

Future of Institutions

DIALOGUE SUMMARY

Title/topic:

Diagnosing the international governance issues created by the data-driven economy: do we need new international institutions or new mandates for those institutions?

Organizer:

Centre for International Governance Innovation (CIGI)

Key takeaways:

The data-driven economy (DDE) continues to drive significant international governance challenges. Multilateral institutions lack the necessary frameworks to address pain points and gaps, as they were designed to administer a rules-based system premised on a mature industrial economy in which vigorous global competition largely eradicated economic rents and resulted in broadly stable labor and capital shares of income. By contrast, the DDE features powerful economies of scale and scope, network externalities in many key sectors (especially the “platform” sectors), and a pervasive information asymmetry. These combine to induce market failure and strategic competition that undermine compliance with rules, and a rising capital share of income that creates social reactions against the global economic order and a rise in domestic populism. Furthermore, from a regulatory and policy-making perspective, these characteristics make it difficult to create coherent governance — nationally and internationally — which is further compounded by the horizontal nature of the issues that go beyond trade, and include implications for industrial competitiveness, privacy, public safety, national security, and even national sovereignty. Institutions, as a result, need to be significantly updated or even replaced.

Today’s challenges are compounded by the largely laissez-faire, self-governance approach that has dominated institutional approaches for the last decade. As Dialogue participants noted, the biggest risks come not from managing existing challenges, but from technological changes (e.g., artificial intelligence), the governance implications of which have yet to be fully considered let alone understood. Any solutions need to be future focused to ensure that we reap the benefits of these technological changes.

Moreover, today’s challenges are very different from those that existed when the Bretton Woods institutions were founded. Solutions will require institutions to address the cross-cutting nature of the DDE and build towards a more inclusive approach that recognizes the value and impact of data beyond pure economics.

Distrust among institutions, governments, and companies involved in the DDE undermines the effectiveness of current institutions. Indeed, current DDE governance challenges are leading to a rise in monopoly power and a “democracy deficit” that need further discussion and investigation. Dialogue participants noted the importance of building trust, which necessitates international standards and assurance measures with which to gauge the effects and impacts of data monetization and exploitation. Institutions must also consistently consult and include civil society

and Global South voices in their design and implementation.

There are many proposals and initiatives underway in various jurisdictions, but there is a need to standardize and/or coherently manage these systems. Some models include the [Global Partnership on Artificial Intelligence](#) (GPAI), [social media councils](#), or a [Digital Stability Board](#). The conversation needs to start with standard setting — cutting across entrenched silos and designed with inclusion front of mind, perhaps with a [modular approach](#).

The challenge(s):

Data forms a powerful value chain. First movers in big data have built a tremendous advantage. The DDE has created novel interconnected issues and vulnerabilities related to innovation, IP, cybersecurity, personal privacy, democracy, trade, and national security and sovereignty. Yet, current governance arrangements are incoherent and fragmented nationally and internationally. Countries face profound challenges as they seek to govern digital technologies and data.

More generally, governance arrangements are out of date and include little effective collaboration and cooperation. Most countries are generally not even party to governance discussions that may be taking place, despite the tremendous impact those discussions will have on them. The vertical structures used to make decisions are at odds with the overlapping nature of digital technologies.

As difficult as these issues are to manage at the domestic level, the situation is even more complicated on the international stage. Data flows virtually everywhere but so too does the power of firms and jurisdictions to set their own rules over data usage. These rules can be difficult to navigate and challenge. Disjointed data management risks fracturing the world into technologically inconsistent systems that could galvanize the geopolitical divide. At the international level, institutions typically mirror governmental organizations, and so the same lack of coordination is experienced internally and across organizations.

Insights for the Future of Institutions:

The focus on institutions revealed underlying tensions about the way in which current international governance arrangements are structured to address both current and future challenges related to the DDE. Participants linked the issues faced by institutions (e.g., democracy and trust deficits) to data governance, trade, access, and sovereignty. Poor institutional design (i.e., exclusion of civil society and Global South perspectives) also limits the horizontal nature of these issues.

Dialogue participants were divided on whether existing institutions could be updated, or if new institutions are required. There was broad agreement that current arrangements are not fit for purpose, and that some form of transnational interconnecting is required; indeed, following the massive changes brought about by the DDE, institutions and governments need to follow suit and “disrupt” how these issues are governed. Simply following usual aspirational regulatory strategies will not be sufficient without international agreement. National regulatory systems will continue to dominate, as well as arrangements dominated by powerful interests (including firms), hindering the development of harmonized practices that would boost international data flows and trade, and keep essential voices out of the governance discussions.

Solutions:

Existing institutions are struggling to address these and other governance challenges. Ongoing initiatives hold promise to modify and strengthen existing international structures. For example, the collaborative approach modelled on the GPAI, [Global Partnership on Artificial Intelligence \(GPAI\)](#), which is hosted by the Organisation for Economic Co-operation and Development (OECD), has the benefit of the tremendous expertise that the OECD can bring to the table and

could coordinate efforts with other institutional partners such as the United Nations Conference on Trade and Development to bring in a developing country perspective and voice. There is skepticism on the ability of either a reformed World Trade Organization or the United Nations to play a critical role given the power dynamics at play.

Sectoral and regional approaches may also be required. For example, the [Digital Economy Partnership Agreement](#) (DEPA) is a new type of trade agreement. DEPA started with three countries and has the potential to become a plurilateral agreement. The emerging notion of “modularity” — addressing individual parts of larger issues by finding common ground across jurisdictions — would also fit in neatly. At the same time, there may be a role for new country coalitions (such as those seen with DEPA, and which could also include “middle power” countries such as Canada and India) to take a leadership role in institutional reform. These countries are typically outside of the major blocs that currently dominate governance discussions, but together can forge a path forward that represents a broader range of views and perspectives. “Friendshoring” might have some potential value and represent de facto the way the world is moving — despite the risks of further splintering the international order and the inherent difficulties of trying to create, by government fiat, market structures that are inconsistent with private enterprise incentives.

Building the right partnerships is key with a necessity for a multi-stakeholder approach. The private sector, for example, needs to be involved, but not too empowered — or dominant — as part of the process. Civil society must be systematically included in traditional industry/government governance models, not as an afterthought, but as part of the process. Different models exist (e.g., social media councils, the Datasphere Initiative, the Global Data Barometer). Initiatives at the municipal level (e.g., “smart cities”) need examination since they can be useful in other countries. Citizens also expect new ways of engagement (i.e., co-design solutions, more direct participation).

Different governance models, such as data trusts, need more exploration. There remains a pressing need to: address gaps in taxonomy around data (e.g., identifying what constitutes public data) and in access to data by researchers and policy makers; set international standards and coordinate activities among the standard-setting bodies; and find new ways to bridge existing siloes across governments and institutions and create a workforce within these institutions — functioning as “data stewards” — to manage data flow, access, oversight, and protection.

Finally, although there was skepticism about the ability to create new international organizations, the creation of a Digital Stability Board would nest many of the proposals above. More generally, there is a need for a dedicated international mission to promote data use and reuse and create governance around these activities. Data trusts, third-party intermediaries, and data stewards should be included.

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