

Preventing Deglobalization:

An Economic and Security Argument for Free Trade and Investment in ICT

In today's hyper-connected world, the information communications technology (ICT) sector has driven global economic welfare for several decades. But a number of factors are now threatening to slow or even reverse that trend.

The U.S. Chamber of Commerce, along with regulatory experts from Covington & Burling, examined ICT policies around the world and found that many governments are aggressively pursuing measures that are passed off as national security enhancements, but in many instances really amount to techno-nationalist policies to create a competitive advantage for domestic companies.

Supplementing the report, economists from Rhodium Group contribute analysis exploring the costs of such policies, and identify potentially severe risks to the countries employing them and the global economy.

The report is global in scope: it highlights policy concerns in China, Russia, India, Brazil, several European nations and the EU itself, and even the United States, among others.



Taking China as a case study, the report notes that a decision to purge foreign ICTs would be costly. Economic modeling suggests an annual reduction in China's GDP anywhere from 1.77–3.44%, or at least \$200 billion based on 2015 GDP. By 2025, this would equate to a reduction in China's GDP of nearly \$3 trillion annually.



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Security Concerns

Certain uses of ICT products and services can conflict with national security interests, so countries may wish to procure information technology products and services from trusted, local firms that use robust product assurance systems.

But each government faces a fundamental policy challenge: How to avoid isolating its economy from the benefits of a global ICT supply chain while also protecting national security?

To reverse the deepening deglobalization of the ICT sector and its enormous downside economic costs, the U.S. Chamber calls upon governments to adhere to the following principles in their security-related regulation of the ICT industry:

- 1. Embrace a Globalized ICT Sector.** National policy approaches to the ICT sector should take into account that the ICT industry is diverse and dynamic, and based on a global supply chain.
- 2. Promote Market Competition.** Government policies should encourage both domestic and cross-border competition in ICT product and service markets, as this leads to the most secure solutions.
- 3. Promote Transparency.** The laws and regulations enacted to govern companies in pursuit of national security should be transparent. This will ensure that such laws accomplish their stated purpose.
- 4. Allow Commercial Procurers to Set Requirements.** While governments can set broad policies and encourage open and transparent business practices, commercial enterprises should set their own requirements for the equipment and software they purchase.

Our Recommendation

The U.S. Chamber of Commerce would like to see like-minded governments commit to abide by the above principles through a formal agreement. After conducting this review and modeling, it is clear that economies which abide by the tenants will be both stronger and more secure than those that do not.

Balkanized markets and networks lead to: slower economic growth, less consumer choice and higher prices, higher global operating costs, and less security.



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