



Submission to the Ways and Means Trade Subcommittee

January 13, 2026

The Honorable Adrian Smith, Chairman
The Honorable Linda Sánchez, Ranking Member
Subcommittee on Trade
House Committee on Ways and Means
1100 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Smith and Ranking Member Sánchez:

I write on behalf of the Business Software Alliance (BSA), and its cross-border data policy initiative, the Global Data Alliance (GDA). I write regarding the Subcommittee’s January 13, 2026 hearing on “Maintaining American Innovation and Technology Leadership.” BSA is an association of advanced manufacturing and other enterprise software companies. GDA is a cross-industry coalition of companies committed to high standards of data responsibility and dependent on the ability to transfer data securely across borders to innovate, compete, and create jobs. Our members span key sectors of the American economy – from advanced manufacturing and agriculture to finance, healthcare, software, and telecommunications – all of which rely on cross-border data flows to drive innovation and growth. BSA and GDA appreciate the Subcommittee’s focus on the policies needed to sustain U.S. technological leadership, and we respectfully submit this letter for the hearing record.

The United States-Mexico-Canada Agreement (USMCA) as a Model for Digital Trade: Robust digital trade rules – particularly those securing the seamless flow of data across borders – are essential to maintaining American innovation and technology leadership. The USMCA’s digital trade provisions (Chapter 19 and related financial services provisions in Chapter 17) exemplify the high-standard rules needed. These rules prohibit unjustified barriers to cross-border data transfers and ban data localization mandates, while preserving regulators’ ability to protect privacy and security. Notably, USMCA’s digital trade chapter contains the world’s most advanced provisions on cross-border data transfers and data localization, setting a gold standard globally. These provisions, based on a longstanding US law and practice and reflecting US strategic interests, previously won overwhelming bipartisan approval in Congress.

Digital Flows Underpin U.S. Innovation, Competitiveness, and Jobs: Open data flows are essential to a strong U.S. economy. Access to information and data across borders powers growth, innovation, and job creation for businesses of all sizes – from small start-ups to large multinationals. Every stage of modern production and innovation relies on data connectivity: research and development, manufacturing, supply chain logistics, sales and support all depend on moving data seamlessly between countries. In fact, cross-border data transfers enable the use of cutting-edge technologies like cloud computing, data analytics, blockchain, and artificial intelligence in every sector of the economy, boosting productivity, efficiency, and safety.

Overall, international trade and data flows support tens of millions of American jobs and significant exports: more than 40 million U.S. jobs are supported by trade, and over \$1 trillion in U.S. *digitally enabled exports* (from software to smart machinery) rely on cross-border data flows.¹ The ability to transfer data securely across borders thus translates directly into economic opportunity for American workers and enterprises. These are among the reasons the USMCA’s data transfer provisions are described as *foundational to U.S. competitiveness, supply chain resilience, cybersecurity, and innovation capacity*, supporting millions of American jobs by enabling the data-driven processes behind modern manufacturing, finance, healthcare, logistics and more.

Importantly, cross-border data access is vital to emerging technologies that will define the future of American innovation. Artificial intelligence is a prime example. U.S. innovation and AI competitiveness *depend* on the ability to access and analyze global datasets – to train algorithms, detect patterns (including cybersecurity threats), and improve AI systems. Without international data flows, American companies (and even U.S. government initiatives) cannot obtain the diverse, large-scale data needed to maintain our edge in AI and other advanced fields. In other words, cutting off data flows or erecting barriers would directly undermine U.S. technological leadership in AI, quantum computing, and beyond. Moreover, smaller enterprises and startups benefit from digital trade by using global cloud services and online platforms to reach customers abroad. By ensuring open data flows, agreements like the USMCA empower American innovators and entrepreneurs to tap into international markets and knowledge networks from day one. This dynamic helps fuel innovation ecosystems at home and reinforces America’s leadership in technology.

Confronting Digital Protectionism to Protect American Advanced Manufacturing and Technology Leadership: While the USMCA has established North America as a trusted advanced manufacturing and digital trade zone, we are mindful that many foreign governments are adopting policies of “data mercantilism” and digital protectionism that threaten U.S. interests.

¹ Global Data Alliance, Submission to USTR on Supply Chain Resilience (June 1, 2024), at: <https://globaldataalliance.org/wp-content/uploads/2024/06/06012024gdasupplychainresil.pdf>

These policies include unwarranted data localization requirements, restrictions on data transfers, and other measures that close off foreign markets to U.S. goods and services. By blocking cross-border information flows, mandating that data be stored locally, or otherwise interfering with the free movement of data and ideas, such measures undercut American exporters and workers. They particularly harm U.S. companies – large and small – that design, produce, and export high-value products from aircraft and automobiles to semiconductors, digital content, and financial services. In some cases, U.S. firms face the choice of establishing costly duplicate data centers overseas or losing access to markets – a dynamic that can even erode the U.S. tax base when business operations are forced abroad. These protectionist trends, if left unchecked, pose a serious challenge to U.S. innovation leadership, as they fragment the global digital economy and impede the scale and collaboration that our innovators rely on.

The United States, Mexico, and Canada have proven that an alternative, pro-innovation path is possible. North America is a rare success story in combating the worst forms of digital protectionism. By committing to the strong digital trade disciplines in USMCA, our three countries have kept digital markets open and secure, to the benefit of all. This means, for example, that an advanced manufacturer in the U.S. can send data to a lower-value subcomponent supplier in Mexico or Canada for just-in-time production, or a medical researcher can share data across our borders to develop life-saving treatments, without facing unjustified barriers. The USMCA's cross-border data provisions ensure that North American markets remain open for U.S. exports in the digital age – whether it's artificial intelligence services, cloud and fintech offerings, or data-enabled agricultural and manufacturing goods. This openness gives our region a competitive edge. It should remain a top priority to preserve and build on this success, even as we confront protectionism elsewhere. In short, resisting foreign digital protectionism and promoting the USMCA model of digital openness are both critical to maintaining America's innovation and tech leadership in the world.

Preserving High-Standard Digital Trade Commitments: To continue reaping these benefits, we urge policymakers to protect and fully enforce the digital trade commitments in USMCA, and to seek similar high standards in future trade initiatives. As the Committee is aware, USMCA is now undergoing its six-year review. BSA and GDA strongly recommend a “no-reopening, no-regression” approach toward USMCA's digital trade provisions. The core disciplines – notably USMCA Articles 19.11 (Cross-Border Transfer of Information) and 19.12 (No Data Localization), along with their counterparts for financial services – should be reaffirmed exactly as negotiated in 2020. These rules have stood the test of time: they remain indispensable to U.S. economic and technological interests, and they enjoy broad, bipartisan support. Weakening or reopening them would send a dangerous signal of retreat. Indeed, from a national security standpoint, any retreat from these norms could create a vacuum for authoritarian competitors to fill – allowing adversaries to shape new data governance rules that run contrary to U.S. interests and

values. Conversely, steadfast U.S. leadership in upholding high-standard data flow rules will signal confidence and strength.

Strong digital trade rules are fully compatible with protecting national security and privacy. USMCA itself contains an explicit, self-judging national security exception, which guarantees that the United States retains absolute discretion to take any action it deems necessary to safeguard essential security interests. In practice, this means America's hands are *not* tied: we can enforce restrictions on data transfers to hostile actors or jurisdictions when needed, as exemplified by recent measures restricting certain data flows to China. Nothing in USMCA prevents us from defending our security. At the same time, the agreement's digital provisions encourage a rules-based approach that prevents foreign governments from using "security" as a pretext for protectionism. Maintaining these balanced rules is therefore vital to both our economic and security objectives. The real risk to national security would come from abandoning USMCA's digital norms, which would signal U.S. weakness and encourage others to set the agenda. Instead, by upholding USMCA and expanding its principles to new contexts, the United States can continue to write the rules of the road for the global digital economy in accordance with our values.

In conclusion, BSA and the GDA firmly believe that maintaining American innovation and technology leadership goes hand in hand with maintaining American leadership in digital trade. The freedoms to create, move, and utilize information across borders are now as vital to our economic prosperity and global standing as the movement of goods and people. USMCA's digital trade provisions illustrate how smart trade policy can secure these freedoms – bolstering U.S. innovation, jobs, and security all at once. We urge the Committee to continue its bipartisan support for these policies. By preserving and advancing the high-standard digital trade rules that have served us well, Congress can help ensure that the United States remains the world's leader in technology and innovation for years to come.

Thank you for the opportunity to provide our views. We appreciate your leadership on these issues. We stand ready to work with you, and with all stakeholders, to strengthen America's digital trade policy in support of our nation's economic competitiveness, security, and democratic values.

Sincerely,
Joseph Whitlock
Executive Director
Global Data Alliance