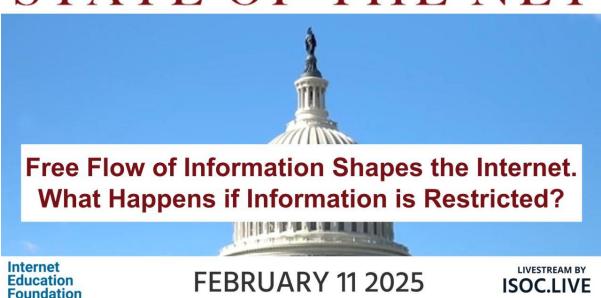
STATE OF THE NET



State of the Net - Feb 11 2025 - Lightning Talk #15

Free Flow of Information Shapes the Internet. What Happens if Information is Restricted?

Taylor Downs, ACT | The App Association

Taylor Downs opened the discussion by providing a broad overview of global trade, emphasizing the importance of digital trade in the modern economy:

• Global Trade Scale:

- The total trade in goods and services amounts to \$33 trillion annually, with \$8 trillion attributed to services.
- More than \$4.25 trillion of this is digitally delivered services, covering everything from online banking to e-commerce on platforms like Etsy and Facebook Marketplace.
- Digital trade is the fastest-growing sector, increasing 9% year-overyear, and the U.S. is both the top exporter and importer of digital services.

Key Pillars of Successful Digital Trade (According to ACT - The App Association)

Downs outlined four critical areas necessary to maintain the **free flow of information**:

1. Opposing Forced Source Code Transfers

 Some countries require foreign companies to hand over proprietary source code as a condition of market entry. This practice poses risks, including potential intellectual property theft, where governments may pass the code to local competitors, blocking U.S. businesses.

2. Protecting Cross-Border Data Flows

- Digital data must move freely between countries for businesses and industries such as **healthcare and clinical trials** to operate effectively.
- Restricting cross-border data flows could stifle innovation and economic growth.

3. Opposing Forced Data Localization Mandates

- Some governments require companies to store and process user data within national borders, creating compliance burdens, especially for small businesses.
- Example: If a small app company has a few users in Estonia, data localization laws would force them to set up costly local servers, leading to exponential costs in multiple markets.

4. Opposing Discriminatory Foreign Regulations

- Example: The European Digital Markets Act disproportionately targets
 U.S. tech giants, creating unfair competitive disadvantages.
- Other regulations that impose digital tariffs also threaten U.S. leadership in digital services.

The Digital Trade Superhighway Metaphor

• Current State (Smooth Digital Trade):

 When policies support cross-border data flows, oppose forced data localization, and prevent trade barriers, digital trade functions like an Autobahn—fast, efficient, and beneficial to all.

• Potential Future (Fragmented Digital Trade):

 If regulations become more restrictive, trade will resemble a trafficjammed highway, where only wealthy corporations can bypass barriers, while smaller companies struggle with regulatory costs.

Implications Under the Trump Administration

As the **Trump administration** shapes its trade policies, Downs identified **opportunities and risks**:

Opportunities:

- 1. Digital trade is a **big win for the U.S.**, benefiting companies and **boosting GDP**.
- 2. Supporting digital trade can **counter adversarial foreign policies**, enhancing **national security**.
- 3. Digital trade **opens new markets**, fostering **economic prosperity** aligning with Trump's emphasis on **winning**, **security**, **and economic strength**.

• Risks:

- 1. **Hard Power Focus:** The administration may prioritize **military and defense over trade diplomacy**.
- 2. **Isolationist Policies:** A preference for economic nationalism could **reduce trade agreements**.
- 3. **Disregard for Norms:** Existing digital trade frameworks could be **disrupted or deprioritized**.

Call to Action for Supporters of Free Digital Trade

Downs concluded by urging **stakeholders to take action** in three ways:

- 1. **Engage with Congress** to push for strong digital trade policies.
- 2. **Engage with the U.S. Trade Representative** once confirmed, to influence policy decisions.
- 3. **Be a storyteller**—use online platforms to share how digital trade impacts businesses and innovation.

Closing Remarks

Downs emphasized the **critical role of digital trade** in shaping the internet economy and encouraged **continued advocacy** to maintain the **free flow of information**.