



# Designing a U.S. Digital Development Strategy

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## **EXECUTIVE SUMMARY**

Technology policy is increasingly moving to the center of foreign policy debate, and the digital choices that U.S. allies and partners make today will play a critical role in shaping the future of U.S. national security. These choices are playing out most consequentially in developing countries as they look to 5G networks, cloud computing, e-commerce, financial technology platforms, and other emerging technologies to modernize their infrastructure and promote economic growth. The United States needs to direct resources toward upgrading and expanding its digital development strategy to respond to these developments.

At the same time, however, while national security concerns can bring needed focus, profile, and resources to U.S. digital development initiatives, viewing them primarily through a geopolitical lens can be counterproductive. That is, narratives emerging from Washington may lead developing countries to believe that U.S. initiatives are focused principally on countering China, rather than on advancing the objectives and on-the-ground priorities of those developing countries.

Through a two-day virtual workshop series in July 2020, CNAS tackled these dilemmas head-on by developing the contours of a U.S. digital development strategy that creatively coordinates a comprehensive interagency approach in the U.S. government with the technology sector and civil society. These discussions with American experts, government officials, and private sector representatives yielded several guiding principles and five “big ideas” to inform a competitive U.S. digital development strategy.

## **GUIDING PRINCIPLES**

A comprehensive and well-coordinated U.S. digital development strategy has the potential to advance policy and technology innovations that orient the developing world toward a more liberal and open digital future—one consistent with U.S. values and interests. Four guiding principles should inform such a strategy:

**First, digital development requires a whole-of-government strategy.** This effort encompasses the work of the U.S. Agency for International Development (USAID), the International Development Finance Corporation (DFC), and the U.S. Departments of State, Treasury, and Defense. While the breadth of issue areas that intersect with digital development necessitates that individual agencies lead their specific initiatives, a single coordinating mechanism or official would ensure that various efforts will pull in the same direction and are branded consistently with an overarching narrative.

**Second, the private sector has a large role to play in digital development.** The U.S. government will not outspend Beijing dollar-for-dollar on digital infrastructure development—nor is that an advisable goal—but Washington can better leverage and incentivize private sector investment and competition in otherwise risky markets. CNAS has previously recommended establishing a Digital Development



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Fund to provide lines of credit for private sector projects overseas.<sup>1</sup> The new fund could provide lines of credit and concessional grant capital for U.S. companies building information connectivity projects abroad.

### **Third, the strategy must prioritize smart engagement with “global swing states.”<sup>2</sup>**

Execution of a digital development strategy should begin with the large group of countries that have not yet fully committed to either a closed or an open digital development path, and should hone in on regional influencers that will shape their neighbors' choices. India, Indonesia, and Vietnam, for example, all have burgeoning digital economies and growing economic heft to lead on regional decision-making. Smaller, heavily wired nations such as Singapore will also be key points of engagement, particularly on norms around the use of technology. By working with these nations to establish open digital development pathways, the strategy will gain momentum and a broader coalition of partners and supporters.

**Fourth and finally, the U.S. digital development strategy should advance an affirmative narrative, instead of one that pits American companies against Chinese competitors.** The strategy should emphasize the benefits that open digital ecosystems bring in terms of gross domestic product growth, job creation, innovation, and capacity building. Crucially, it must offer tangible reasons for countries to forgo what is in some cases the cheaper cost, faster speed, and regulatory flexibility of Chinese companies. For example, U.S. technology companies could offer long-term skills training and investment to countries, and open standards of interoperability in cloud computing can enable small and medium enterprises (SMEs) to scale their businesses much more effectively.

### **FIVE BIG IDEAS**

To advance these principles, a successful digital development strategy should amount to a comprehensive U.S. effort to promote credible alternatives, framed in terms of economic growth and empowerment, working alongside allies and private sector players. The following five big ideas, each accompanied by specific policy recommendations, paint the contours of such a strategy.

#### **Idea One: Streamline U.S. efforts with those of technologically capable allies and elevate the profile of these joint initiatives.**

- Expand existing efforts to coordinate digital development programs in the Indo-Pacific with regional allies such as Australia, Japan, South Korea, and Taiwan, and use existing government funding mechanisms to sponsor joint projects between U.S. and foreign private companies.
- Integrate USAID’s Digital Strategy with those of allied development agencies such as the UK’s Department for International Development, Japan’s International Cooperation Agency, and Sweden’s International Development Cooperation Agency.<sup>3</sup>
- Leverage the U.N. General Assembly as a hook to elevate multilateral development initiatives such as the Blue Dot Network, and co-brand U.S. digital development efforts with the Sustainable Development Goals and the U.N. Secretary-General’s Roadmap for Digital Cooperation.<sup>4</sup>

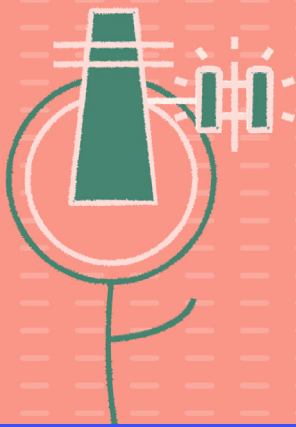
1. Daniel Kliman, “Why the United States Needs a Digital Development Fund” (Center for a New American Security, October 10, 2019), <https://www.cnas.org/publications/commentary/why-the-united-states-needs-a-digital-development-fund>.

2. Richard Fontaine and Daniel Kliman, “International Order and Global Swing States” (Center for Strategic and International Studies, December 18, 2012), [http://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy\\_files/files/publication/TWO\\_13Winter\\_FontaineKliman.pdf](http://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/TWO_13Winter_FontaineKliman.pdf).

3. “Digital Strategy (2020-2024)” (United States Agency for International Development, June 24, 2020), [https://www.usaid.gov/sites/default/files/documents/15396/USAID\\_Digital\\_Strategy.pdf](https://www.usaid.gov/sites/default/files/documents/15396/USAID_Digital_Strategy.pdf).

4. “The Sustainable Development Goals Report 2020” (United Nations, July 2020), <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>. “Roadmap for Digital Cooperation” (United Nations, June 2020), [https://www.un.org/en/content/digital-cooperation-roadmap/assets/pdf/Roadmap\\_for\\_Digital\\_Cooperation\\_EN.pdf](https://www.un.org/en/content/digital-cooperation-roadmap/assets/pdf/Roadmap_for_Digital_Cooperation_EN.pdf).





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### **Idea Two: Develop technical solutions and civil society mechanisms for advancing internet freedom.**

- Build out a centralized government mechanism in the National Security Council or other coordinating body for tracking and responding to Chinese digital projects abroad. Evaluate each newly initiated Chinese transaction to determine if it poses a threat to a foreign government's national security and share that intelligence with impacted governments. Assign a relevant agency, such as USAID or the DFC, to design a tailored response to each threat.
- Design partnerships between major American and foreign news outlets through the State Department Bureau of Cultural and Education Affairs or the Global Engagement Center to publish a series of deep dives into evolving digital diplomacy challenges across the world. The series would highlight the heterogeneous and diverse nature of a given nation's pathway toward building an open, free digital ecosystem.
- Establish a standalone Digital Rights Fund to support civil society groups in playing a watchdog role. Provide project accountability when the U.S. government helps partner nations that have weak governing institutions to develop their digital ecosystems.
- Invest in initiatives modeled on the U.S. Open Technology Fund to shape the digital development trajectories of nations with illiberal digital regulatory systems. Expand the State Department's Bureau of Democracy, Human Rights, and Labor funding for technologies—such as virtual private networks—that empower activists and journalists living under oppressive regimes.

### **Idea Three: Step up international leadership and multilateral engagement on technical norms and standards as they pertain to emerging digital ecosystems.**

- Highlight the economic benefits of adopting open norms. Expand programs such as the Asia Accelerator to educate SMEs about the harm that data localization requirements can do to their businesses, and to train them to advocate for policies—like the Asia-Pacific Economic Cooperation's Cross-Border Privacy Rules—that support innovation ecosystems.<sup>5</sup>
- Launch initiatives with allies to build out a shared set of norms on safe practices for the use of cutting-edge technologies, which can then undergird future proposals at international standards bodies. Support exchanges between governments and civil society groups about digital norms, through the State Department's Bureau of International Information Programs. Form partnerships between U.S. and foreign think tanks to help ensure that the U.S. conversation about digital norms is imbued with an understanding of developments elsewhere. Organize dialogues, spearheaded by U.S. and European foreign industry groups, on artificial intelligence ethics and cloud computing interoperability standards.

### **Idea Four: Promote human-capital development, particularly through business administration, engineering, and other technical and vocational skills training.**

- Leverage funds—from the Asia Reassurance Initiative Act if possible—to encourage American universities to partner on curriculum exchanges and vocational training with local universities in Southeast Asia, particularly in business administration, computer science, engineering, and other technical programs. One such model is Fulbright University Vietnam, a private, nonprofit institution that emerged out of a unique collaboration between local government authorities, an American university, and an American nonprofit organization, with bipartisan support from Congress and the Department of State.



5. "APEC Cross-Border Privacy Rules System" (Asia-Pacific Economic Cooperation, July 2019), <http://cbprs.org/wp-content/uploads/2019/11/4.-CBPR-Policies-Rules-and-Guidelines-Revised-For-Posting-3-16-updated-1709-2019.pdf>.



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- Elevate the profile of these efforts, including through U.S. “Digital Delegations.”<sup>6</sup> Co-led by the U.S. Secretaries of State and Commerce, these delegations would bring leaders from American technology companies to countries underserved by the U.S. private sector. A cabinet-led delegation with industry executives would send an unambiguous signal to the region that American companies are serious about offering digital alternatives to those presented by China.

### Idea Five: Recruit top talent to advance and implement a U.S. digital development strategy.

- Create a fellowship program within the State Department or USAID focused on recruiting talent to increase the capacity to address digital issues across bureaus that do not normally have a digital development focus.
- Establish a Digital Peace Corps program run by the State Department and the Peace Corps. Recruit volunteers with engineering, entrepreneurial, or investing experience in the U.S. technology sector to spend two years working at a tech company in a country with a nascent information and communications technology ecosystem.

### CONCLUSION

Now is the time to revisit America's approach toward advancing a digital development strategy. Developing countries—particularly in the Indo-Pacific, where geopolitical orientations remain fluid—lie at the frontline of Beijing's expanding diplomatic influence, economic leverage, military capability, and, increasingly, digital pressure. As the U.S. government renews its approach toward technology issues in developing nations, it is not alone. American companies and technologically advanced allies and partners can play a critical role in enabling countries with nascent digital ecosystems to chart a future on their own terms. At stake is nothing less than whether these nations can retain their economic sovereignty and freedom of decision, and whether or not their governance models will broadly trend toward greater openness in the digital domain.

6. Kliman, “Why the United States Needs a Digital Development Fund.”

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