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An offensive agenda is necessary to promote U.S. interests in the digital economy.

Trade Policy Means More Than Tariffs

By Robert B. Zoellick

Donald Trump loves tariffs, but they won't boost America's economy. Even if he persists with tariffs on traditional goods, he needs a nontariff trade agenda that promotes digital commerce and data flows while capitalizing on America's technological edge.

Digital trade includes the cross-border transfer of goods and services, such as software, streaming entertainment, e-commerce orders and consulting expertise. Digital trade and data transfer will dominate tomorrow's trading system and spur innovation and productivity. Elon Musk and Vivek Ramaswamy understand the importance of digital and data connectivity for autonomous vehicles, rocketry, biotech, robots, payment services, blockchain and crypto, and supply chains. Mr. Trump's new fans in Silicon Valley know that AI lives off data and that the new models rely on digital technologies. Every business sector, from farming to healthcare, depends on digital services and data mining.

The markets are huge, as equity investors have recognized. These sectors are growing fast. And the U.S. is positioned to lead globally if other countries lower their barriers to digital trade and data flows.

The International Monetary Fund estimates that global exports of digital services in 2022 reached \$3.8 trillion, about 54% of all services exports. In that year, U.S. exports of digitally enabled services amounted to more than \$650 billion and digitally enabled goods exports more than \$700 billion. America has consistently run a big surplus in services, including digital ones.

Mr. Trump can look to his first term for the forerunner of this second-term opportunity. Robert Lighthizer, his trade representative, pushed state-of-the-art digital provisions in

the U.S.-Mexico-Canada Agreement and the U.S.-Japan Digital Trade Agreement. He even backed the World Trade Organization's effort to boost e-commerce.

The Biden administration reversed course. Trade Representative Katherine Tai, along with Lina Khan at the Federal Trade Commission, feared technology companies and the digital economy. Ms. Tai overlooked that digital services are the lifeblood of many small businesses and entrepreneurs. The U.S. pulled back from international negotiations, including the administration's own economic plan to compete with China in the Indo-Pacific.

Under Mr. Biden, Washington shifted from America first in digital trade to America last.

Mr. Trump's nominee for U.S. trade representative, Jamieson Greer, is probably familiar with digital-trade rules from his time as Mr. Lighthizer's chief of staff. Commerce Secretary-designate Howard Lutnick, given his experience in the financial sector and interest in crypto markets, should understand the digital transformation.

The administration could begin by promoting useful provisions from the USMCA. The agreement's digital chapter incorporates a DOGE theme: It clears away governmental impediments to innovation and rejects regulations that increase costs. Mr. Lighthizer's deal prohibits limits on cross-border data transfers, with an exception for a "legitimate public policy objective." The USMCA also prohibits requiring the transfer or access to software source code (including algorithms) as a condition for sale or use. Governments can't require companies to locate computing facilities favorably as a condition for doing business, except for government contracts. And the terms block customs duties for digital transactions, while allowing nondiscriminatory domestic taxes.

In general, the digital chapter promotes interoperability. It recognizes electronic signatures and encourages eliminating paperwork for crossborder commerce, adding consumer protections, limiting unsolicited communications, and protecting individual privacy rights.

The Trump administration could build on the USMCA's cybersecurity provision by encouraging common action against foreign threats and criminals. Mr. Trump should like that the USMCA's definition of national security preserves U.S. freedom of action.

The Trump team has ample opportunity to pursue a nontariff trade agenda with new partners. The U.K., Australia and Singapore have been encouraging the U.S. to capitalize on its advantageous position. Others want an alternative to China's domination of future technologies and services. America's AI innovation will be a powerful magnet for other countries; Arab states in the Persian Gulf are already seeking partnerships. Mr. Trump claims to know how to use this leverage to maximize the adoption of rules and deals that advance both the U.S. economy and national power.

Mr. Trump needs an offensive trade agenda, not merely tariffs to defend the old order. He should foster a new type of negotiation that capitalizes on the country's innovative spirit and technological advantages. He needs a nontariff digital and data trade agenda.

Mr. Zoellick served as U.S. trade representative (2001-05), deputy U.S. secretary of state (2005-06) and World Bank president (2007-12). He is author of "America in the World."

Walter Russell Mead is away.

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