

STATE OF THE NET

A photograph of the United States Capitol dome, showing the top of the dome and the statue on top, set against a clear blue sky. The image is used as a background for the title and subtitle.

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

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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-over-year**, 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 **traffic-jammed 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**.