April 28, 2019

The Honorable Richard Neal
Chairman
House Ways and Means Committee
1102 Longworth HOB
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee
1102 Longworth HOB
Washington, DC 20515

The Honorable Chuck Grassley
Chairman
Senate Finance Committee
219 Dirksen SOB
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee
219 Dirksen SOB
Washington, DC 20510

Re: U.S. Tech Industry Supports Approval of the United States-Mexico-Canada Agreement

Dear Chairman Neal, Chairman Grassley, Ranking Member Brady, and Ranking Member Wyden:

Our associations represent leading U.S. firms in data analytics, software, semiconductors, cloud computing, telecom services, hardware, content, app development, and many other sectors vital to America's economy, technology leadership, and national security. The U.S. is the global internet and digital content leader, and digital trade and data flows are increasingly essential to all parts of the economy – for manufacturing, services and agriculture alike, and - not just those commonly labeled "tech." The April 18, 2019 release of the USITC report entitled: "United States-Mexico-Canada Agreement: Likely Impact on the U.S. Economy and Specific Industry Sectors" underscores this reality by leading with digital trade as the first element of the agreement "that would have the most significant effects on the U.S. economy." Moreover, by setting new and higher trading standards, the USMCA would strengthen U.S. technological and trade leadership, and advance U.S. firms' ability to grow platforms and services that enable engagement with the Internet and the digital economy. As Congress considers the many important provisions in the USMCA, we urge lawmakers to take into account the significance of the digital trade rules on the U.S. economy and vote to adopt the USMCA as soon as possible.

The digital economy is critical to the U.S. economy. The entire U.S. economy relies on digital technologies and the seamless flow of data across borders. According to McKinsey, global flows of data alone increased global GDP by $2.8 trillion in 2015.[1] Digital trade and data flows are also increasingly important for North American trade. We may well be underestimating[2] the value of data flows in North America, as trade statistics do not capture those which occur between or within firms without payments. Other services such as email, search, social media, maps, and directions are often provided to consumers free of charge and are also not captured. The U.S. Commerce Department's estimates of 2017 services exports potentially enabled by information and communication technology to Canada ($31 billion) and Mexico ($9.2 billion) are impressive, yet likely conservative.

USMCA's digital rules matter even for "Traditional Industries." Businesses of all sizes across all industries reap the rewards of U.S. digital leadership. Small businesses and entrepreneurs in every American state and every community use the internet to sell and export their goods and services across the globe. Internet-connected small businesses are three times as likely to export and create jobs, grow four times more quickly, and earn twice as much revenue per employee. The internet cuts the trade deficit in every sector of the economy. Each year, U.S. manufacturers export $86.5 billion of products and services through digital trade. Newly released figures from BEA show that the 2017 U.S. digital trade surplus increased 7.8 percent to $172.6 billion from $160.2 billion in 2016.[3] The internet is a borderless medium and the movement of electronic information enables virtually all global commerce.

Passing the USMCA quickly is a critical opportunity to shape global trade rules. When NAFTA was implemented a quarter century ago, there were no digital provisions. Today, the U.S. tech industry is facing a number of challenges from foreign governments seeking to displace U.S. technology leadership. American companies are especially under threat from discriminatory policies, market-distorting industrial policies, and inadequate intellectual property protection and enforcement in China. Other jurisdictions such as the EU and India are also challenging for U.S. firms. The fact that USMCA contains a robust digital chapter highlights the importance of strengthening trade rules to reflect 21st century trade. Passing the USMCA would be significant not only because of the size of the North American marketplace, but also to establish a new global norm on addressing challenges confronting global access and usage of the digital trade and investment system. Congress can promote America's global digital leadership by quickly approving this 21st-century agreement.

The trade associations that have signed this letter reiterate their view that the USMCA should be approved. We also stand ready to provide more detail on individual USMCA provisions of importance upon request from members of Congress. Many trade associations are already

[1] https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-globalization-the-new-era-of-global-flows

[2] http://www.siia.net/blog/index/Post/74596/A-Fresh-Look-at-Digital-Trade-in-North-America-We-May-be-Underestimating-the-Economic-Significance-of-Data-Flows

[3] https://apps.bea.gov/iTable/iTable.cfm?ReqID=62&step=1#reqid=62&step=9&isuri=1&6210=4

briefing staff on the agreement, and we would be pleased to step up that effort.

Sincerely,

ACT | The App Association
BSA | The Software Alliance
Computer and Communications Industry Association
CompTIA
Consumer Technology Association
Internet Association
Internet Infrastructure Coalition
Information Technology Industry Council
Semiconductor Industry Association
Software & Information Industry Association
TechNet
Telecommunications Industry Association

CC: The Honorable Nancy Pelosi, Speaker of the House
The Honorable Steny Hoyer, House Majority Leader
The Honorable Kevin McCarthy, House Minority Leader
The Honorable Jim Clyburn, House Majority Whip
The Honorable Steve Scalise, House Minority Whip
The Honorable Mitch McConnell, Senate Majority Leader
The Honorable Chuck Schumer, Senate Minority Leader
The Honorable John Thune, Senate Majority Whip
The Honorable Dick Durbin, Senate Minority Whip