Importance of submarine cables for the US economy: Executive summary

Since the modern internet was fully commercialized in the mid-1990s, the United States has built a strong position of leadership in the global technology sector, this wide lead in the technology sector has been a key contributor to US economic growth:

US companies account for ~75% of market capitalization in the global technology sector[1]

Value added by the 'digital economy' accounted for **~10% of US GDP in 2022[2]**

Digitally deliverable services accounted for **~60% of US services exports** and **~90% of the US trade surplus in services in 2024[3]**

Persistent delays in submarine cable permitting could contribute to an erosion of US tech leadership, and a potential reduction in cumulative GDP of **USD151–301 billion (at 2025 prices) in total between 2031 and 2035.**

US leadership in the global technology sector has been built on highly scalable business models that serve consumers and businesses worldwide, cutting-edge research and development (R&D), as well as a robust global infrastructure that supports the delivery of services worldwide.

Submarine cables are vital to the ability of US tech companies to compete globally, as they connect US data centers to the rest of world, to serve a global customer base. This remains crucial as the United States accounts for over 40% of global data-center capacity,[4] and the world faces an increasing explosion in demand for cloud and AI workloads served from those data centers.

Yet, these US firms are facing increased delays in obtaining permission to land new cables in the United States, as well as further uncertainty about whether planned cable landings would be approved at all.[5]

US companies have had to abandon parts or all of at least three projects (HKA, PLCN and BtoBE) at advanced stages of deployment due to long timelines before being refused relevant permits. The stranded cost of these projects is likely to **amount to between USD500 million and USD1 billion in total**

The leadership that US tech companies have built in digital services cannot be taken for granted, as AI and other emerging technologies provide opportunities for challengers across the world to capitalize on bureaucratic delays in submarine cable permitting.

[1] PitchBook (2025), *Private & Public Company Data - PitchBook;* Based on data from PitchBook as of October 16, 2025 on 578 companies with at least USD40 billion market capitalization, A quarter of the companies in the dataset are in technology-related sub-sectors and, of these, US companies account for approximately 75% of market capitalization. *Data has not been reviewed by PitchBook analysts.

[2] The last time these numbers were released; see US Bureau of Economic Analysis (2023), *SCB, U.S. Digital Economy: New and revised estimates, 2017–2022, December 2023.*

[3] US Bureau of Economic Analysis (2025), *BEA interactive data application.*

[4] International Energy Agency (2025), *Energy and AI*

[5] While submarine cable permitting delays have not prevented US companies from competing effectively for customers in international markets to date, persistent delays and uncertainty could compound rising challenges to US technology leadership.

If no improvements are made to the process for landing submarine cables in the US, tech companies active globally will need to mitigate or compensate for the impact of delays and uncertainty:

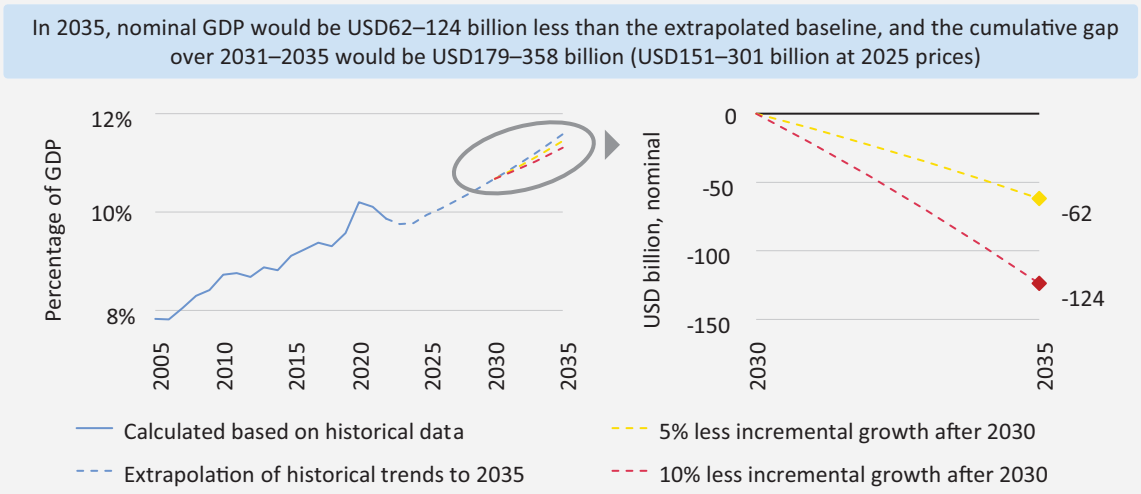
- Spending more on resilience to maintain service quality and reliability in international markets diverts potential resources away from competitiveness-boosting uses (e.g. cutting-edge R&D)
- US companies may need to spend more than competitors that are closer to customers in international markets; this disadvantage could put pressure on market shares in the long term
- The cost advantage of performing certain data-center workloads in the United States may decline, shifting the balance of efficient investment overseas, and resulting in a loss of economic benefits

Given growing global competition, ongoing delays in landing new submarine cables in the United States could contribute to an erosion of US technology leadership, and result in slower digitally driven growth.[6]

If, after 2030, incremental growth for the digital economy falls by just **5–10% per year,** nominal US GDP would be smaller by USD62–124 billion in 2035[7] (USD51–102 billion at 2025 prices[8]). Over the **period 2031–35, cumulative** reduction in GDP would reach **USD151–301 billion** (2025 prices).

Figure 1: Projections of value added by the digital economy as a percentage of nominal GDP, and annual reduction in nominal GDP in cases where erosion in US technology leadership reduces post-2030 incremental growth

[Source: Analysys Mason based on US Bureau of Economic Analysis,[9] 2025]



US policy makers should aim to make the process for approving submarine cable landings more predictable and efficient, reserving detailed focus on certain companies and foreign destinations, as economic security contributes to national security. This would give US technology companies more confidence to invest in new submarine cables and solidify the US position as a digital hub for the world in years to come.

[6] Although these effects may not be pronounced in the short term, even a small change in the trajectory of digitally-driven economic growth could mean billions of dollars in foregone US GDP in future. The US should maintain its wide lead in the global technology sector for the digital economy to continue accounting for a growing share of US GDP in line with historical trends.

[7] Representing 0.15–0.3% of nominal GDP in 2035, or roughly a quarter to half of what the US has historically spent, in percentage-of-GDP terms, on federally-funded R&D in recent years (~0.6% of GDP in 2022).

[8] Assuming an inflation rate of 2%, which is in line with the long-term inflation target set by the US Federal Reserve; see US Federal Reserve, *Economy at a glance – Inflation*

[9] US Bureau of Economic Analysis, *Digital economy* and US Bureau of Economic Analysis, *National income and product accounts*; historical percentage-of-GDP figures are calculated based on digital economy estimates from 'New and revised estimates, 2017–2022' for 2017 onwards and from 'New and revised statistics of the US digital economy, 2005–2021' for 2005–2016.