Panel 1.1

Economic and Social Benefits of Internet Openness
**Objectives**

With its architecture open by design, its decentralised nature and its increasingly ubiquitous use, the Internet is a powerful catalyst for innovation, economic growth and social well-being and is the backbone of the digital economy. But Internet openness comes under constant pressure. The challenge is to address public policy objectives, such as competition, consumer protection and digital security risk management, the free flow of information, privacy and personal data protection, while preserving the openness that makes the Internet such a powerful platform for economic growth and social development.

This panel will highlight the main facets of Internet openness, from a technical, economic and social perspective. It will discuss its importance for innovation, entrepreneurship, trade and social well-being as well as the problems and challenges openness presents. It will identify measures that can help harness Internet openness to achieve countries’ economic and social objectives.

**Key issues**

*From a practical standpoint, Internet openness enables people to do more things online: starting a business, creating new services or revolutionising the provision of existing ones, expressing opinions, raising capital, sharing knowledge and ideas, conducting research, interacting with government, or improving skills. Limiting its use or interoperability may unintendedly restrict these benefits. Internet openness is thus a key element of the innovation that drives social, economic and cultural development.*

Internet openness is a multidimensional concept. Its facets include technical considerations but also market conditions, governance, legal environments and procedures, and social aspects. As a result, multiple and sometimes conflicting objectives related to openness can emerge, both within and between countries (e.g. privacy, net neutrality objectives, or differing tolerance to certain types of content). Understanding the perspectives of different stakeholders is essential for effective dialogue on Internet openness issues.

**Q1:** What are the main elements of Internet openness? What are the main benefits and challenges created by openness from your perspective?

Internet openness can allow countries to engage in the digital economy and benefit from the Internet’s capacity to facilitate innovation, entrepreneurship and social well-being, and, given the *pervasiveness of global value chains, enhance international trade.*

The Internet provides the opportunity to share, access and co-ordinate knowledge in ways that were previously impossible. As a platform for innovation and entrepreneurship, it is open to anyone wishing to leverage it for their venture. It also increasingly offers a conduit to finance, services and marketplaces for both new and established firms. The new phenomenon of innovative micro-multinationals, for instance, relies on the availability of online platforms that provide hosting or “storefront” services. Internet openness is also important for countries seeking breakthroughs on social challenges such as healthcare and climate change.
Internet-enabled innovation, entrepreneurship and social well-being all rely heavily on Internet openness, from technical standards to economic access, and from trust to regulatory transparency and good regulatory practices, as well as on the resulting free flow of information. Trustworthy data flows over the Internet enable firms to co-ordinate their participation in value chains and empower small and medium sized enterprises (SMEs) to enter the trade arena, further contributing to job and GDP growth.

However, Internet openness can present challenges. For example, unauthorised use of personal data can undermine privacy. Further, digital security breaches can lead to theft of identity and trade secrets. Striking a balanced approach to openness is essential both to achieve important policy objectives and to reap the full benefits of engaging in the digital economy.

**Q2:** How does Internet openness influence innovation, entrepreneurship, trade and social well-being?

**Q3:** What are the best practices, policies, and regulations for harnessing the full potential of Internet openness while taking into account the challenges raised by Internet openness?

**The global, interconnected nature of the Internet means that international and multistakeholder co-operation is vital for formulating effective and flexible policies and practices for the digital economy that help preserve the fundamental openness of the Internet while meeting important public policy objectives.**

Today, countries’ Internet infrastructures and content providers have strong global interlinkages. When navigating the digital world, the most efficient path between Madrid and Barcelona may be through Paris, and the most practical place for a London start-up to store its data may be in Arizona (indeed, over 50% of top OECD country websites are hosted in the United States). Data on Google searches and YouTube viewing suggest that users increasingly access content from other countries and highlight the importance of Internet openness for cross-country information flows and knowledge exchange. The Internet also underpins a plethora of cross-border transactions, as illustrated by a snapshot of PayPal-facilitated financial flows in 2013 (Figure 1). This digital interdependence means that countries have a common interest in considering the ramifications of policies affecting Internet openness both for their own economies and for those of others, such as the protection of privacy, security, children online and intellectual property, as well as the reinforcement of trust in the Internet.

**Q4:** Given the strong potential for a country’s digital economy policies to have effects beyond its own borders, what is the best way for stakeholders to address Internet openness opportunities and challenges co-operatively?
Figure 1. PayPal cross-border financial flows - a snapshot of 2013
USD billion

Note: The figure shows cross-border financial flows that took place during 2013. Origin is the location of the PayPal account holder sending funds, while Destination is the location of the PayPal account holder receiving the funds. NAFTA comprises Canada, Mexico and the United States. LAC comprises Anguilla, Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bolivia, Brazil, British Virgin Islands, Cayman Islands, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay and Venezuela. Other European OECD comprises Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden and Switzerland. Rest of OECD comprises Australia, Israel, Japan, New Zealand, Korea and Turkey. ROW comprises 151 other countries and territories in which flows occurred.

Source: OECD calculations, based on data provided by PayPal.