

Global ICT Industry Urges Governments to Roll Back Negative Trend of Forced Localization

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On September 26, 2013, ICT industry representatives from Europe, Japan, and the United States met to discuss new and unprecedented challenges to global trade and investment. They called for more robust and coordinated international action to protect the global economic recovery. Dozens of representatives from the some of the world's largest and most innovative technology companies met in Brussels to discuss the rise of forced localization policies, or sometimes referred to as Localization Barriers to Trade (LBTs), which harm and fragment the global technology industry and undermine economic growth and job creation.

The meeting was organized by DIGITALEUROPE, the Information Technology Industry Council (ITI) and the Japan Electronics and Information Technology Industries Association (JEITA).

The rise of forced localization marks a troubling shift in global trade and economic policies. Many governments are beginning to abandon established trade policies that have led to decades of liberalization, openness, and economic integration in favor of discriminatory market access barriers. Forced localization policies have emerged in important emerging market around the world and are beginning to proliferate at a rapid pace.

These policies include mandatory technology transfer requirements, local sourcing requirements in government and private sector procurements, forced local ownership of foreign firms, discrimination against foreign online sellers, forced local hires, import restrictions, and restrictions on the cross-border flow of data - including domestic data center location and data hosting requirements. Some of these policies present challenges to existing global trade disciplines, while others are out of step with international norms that have helped drive the growth of the global economy. Washington-based think thank ITIF estimates that local content requirements worldwide reduce world trade of almost 100 billion USD per year.¹

DIGITALEUROPE, ITI, and JEITA at this special trilateral session discussed what actions industry and governments have taken to date and what further steps need to be taken to ensure forced localization policies do not inhibit global ICT development. There was agreement that while indeed some governments have begun to establish mechanisms to systematically address these challenges,

¹ *Localization Barriers to Trade: Threat to the Global Innovation Economy* by [Stephen Ezell](#), [Robert D. Atkinson](#), and [Michelle Wein](#) from ITIF, September 2013

the scale of the problem requires a more robust and coordinated response from policy makers.

To that end, DIGITALEUROPE, ITI, and JEITA developed the following recommendations for global governments to help stem the proliferation of forced localization policies globally:

1. **Governments from the EU, Japan, and the US should jointly elevate forced localization related challenges as a global economic priority** by working with international institutions - such as the G8, G20, APEC, OECD, and the WTO -to identify forced localization policies as critical barriers to global economic growth and to support new trade disciplines (such as within the Trans Pacific Partnership, Transatlantic Trade and Investment Partnership, the Trade in Services Agreement, new bilateral free trade agreements such as the EU-Japan FTA, and other forums) to counter such policies;
2. **Governments need to strengthen their own resources**, specifically by bolstering their ability to identify and respond to the proliferating number of forced localization policies. The U.S. government, for example, has established a Government Task Force on Localization Barriers to Trade the Office of the U.S. Trade Representative; and
3. **Strengthen EU, Japan, and US leadership on forced localization** by resisting domestic measures to close their own markets to imported ICT goods and services through forced localization policies.

Finally, DIGITALEUROPE, JEITA, and ITI agreed to ensure strengthened coordination among the three associations by enhancing policy communication, dialogue, and joint action focused on addressing forced localization challenges. This commitment complements their pledge to work closely with all three governments to support the fight against forced localization and ensure the continued growth of the global economy.