictions are present. As Mikel Cármenes Cavia, co-founder of Onfleet explained, such data restrictions “forced [us] to make major investments in building out a [new] cloud environment,” and the “unexpected difficulty of having to prioritize such a major change to our systems has been very costly to Onfleet and we have regrettably lost prospects and customers as a result.”²

Such restrictions additionally steer where and how U.S. startups can scale. As Rishi Ranjan, founder of the AR/VR cloud computing startup GridRaster laid out, data-localization measures impact what

¹ See, e.g., *Comments of Engine Advocacy Regarding Foreign Trade Barriers to U.S. Exports for 2024 Reporting*, Engine (Oct. 23, 2023), <https://engine.is/s/Engine-Comments-NTE-2024.pdf>.

² *#StartupsEverywhere profile: Mikel Cármenes Cavia, Co-Founder & VP of Engineering, Onfleet*, Engine (May 7, 2021), <https://www.engine.is/news/startupseverywhere-sanfrancisco-ca-onfleet>.

is economical for the company to offer to their users. “[As a startup] there’s a lot of things that can go away. We have to be very innovative, and will have to really start choosing to keep local data or drop it if it might not be worth it price-wise for customers [. . .] at the moment, we are a smaller company and cannot handle [these issues].”³

The purpose of U.S. trade policy should be to reduce barriers to success for U.S. companies, especially startups. As the founder of PILOT, Inc. Ben Brooks has previously told trade policymakers, smart digital trade policies are “critical to bolster the global competitiveness of U.S. startups,” are necessary “to ‘unlock’ America’s renowned startup ecosystem,” and will further “the deployment of software and services around the world.”⁴ We encourage you to heed the advice of U.S. startup leaders and re-engage in negotiations toward strong digital trade rules that will defend the ability of U.S. startups to provide their services to end users around the globe.

Sincerely,

Engine

Engine Advocacy
700 Pennsylvania Ave SE
Washington, D.C. 20003
policy@engine.is

cc: The Honorable Members of the Senate Committee on Finance
The Honorable Members of the House Committee on Ways and Means

³ Nathan Lindfors, *The Nuts and Bolts of Competing Globally: How startups compete abroad*, Engine (July 21, 2021), <https://engineadvocacyfoundation.medium.com/the-nuts-bolts-of-competing-globally-how-startups-compete-abroad-72d4f93ef659>.

⁴ *Statement for the Record of PILOT Inc. regarding hearing on Opportunities and Challenges for Trade Policy in the Digital Economy held November 30, 2022*, PILOT, Inc. (Dec. 14, 2022), <https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/639b267a1041a9585ced9704/1671112314829/Statement+for+the+record+-+Ben+Brooks%2C+PILOT.pdf>.