Data Flow Restrictions Harm The U.S. Economy

The internet is a borderless medium and the movement of electronic information enables virtually all global commerce in every sector of the economy. Restrictions on the free flow of data undermine the competitiveness of American-made products and services and block access for U.S. companies across borders. U.S. trade policy should prioritize securing agreements that prevent restrictions on the movement of information across borders.
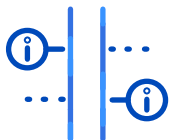
KEY TAKEAWAYS

Data flow restrictions make data less safe and secure. Requiring storage of data in a single location makes them more vulnerable to natural disasters, hacking, and illegal surveillance.

Barriers to data flows reduce GDP and cause the prices of tech services to go up significantly by limiting economies of scale. They often serve as market barriers that prevent U.S. companies from even entering a market.

These laws undermine innovation and the ability of local populations to access valuable services. Restricting services that rely on data flows negatively impacts the welfare of citizens.

WHAT ARE DATA FLOW RESTRICTIONS?

Any policies that:

→ Limit the movement of information across the internet

→ Force companies to manage, store, or otherwise process data locally

→ Link market access or commercial benefits to investment or use of local infrastructure

WHAT DO DATA FLOW RESTRICTION LAWS LOOK LIKE?

→ Local infrastructure requirements for data processing

→ Domestic staffing and equipment requirements

→ Local data retention requirements

The Growing Threat Of Data Flow Restrictions

82% of large firms **+** **52%** of SMEs **>** in the digital communications sector reported facing localization barriers to digital trade.[1]

Countries that enact data flow restrictions see a decrease in GDP of
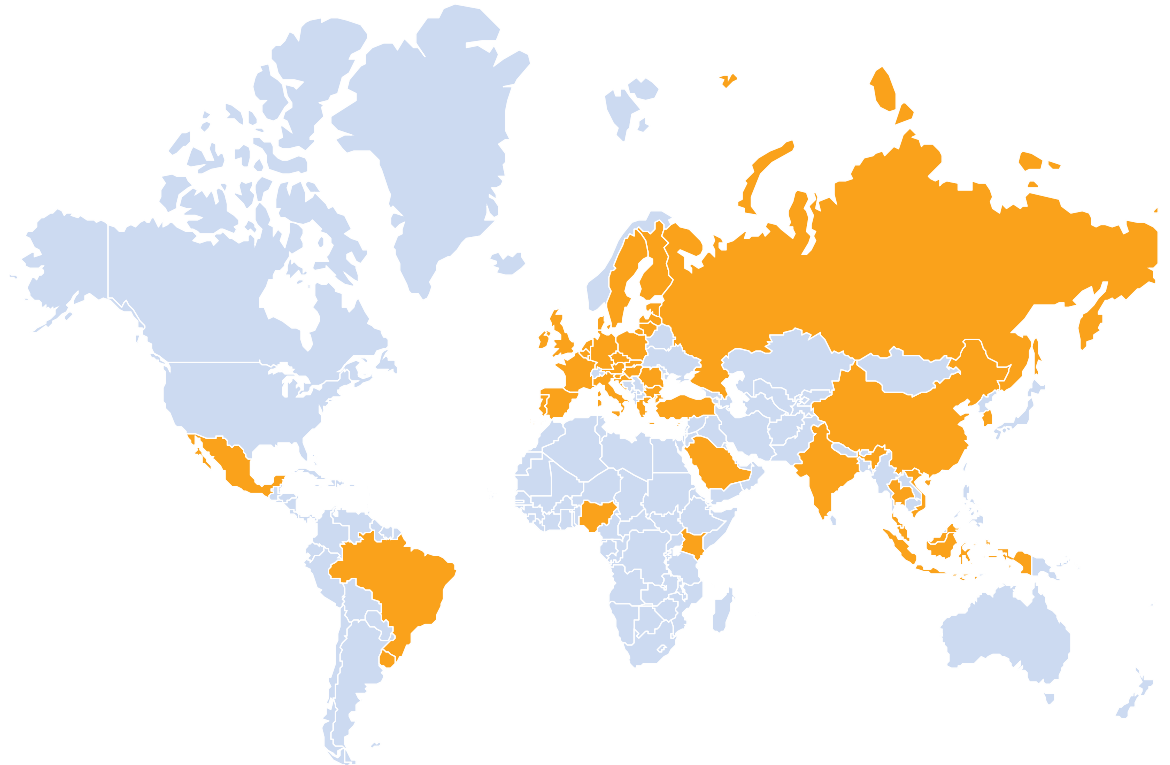
0.7% – 1.7%[2]

Data localization measures raise the cost of hosting data by

30% – 60%[3]

COUNTRIES ON EVERY CONTINENT ARE CONSIDERING OR ENACTING RESTRICTIONS

→ China
→ Brazil
→ The EU
→ France
→ Germany
→ India
→ Indonesia
→ Korea
→ Kenya
→ Malaysia
→ Mexico
→ Nigeria
→ Russia
→ Saudi Arabia
→ Thailand
→ Turkey
→ Uruguay

[1] https://bit.ly/2QLYJz9
[2] https://www.usitc.gov/publications/332/pub4485.pdf
[3] https://itif.org/publications/2017/05/01/cross-border-data-flows-where-are-barriers-and-what-do-they-cost

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