



June 1, 2020

Mr. Daniel Bahar
Assistant U.S. Trade Representative for Services and Investment
Office of the U.S. Trade Representative (USTR)
600 17th Street NW
Washington, D.C. 20508

Mr. Daniel Watson
Assistant U.S. Trade Representative for the Western Hemisphere (Acting)
Office of the U.S. Trade Representative (USTR)
600 17th Street NW
Washington, D.C. 20508

Dear Mr. Bahar and Mr. Watson,

Internet Association (IA)¹ strongly supports efforts to negotiate a phase-one digital agreement with Brazil, as indicated by recent news reports.² A U.S.-Brazil digital agreement is an opportunity for both countries to highlight their strong digital sectors while setting a high standard on digital trade for others to emulate – especially other countries in South America.

Brazil is a prime choice for a phase-one digital agreement. U.S. exports of services to Brazil were an estimated \$28.3 billion in 2018, marking a 121 percent growth from 2008 levels.³ A large contributor to this success is digital trade. A recent study found that more than two-thirds of Brazilians have smartphones and spend on average 9 hours connected to the internet each day, which is one of the highest rates in the world.”⁴

Brazil has some of the most enthusiastic digital consumers in the world and many American digital companies have strong user bases in the country. Brazil accounts for the second-largest number of WhatsApp users, the second largest number of Instagram users, it is number three for Facebook users, number three for LinkedIn users, number two for Pinterest users, and has the most users of Waze of any country.⁵ There are almost 18 million Brazilians on Twitter.⁶ Additionally in 2017, an estimated 52.8 million Brazilians were shopping online, representing an increase of 11 percent compared to 2016.⁷

While there are strong economic indicators out of Brazil’s thriving digital sector, it is important that Brazil not develop digital policies that undermine growth in its digital economy. IA’s 2020 National Trade Estimate submission laid out a number of digital market barriers in Brazil.⁸ It is important that a potential digital agreement alleviates the barriers highlighted in the submission including in privacy, service-blocking, and data localization.

In order to preserve and expand the internet’s role as a driver of U.S. exports, economic development, and success, USTR must continue to defend the U.S. internet framework and push back on policies that threaten the internet’s growth and export-enabling potential. IA applauds the strong steps that USTR took on these issues in the U.S.-Mexico-Canada Agreement (USMCA) and Japan Trade Agreement as

¹<https://internetassociation.org/our-members/>

²<https://insidetrade.com/daily-news/us-brazil-talks-heat-early-deal-expected-cover-digital-trade-anticorruption>

³<https://ustr.gov/countries-regions/americas/brazil>

⁴<https://www.prnewswire.com/news-releases/brazil-digital-report-a-first-edition-dossier-on-the-brazilian-digital-economy-300827573.html>

⁵Ibid.

⁶ <https://import-export.societegenerale.fr/en/country/brazil/ecommerce>

⁷Ibid.

⁸https://internetassociation.org/files/ia_national-trade-estimate-2020_ustr-2019-0012_10-31-2019_trade/



well as in its submissions to the WTO e-commerce talks. At a time when countries like China and Russia are pushing alternative models of digital trade, the U.S. and Brazil can build a next-generation template for digital trade.

A U.S.-Brazil digital agreement should facilitate the free flow of information, prevent data localization, protect privacy and consumers, and promote intermediary liability protections. IA encourages USTR to include provisions that ensure encryption and source code integrity, make clear there should be no customs duties on digital transmissions, and include language prohibiting unnecessary regulation of online services.

The U.S.-Brazil digital agreement should also ensure that each government provides full non-discriminatory treatment to digital services and does not apply taxation measures in a way that discriminates against digital services. The agreement should reaffirm the commitment of the two governments to reach a multilateral solution to tax challenges arising from the digitalization of the economy.

A U.S.-Brazil digital agreement represents a significant opportunity for the internet sector. IA appreciates USTR's continued focus on expanding opportunities for digital trade and stands ready to provide any assistance needed to facilitate a strong agreement. A U.S.-Brazil digital agreement has the potential to ensure that both countries remain leading digital economies.

Sincerely,

A handwritten signature in black ink that reads "Jordan Haas".

Jordan M. Haas
Director, Trade Policy
Internet Association