

## Unleashing the benefits of free flow of data

Free flow of data creates opportunities to deliver new services. At the same time greater freedom of data flows needs to be balanced against the provision of adequate data privacy, security and protection. Telenor is committed to support policy makers in securing frameworks that balance these objectives and drive economic growth and innovation.

*Data has always been a key building block of everything from planning new municipal services to tracking population demographics. Its role has become even more important over the past five years with the rapid expansion of wireless Internet and the ubiquitous adoption of smartphones and mobile technology.*

*Today, data is at the core of the global digital economy and new businesses and business models have emerged to help organisations store, organize, transport, analyse, encrypt, protect and make sense of data. And there is a lot of it, 2.5 quintillion bytes of data generated every day, most of it by the Internet.<sup>1</sup> The sum universe of data is expected to double in size every two years, and cross 100 zettabytes, or 100 trillion gigabytes, annually by 2025. By 2020, the global big data market alone will reach US\$122B in revenue.<sup>2</sup>*

*This is what the EMC and IDC have termed “the expanding universe of business opportunities”<sup>3</sup>, but have stated that these opportunities will only materialise if the flow of data across national borders remains free and unrestricted. As a leading telecommunications operator and global digital services provider, Telenor Group believes keeping the flow of data free and unrestricted is critical to creating new opportunities in the digital age.*

*In the following, we first explain why free flow of data is of key importance, then the challenges to making free flow of data a reality, and third why ensuring free flow of data is a benefit to public and private sector, as well as consumers, and finally the way forward.*

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### Importance of free flow of data

Put simply, data is the lifeblood of the global economy. Data is both the genesis and the backbone of the “Internet of Things” (IoT) which is built on the movement of constant, real-time information, often across boundaries and borders. Indeed, cross-border data transfers and information flow are critical to many other technologies driving business and economic growth, from cloud computing and machine-to-machine (M2M) communication, to internet-based messaging applications.

Fully half of all global trade in services now depend on access to cross-border data flows.<sup>4</sup> M2M connections alone are forecasted to reach 1 billion by 2020, representing 10% of all mobile

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<sup>1</sup> How 10 industries are using big data to win big, July 2016, IBM.

<sup>2</sup> World’s Top Global Mega Trends To 2025 and Implications to Business, Society and Cultures, May 2014, Frost & Sullivan

<sup>3</sup> The Digital Universe of Opportunities, April 2014, EMC and IDC

<sup>4</sup> Data a Key Driver of Transatlantic Economic Growth, July 2015, Innovation Files

connections.<sup>5</sup> Additionally, the GSMA predicts that the number of connected things will increase more than threefold worldwide between 2017 and 2025, reaching 25 billion.<sup>6</sup>

The free flow of data benefits not only companies in the technology and digital sectors but also those in traditional industries such as banking, retail and healthcare and the growing e-commerce sector. In fact, almost all industries depend on the ability to move data across borders or analyse it in real-time as a fundamental enabler of their supply chains, operations, value propositions, and business models.<sup>7</sup>

51 percent of US firms which operated under the U.S.-EU Safe Harbour Agreement did so in order to process data on European employees<sup>8</sup>, while about 75 percent of the value added by data flows on the Internet accrues to “traditional” industries, especially via increases in global growth.<sup>9</sup> The trend is all the more important for developing economies, whose industrial bases are more heavily reliant on traditional industries. In countries such as Bangladesh and India which have huge agriculture sectors, farmers depend on the mobile Internet to receive real-time data on everything from the latest market prices to weather forecasts, and also connect with local and foreign customers.

At the same time, digital platforms change the economics of doing business across borders, bringing down the cost of international interactions and transactions. They create markets and user communities with global scale, providing companies, especially micro and small businesses, with a huge base of potential customers and effective ways to reach them. Such businesses worldwide are becoming “micromultinationals” by using digital platforms to connect with customers and suppliers in other countries.

McKinsey Global Institute estimates that almost one-quarter, or 22 percent, of global economic output can be attributed directly to the digital economy.<sup>10</sup> It also predicts that the application of digital technologies – such as cloud computing, data analytics, and IoT will increase global GDP by \$2 trillion by 2020.<sup>11</sup>

## Challenges to free flow of data

As the Internet continues to evolve, however, so do barriers to digital data flows. Many countries around the world are engaging in forms of protectionism to restrict the flow of data across borders, with the most common being regulations to keep data localised and within the country of origin only. Some are implementing policies such as data-residency requirements to buffer domestic technology providers from international competition, while others cite data privacy as a key issue falsely believing that geographical location brings data security. Some dismiss data protectionism as a narrow issue affecting only the technology sector; however, its impact is actually far greater. This is because in today’s interconnected global economy, it is common for businesses to process data from customers, suppliers, and employees outside the company’s home country and access IT systems remotely. Data protectionism makes such data processing much more difficult, or even impossible, and may prevent utilisation of cross-border services such as cloud solutions. Consequently, while countries may sometimes feel that they protect their own citizens and local industry, they may be shielding them from the benefits of global digital economy.

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<sup>5</sup> The Mobile Economy 2016, GSMA

<sup>6</sup> The Mobile Economy 2018, GSMA

<sup>7</sup> International Data Flows – Promoting Digital Trade in 21<sup>st</sup> Century, November 2015, ITIF

<sup>8</sup> International Data Flows – Promoting Digital Trade in 21<sup>st</sup> Century, November 2015, ITIF

<sup>9</sup> Internet matters: The Net’s sweeping impact on growth, jobs, and prosperity, May 2011, McKinsey Global Institute

<sup>10</sup> Digital Globalization: The New Era of Global Flows, March 2016, McKinsey Global Institute

<sup>11</sup> Digital Globalization: The New Era of Global Flows, March 2016, McKinsey Global Institute

Restricting cross-border data flows could have serious implications. The European Centre for International Political Economy (ECIPE) estimated that the negative impact on EU GDP would be between 0.8 percent and 1.3 percent if cross-border data flows were seriously disrupted.<sup>12</sup> The same ECIPE report also showed that the negative economic impact of proposed or enacted cross-border data flow restrictions would be substantial in a number of other nations, including Brazil, China, India, Indonesia, South Korea, and Vietnam.

## Benefit of free flow data

Free-flowing data allows the dissemination of knowledge, and the collaboration of individuals, businesses and governments with one another, regardless of geographic boundaries. In fact, companies of all types and sizes are sharing in the benefits of data-driven innovation, with 60 percent of U.S. and European businesses with fifty or fewer employees indicating that data analytics are important for their business.<sup>13</sup>

Executives in almost 100 countries have also reported increases in the perceived impact of ICT on business-model innovation compared with 2015 in the World Economic Forum's Global Information Technology Report 2016. The report looks at the impact of a different type of innovation, increasingly based on digital technologies, and on the related new business models, and how these could become an important part of the innovation story. The report concludes that it is the ability to transfer data across borders that is optimising business operations and allowing companies to reimagine their approach. By permitting the free flow of data, Telenor and its customers can contribute to the creation of innovation and innovative business models across its footprint.

The free flow of data is also an essential catalyst for growth and innovation. All the start-ups discovered through incubator programs operated by Telenor across its markets rely on data as the foundation to power their innovative technologies and applications. According to Frost & Sullivan's 2025 mega trends forecast, data underpins the future. 9 out of 10 of the major transformational shifts it has identified depend heavily on data, from personal robotics to connected living which has the highest growth potential. It also estimates that smart cities, which depend on an intricate framework of data sources, are also set to create huge business opportunities with a market value of US\$1.5 trillion by 2020.

The benefits of an Internet Economy can only be properly captured and maximised if the approach and policy framework is coordinated from the top so that it cuts across and enable all sectors. Thus it is important for government and policy makers to take the lead role by introducing and adopting policies relating to cross-border data flows that shall sustain the societal and economic benefits of data flows over global networks, and the objectives around privacy and national security.

Sharing data across national borders allows business to communicate with remote sites, suppliers, workers, and customers, thereby enhancing productivity and reducing environmental footprints. It allows governments to better deliver services to their citizens, bringing down the cost of services and growing inter intra trade by enabling technologies and innovation. Finally it also lets individuals benefit from these innovations and participate in the global economy in previously impossible ways.

Placing overbroad restrictions on data flow risk forfeiting the economic benefits associated with increased connectivity and the ability to put data to work, thus potentially isolating a nation's economy -- and their citizens -- from the global marketplace. In our view, governments

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<sup>12</sup> The Costs of Data Localization: Friendly Fire on Economic Recovery, March 2014, Matthias Bauer

contemplating regulations, legislation, or trade agreements affecting data flow should act with the following principle in mind: *“facilitate the emergence of more equivalent regulatory and policy frameworks that are attractive to investment, talent and participation in an internet economy that is safe and trusted”*.

## The way forward

All of these elements support the case for governments, businesses and organisations to collaborate and support the free flow of data that will create opportunities to deliver new services and innovations. During that collaboration it would also be important to address legitimate concerns about data privacy and security (both in the dimension of the individual, as well as in the bigger national interest), instead of focusing on data protectionism.

Many countries have enacted or are considering limitations on what kind of data can be transmitted across borders; this may include requirements that companies use servers physically located within their borders to process and store data generated there. Countries cannot afford to shut themselves off from global flows, given the value at stake in raising productivity and long-term GDP growth. However, at the same time, they need to protect the privacy of their citizens and the security of the country.

Governments need to set policies that achieve both the societal and economic benefits of data flows over global networks and achieve objectives around privacy and national security. The EU-U.S. Privacy Shield (EUPS) is an example of legislation that puts in place data security measures without curtailing the benefits of data flows. The European Commission also has a strong focus on eliminating barriers to online cross-border trade within the European single market. The Commission believes that the value of European citizens' personal data has the potential to grow to nearly €1 trillion annually by 2020, and that by strengthening Europe's high standards of data protection, lawmakers are creating business opportunities.

Many businesses see an economic case for keeping data local. This includes greater transparency by providing to the customer information about the region and country where their data is stored and processed by the company or its sub-contractors.

Telenor is committed to cooperating with supporting all global stakeholders to achieve this objective as part of our strategy to connect our customers to what matters most, always striving to empower societies. Our customers want greater control over their digital lives and an open, private and safe digital experience. In turn, customer confidence and trust are critical to support a thriving Digital Economy.

Telenor and our peers in the telecoms industry can step up and work with governments and partners to protect and respect consumers' data privacy and enable them to make informed choices about what data is collected and how their personal data is used. Together, we can and will play an important role in helping to establish a sound and transparent regulatory framework for the governance of data collection and processing without hindering the potential of data flows. Only then will the free flow of data and the Internet continue to serve as a driver for innovation, economic growth and social development for the wider society.