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# The Dynamics and Direction of Global Digital Governance

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1. Global governance in all spheres is evolving with many challenges in terms of achieving a common goal through international institutions. Digital governance is in its infancy and to date has had a technical, US centric focus. Many, if not most, nations are now actively strengthening governance, with issues of economics, national security and values to the fore, alongside technical considerations. This geopolitical context is the

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It has followed its GDPR law<sup>7</sup> on data protection with a new proposed framework for A

To understand the role for global digital governance, it is helpful to explore the rationale and forms of global governance more broadly. In





Acceptance of one dominant perspective  
(which may be a performative acceptance  
that effectively ignores what has been  
agreed);

- 3) And that, where there are several competing approaches ('alliances', 'spheres of influence', 'regional blocs'?), the issue then arises as to how such competition is managed (if at all) and how are overlaps and disputes

Against this backdrop, leaders around the world face the task of shaping global digital governance. To date, digital governance can be described as, at best, nascent – and, where it exists, technically focused and US centric. The future certainly promises much more extensive governance at national level, with less certainty about the global dimension. This governance will need to go far beyond technical aspects to address issues of economics, security, and values. Now is the time for the substantial investment of policy makers.



The benefits of maintaining uniform global standards based on technical criteria are significant on both the supply and demand side. On the supply side, such global standards provide a focal point for continued innovation and improvement. Manufacturers can focus productivity efforts on a single platform, driving costs down while avoiding the compir<sup>iu</sup>

all countries,<sup>29</sup> yet the debate on privacy and the appropriate role of government will differ between countries. A single global standard that secures support is unlikely.

**the hidden reasons for the energy transition in Europe and the US**

More fundamental is the architecture and associated

for “protecting US centrality in subsea networks”.<sup>40</sup> While the main cause of faults in subsea cables are shipping and fishing activities, there have been cases of cables being cut. In 2008, such cuts limited the US’s ability to conduct drone flights in Iraq.<sup>41</sup> In an era of

increased geopolitical competition and tensions, all countries will have interests in the resilience and security of these cables. National measures will be a part of this but finding governance mechanisms to address concerns and limit duplicate investment in cables has great merit.

It is in the area of trade and investment rather than standards that China's technological rise has had the greatest policy impact to date. Interventionist industrial policy and the creation of national champions are back on the agenda in the West. This follows a period of market based liberalization of trade and industrial policy, with decisions made on an essentially commercial basis. [Larhi](#) [t](#)

the future development of military and defence capabilities. Developing superior offensive and defensive capabilities is a critical element of national security. This reinforces the desire to have proprietary capabilities and limit foreign acquisitions. Former Google CEO, Eric Schmidt, chaired the National Security Commission on Artificial Intelligence in the US.<sup>45</sup> The final report presented an “integrated national strategy to reorganise the government, reorient the nation and rally our closest allies to defend and compete in the coming era of AI accelerated competition and conflict.” This framing is not so different to that of a Chinese government announcement.

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This all creates an environment of increasing protectionism and an unravelling or reshaping of the global and regional value chains that have provided economic benefits and proven to be resilient. It makes new global agre



The challenge remains of transatlantic agreement between the US and EU, which have developed their own independent anti-trust regimes as well as markedly different approaches to data protection. The G7 and US-EU initiatives again highlight the mutual desire to reach agreement but agreeing specific measures may prove tougher. With the new Biden administration, there has been sudden and significant progress in the area of digital taxation as part of the US-led initiative on global corporate taxation.<sup>50</sup> The focus on first reaching agreement within the G7 countries has led to progress, but left many countries dissatisfied that the solution does not provide them with a fair share of tax revenue. Other discussions continue about an OECD level approach and a UN-led initiative.<sup>51</sup>

One analogy for the role of global governance is the development of international financial regulation after the 2008 financial crisis. While the crisis reinforced the critical role of national level regulation in the financial sector, it also led to the creation of the Financial Stability Board (FSB)<sup>52</sup> at a global level. Established by the G20, it therefore included a much broader range of economies than the G7, including China.

The FSB organizes its work around three Standing Committees: those on the Assessment of Vulnerabilities; on Supervisory and Regulatory Cooperation; and on Standards Implementation. Additionally, the FSB has led work identifying those financial institutions that are systemically important and pose particular risks. These are the G-SIFIs, global systemically important financial institutions and G-SIBs (banks).<sup>53</sup> As of November 2020, there were 30 G-SIBs, notably including US, Chinese, European and Japanese institutions.<sup>54</sup> The Basel Committee on Banking Supervision (BCBS) also continues to play an important role as 'the major global standard setter for the prudential regulation of banks',<sup>55</sup> covering 28 jurisdictions, again including the US and China.

Analogous structures in the internet arena may provide a mechanism both for international coordination on managing the impact of Big Tech companies (e.g. anti-trust, use of information, compliance, moderation of social media debate) and of the resilience of the internet itself. The G-SIB concept provides a precedent for identifying critical institutions at a global level and determining what risks then need to be managed.

Trade agreements have always concentrated more on trade in goods than services. They need upgrading and adapting to take account of the digital economy, data flows and services. In part, this simply reflects the need for trade agreements to catch up with innovation. However, data protectionism is also on the rise, driven again by concerns of economics, security and values. These concerns will shape the potential role for international agreements and governance. Solutions will require granularity about exactly what 'data' means in each situation.

'Data' is seen increasingly as a source of economic competitive advantage. When comparing the US and China in the field of AI, China is often judged to have an advantage based on the sheer scale of data generated by its 1.4 billion population. The issue is more complicated: Ma Sheehan of the Paulson Institute identifies five key dimensions for a deeper comparison of relative competitive positions in data.<sup>56</sup> But, in the context of increasing economic nationalism, the topic of 'data exports' hits an economic nerve.

There is a similar argument in terms of security. Once data has moved to another country, there is a suspicion that governments may then use it for other purposes. At a time of mutual mistrust, the conceptual potential for misuse is enough to justify action. Di he e

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With increasing geopolitical competition, it will be difficult to secure global agreement on rules of the game that support digital trade and data flows. WTO efforts to progress trade talks had already faltered on simpler matters and before the US-China trade tensions. While a single global effort to resolve these questions would be desirable, prospects for immediate progress appear limited.

As in other trade discussions, groupings of like-minded countries, often regionally, are better positioned to reach agreement. Recently, it is Asia-Pacific that has made the most progress, including on questions of digital trade. The region is now home to two new trade agreements, CPTTP<sup>60</sup> and RCEP.<sup>61</sup> In simple terms, RCEP is a looser arrangement, requiring less opening and granting more discretion in the application of agreed rules. Each has a digital chapter,

Yet a unified global approach appears highly unlikely. Societal norms vary widely. In cases of national security, countries will retain the right to use such technology – but will differ on what constitutes ‘national security’. Additionally, as with data privacy, countries will reach different views on the balance of regulation between encouraging business led AI innovation and protecting consumer rights. Such differences

lead then to the same questions of cross border flows: what happens when data is sent to an algorithm in another jurisdiction with the result sent back? Or what inspections need to take place to allow the ‘import’ of an algorithm? There will still be a need and great value in agreeing rules by which such ‘trade’ can happen.

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and maintained stability through periods of great tension. SALT and START arms control negotiations addressed the specifics of offensive and defensive missile capability in, at times, arcane detail.

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China, the US and the EU account for only 28% of the world's population. 44% of the world's population lives in Asia, 17% in Europe, 14% in Africa, 10% in Latin America and the Caribbean, and 7% in Oceania.







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