From a skewed standardization law in China to mercantilist digital services tax proposals in Europe, when countries impose protectionist policies in high-value, high-tech sectors, they don’t just damage competitors; they damage the entire global innovation system.

As they continue to compete in advanced technology industries, many countries are doubling down on digital protectionism and innovation mercantilism. While these forms of protectionism typically rely on behind-the-border regulations rather than tariffs to protect local firms, the objective and impact remain the same—either to replace foreign goods and services with local ones, or to unfairly promote exports, or both. These destructive “beggar-thy-neighbor” tactics often target the data, technologies, and services of high-tech firms involved in sectors such as Internet-based services, data analytics, and electronics.

Innovation mercantilist and digital protectionism measures do not just damage other economies and businesses; they damage the entire global innovation and trading system, leading to less overall innovation and productivity growth.

This sixth annual report documents what the Information Technology and Innovation Foundation (ITIF) views as the world’s worst innovation mercantilist practices proposed, drafted, or implemented in 2018. As some countries put in place more than one mercantilist policy, eight nations or regions make the list this year:
- **China**: Enacted a new standardization law that shuns international principles and best practices and could be used to favor local tech firms and their products.
- **China**: Enacted a new law which could potentially force firms to store data in China if it is related to privately funded, commercially focused research.
- **Europe**: Attempted to introduce a mercantilist digital services and digital profits tax that would have targeted U.S. tech firms almost exclusively.
- **Kenya**: Considered requiring forced local data storage for sensitive personal data as part of a draft data protection bill—which also included other mistaken policies, as Kenya blindly follows the European Union (EU) approach to data privacy.
- **India**: Enacted e-commerce regulations that specifically target and discriminate against foreign firms.
- **India**: Enacted unnecessary and discriminatory local data storage requirements for payment data.
- **Indonesia**: Enacted changes that allow it to enact tariffs on imports of digital products, such as downloads of movies, e-books, and software.
- **Italy**: Enacted rules to discriminate against video-on-demand streaming services to protect cinemas.
- **Saudi Arabia**: Enacted forced local data storage for various categories of data as part of its Cloud Computing Regulatory Framework.
- **Turkey**: Enacted forced local data storage for publicly listed firms.