

G7 Operationalizing Data Free Flow with Trust

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Digital sectors of the economy have become essential drivers of growth; however, we are rapidly reaching an inflection point where data localization requirements and fragmented standards for data and privacy may begin to break the on-demand services and real-time systems that consumers have come to expect and rely on. The April session of DataTalk explored the G7 Data Free Flow with Trust (DFFT) initiative proposed by Japan during its G7 presidency. The session covered key topics such as the impacts of protectionism and fragmentation of data flows on market growth, the delicate balancing of interoperability with consumer privacy, and the timeliness of the DFFT initiative in elevating these issues for industry and public action. This briefing note summarizes the discussion held on April 25, 2023, respecting that the forum is conducted under the Chatham House Rule and does not represent the official position of the IIF or its membership.

The value of data is increasing at a dramatic pace. Recent reports cite a 40% increase in data demand in the last 5 years, and data is expected to generate 70% of new economic value over the next decade. In this context, the ability to move data across borders is essential to servicing global markets – enabling innovation, value creation, and wealth. Cross-border data flows also permit consumers to access a broader range of services, leverage technologies such as AI and ML, support operational and infrastructure resilience, and support public goods, such as tracking criminal activity. When data flows, it is possible to deliver more to more people. In numbers, cross-border data flows already contribute \$2.8 trillion USD to the global economy and this number is expected to grow exponentially by 2025.

But the rising tide of protectionism threatens to hinder data potential. Regulatory barriers to data flows are increasing; they have reportedly doubled in the last 2 years. Trends toward more restrictive data regulations affect companies and customers alike, negatively impacting firm confidence and compliance and restricting customers' freedom of choice. Restrictive data localization and related constraints on digital trade don't just hit BigTech and FIs but rather have broad-based impacts on economic growth and choke technology-based opportunities for individuals, SMEs, and entrepreneurs. Larger FIs can bear the cost of navigating very different webs of regulations around the globe, but SMEs and other companies don't have the resources to do the same.

The balance between interoperability and data protection is delicate but necessary. Privacy and security concerns from the authorities and civil society are legitimate. But privacy and trust can be prioritized without sacrificing the flow of information. The industry is looking to new technologies, such as AI/ML and advanced forms of encryption, to name a few. While international bodies –such as the OECD and WTO– have also made strides, greater cooperation is needed to advance on the right path.

Solutions are taking shape. The [G7 proposal to operationalize DFFT](#) is timely with the private sector, academia, and civil society poised to engage with the public sector around the importance of the free flow of data and solutions to provide trust ([press coverage](#)). Engagement with authorities to steer data regulation toward interoperable and coordinated rules instead of harmonized regulation will be a key feature when operationalizing DFFT. More exploration of these topics can be found in our previous work including [Strategic Framework for Digital Economic Cooperation - A Path for Progress](#) .

We look forward to continuing the DataTalk series on Wednesday May 17 9:00pm Washington DC / Thursday May 18 9:00am Singapore where we will cover data security, protecting privacy and preventing misuse; how new technologies and techniques are advancing security solutions and what policy updates could improve the outcomes.