

## Preserving the Openness of the Global Digital Economy

### The issue

Like railways and shipping routes before them, data flows have become the blood vessels of the global economy. According to the McKinsey Global Institute, cross-border Internet traffic grew by a factor of 18 from 2005 to 2012.

This has brought enormous benefits to businesses, workers and consumers in Canada and around the world. Products such as music, books, video, news, education, software and even traditionally in-person services, such as accounting and legal work, are increasingly digitized and shipped around the world, lowering production and transportation costs. Cross-border data flows also support physical trade. Small businesses use e-commerce platforms to sell their wares to customers in new markets. Data analytics enhance the efficiency of supply chains and help businesses adapt to the needs of their customers. And the payments system to facilitate international transactions depends on the free and rapid movement of information between counterparties.

### The barriers

This engine of economic growth and prosperity is under increasing pressure as some governments seek to pass measures restricting cross-border data flows or requiring that businesses store their data on local servers. This “digital protectionism” increases costs, discourages investment and job creation, blocks access to services, stifles innovation and makes the local economy less competitive.

In some cases, these restrictions are part of broader attempts by certain governments to move the Internet from its current multi-stakeholder model to one controlled and regulated by national governments and inter-governmental organizations. The potential proliferation of censorship and red tape would have ramifications far beyond the business community: it could even harm the core values of Canada and other democracies around the world.

The spread of cyberspace has raised legitimate concerns related to privacy, security and law enforcement. But restrictions on data flows or localization requirements would do little to address these challenges. And they cannot be used as an excuse for heavy-handed or protectionist measures that would jeopardize the openness of the global digital economy.

### Recommendations

That the federal government:

1. Seek strong provisions in international trade agreements such as the Trans-Pacific Partnership and Trade in Services Agreement to promote and strengthen cross border data flows, including:
  - Enforceable rights to transfer, process and store data across borders in permitted business activities
  - Prohibition on requirements to use local computer servers or data centres
  - Regulations applying to cross-border data must be necessary to serve a public policy objective and not discriminate or be a disguised restriction on international trade
  - Avoid strict or diverging approaches to privacy or other regulatory standards
2. Work actively in international fora – including the United Nations, International Telecommunications Union and Internet Governance Forum – to protect the current multi-stakeholder governance of data flows and combat efforts by other states to put the Internet under government control.