



Special Edition Magazine, Spring 2020: Beyond the Techlash

A Splinternet Prevention Plan

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NEW YORK – Several well-known issues are fueling the wave of criticism directed at American platform-technology companies and their Chinese peers. There are worries that these companies’ scale and market dominance enables them to buy up or crush would-be competitors. There are concerns that the taxes they pay are not commensurate to their size, scale, and importance. And with the advent of innovations such as cryptocurrencies, which operate largely outside of government strictures, some worry that Big Tech poses a threat to state authority itself. Widely regarded as unchallenged and undertaxed, the tech giants seem to operate as if they were unencumbered by the rules and regulations that constrain other corporations. In collecting, selling, and deploying user data to influence behavior, shape the public sphere, and maintain a market advantage, they are seen to be challenging fundamental Western values of privacy and personal autonomy. Revelations about improper use of personal data have fueled public mistrust and led to new regulations like the European Union’s 2016 General Data Protection Regulation.

But, while such government intervention is noteworthy, official measures tend to be localized and piecemeal, and thus largely inadequate in a globalized world. The struggle to solve the problems such interventions seek to address reflects an even deeper challenge: a lack of global-governance capacity in the technology domain. In the absence of any effective regulatory authority, technology companies are effectively supranational entities that operate beyond states’ reach, enabling them to engage in tax and regulatory arbitrage.

Worse, the threat of an emerging “splinternet” – a division of the global digital

economy into Chinese-, US-, and (potentially) EU-dominated fragments – makes the need for a global oversight structure more urgent than ever. A balkanized Internet would make it much more difficult both to address the specific concerns about Big Tech and to institute global standards and protocols on the use of data, artificial intelligence, and other features of the digital economy.

Fortunately, there are several precedents for what we need now. After World War II, the United Nations Security Council was created to maintain global security, and the General Agreement on Tariffs and Trade (which later became the World Trade Organization) was set up to govern international commerce. The World Bank was established to facilitate economic development, and the International Monetary Fund to ensure global financial stability. More recent institutional innovations include the G20 and specific conventions such as the UN Conference of the Parties to address climate change and other global risks.

To create an international framework for technology, countries will first have to decide on the basic form that cross-border governance should take. The choice is between a formal and specific rules-based approach or a set of looser, principles-based agreements. Putting aside the arguments that can be made for either option, what is clear is that any effective global system must have three key features. First, a framework for international governance must be open and flexible enough to bridge the divide between Western democratic capitalism and Eastern state-led development models. That will not be easy. Countries would have to set aside deeply entrenched national interests and enter into cooperative arrangements in precisely those areas where they will feel a natural inclination to compete.

For example, asking countries to cooperate on cybersecurity requires diplomatic acumen on the part of rival powers competing for global advantage on the basis of different values and priorities. One country might have more to gain than others in a world where cyber-espionage against corporations and other institutions is common.

By the same token, compromise and careful diplomacy will be needed to overcome national and cultural differences with respect to privacy and the disposition of personal data. In this case, signatories to any international agreement would need to find a middle ground between countries that view personal data as a resource available to states for solving societal challenges, and those that view individual privacy as near-sacrosanct.

The second key to global tech governance is to ensure that major developing countries have a central role in setting the agenda, pursuing policy innovations, enforcing existing rules, and adjudicating disputes. This condition is necessary (though not sufficient) for ensuring that there is trust within any new international framework.

As matters stand, tensions between developed and developing countries within existing multilateral organizations tend to result in the latter group being sidelined. In response, major emerging economies – particularly China – have started to build competing governance institutions such as the New Development Bank (commonly known as the BRICS Bank), the Asian Infrastructure Investment Bank, and the Belt and Road Initiative, effectively bypassing traditionally Western-dominated bodies such as the World Bank.

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Finally, global governance of the digital economy must have “teeth” to enforce the agreed rules and principles; otherwise, the current technological superpowers will simply ignore the new framework, rendering it irrelevant.

Ultimately, global governance is the only real solution. Proposals to break up large technology companies are counterproductive. Dismantling today’s digital platforms and conglomerates could result in enormous value destruction and lost synergies, jeopardize thousands of high-skilled jobs, and fundamentally weaken the efficiency and effectiveness of the tech sector as a whole.

Given these potential costs, crafting a new global framework that balances the needs of the developed and developing world, while daunting, is the best way forward. If the forces of division prevail over proponents of multilateralism and cooperation, the divisive effects of the splinternet will be felt everywhere, in trade and other forms of cross-border commerce, and ultimately in the welfare losses implied by slower economic growth.

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