



Trade



What is going on with trade?

The Trump Administration has brought trade policy to the forefront in two major ways. First, the renegotiation of the North American Free Trade Agreement (NAFTA), now known as the United States-Mexico-Canada Agreement, or USMCA, brings free trade agreements into the 21st century with protections for digital trade and e-commerce. Second, in an effort to call out China on their unfair trade practices, the administration has placed tariffs on a number of Chinese imports, increasing many startup costs and making American startups less competitive globally.

Why does it matter to startups?

Startups have flourished with the growth of digital trade as online services facilitate transactions and communications among millions of businesses and consumers. Reduced trade barriers significantly impact startup growth as American businesses are able to access global markets with ease. For American startups to compete globally, increased tariffs and regulatory burdens on trade will only act as a barrier to entry for small companies.

Where are we now?

USMCA. Canada and Mexico remain the biggest trading partners for startups and many of the provisions in USMCA will support startups including clear rules on digital trade, a ban on data localization, and establishing strong intermediary liability protections. However, there are two changes Congress should support as the negotiations continue.

- **Need to Protect the De Minimis Taxes Streamlining.** The current text makes it easier for small businesses to export American products throughout North America by increasing the de minimis rates in both Canada and Mexico. However, there remains work to be done in the implementation phase of the agreement to ensure that all countries increase their de minimis rate to streamline customs and duties on startups.
- **Need for a U.S. Copyright Framework.** The USMCA includes some of the key U.S. copyright laws, including safe harbors, but does not protect key limitations and exceptions, such as fair use, that U.S. innovators and creators rely upon. Congress should urge USTR to include all U.S. copyright law to protect innovators and creators.

Tariffs. Recent developments in the U.S.-China trade relationship have worried startups which view the tariffs as an increase in input costs. While Chinese trade practices harm American startups, it is important to consider the costs and disruption of supply chains when increasing tariffs.

Questions?

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