

## OPINION

# Real trade war: Trump fixates on tariffs while China pursues global digital domination

Orit Frenkel, Opinion contributor Published 3:30 a.m. ET May 13, 2019 | Updated 6:47 p.m. ET May 13, 2019

*China is ahead of the US in the race to establish global trade rules on digital commerce. We need investment, diplomacy and a Digital Marshall Plan.*

President Donald Trump's [tariffs-by-tweet](https://twitter.com/realDonaldTrump/status/1126106540015071232) (<https://twitter.com/realDonaldTrump/status/1126106540015071232>) tendencies and brinkmanship on both sides of the negotiating table have led to a [breakdown](https://www.usatoday.com/story/money/2019/05/12/new-tariffs-2019-white-house-expects-china-retaliate-trade-war/1183367001/) ([/story/money/2019/05/12/new-tariffs-2019-white-house-expects-china-retaliate-trade-war/1183367001/](https://www.usatoday.com/story/money/2019/05/12/new-tariffs-2019-white-house-expects-china-retaliate-trade-war/1183367001/)) in talks with China, an escalating trade war, and no doubt many sleepless nights in Beijing and in American boardrooms. But for the United States, the unease is misdirected.

What should keep American businesses and politicians up at night has little to do with levies on specific commodities or Chinese products. While Washington is targeting Beijing with tariffs over individual trade grievances, China has been laying the foundation to direct and influence digital trade — the booming engine of global commerce — unopposed, with deep pockets and grand ambitions.

This should be our strategic and diplomatic focus, because what China is doing globally in this sphere has serious economic and national security implications for the United States today and well into the future. To the question of who will write the digital trade rules for the 21st century, the answer must be the United States. If the answer is China, we will have ceded the global digital future to Beijing.



In Beijing on May 9, 2019. (Photo: Andy Wong/AP)

## Read more commentary:

[Why Trump's tariffs on China hurt everyday Americans: Today's talker](https://www.usatoday.com/story/opinion/2019/05/07/why-trumps-tariffs-china-hurt-every-day-americans-talker/1128485001/) ([/story/opinion/2019/05/07/why-trumps-tariffs-china-hurt-every-day-americans-talker/1128485001/](https://www.usatoday.com/story/opinion/2019/05/07/why-trumps-tariffs-china-hurt-every-day-americans-talker/1128485001/)).

[US adversaries are watching us self-destruct as Trump foreign policy spins into chaos](https://www.usatoday.com/story/opinion/2019/05/12/trump-leadership-vacuum-china-iran-venezuela-north-korea-chaos-column/1169364001/) ([/story/opinion/2019/05/12/trump-leadership-vacuum-china-iran-venezuela-north-korea-chaos-column/1169364001/](https://www.usatoday.com/story/opinion/2019/05/12/trump-leadership-vacuum-china-iran-venezuela-north-korea-chaos-column/1169364001/)).

[Trump needs to keep the pressure on China instead of blindly trusting](https://www.usatoday.com/story/opinion/2019/05/10/china-trade-talks-trump-use-tariffs-instead-blindly-trusting-column/1151401001/) ([/story/opinion/2019/05/10/china-trade-talks-trump-use-tariffs-instead-blindly-trusting-column/1151401001/](https://www.usatoday.com/story/opinion/2019/05/10/china-trade-talks-trump-use-tariffs-instead-blindly-trusting-column/1151401001/)).

No global rules govern digital trade, which covers everything from e-commerce to bank transfers to data collection. Today there are almost 4.4 billion internet users around the world, up more than 1,000% since 2000 (<https://www.internetworldstats.com/stats.htm>), with global e-commerce sales topping \$2.8 trillion (<https://www.digitalcommerce360.com/article/global-e-commerce-sales/>) in 2018. Digital trade is the backbone of today's business — when a customer in Japan orders a book from Amazon, when a bank transfers data from one country to another, or when an in-flight aircraft engine beams GPS information to a global data collection center. The fact that the global regulatory environment is still a free-for-all is astounding, given all that is at stake.

## Costs of U.S. inaction include suppression

Global regulations have not kept pace with this rapid growth, and American businesses are forced to operate through a spider's web of regulatory environments, hobbling trade and challenging our national security. Rep. Suzan DelBene, D-Wash., chair of the Digital Trade Caucus, warned recently that it's critical for Americans to "reassert ourselves on the world stage" now and make sure "we're helping shape global digital governance" (<https://youtu.be/-ZEp-kE9-gs?t=370>)."

Clearly, she's right, and we're seeing the costs of American inaction in real time.

With legitimate concerns over privacy and cybersecurity, many countries have moved to restrict digital trade, threatening American companies' ability to do business while undermining U.S. national security. Because of the regulatory vacuum, countries have put in place a wide variety of restrictions. Nigeria, Turkey and others have data localization requirements (<https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2018/march/2018-fact-sheet-key-barriers-digital>) mandating that companies doing business in their borders must keep data in country on local servers, among other restrictions, rendering digital trade impractical.

### Newsletters

#### Get the **Today's Talker** newsletter in your inbox.

Round up of commentary on the day's top issue.

Delivery: Mon - Thurs

Your Email



Of greater concern to policymakers and businesses are countries like China and Vietnam (<https://www.bbc.com/news/technology-42494113>), which use digital restrictions to censor the internet and monitor citizens. China provides its internet regulatory principles to developing countries, essentially exporting (<https://www.reuters.com/article/us-global-internet-surveillance/china-exports-its-restrictive-internet-policies-to-dozens-of-countries-report-idUSKCN1N63KE>) these tools of suppression.

## How U.S. can counter China's expansion

With more people on the web than any other country (<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2153rank.html>), China has aspirations to be the global internet leader, remaking cyberspace in its own image. As part of this initiative, Beijing launched the Digital Silk Road (<https://www.sciencefocus.com/future-technology/the-digital-silk-road-chinas-200-billion-project/>) in 2015, investing \$200 billion in a global digital infrastructure. This effort is a subset of China's larger Belt and Road Initiative, a government global infrastructure initiative with \$340 billion (<https://www.csis.org/analysis/how-big-chinas-belt-and-road>) invested to date. How Beijing's digital playbook looks in practice: When developing countries buy Chinese equipment, they receive the tools to censor and control their internet while leaving their networks vulnerable to Chinese government cybertheft and interference.

Washington can and must act to counter Beijing's well-funded and deliberate technological march across the planet, and action should begin with a two-pronged approach.

First, the United States must lead the negotiation of an international agreement laying out global digital rules of the road. It should be based on American values with the goal of securing an internet future of free, open and secure trade — not the Chinese model of limited access, censorship and government manipulation. Seventy-six countries have launched negotiations (<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1974>) for a digital e-commerce agreement under the auspices of the World Trade Organization. At the Group of 20 major economies summit in June, host Japan will highlight the need for global digital regulations (<https://thediomat.com/2019/02/japan-calls-for-global-consensus-on-data-governance/>). But with China in these negotiations, the level of ambition of such an agreement will, necessarily, be quite low. That's Beijing's modus operandi.

The United States should work with a subset of like-minded countries (Canada, the European Union, Japan, Australia and others) to lead the negotiation of a separate, high-standard agreement outside of the WTO. Like the [Trans-Pacific Partnership agreement \(https://ustr.gov/sites/default/files/TPP-Ensuring-a-Free-and-Open-Internet-Fact-Sheet.pdf\)](https://ustr.gov/sites/default/files/TPP-Ensuring-a-Free-and-Open-Internet-Fact-Sheet.pdf), participants could agree on regulations to keep the internet both open and secure. This agreement would be one other countries could aspire to and join over time.

## A U.S. Digital Marshall Plan for developing world

Second, the United States must launch a major foreign assistance initiative to allow countries in the developing world to purchase U.S. internet and information and communications technology equipment, countering China's aggressive and cheap financing of equipment. This "Digital Marshall Plan" would make the financing of a digital infrastructure in the developing world a strategic priority.

America would also need to provide technical assistance to develop internet regulations that allow open commerce, respect for privacy and protection of human rights. Such an initiative echoes the original post-World War II [Marshall Plan \(https://history.state.gov/milestones/1945-1952/marshall-plan\)](https://history.state.gov/milestones/1945-1952/marshall-plan), which had dual goals of modernizing European industry to promote economic development and creating a market for U.S. goods, while also preventing the spread of communism.

Beijing is well ahead of Washington in the race to establish the trade rules that tame — or rather maim — digital commerce. Playing the long game, Beijing surely understands that though today's tariff battles must be fought, the trade wars of tomorrow will be waged on a digital battleground.

If the United States doesn't commit to urgent, strategic investments and diplomacy to counter China on digital trade today, Beijing will have a clear path to digital dominance that could undermine our national security and undercut the U.S. economy for generations.

*Orit Frenkel, former senior manager for international trade and investment for General Electric, is executive director of the [American Leadership Initiative \(https://www.american-leadership.org/\)](https://www.american-leadership.org/) and president of [Frenkel Strategies \(https://apcoworldwide.com/people/orit-frenkel/\)](https://apcoworldwide.com/people/orit-frenkel/). Follow her on Twitter: [@OritFrenkel \(https://twitter.com/OritFrenkel\)](https://twitter.com/OritFrenkel).*

*You can read diverse opinions from our [Board of Contributors \(http://usatoday.com/reporters/boc.html\)](http://usatoday.com/reporters/boc.html) and other writers on the [Opinion front page \(http://usatoday.com/opinion/\)](http://usatoday.com/opinion/), on Twitter [@usatodayopinion \(https://twitter.com/usatodayopinion\)](https://twitter.com/usatodayopinion) and in our [daily Opinion newsletter \(https://profile.usatoday.com/newsletters/opinion/\)](https://profile.usatoday.com/newsletters/opinion/). To respond to a column, submit a comment to [letters@usatoday.com](mailto:letters@usatoday.com).*

Read or Share this story: <https://www.usatoday.com/story/opinion/2019/05/13/china-trade-war-trump-tariffs-miss-digital-domination-threat-column/1153264001/>