



Prepared Testimony of:

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Introduction

Chairman Schmidlein, Vice Chair Johansen, and commissioners: thank you for the opportunity to testify today.

My name is Ashley Friedman, and I am Director of Global Policy at the tech trade group ITI. I appreciate the opportunity to provide testimony today on behalf ITI on the impact of the NAFTA modernization on the U.S. economy and the information and communications technology sector.

ITI represents 60 of the leading technology companies from all corners of the technology sector, including hardware, software, digital services, semiconductor, network equipment, Internet companies, and companies using technology to fundamentally evolve their businesses.

As you know, the current NAFTA agreement was negotiated 25 years ago, before most of these technologies were even imagined. While it remains one of the most important trade agreements that the United States has, it is time to update NAFTA to reflect the technological and economic progress of the last 25 years.

In short, a NAFTA that predates dial-up internet needs an update to effectively work in the age of smartphones and supercomputers.

Importance of the Tech Sector on U.S. Exports, Jobs, and Competitiveness

The most important thing I can say today is that we can no longer differentiate between the “digital economy” and the “economy,” as digital technology is now fundamental to the U.S. economy.

Digital trade is not an issue for tech companies alone. It is a fundamental economic reality for our entire economy.



Every industry from manufacturing to farming to banking to startups to mom-and-pop shops relies on tech goods, on digitally provided services, and on data and global flows of that data for their success.

If a business has a website, if it stocks inventory, if it has customers or suppliers outside of the United States, if it grows, extracts, or uses commodities, or if it relies on transportation, shipping, or logistics companies to move products, then digital trade is critical to that business.

In order for our country to continue to prosper, to grow jobs, to increase exports and trade, and to remain competitive, we must create an environment which supports innovation and reflects the importance of these digital technologies for every industry and every business.

Potential Digital Trade Outcomes in NAFTA Modernization

To ensure that a modernized NAFTA will increase exports, promote manufacturing, services, and other jobs, the administration must make sure that it creates an enabling policy environment, not only in the United States, but amongst our two largest trading partners: Canada and Mexico.

This includes reducing costs for businesses, like tariffs, duties, taxes, and transportation, aligning and simplifying regulations, allowing data to flow seamlessly across borders, prohibiting any kind of localization requirements, and encouraging digital technologies and services. All of these have significant effects, not only on tech companies, but on every company in every sector since technology underpins our economy.

ITI believes that digital trade provisions included in a modernized NAFTA will make it possible for more companies of all sizes to participate in North American trade; allowing for increased U.S. exports, and improving U.S. trade balances with Canada and Mexico.

Without them, this new NAFTA will be obsolete before it is even signed.

I also think it is important to mention the impact of services trade. Trade in services, in which the United States is a global leader, is going to be a key factor in the success of NAFTA.

Already, the United States runs a significant surplus in services trade with both Mexico and Canada, and this surplus has the potential to grow exponentially if the right guarantees are put into place by the NAFTA modernization.

In 2016, the United States maintained a services export surplus of \$7.6 billion with Mexico and \$25 billion with Canada.

Services trade is not just white-collar office jobs, but a fundamental tool in manufacturing and agriculture jobs and exports as well, and they play a fundamental role in our economic success.

To avoid reading our entire submission, I want to highlight some of the key provisions that ITI



believes will help the United States to open markets, create jobs, and ensure lasting benefits of this modernization:

- Promoting a free and open internet;
- Ensuring that data can move freely across borders;
- Prohibiting requirements on companies to localize data or production, or to turn over technology, source code, algorithms, or encryption keys;
- Seeking industry-led, globally “interoperable” approaches to privacy and cybersecurity;
- Ensuring that regulation of online services and applications targets genuine regulatory objectives, and that governments do not make Internet intermediaries, platforms, and cloud providers liable for activity by third parties that they do not control;
- Eliminating restrictions, tariffs, taxes, and fees on all technology products and committing Mexico to join the World Trade Organization’s Information Technology Agreement (ITA).
- Eliminate burdensome customs regulations that technology products face at the border;
- Prohibiting discrimination against “new services” – i.e., services not yet conceived;
- Ensuring the use of industry-led international standards in technical regulations; and
- Promoting balanced copyright rules and strong protections for patents and trade secrets.

Conclusion

The bottom line is that the entire U.S. economy relies on digital technologies and the seamless flow of global data flows across borders to be successful.

Modernizing NAFTA is an important opportunity to enhance an already indispensable alliance, stimulate economic growth and job creation, and ensure that all parts of our societies benefit from the innovation and technology shaping our world.

I thank the chairman, vice chair, and commissioners for inviting ITI to testify today and for their interest in and examination of the powerfully enabling role of digital trade issues.

ITI looks forward to working with the Administration to ensure that the modernized NAFTA includes these provisions that will ensure the prosperity of our economy and American workers.

About ITI. ITI is the global voice of the tech sector. We advocate for public policies that advance innovation, open markets, and enable the transformational economic, societal, and commercial opportunities our companies are creating. Our membership includes the entire spectrum of technology companies ranging from internet companies to manufacturers of hardware and networking equipment to software developers. Our diverse membership and expert staff allows ITI to provide a broad perspective on the implications and opportunities of policy activities around the world. Visit www.itic.org to learn more. Follow us on Twitter for the latest ITI news [@ITI_TechTweets](https://twitter.com/ITI_TechTweets).