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. Limits on cross-border data flows and a global patchwork of laws and regulations can create a mosaic of different rules about the same issue. Those hurdles 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.

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. Conversely, overreliance on tariffs for other policy goals will harm startups and lead to retaliation that additionally increase costs and reduce market opportunities.

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.

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.
- Tariffs—and resulting retaliation from trading partners—lead to increased costs for startups and fewer markets where they can compete.

★ Startup Spotlight ★

Inspirit VR
(Palo Alto, Calif.)
Aditya Vishwanath, Co-Founder & CEO

Inspirit is a virtual reality technology platform that revolutionizes the way children learn by providing immersive experiences in the classroom.

"In addition to the U.S. and Puerto Rico, we work with institutions in Europe, Asia, and will very soon in Africa. One issue we've encountered is difficulty distributing VR hardware. The process of distributing hardware internationally can bring in import-export considerations, such as shipping duties and other taxes that come into play and can be hard for us to navigate as a startup. ... The other broad issues we encounter are around data privacy and data transfers. ... These factors are compounded because each country or region has their own different requirements."