Cross-Border Data Connectivity Matters for Everyone
A Statement from the Global Services Coalition
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For the global economy to function, not only do goods and services need to move across international borders, so does information. Especially now, with the world battling a global pandemic, it is critical to be able to move data quickly across borders. In fact, digital data is in constant movement round the world, powering many of the services that global users have come to take for granted.

Over the past couple of decades, digital transfers of information have become essential to every economic sector, including agriculture, manufacturing and services. They have also become a part of everyday life for consumers -- in the developing world as well as in advanced economies. Across the globe, data connectivity matters to health, economic growth and social well-being.

The benefits of data connectivity.

- **Public health**. Constant exchanges of information among researchers and scientists are critical for public health. Since the outbreak of the coronavirus, global scientific collaboration is thriving. Online platforms provide free access to the genome sequence for the virus, while inviting input[1] from researchers around the world. Even before the epidemic, scientists all around the world were already exchanging data on a daily basis through a separate international genetic database.[2] Now, researchers are leveraging artificial intelligence to predict and track COVID-19 and provide faster and more accurate testing.

- **Agriculture**. Farmers can now receive hyper-local weather forecasts generated through a global network that collects real-time data, helping them make more informed planting and harvesting decisions. In Africa, Asia and Southeast Asia, precision agriculture solutions that use data and AI are reducing dependence on pesticides and allowing for more efficient use of water. And data connectivity helps dairy farmers keep better tabs on the health of their livestock.

- **Manufacturing**. Manufacturers of jet engines, autos, farm equipment, electronics, and pharmaceuticals, just to name a few items, all rely on data flows -- from the software used in the manufacturing process to smart technologies embedded in the products themselves.

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[1] https://www.nlm.nih.gov/news/coronavirus_genbank.html
[2] http://www.insdc.org/

- **Remittances and financial transfers**. Mobile phone applications now allow for secure exchanges of data that let migrant workers send money back to their home countries[3] at low cost. These services have had an especially big impact in Africa and Asia, where local economies sometimes depend on income earned abroad.

- **Global financial services.** Global financial services provide deeper, more resilient capital markets, which lead to more sustainable growth. Cross-border data flows enabled by efficient technologies such as cloud computing reduce costs in financial services and support increased commerce, including through finance for trade in goods and services.

- **Global communications**. Low-cost or free messaging and video apps can help foreign workers and travelers stay in touch with families and friends.

- **Services trade and the export economy**. Information flows are now fundamental to international trade. To gain a competitive edge, exporters around the world rely on access[4] to express delivery, retail distribution, and financial and professional services, which in turn are based on real-time data updates. Cloud computing has allowed smaller firms to employ sophisticated IT solutions at low cost, including data storage, conferencing capabilities and big data analytics. Companies can now track international dispatches of goods using Internet of Things services, as items travel from factory to transport and delivery and finally, to end customers. Better inventory tracking reduces the potential for theft or waste.

- **Disaster resilience for small business**. After natural disasters, payment networks can use global transaction data to help governments identify which small businesses are open and operating. The movement of data securely across borders supports community rebuilding efforts by pointing consumers to local small businesses.

From micro-commerce to agriculture to health, these services all share something in common: They depend on constant, two-way transmissions of information. Putting travel restrictions on data stands to create serious disruptions.

Threat posed by data localization policies.

Despite the risk of such disruption, a number of governments continue to enact measures mandating that data collected within their territory stay within their borders. While some of these policies may be intended to address legitimate objectives such as privacy and consumer protection, erecting a wall of data sovereignty undermines rather than promotes these objectives. Bottling up data restricts consumer choice and makes it more expensive to provide digital services. Such measures may also lead to financial instability by creating economic fragmentation, and have the following disadvantages:

- **Lost GDP growth.** Shutting down two-way data flows obstructs access to important services. By reducing competition from outside vendors, data localization raises costs for all types of consumers – citizens, business and governments. This wastes limited resources and reduces

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[3] https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/03/GSMA_Understanding-the-impact-of-data-localisation.pdf
[4] https://ecipe.org/wp-content/uploads/2014/12/OCC32014__1.pdf

consumption, which in turn causes economic harm. One think tank study of seven jurisdictions ranging from China to the EU determined that such localization measures stand to reduce GDP up to 1.1% (i.e., around $950 billion).[5] One of the main reasons is that they force up the price of goods and services that are either produced using data or that rely on data for delivery.

- **Weakened cybersecurity.** Not only does data localization cause economic damage, requiring that data be stored in a given country also weakens cybersecurity. Cybersecurity experts seek access to the largest possible pool of data to detect anomalies that may indicate fraud or cyber breaches. Segmenting data makes it harder to assess security in the holistic manner needed to be most effective. And requiring business to add new, unnecessary data centers only multiplies the number of access points that hackers can target.

- **Less resilience to natural disasters.** Companies often deliberately choose to back up data in different geographies to diversify risk. The goal is to ensure that a natural disaster or power outage in one location won't compromise overall data security. Policy decisions that force all data to be kept in a given geography make it harder to mitigate such risks and end up undermining data safety.

- **Obstacles to international cooperation in law enforcement**. The same principle that applies to cybersecurity holds true for financial information. Generating a global picture of money flows can help authorities identify criminals that use multiple financial channels in different countries to avoid detection. For this reason, law enforcement agencies in different countries routinely share information in order to screen for evidence of crimes such as money laundering or terrorist financing.[6]   Rules that complicate information sharing make it more difficult to pinpoint potential threats.

- **Undermining of financial regulators' risk management practices**. Likewise, financial regulators around the world rely on cross-border regulatory and supervisory arrangements to monitor financial risks. Such practices were put in place after the 2008 global financial crisis to guard against such disasters in the future.

- **Negative impact on small and micro businesses**. Cloud-based services are a popular option for small businesses that would prefer not to purchase and maintain pricey computer hardware themselves. Flexible, affordable digital services allow MSMEs with limited resources to make better use of their funds. Policies that limit a company's access to the services of its choice stand to raise costs for MSMEs and hinder innovation.

In short, in a highly connected world, governments have an economic and social responsibility to ensure data connectivity. Policymakers might argue that "localizing data" is a straightforward solution that can provide them with greater control. But the real-life implications of disconnecting from global information flows are profound and damaging. There are likely to be unintended consequences for everything from law enforcement to economic growth.

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[5] https://ecipe.org/wp-content/uploads/2014/12/OCC32014__1.pdf
[6] https://home.treasury.gov/news/press-releases/sm900

Governments can help to safeguard data without shutting down vital information flows. Policymakers may employ a combination of international standards, industry best practices (such as security protocols and advanced encryption), and mutually agreed-upon ways to transfer information across borders.

At a time when everything from agriculture to public health depends on frequent exchanges of information, data connectivity has become an essential underpinning of modern life. If information flows are impeded, consumers, companies, governments and entire economies can no longer leverage the full benefits of the digital economy. And because access to information has become an essential enabler of international competitiveness, countries that limit two-way data flows risk falling behind their counterparts. In a global economy that increasingly depends on digital trade, such policies are self-evidently mistaken.

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About the Global Services Coalition. The GSC is an international network of trade associations that represent services companies based in Asia, Australia, the European Union and North America. The GSC speaks for the services sector in its members' respective countries on matters of international trade and investment. Services enable and support every economic sector from manufacturing to agriculture. Through digital technology, services promote economic growth, job creation and competitiveness.

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