PRINCIPLES FOR A NEW REALPOLITIK DOCTRINE IN U.S. GLOBAL DIGITAL POLICY

For the past decade or so, a major part of the U.S. challenge in discussing, advocating, and negotiating internationally in this area is U.S. officials do not have an easy-to-translate model of digital governance and associated set of talking points. What does the United States want (besides everything), and what are its major priorities—open markets, human rights, the freedom to innovate, privacy, national security, jobs, a more economically integrated world, a more peaceful world? For many years, U.S. officials believed in and advocated for open markets, international trade, less regulation, greater economic integration, and the rule of law because they thought those would benefit both the United States and the world. That basic framing may have worked before China became a systemic competitor/adversary, Russia and several other states became systemic bad actors, and the EU and many developing states embraced digital protectionism. As such, going forward, the United States needs a revised and clear set of principles that together articulate a new doctrine of digital realpolitik to orient its global digital policy. These are both at the same time principles for guiding U.S. action and talking points to communicate to allies and non-aligned nations.

This decade will likely prove decisive in how the global digital economy, and the U.S. IT and digital economy in particular, evolve. We can move to a world dominated by EU innovation-limiting regulations and Chinese technology predation and authoritarianism, with the attendant harms to U.S. and global innovation. Or, with decisive U.S. leadership under a new doctrine of digital realpolitik, we can move to a world wherein appropriate technology and regulatory policies enable IT and digital innovation to flourish, with all the attendant benefits, including continued U.S. leadership.

Contents

Information Technology and Innovation Foundation (ITIF)

Description:

The Information Technology and Innovation Foundation (ITIF) is a nonprofit, nonpartisan research and educational institute focusing on the intersection of technological innovation and public policy. Recognized as the world's leading science and technology think tank, ITIF's mission is to formulate and promote policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress.

Stakeholder(s):

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Author — Robert D. Atkinson (@RobAtkinsonITIF) is the founder and president of ITIF. Atkinson's books include Big Is Beautiful: Debunking the Myth of Small Business (MIT, 2018), Innovation Economics: The Race for Global Advantage (Yale, 2012), Supply-Side Follies: Why Conservative Economics Fails, Liberal Economics Falters, and Innovation Economics is the Answer (Rowman Littlefield, 2007) and The Past and Future of America's Economy: Long Waves of Innovation That Power Cycles of Growth (Edward Elgar, 2005). Atkinson holds a Ph. D. in city and regional planning from the University of North Carolina, Chapel Hill.

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ACKNOWLEDGMENTS — The author wishes the thank Dan Caprio (The Providence Group), Daniel Castro and Nigel Cory (ITIF), David Moschella (Leading Edge Forum) for helpful comments on prior drafts, and MacKenzie Wardwell for editorial assistance. Any errors or omissions are the author's alone.

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Vision

IT and digital innovation flourish

Mission

To articulate a new doctrine of digital realpolitik

Values

Innovation

Leadership

Principle 1. IT & Digital Innovation

Unabashedly Support IT and Digital Innovation, Rejecting the Techlash Narrative and Policies

This may seem obvious, but it is anything but. China's goal is not innovation; it is global power. Europe's goal is not principally innovation; it is ensuring that IT and digital technologies serve such goals as privacy, racial and gender justice, income redistribution, limiting the role of government in areas such as law enforcement, expanding the role in other areas such as broadband, supporting small business and undermining large, and protecting incumbent businesses. Many UNCTAD nations' goals are digital protectionism and redistribution from the North. It is this core lack of agreement on goals that makes achieving policy agreement so difficult.

1.1. Growth & Progress

Spur global IT and digital innovation

Since the formation of the republic, the United States has stood for growth and progress, including technological. Policymakers today, from both parties, need to reaffirm that commitment and make it clear in dealing with other nations that the United States will support policies that spur global IT and digital innovation and oppose those that needlessly harm that. As such, all discussions and narratives about digital technologies need to start with why the technology is a force for progress.

Stakeholder(s):
Policymakers

Principle 2. National Developmentalism

Embrace IT and Digital "National Developmentalism" (Smart, Active Policies to Support IT Innovation and Adoption) and Bring More Nations Into That Orbit

In the Cold War, there were two major camps: the democratic, market-based West and the authoritarian Communist East. It was clear what the goal of U.S. foreign policy was: keep nations from aligning with the Soviets and the Chinese, and encourage them to align with the United States. Now there are five major political economy approaches to the digital economy.

2.1. Washington Consensus

Reevaluate advocacy for open markets, international trade, less regulation, the rule of law, and a minimal role for government

The first is the neo-liberal "Washington consensus." This is the traditional market-based approach that advocates for open markets, international trade, less regulation, the rule of law, and a minimal role for government. There are two problems with this approach. First, it always undervalues the key role of government in supporting innovation. Historically, the federal government played a key role in helping enable many key digital technologies, including the Internet, semiconductors, computing, GPS, and others. The second is that when the U.S. government advocates a principally free-market, hands-off approach to government, it fails to provide an acceptable alternative to China's state-directed model. This not only means the United States has less influence in most nations seeking to grow their digital economy, it also leads many nations to become closer to China, and follow what appears to be a successful government-led model of technology catch up.

2.2. Social Democratic Regulation

Avoid social democratic regulation

The second is social democratic regulation. As noted, this is the dominant doctrine in the EU (and among most on the left in the United States). In this approach, the key role of government is to regulate technology and technology companies so they achieve social democratic values of equality. This is increasingly bolstered by identity politics wherein activists routinely assert, usually without evidence or by cherry-picking evidence that supports their preconceptions, that digital technologies are inherently biased and harmful. It is a short step to the view that capitalism itself is inherently biased, oppressive, imperialist, and exploitative. There are two problems with this approach. The first is that embracing it means less digital innovation and, by definition, slower per capita income growth, something many social democrats reject anyway, since they believe people already consume too much and for the sake of the planet should "live simple." It also means less innovation in key areas such as health care, transportation, and education. The second problem is this approach lends support to an anti-business agenda, especially toward big business, and as such, leads to a weaker U.S. economy, since the United States on average has larger (and more efficient) firms than other nations. It also lends itself to anti-Americanism and the false third-way narrative between Chinese authoritarianism, American capitalism, and idealistic, harmonious, and sustainable EU social democracy.

2.3. Protectionism

Avoid protectionism

The third approach is protectionism: This is the view that sees limiting foreign IT and digital market access as the key way to grow a digital economy. Nations such as India and Indonesia exemplify this approach. Digital protectionism usually doesn't work, in part because it often drives up the costs of digital technologies, thereby

limiting their use domestically, and because it also is against U.S. interests. Washington has long and rightly argued against digital protectionism, although all too often it has spoken loudly but "carried a small stick." In other words, digital protectionists have seldom been punished, and in some cases, continue to be rewarded.

2.4. Authoritarian Statism

Avoid authoritarian statism

The fourth is authoritarian statism. This is the state-directed approach that Chinese and other authoritarian governments engage in. While China is protectionist, it is more than that. It is also authoritarian, and its policies don't just seek to protect domestic markets, they seek to harm foreign competitors. There are two key problems with this approach. The first is while it can generate income growth and digital industry growth, it often comes at the expense of strong total factor productivity growth because so many resources are wasted. The second is it harms global IT and digital innovation because China's massive subsidies, IP theft, and coerced transfer take market share away from more innovative firms in other nations. The third is China does not embrace freedom, human rights, civil liberties, or democracy, and the lack of those values is often reflected in both their companies and their advocacy in global forums.

2.5. National Developmentalism

Help firms compete globally, innovate, and boost productivity

The fifth approach is national developmentalism, which holds that government should be a coach, helping firms within its borders to compete globally, innovate, and boost productivity. It supports innovation, markets, and business—including big business. But it also recognizes that the state should play a key role in supporting digital innovation, including by defending its firms from unfair foreign competition. Some nations have moved toward or have fully embraced the national developmentalism model, including Scandinavian nations; increasingly the United Kingdom, as conservatives move beyond their Thatcherite traditions; Israel, Singapore, Taiwan, and others. In addition, some U.S. policymakers on both sides of the aisle have moved in this direction. While this doctrine presents a more realistic picture of the world, for it recognizes that nations seek competitive advantage in IT and digital industries, it also counsels a "race-to-the-top" wherein nations support digital innovation with policies related to R&D, skills development, and digital infrastructures, as well as the right regulatory and tax policies, coupled with government use of the technologies themselves. U.S. policymakers are moving more toward a national developmentalism view as they recognize the significant challenge that is China. As such, the United States should fully embrace national developmentalism and actively work to bring as many countries as possible into the U.S. national developmentalism orbit, "selling" it as a compelling and effective alternative to social democratic regulation, protectionism, and authoritarian statism.

Principle 3. China

Work to Limit China's IT and Digital Progress, Especially When It Is Based on Innovation Mercantilism

While U.S. policy should foster a broad community of nations embracing IT and digital national developmentalism and a free and mostly open Internet, it should also work to limit Chinese progress, in part by working with allies and other nations that see China as a threat. To be clear, the motivation here is based not only on resisting China's efforts to become a global hegemon, but on the fact that much of China's technological success comes from illegitimate, unfair, predatory, and often illegal policies and practices. While changing Chinese behavior (e.g., reducing their innovation mercantilist behaviors) is important, it should not be the principal goal, as that can be quite difficult. China has shown little willingness to pare its innovation mercantilist arsenal. Rather, the goal should be to limit both Chinese progress and Chinese harm to U.S. technology and economic interests. As long as China seeks to gain global dominance in IT and digital sectors (as opposed to comparative advantage) by using "innovation mercantilist" tools that violate the spirit, if not the letter, of the WTO, and seeks to repress freedom, U.S. policy should work to limit Chinese IT and digital progress. But this must be done in ways that do not at the same time "shoot ourselves in the foot," such as through unilateral export controls of technology products that for the most part China can obtain elsewhere.

Principle 4. Protectionism

Actively Fight Foreign IT and Digital Protectionism

Stakeholder(s)
World Bank   **UNCTAD**

As noted, many nations and regions, including Europe and many UNCTAD nations support digital protectionism (including limiting cross-border data flows), wrongly seeing it as a fast track to growth. If for no other reason than this hurts U.S. firms in their global competition with Chinese firms, U.S. policy should more actively resist foreign digital protectionism, and engage more effectively in multinational agencies, such as the World Bank and UNCTAD, that reward and encourage such protectionist policies.

Principle 5. Trade

Embrace IT and Digital Free Trade, Especially With Like-Minded Nations

Stakeholder(s)
WTO

The converse to principle four is that the United States should support IT and digital free trade. Concretely, for example, this means supporting the free flow of data; continued expansion of the Information Technology Agreement (ITA), including an ITA-3 that brings products covered up to date; and negotiating an ambitious WTO e-commerce agreement. However, the United States should be strategic about which nations it encourages to participate in such agreements. For example, while it is in the United States' interests for China to remain in the ITA agreement, the United States should negotiate the WTO e-commerce agreement without China, only letting China in after the agreement is concluded. Failure to do that is likely to lead to a significantly weakened agreement.

5.1. Data

Support the free flow of data

5.2. ITA

Continue expansion of the Information Technology Agreement (ITA)

5.3. E-Commerce

Negotiate an ambitious WTO e-commerce agreement

Principle 6. Authoritarianism

Resist Authoritarian Influences in the IT and Digital Economy but Remain Focused on Key U.S. Interests

Just as the United States rightly resists authoritarianism around the world because it violates core human rights, as well as often threatening core U.S. national interests, it should do the same when it comes to these nations' actions and influences on the digital economy.

6.1. National Interests

Avoid harming national interests to push for more openness in authoritarian nations

But this should not mean weakening key national interests (e.g., IT and digital competitiveness) to push for more openness in authoritarian nations.

6.2. Censorship

Push back against Chinese censorship in ways that do not harm U.S. competitiveness

And, to the extent the U.S. government pushes back against Chinese censorship, especially unilaterally, it should include a focus on how it hurts U.S. competitiveness.

Principle 7. Governance

Defend the Private Sector's Core Role in IT and Digital Governance

Stakeholder(s)
Private Sector

When it comes to IT and digital standards, global innovation is maximized if the private sector plays the key role not influenced by government. When authoritarian governments get involved, the motivation is to limit Internet freedom or support technology protectionism. As such, U.S. policy should continue its affirmative stance for a strong non-governmental role, but at the same time, should get more engaged in stopping China from distorting the global standards system for its own advantage, including by forcing Chinese companies to "toe the party line."

7.1. Standards

Prevent China from distorting the global standards system for its own advantage

Principle 8. Bigness

Defend the Principle That Big Is Not Bad, and Often Is Superior

Stakeholder(s)

Large Companies   **Tech Companies**

It is all too easy for policymakers, even in the United States, to get swept up in the anti-Big Tech rhetoric coming out of other nations seeking to take U.S. tech companies down a peg or two. Large companies, including tech companies, are mostly a force for good—helping drive growth, innovation, and competitiveness. As such, U.S. policy should defend the concept of bigness and not aid and abet other nations that seek to attack large U.S. firms.

Principle 9. Regulation

Defend Innovation-Oriented Regulation

To the extent the United States embraces Internet-libertarianism, it is helping other nations by making it easier for them to adopt an anti-American narrative and policies. However, the alternative should not be EU-style regulation, which limits innovation. Indeed, if the United States embraces a social-democratic approach to Internet regulation, it will mean less progress and growth both domestically and around the world. As such, the United States needs to embrace innovation-based IT and digital regulation (as opposed to precautionary principles-based) at home and abroad.

9.1. Privacy

Enact national privacy legislation

At home, for example, this means enacting national privacy legislation and rules around the use of such technologies as facial recognition.

9.2. Innovation

Assist other nations in crafting innovation-enhancing regulatory systems

Abroad, this means actively assisting other nations on how to craft innovation-enhancing regulatory systems that also meet key social policy concerns.

Principle 10. Internet

Defend the Mostly Open Internet

When the United States pursues an absolutist open Internet agenda (virtually everything should be open), it not only alienates other nations that don't share U.S. values or have the same approach to free speech, it also diverts U.S. efforts from defending the U.S. digital economy. This is not to say, however, that an open Internet is not a force for progress or that the United States should not encourage nations to move in this direction.

10.1. Culture

Be sensitive to cultural differences

But if the U.S. narrative is tone-deaf to cultural differences (e.g., some nations do not want their citizens to access Internet pornography; others want to limit access to hate speech, etc.) the United States will be tuned out not just on this issue but on more important ones.

10.2. Digital Piracy

Limit digital piracy

In addition, the narrative of the absolutely open Internet makes it harder for the United States to call for measures to limit digital piracy, since many Internet exceptionalists and progressives wrongly decry any efforts to fight digital piracy as violating the open Internet.

Principle 11. Policy

Support a Robust Domestic IT and Digital Policy That Ensures U.S. Global Leadership

Stakeholder(s)

Congress   **Biden Administration**

Foreign policy only goes so far.

11.1. Strategy

Put in place a national developmentalism-based IT and digital strategy

The United States will not effectively defend its IT and digital interests, nor effectively promote the superior U.S. approach around the world, unless Congress and the Biden administration put in place a robust, national developmentalism-based IT and digital strategy. One key problem is that while the holders of the Washington Consensus rightly support a light touch approach to digital regulation, they are ambiguous toward a robust national advanced technology strategy. And in turn progressives seek a strategy that advances social policy goals, not competitiveness and innovation goals. Absent such a strategy, the risk of the United States falling behind China grows significantly.

11.2. Products

Help IT and digital firms in the United States continue to build products that are so good consumers all around the free world will insist on using them

Helping IT and digital firms in the United States continue to build products that are so good consumers all around the free world will insist on using them is good insurance, both against Chinese innovation mercantilism and IT and digital protectionism more broadly. This means the government enabling and supporting major advances in digital health care, education, financial services, public services, transportation, and other areas, as well as the talent needed to develop them.

Stakeholder(s):

IT Firms   **Digital Firms**

11.2.1. Health Care

Support advances in digital health care

11.2.2. Education

Support advances in education

11.2.3. Financial Services

Support advances in financial services

11.2.4. Public Services

Support advances in public services

11.2.5. Transportation

Support advances in transportation

Administrative Information

Start Date:
End Date:

Publication Date: 2021-01-19
Source: https://itif.org/publications/2021/01/19/us-grand-strategy-global-digital-economy?mc_cid=d0873a8612&mc_eid=131f75a87f

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