



January 14, 2026

The Honorable Adrian Smith
Chairman
Subcommittee on Trade
Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Re: Statement for the Record: Maintaining American Innovation and Technology Leadership

Dear Chairman Smith:

The National Foreign Trade Council (NFTC) welcomes the opportunity to provide our perspectives in conjunction with the hearing, *"Maintaining American Innovation and Technology Leadership."* This hearing builds on the Ways and Means Committee's longstanding support of U.S. global technology leadership. We respectfully submit this statement for the record.

The Vital Role of America's Technological Leadership

The U.S. innovation ecosystem drives the U.S. economy and supports high-skilled, well-paying jobs for millions of working Americans and their families in all fifty states.

Driven by competitive markets, access to funding, and flexible policy and regulatory environment, American companies lead the world in bringing innovative products and services to consumers around the world.

Strong American economic leadership is critical to ensure the United States continues to retain its innovation and technology edge in the face of discriminatory, unfair, and anticompetitive actions around the world that create an unlevel playing field for U.S. companies.

Maintaining U.S. Technology Competitiveness

While U.S. companies lead the world in developing innovative goods and services, they continue to face a range of challenges in foreign markets that affect their ability to compete. This innovation, however, requires extraordinary long-term investment and entails high costs and

failure rates, making strong global IP protections and access to global markets essential to sustaining future breakthroughs.

Weak enforcement of intellectual property and copyright laws abroad deprives American innovators and creators of the ability to benefit from their creations. Innovative U.S. companies, from medical technologies, pharmaceuticals, information technology, software, cloud services, and creative content, confront challenges such as piracy, forced technology transfer, compulsory licensing, and unauthorized use. Under the banner of “national security” or “technology sovereignty,” countries that do not have competitive domestic technology ecosystems often leverage non-tariff barriers, such as redundant testing requirements, localization mandates, or forced disclosure requirements, to gain access to valuable U.S. proprietary information. When foreign governments do not protect American IP rights, they weaken the incentives that drive innovation and investment and threatens U.S. competitiveness. This is why Congress and the Administration have consistently included strong commitments protecting IP, including new protections for trade secrets and source code, in U.S. trade agreements.

Trade and market access barriers also affect the competitiveness of innovative U.S. companies abroad. Many countries impose import tariffs on a wide range of U.S. technology products, increasing costs for essential products ranging from medical devices, biopharma products, consumers devices, infrastructure equipment, and industrial inputs. These policies distort markets, raise prices, and disrupt global supply chains, ultimately harming both U.S. exporters and local ecosystems that depend on access to these products.

Restrictive government procurement practices also disadvantage U.S. technology and innovation exports. In many countries, governments are the largest purchasers of medical technologies, biopharmaceuticals, and information and communications technology equipment, software, and services. Discriminatory procurement policies that favor domestic or state-backed firms deny U.S. companies fair access to these markets and undermine trusted supply chains.

Addressing foreign government actions that diminish the competitiveness of U.S. companies is essential to ensuring that American companies can continue to innovate, create high-quality jobs, and lead in delivering cutting-edge technologies, products, and services around the world.

Defending the Digital Economy

America is the global digital economy leader. The U.S. digital economy has more than [doubled since 2020, now reaching \\$4.9 trillion—18% of U.S. GDP—and supporting 28.4 million jobs across all 435 congressional districts.](#)¹

At the same time, foreign governments from Europe to Asia are pursuing aggressive digital policies that threaten to undermine America’s technology edge. For years, the EU and certain member states have carried out a digital regulatory agenda, through a growing list of measures,

¹ <https://www.iab.com/insights/deighton-study-2025/>.

including the EU, including the Digital Markets Act (DMA), Digital Services Act (DSA), Digital Services Taxes (DSTs), Cybersecurity Certification Scheme for Cloud Services (EUCS), AI Act (AIA), Data Act, Space Act, and the General Data Protection Regulation (GDPR), that target or shut U.S. companies out of the European market altogether.

These measures include harmful elements, including discriminatory regulatory thresholds, arbitrary compliance demands, abusive fines, and overlapping enforcement with EU member states. The EU's entire digital agenda is estimated to cost U.S. companies up to \$97.6 billion annually.² Notably, competitors from Europe and other countries are largely spared from regulation. For example, all but one of the companies designated under the DMA as "gatekeepers" are U.S. companies, none are European, and large Chinese companies including Tencent, Alibaba, and Baidu are not subject to regulation under DMA.

Governments including Brazil, Australia, India, Turkey, Japan, South Korea, and the United Kingdom, have adopted or proposed rules that replicate troubling elements of the European model and deliberately burden U.S. firms with onerous compliance requirements and substantial fines; single out American companies while leaving local and other foreign competitors largely untouched; create uncertainty through overlapping rules and arbitrary thresholds; and restrict U.S. companies' flexibility and capacity to innovate.

These measures threaten American innovation, jobs, and technology leadership at a critical moment for AI, cloud, and digital platforms.

The NFTC applauds the pivotal role the Trump Administration is playing in ensuring America's closest trading partners do not discriminate against America's data, digital services, technology providers or digitally enabled small businesses. Obtaining the elimination of DSTs in Canada and India was a major accomplishment. The Administration's agreements on reciprocal trade (ART) include important commitments requiring trade partners to eliminate digital trade barriers, including DSTs. Notably, Indonesia has agreed to eliminate customs entries for "intangible products." The Administration is also driving support for a permanent moratorium on customs duties on electronic transmissions at WTO. The administration has also made significant progress in eliminating foreign governments' use of network service fees.

Despite these advances, much work remains to be done.

The EU is taking steps to expand the scope of the DMA by applying it to U.S. cloud services and is contemplating expanding it to explicitly cover AI. Further, the Commission launched DMA investigations into two U.S. cloud service providers and opened a separate competition

² Suominen, Kati, "Implications of the European Union's Digital Regulations on U.S. And EU Economic and Strategic Interests." Center for Strategic and International Studies (CSIS), November 2022, <https://www.csis.org/analysis/implications-european-unions-digital-regulations-us-and-eu-economic-and-strategic>.

investigation against a U.S. company based on its use of data from the open Web and YouTube “for AI purposes.”

Australia is targeting American-based global digital platforms with recently adopted requirements for streaming platforms to invest billions in Australia to meet significant local content quotas and a proposed '[News Bargaining Incentive](#)' digital services tax. Several versions of EU-like platform regulation have been pending in South Korea alongside existing discriminatory policies, such as the restrictions on American mapping and GPS deployment. DSTs remain in the United Kingdom, several EU members states, Türkiye (although reduced from 7.5% to 5% and additional 2.5% reduction next year), and Pakistan. While not yet enacted, Brazil a 7% DST has been proposed in the Chamber of Deputies.³

While the elimination of Canada's DST was a major accomplishment, other troubling measures remain in both Canada and Mexico. The ongoing USMCA review and bilateral negotiations with Canada and Mexico provide a critical opportunity to address remaining and emerging measures. Canada's Online Streaming Act (C-11) and Online News Act (C-18) require U.S. platforms, as a condition of providing services in Canada, to subsidize Canadian businesses and bridge government funding shortfalls. These investment obligations are a clear violation of the U.S.-Mexico-Canada Agreement (USMCA). Mexico's 2026 budget included troubling provisions, such as Article 30-B, which mandates unprecedented, real-time access to digital platforms' data and failure to comply would enable the government to shut down a platform's operations in Mexico. The budget also included a new discriminatory tax on certain video games.

USMCA's comprehensive and enforceable digital trade rules continue to provide high-standard rules on issues like cross-border data flows, safeguards algorithms and source code, prohibits customs duties on e-commerce, and platform protection. Although USMCA does not explicitly address AI, its digital provisions remain fit for purpose as generative AI transforms economies and workforces. Targeted enhancements, potentially through a side agreement, could strengthen AI-related protections and cooperation and safeguard U.S. interests.

Congress and the Administration must continue to stand up for U.S. companies and workers when trade partners pursue a digital protectionism agenda.

U.S. technology companies are global leaders and innovators and welcome the opportunity to compete on a level playing field in a competitive, resilient, and open digital ecosystem in Europe. Without continued intervention from Congress and the Administration, the EU's digital regulatory approach risks further undermining U.S. global technology leadership.

Bipartisan Congressional Support for Digital Trade

This committee has long recognized that America's innovation economy is essential to our competitiveness across the globe and our economic strength at home. You and many

³ <https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=2538793>

colleagues have been staunch champions in standing up against digital trade barriers and discrimination. The NFTC has welcomed your leadership on issues from securing e-commerce commitments at the World Trade Organization, pushing back on regulatory approaches that go beyond legitimate public policymaking, and working during the first Trump Administration to adopt best-in-class digital trade rules as part of the renegotiated U.S.-Mexico-Canada agreement (USMCA).

Your ongoing support is critical to maintain the United States's technology edge and ensure that American companies and workers face a fair and level playing field when competing around the world.

Conclusion

The United States Congress and the administration must continue to push back on foreign government actions that discriminate or disadvantage U.S. companies to safeguard U.S. companies' and workers' competitive edge in the global economy. U.S. companies can compete and win when the playing field is level, but far too often that is not the case. We thank the Ways and Means Committee and the Trump administration for their continued commitment and recent successes in this area.

About the NFTC

The NFTC, organized in 1914, is an association of U.S. business enterprises engaged in all aspects of international trade and investment. Our membership covers the full spectrum of industrial, commercial, financial, and service activities, accounting for over \$6 trillion in revenue and employing nearly six million people in the United States.

We thank you for providing the opportunity to contribute to the record for this hearing. We would welcome continued dialogue on ways to open foreign markets for U.S. exporters. I would be happy to respond to any questions or provide further comments and can be reached at: tsmith@nftc.org.

Sincerely,

A handwritten signature in black ink that reads "Tiffany Smith". The signature is written in a cursive, flowing style.