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Microsoft

July 17, 2019

Ms. Lisa Barton
Secretary
U.S. International Trade Commission
500 E. Street S.W.
Washington, D.C.

Re: Microsoft Pre-Hearing Statement on *U.S. Trade and Investment in Sub-Saharan Africa: Recent Trends and New Developments*

Dear Ms. Barton:

Please find below Microsoft's pre-hearing statement in connection with the U.S. International Trade Commission's Investigation No. 332-571. I look forward to delivering Microsoft's full statement at the hearing on July 24, 2019. If you have questions in the interim, please do not hesitate to contact me at mike.yeh@microsoft.com.

Sincerely,

Mike Yeh
Assistant General Counsel
Microsoft Corporation

United States International Trade Commission
Investigation No. 332-571

Microsoft Pre-Hearing Statement on

U.S. Trade and Investment in Sub-Saharan Africa: Recent Trends and New Developments

Presented by
Mike Yeh
Assistant General Counsel
Microsoft Corporation

Africa is a vibrant continent with tremendous potential. It is home to 10 of the fastest-growing cities in the world and six of the 10 fastest-growing economies. Spending by African consumers and businesses today totals over $4 trillion, which is expected to grow to $5.6 trillion by 2025. With the youngest population of any continent, Africans have been quick to embrace new technologies. Twelve percent of Africans already have mobile money accounts, compared to two percent globally, and by 2020, Africans will have nearly 500 million smartphones. However, Africa also faces great challenges. Over 50 percent of young people in Sub-Saharan Africa lack access to formal education, and only two percent of the labor force has IT skills. More than 60 percent of the population lacks access to electricity, and over 35 percent live in poverty. Millions lack access to health care and other basic services.

Digital technologies are helping Africa overcome these challenges. Already, new services powered by cloud computing are bringing the benefits of precision farming, online banking, and broadband internet access to millions of Africans. African firms are developing new ways to use cloud services to expand access to healthcare, education, and energy. According to a study from IDC, spending on public cloud services in South Africa will nearly triple over the next five years, and the adoption of cloud services will generate nearly 112,000 net-new jobs in South Africa by the end of 2022. The rapid growth of cloud-based solutions in Africa also demonstrates the important democratization effects of the cloud, enabling even small firms in remote areas of Africa to access the same powerful services available to leading firms in developed economies, and to bring innovative new offerings to all segments of African society.

Microsoft is fortunate to be playing a part in Africa's digital transformation. In the nearly three decades since we entered the African market, Microsoft has built strong partnerships with firms across the continent and focused our efforts on accelerating Africa's transformation to create a positive and sustainable societal impact. In March of this year, Microsoft launched its first enterprise-grade datacenters in Africa (in Cape Town and Johannesburg, South Africa), becoming the first global provider to deliver cloud services from datacenters located on the continent. By providing African firms with advanced technologies such as artificial intelligence and big data analytics, these datacenters will create new opportunities, help accelerate global investment, and improve access to online services across Africa.

For Africa to fully realize these opportunities, however, it is vital that Africans have strong IT skills. With 12 million young Africans entering the workforce each year, Africa could have a larger pool of IT talent by 2035 than the United States, China, and India combined. But reaching this goal will require sustained focus and investment in IT education and skills training. For its part, Microsoft launched its first Africa Development Centers (ADC) in Nairobi, Kenya and Lagos, Nigeria in May of this year, which will serve as centers of engineering development for the company. To achieve our goal of hiring 500 full-time engineers for the ADC by 2023, we are partnering with local universities to create a modern cloud teaching curriculum that is unique to Africa. The ADC builds on years of Microsoft's philanthropic investments in African education, including the Microsoft Imagine Academy, the Microsoft Education Transformation Framework, and more than 30 showcase schools across Africa.

Another challenge facing Africa's digital transformation is insufficient internet connectivity. Modern online services require access to reliable broadband, something that millions of Africans today lack, especially those living in rural areas. In an effort to address this challenge, Microsoft's Airband initiative partners with firms across Africa to use the unused portions of spectrum for television broadcasting (so-called "TV white spaces") to deliver high-speed internet access. For instance, African firm SunCulture is partnering with Microsoft and a TV white spaces partner to bring precision agriculture to Kenyan farmers. Combining Microsoft's AI tools and cloud services with SunCulture's solar-powered irrigation systems, the SunCulture's service is expected to increase farm yields by 300 percent. This is just one of 21 Airband pilots in nine countries across Africa, which we hope will bring internet-connected solutions to more than 13 million Africans over the next five years.

Although the private sector has been the primary driver of Africa's digital transformation, African governments also have important roles to play. In particular, sound digital policies and a stable, harmonized regulatory environment are critical to enabling African people and businesses realize the full potential of new technologies and to participate fully in the global digital economy. As the United States engages with African leaders on deepening bilateral trade and investment, we therefore encourage U.S. policymakers to focus on the following points:

- Freedom to transfer data across borders. Most innovative cloud services today are powered by the analysis of vast amounts of data, often from millions of devices located in many different countries. Firms across all sectors of the economy transfer data across borders every day, not just to support cutting-edge innovation but also for routine business functions. Firms in Africa likewise need the freedom to transfer and analyze data across borders. Unfortunately, certain African governments are proposing data localization mandates that would require firms to store certain types of data in-country or prohibit its transfer across borders. For instance, Nigeria, which is the second largest economy in Africa, still has certain data residency requirements in the public sector that threaten to cross over to other sectors. It requires local storage of data, prohibits the cross-border processing of data, and restricts transfers of data outside Nigeria. Measures such as these would deprive African consumers and businesses of access to valuable technologies and imperil Africa's ability to achieve its developmental and economic goals. We therefore urge the United States to encourage African governments, consistent with established U.S. trade policy, to commit not to prohibit or restrict the cross-border transfer of digital data.

- No customs duties on electronic commerce. The WTO moratorium on customs duties on electronic commerce, first adopted in 1998, has been critical to the growth of the digital economy, and to economic growth more broadly. It has prevented WTO Members from imposing tariffs (essentially, taxes) on all forms of e-commerce, including downloads of digital content and the provision of cloud and other online services. This has helped these industries to flourish and made digital goods and services available to millions of consumers on a cross-border basis, promoting a more truly integrated global digital economy. Recent efforts to renew the moratorium, however, have stalled, in part based on opposition from South Africa. If the moratorium expires and countries begin imposing customs duties on e-commerce, this could impose tremendous administrative and compliance costs on industry that far exceed the nominal value of the duties themselves. The real "cost" of such duties, however, will fall on consumers and businesses in developing economies like Africa, because they will force customers in these countries to pay more for access to digital content and services than users elsewhere pay, placing them at a competitive disadvantage. Consistent with established U.S. policy, we urge the United State to encourage African governments to support an extension (ideally permanent) to the WTO moratorium, and also to commit not to impose customs duties or other charges on e-commerce under national law.

- Regulatory harmonization and mutual recognition. Regulatory certainty and consistency are essential to the broad adoption of cloud services in Africa. Without such certainty, both suppliers and users of these services could face the daunting task of seeking to comply with dozens of varying and potentially conflicting rules across the African continent. Although a handful of African governments have adopted "cloud first" policies that seek to encourage the adoption of cloud services in the public and private sectors, the proliferation of rules affecting cloud services – from data protection to industry-specific cybersecurity rules, and the current lack of a coordinated and harmonized approach to these rules across Africa, could thwart these efforts and hold back the continent's digital transformation goals. To avoid these outcomes, African governments should seek to align laws and regulations affecting cloud services with international standards and best practices to the greatest extent possible. They should also extend mutual recognition to relevant certifications obtained either in another African jurisdiction, or in a trusted market such as the United States.

- Cybersecurity. Although cloud computing holds the potential to strengthen the security of data and IT systems, governments across Africa, like those elsewhere, are confronting increasingly sophisticated cybercriminals and a growing variety of threat actors, including state-sponsored cybercrime. Many African governments also have legitimate concerns that their existing laws and enforcement tools may not be adequate to combat these threats effectively. One key step that African governments should take to address these threats is to support the use of strong security and encryption tools by cloud service providers and their customers. African leaders should also support the principles set forth in the 2018 Paris Call for Trust and Security in Cyberspace, which commits signatories to protect the accessibility and integrity of the internet and to cooperate in fighting malicious online activity (only a handful of African nations are signatories today). Pan-African support for the Paris Call would promote regional integration and elevate the security of data and networks across the continent. African governments should

also promote information-sharing initiatives aimed at combatting cybercrime, both among governments and between governments and industry.

Digital technologies offer enormous benefits for businesses, farmers, people, and governments across Africa. Microsoft welcomes the International Trade Commission's investigation into U.S. trade and investment in Sub-Saharan Africa and encourages the Administration to work with U.S. industry to help Africa take full advantage of its digital transformation.