Task Force 4
Digital Transformation

Policy brief

A GLOBAL GOVERNANCE FRAMEWORK FOR DIGITAL TECHNOLOGIES

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ABSTRACT

In the face of the COVID-19 pandemic, digital platforms such as Google, Facebook, Twitter, Amazon, and Zoom have firmly entrenched themselves into the daily lives of many and provided core societal functions that have enabled people to work, shop, educate themselves and their children, run businesses, maintain social contact and to receive and disseminate information. At the same time, the pandemic has revealed the deep digital divide associated with these technologies, and also the many risks. An updated and comprehensive international governance architecture is urgently needed to address these risks. Bretton Woods was the Allies' answer to the financial and social shock of the emerging post-war period. A new Bretton Woods-style agreement is now necessary to enable the world to meet the promise of the new connected age. A modern reboot would provide an opportunity to create a similar institutional framework to manage the world's digital infrastructure as it recovers from the financial and societal impacts of the current pandemic. The G20 is the obvious body to implement this framework via the creation of a Digital Stability Board just as it did with the creation of the Financial Stability Board in the heart of the Great Financial Crisis.

CHALLENGE

In the face of the COVID-19 pandemic, digital platforms such as Google, Facebook, Twitter, Amazon, and Zoom have firmly entrenched themselves into the daily lives of many and provided core societal functions that have enabled people to work, shop, educate themselves and their children, run businesses, maintain social contact and to receive and disseminate information. At the same time, the pandemic has revealed the deep digital divide associated with these technologies (Fay 2020). It has also vividly revealed the risks related to hyper surveillance and privacy, cyber security, disinformation, public health, competition and monopoly power, the distribution of economic gains and even to democracy. Moreover, the advent of the Internet of Things, 5G and digital identities embodies systemic risk, through interconnectedness, along with potentially deep invasions into personal privacy, and can only amplify these risks. The pandemic did not create all of these functions and risks for they pre-exist it; but the pandemic has accentuated their importance in manifold ways.

Current governance arrangements over these and other digital technologies are incoherent and fragmented nationally and internationally – where they even exist. Against this complicated background, there are vast and powerful vested corporate, national and geo-strategic interests at play in the digital realm (Aaronson and Leblond 2018).

The US digital sphere is focused on the private sector and its de facto national champions, such as Facebook and Google. The US enshrines in its trade agreements open data flows (no localisation except in limited circumstances) that direct data back to American firms, which further re-enforces their market power and economies of scale and scope. It also includes safe harbour provisions for the content of its social media platforms, making it exceedingly difficult to regulate content. Further, the US generally lets the platforms set their own terms and enforcement.

The EU digital sphere does not have national champions and instead focusses on strategic regulations to rein in the market power of platforms and to promote individual rights through its General Data Protection Regulation (GDPR). It is focused on the privacy of personal data and has created an extensive legal framework for its protection. Any company that operates and uses EU personal data must abide by the GDPR or have an equivalent framework in place as assessed by the EU.

China and its great firewall form another digital sphere with full data localisation and a massive database of its citizens that can be (and has been) used for public action (such as fighting the pandemic and more controversially in the Xinjiang region) – and also to create national champions. China is also determined to become a leading standard-setter that allows it to imbed its technology and disseminate its values globally.

Most of the global population falls outside these spheres, but is powerfully affected by the decisions in those spheres. Moreover, many countries are forced to choose which sphere to follow with little or no voice or influence on those decisions.

The content carried on social media platforms and their taxation are examples of where global governance arrangements have badly lagged the speed with which digital technologies are advancing. Instead we have a patchwork of domestic or regional regulations which are inadequate if they exist at all.

Bretton Woods was the Allies' answer to the financial and social shock of the emerging post-war period. As argued by Medhora and Owen (2020) a new Bretton Woods-style agreement is now necessary to enable the world to meet the promise of the new connected age: "When world leaders came together in Bretton Woods, New Hampshire, in 1944, they laid the foundation for a model of global governance that would last for more than 70 years. To manage the far-reaching implications of digital technology and hyper-globalisation, we must now pick up where they left off." A modern reboot would provide an opportunity to create a similar institutional framework to manage the world's hard and soft digital infrastructure as it recovers from the social and economic impacts of the current pandemic.

The challenge is how to do so. There are similarities with an earlier such episode, with the rise of global banks and insurers starting in the 1990s that were lightly and ineffectively regulated and which ultimately contributed to the Great Financial Crisis. In response, the G20 exercised its leadership and created the Financial Stability Board (FSB). It now must exercise the same leadership and create a Digital Stability Board (DSB) (Fay 2019). Its creation would be a testament to the importance of reforming the governance of digital technologies.

PROPOSAL

The current situation is reminiscent of the rapid development of financial services globally in the 1990s and 2000s. Fuelled by light-touch regulation, and in no small measure by hubris and the desire to follow their own self-determined rules, banks and insurers grew in size and power, leading to some exceptionally large global banks and insurers. In many instances, this expansion was encouraged by the prevailing notion that the financial system was a global public good, creating new financial services for new customers with greater efficiency, via financial wizardry that turned out to be opaque in terms of macroeconomic effects, risks and consequences. The view then was that self-interest and reputation would constrain bad behaviour. They did not. At that time, there was an international body tasked with assessing financial stability risks – the Financial Stability Forum (FSF). It was essentially a "talk shop" with little teeth to its assessments and recommendations and a limited membership. Importantly, there was no compulsion for countries to act upon its recommendations.

Today's situation with the social media platform giants is similar. They are global behemoths that are transnational in nature, follow their own rules and codes of conduct and whose operations are opaque. Meanwhile, there is little coordinated nor in depth international discussion and assessment of the risks arising from their operations where the destructive power to ignite violence, disrupt elections, and increasingly surveil all aspects of private lives have challenged the benefits provided by the underlying technologies.

They have become systemic operators with little oversight.

In the heart of the financial crisis, the G20 took action and created the Financial Stability Board from the FSF with a broadened mandate to promote reform of international financial regulation and supervision following the lapses in governance that contributed to the Great Financial Crisis. Relative to its predecessor, the FSB was given a stronger institutional structure with a Chairperson, a Steering Committee, and a Plenary along with a full-time Secretary General and an enlarged Secretariat based in Basel to support the FSB (FSF, 2009).

The FSB is not treaty based yet has managed, and delivered, the vast global financial regulatory reform process. And it did so against powerful vested interests at the firm, national and regional levels.

The FSB's success derives from both its institutional structure and from its transparent multi-stakeholder participatory international forums that include policy makers, regulators, standard setting bodies and civil society. Its overall objectives are set by G20 Leaders and it must report back to the G20 on progress against those objectives. In a similar fashion, the DSB would also be a multi stakeholder forum with a remit to create global governance for big data, artificial intelligence (AI) and the digital platforms, while allowing national variation to reflect different values and cultures (Fay, 2021 forthcoming). It would shape global standards, regulations, and policies across the platform economy; advise on best practices, as well as insights about the regulatory and policy actions needed to address risks and vulnerabilities in a timely manner.

More specifically a Plenary body would meet annually (perhaps more often during the setup phase) to set objectives, prioritise and oversee work of the DSB and set outcomes that are to be achieved. Indeed, a key feature would be a focus on concrete outcomes. Each Plenary meeting would include discussions with standard-setting bodies, governments and policy makers, regulators, civil society and the platforms themselves that would form the relevant working groups with clear mandates to report back to the Plenary and ultimately to the G20. More specifically, the broad objectives and structure for the DSB would be the following:

1. **Coordinate the development of international governance in standards, regulations, principles and policies across the big data value chain.** It would focus on coordinated international governance of the big data and AI value chain, including areas such as privacy, ethics, data quality, interoperability, algorithmic accountability; social media content, including fake news and mis/dis information; competition policy; and electoral integrity.

2. **Monitor implementation of principles, standards and policies.** This monitoring could take place in the context of joint work with other organisations: it could feed into OECD peer reviews, IMF and WB country assessments and the WTO as it works on global digital trade rules. The social media platforms themselves would also be peer reviewed to see how they meet rules and regulations.

3. **Assess vulnerabilities and risks arising in the digital economy, where international coordination is required.** The digital economy is very dynamic, and the global digital ecosystem is evolving rapidly. Further, regulations will change it – in intended and likely unintended ways – and it will be important to assess their impact, and the regulatory and policy actions needed to address any vulnerabilities or gaps on a timely basis. Importantly, to do the vulnerabilities assessments will require access to platform data and algorithms. Although this would likely be vigilantly opposed by the platforms, in principle giving access to regulators in these areas is no different than what has been done in financial regulatory reform (or indeed in other areas such as the regulation of pharmaceuticals).

4. **Innovate digital governance.** Regulatory sandboxes have been widely used in the financial sector and could be used to assess risk around new regulation and governance models and help to promote participatory governance innovations.

5. **Ensure that this work feeds into other organisations.** The DSB would disseminate best practices that could be implemented at the national level, and also ensure that relevant bodies and civil society are part of the DSB discussions. It could also inform national level efforts particularly in countries and regions where capacity may be limited. And it would ensure coordination with other organisations involved in this area.

One might imagine its flagship public product being an authoritative annual publication on opportunities and risks in the digital sphere, not unlike similar reports from the Bank for International Settlements or the International Monetary Fund.

THE DIGITAL STABILITY BOARD CAN START WITH THE COORDINATION OF STANDARD SETTING

Concretely, the DSB could begin its work by coordinating standard setting for digital technologies. Given that laws and regulations typically lag technology, standards and soft law can help to fill the gap and indeed, standards tend to get imbedded in regulations at a later point in time and referred to in international treaties.

Standards are required to define control/ownership, portability, sharing, removal, tracking, cyber, encryption/anonymisation, access, use, quality, storage, security, and so on. There are specific issues related to algorithms, including ethical use and bias, tagging, explainability, interoperability, safety, risk and others. The last part of that value chain is the digital platforms that use the algorithms and there is a wide range of ground where specific standards are required, for example content dissemination, competition, privacy, interoperability, transparency and so on.

There are many initiatives and bodies involved in this work already, but they are not coordinated. These include OCEANIS – *The Open Community for Ethics in Autonomous and Intelligent Systems* – which is a global forum to discuss and collaborate on the development and use of standards in autonomous and intelligent systems. The International Telecommunications Union (ITU) has its *Global Symposium for Regulators* that examines issues related to the ICT sector, and is actively involved in standard setting for facial recognition while the IEEE has launched the *Global Initiative on Ethics of Autonomous and Intelligent Systems* (The IEEE Global Initiative). The ISO/IEC under the aegis of the *Joint Technical Committee Number 1* (JTC1) sets ICT standards for business and consumer applications and includes those related to big data, privacy, AI, internet of things and smart cities. Domestic standard setting bodies would also be drawn in as required.

Girard (2020) argues that like the advent of the internet led to the creation of the Internet Engineering Task Force, standard setting for the digital realm will require the creation of a new body, working groups and permanent funding to carry out its tasks. Consistent with this notion, the DSB could initially create a *Digital Standards Working Group* with a mandate to set internationally harmonised technical and governance standards for the data value chains.

WHY A NEW INSTITUTION?

To move this important governance framework initiative forward requires the formation of a new institution. The current Bretton Woods institutions have their hands full; moreover, they do not singly or collectively span the range of issues the digital era has spawned. Allowing existing institutions to formulate the governance reforms would leave the process piece-meal – its current state. As with financial regulatory reform, undertaking reform in the digital sphere requires creating a new institution and would also both signal and acknowledge the importance of setting global standards and policies for big data, AI and the platforms.

The stage is already set for the G20 to move forward with an organisation like the DSB. Recognising the key role that data now plays in the global economy, as well as the importance of trust to underpin the uses of data, the Japanese Presidency made "data free flow with trust" a theme that continues under the current G20 Italian Presidency. The G20 has promoted "International co-operation for trustworthy AI" that includes among other things "the development of multi-stakeholder, consensus-driven global technical standards for interoperable and trustworthy AI". The G20 has also pushed for a comprehensive global digital taxation regime currently under discussion at the OECD (OECD 2021). The G20 can now centralise these efforts and other efforts under a DSB to create coherent and comprehensive reforms.

CONCLUSION

The Digital Stability Board is a starting point to harmonise and advance governance of digital technologies. There is resistance to new forms of regulation and ways of doing business in the technology platform space, just as the creation of the FSB and the implementation of the regulatory reforms drew opposition. But reform efforts are essential to achieve the full benefits of digital technologies.

The G20 is the ideal body to champion the creation of a new institution. The G20 was created to bring in more voices to global governance discussions. The G20 includes discussion on forward-looking and “knotty” issues that straddle existing structures and processes. The G20 has experience in mandating a new organisation and setting its priorities. The G20 has a goal to build digital trust. The G20 can now create a new institution to build this trust.

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