

The Economic and Social Impact of Platform Transparency: Ad Regulation for the Construction of Inclusive Digital Markets

Task Force 5.6: Global Digital Governance and the Regulation of Digital Platforms

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Abstract

With a global turnover of approximately \$US600 billion in 2023, the digital advertising market is an essential revenue stream for digital platforms. However, the wholesale deregulation of digital ads in most parts of the world has come at a cost. For example, digital platforms' opaque environments—where ads target users algorithmically according to their personal data—have allowed the development of a global, scalable and profit-oriented “influence industry” based on leveraging user behavior for profit. Furthermore, despite evidence of an online ecosystem of suspicious, inauthentic, scams, and other types of fraudulent ads in different countries, regulatory proposals have faced hard opposition from big tech companies and while some platforms offer transparency measures for digital advertising, there remain significant gaps between countries.

The main objective of this policy brief is to recommend transparency mechanisms, parameters and means of accessing data from digital platforms, which are transferable across global and local contexts. Our recommendations are based on a comparative analysis of the major platforms' public documentation and terms of use combined with empirical case studies from four different world regions: Brazil, USA, Ireland and Thailand. Our research finds that implementing transparency policies in only a few countries can cause an imbalance in growth opportunities between regions and is inefficient. Therefore, ads need to be transparent, auditable, and respect local laws to ensure three types of freedom: (i) free market competition, (ii) national sovereignty, and (iii) the freedom of choice for consumers and citizens.

Enhanced transparency of advertising networks is an essential imperative of platform regulatory frameworks around the globe, and it hinges on implementing navigable and

searchable repositories for all advertisements circulating on digital platforms. Our primary recommendation for the G20 is, therefore, to leverage its power to compel platform compliance in making such repositories available to the greatest extent possible. This will not only benefit consumers, but researchers and civil society actors, too, who collectively hold social media platforms to account.

Keywords: Digital Platforms; Advertisement; Transparency; Global Regulation

Diagnosis of the Issue

1. Microtargeting opacity

Online platforms have built a segmented and scalable advertising infrastructure, creating new opportunities for online businesses and allowing for a profit-oriented influence industry to develop worldwide. However, there is little to no transparency concerning the content of social media ads or their distribution criteria, making it impossible to identify which ads are shown to each user, especially because users are not aware of why and how they are being segmented and impacted. Social media ads are algorithmically directed according to the specific profile of each user. Utilizing machine learning and social engineering techniques, these platforms analyze data generated by and about their users continuously and in real-time, including demographic aspects such as gender, age, education, profession, income, and marital status, as well as so-called post-demographic factors, which include behaviors, interests, clicks and interactions. This opacity frustrates the G20's call for "basic and necessary tools to accurately evaluate the systemic risks entailed by their business model and to enable the adequate mitigation measures" (G20, 2024, 8).

2. Little control over who is advertising

When submitting an advertisement, platforms do not necessarily check identity or require enough supplementary information from all its advertisers, who generally only need to present a valid payment method and an ID. Advertisers residing or operating in European countries *are* required to undergo stricter verification. However, in other regions, advertiser verification is mandatory only for pages that wish to disseminate

political advertisements. In some cases, advertisers may continue running ads if they did not initiate or complete the verification protocols or even if they had failed to meet the requirements (see Appendix). The absence of stringent policies for verifying other types of advertisements entails that social media ads are more conducive to deceptive actors, who are granted easy and low-cost access to microtargeting tools for reaching “ideal victims”. Such regulatory disparities between regions frustrates the G20’s call for ‘collective action around issues that are at once relevant to local communities and humanity as a whole’ (G20, 2024, 7).

3. Disparities across countries and platforms: Political ads categorization

In the EU, platforms have adopted a more effective transparency protocol appreciated for both political and non-political content. However, our cross-country comparison indicates that social media platforms have been mislabeling political ads. This deepens the lack of transparency and the potential for user privacy violations, as well as their use in hate campaigns and political manipulation. Another important issue arising from our comparative analysis is the inter-platform differences in what is considered political. In the absence of a legally-binding regulatory framework, the definition of what defines a political issue is delegated to private social media corporations. Indeed, the task of classifying ads as political is most often left to advertisers themselves, which leads to frequent mistakes—whether due to advertisers’ negligence and/or the lack of well-defined criteria. This indicates that companies are using their substantial political, economic and social power to decide what is socially sensitive—yet delegate ultimate responsibility to advertisers. A key question for the G20 is the extent to which “digital platforms abide by regarding information integrity and the promotion of information as a public good” (G20, 2024, 9): it is *essential* to reinforce platforms’ responsibility over advertisement

classification, despite their ongoing attempts to outsource responsibility to individual advertisers.

4. Different transparency tools and policies

In our evidence-based collaboration, we conclude that Meta offers a mostly accessible advertisement repository for researchers and civil society actors in the US and EU. However, Meta offers far more limited mechanisms for auditing advertisements circulated on its platforms in Brazil and Thailand. Such inter-regional divergences in platform transparency policies reinforce that major digital platforms naturally lean towards minimal compliance, according to the legal requirements of a country/region. Indeed, inter-platform analysis shows that despite these problematic disparities, Meta's advertisement transparency offerings are far superior to those of Google, X/Twitter and TikTok. Google's Ad Transparency Center is considerably limited and archives the same information about each type of ad served in Brazil and the US, for the same period. More problematically, Twitter and TikTok do not present any advertisement transparency mechanisms in either Brazil or the US—they are only provided for ads served in the EU. Addressing these disparities is necessary to further the G20's strategy to "build trust in the digital space" (G20, 2024, 8).

Recommendations

1. Freedom of choice for consumers and citizens

Expanding transparency in platform advertising is a global necessity and international organizations are taking note. The OECD, for example, concludes that establishing meaningful transparency measures for political advertising "would be valuable to researchers, advocates, and regulators to better understand the flow of information

around elections and policy debates, as well as helping inform future regulatory actions” (OECD, 2024). Additionally, UNESCO calls for platforms to declare advertisements’ authorship and funding source(s), as well providing the user with ample information to clarify how their preferences are being algorithmically determined (UNESCO, 2023, 45).

Answering the G20’s (2024) call to ‘buil[d] trust in the digital economy’, we recommend that citizens everywhere be provided with accessible tools to understand why they have been targeted by certain advertisements, how their online behaviors influence advertisement recommender systems and, ultimately, how they can opt-out. In the absence of international standards of platform regulation, G20 states must take a lead in this educational endeavor.

2. Standardizing cross-platform verification processes for advertisers

Evaluating the advertiser verification processes of Meta, Google, X/Twitter and Tik Tok across four regions uncovers a web of contradictory practices. Meta’s Brazil policy, for example, only requires advertiser verification for profiles that explicitly wish to disseminate about social issues, politics, and/or elections. However, this policy fails to account for embedded political content in influencers’ accounts—a trend of income generation that can be pronounced at highly sensitive times, including election periods (Flamino et al., 2023). In Thailand, Meta requires government ID for advertiser verification, along with a “paid for” disclaimer and proof that the advertisement is not of a political nature. While the latter suggests welcome transparency, this policy was only enacted in August 2023 following the threat of legal action from the Thai government addressing years of disinformation and scam activities on Meta’s platforms and their concomitant threat to national unity (see Appendix). Meanwhile, Elon Musk’s X

platform explicitly prohibits “content that is associated with fraudulent or scam-like behavior”; yet its loose enforcement mechanisms have seen the platform overrun with scam advertisements and cryptocurrency schemes across all territories (including the more heavily regulated EU)—mostly from instantly-verified users who commit to an \$8 per month subscription (Cuthbertson, 2023). X’s culture of regulatory evasion and consumer neglect is further evidenced by their decision – across regions – to make advertisers *themselves* “responsible for all your promoted content on X [which] includes complying with applicable laws and regulations”, which stands at odds with the need for a fairer, and safer, digital economy.

We find that advertisement verification processes across major social media platforms evidence a collective culture of minimum regulatory compliance. This stands in opposition to the provision of open and transparent policies and practices that could be evaluated by consumers and civil society. G20 countries must take a lead in calling for the standardization of advertising verification processes across platforms to address this gap.

3. Transference of best regulatory practices

Viewed as landmark pieces of legislation to regulate major digital platforms (or “gatekeepers”) in Europe, the Digital Services Act (DSA) and Digital Markets Act (DMA) aim to enshrine human rights and data privacy in a legally binding framework that mirrors the values of the European Union, enforced via its recourse to collective power (European Commission, 2023a). Applicable to major digital platforms since 2023, the DSA has already induced early signs of compliance, including: mandated transparency reports, the expansion of researcher access to ad libraries, the steady roll-out of chronological feeds on social media and the option for users to ‘opt-out’ of

algorithmically-determined recommendations and political ads. In addition, we know that major digital platforms in Europe have been re-tailoring some products and practices to the requirements of DMA under the threat of diminished access to a market of 450 million consumers, combined with potential fines of between 6% and 20% of global turnover in cases of non-compliance (European Commission 2023b). Given the early stage of their life cycle, we should not valorize the DSA and DMA as regulatory panacea for the egregious excesses of digital platforms. At the very least, however, they confirm proof of concept: digital platforms *can* change ingrained behaviors in a relatively short space of time when faced with meaningful legal and financial consequences.

For now, European regulation provides a workable template for the transference of best practice among G20 nations. Regional and state task forces should be established to monitor a growing evidence base for DSA and DMA applicability, while paying due regard to the cultural and legislative challenges of applying its most effective provisions to non-EU territories.

4. Equitable research funding for international collaboration

Our research indicates that further investigation is required on major digital platforms to understand: (i) how they individually implement ad transparency measures, and; (ii) how they individually and collectively adopt different advertisement transparency policies across countries/regions. Yet, publicly funded research around the world faces a precarious moment, which may dampen the veracity of future inquiry. In Brazil, vicious funding cuts were applied to public universities under the Bolsonaro administration. In the US, UK and Europe, mismanagement of university funds has seen painful financial readjustment, and the humanities and social sciences bear the most substantial funding

cuts (Williams, 2023). In this environment, researchers are becoming increasingly dependent on social media company research funding, which cannot be described as ‘neutral’ and may precipitate a chilling effect on critical social science research that holds these platforms’ outsized power to account. Meta’s recent decision to discontinue CrowdTangle (Elliot, 2024) (a research tool that provided access to Meta data) and X’s policy to charge \$5000 per month for access to its Application Programming Interface (API) bodes ill for researcher access and interrupts the ability for open academic communities to research and construct meaningful consensus.

We call on the G20 to establish dedicated research funding to support collaborative research on digital platforms—prioritizing funds for individuals and groups that emanate from the Majority World.

Scenario of Outcomes

The adoption of the proposed recommendations would be efficient in reducing regional inequalities ([SDG nº 10](#)). The recommendations promote a set of minimum standards in advertising transparency that is applicable to all countries, with additional standards adapted to individual country contexts, in accordance with local legal and cultural norms. This would bear a positive impact on consumers’ freedom of choice at a local and global level. In parallel, overcoming the discrepancy in researchers’ data access from different countries is a necessary condition for reducing inequalities in the development of science in different global regions ([SDG nº 9](#)). We argue that the transparency recommendations in this policy brief are a necessary measure for understanding the flow of local public debate in different regions. This is a condition for the people's right to self-determination in the development of effective regulations for each context, guaranteeing sovereignty and Freedom of States. Nonetheless, the ability

of States to establish effective obligations may vary according to their powers, culture and regulatory context.

The availability of access to political ad auditing tools in the European Union and the United States, on the one hand, and the restriction of such access in Brazil and Thailand, on the other, reflect a global discrepancy in regulatory powers between “Global North” countries and the Majority World.

Platforms appear to comply with the EU’s DSA or with the Federal Trade Commission in the US, and can be pressured to take serious measures towards ad transparency and user safety. In contrast, companies like Google and Telegram have resisted the Brazilian government’s attempt at regulating social media ads served in its jurisdiction. While this effort is ongoing, these companies audaciously exploited their ad algorithms to mobilize social pushback against Congressional Bill No. 2630 (PL 2630) to regulate platforms, contributing to the Bills stalling in 2023. In reaction to the companies' actions, the Brazilian Executive, Legislative and Judiciary branches acted in unison to hold the companies accountable: the National Consumer Protection Secretariat, a body linked to the Brazilian Ministry of Justice, issued a precautionary measure to curb abuses. The presidency of the Chamber of Deputies sent a notification of the crime to the Federal Public Ministry, which, in turn, requested the Supreme Court to initiate a criminal investigation, which the court responded to in 2023 (Supremo Tribunal Federal, 2023). In 2024, the Brazilian Federal Police concluded that Google and Telegram promoted misleading and abusive advertising against the bill.

Meanwhile, in Thailand, regulatory efforts have been arbitrary - to say the least - and oftentimes turned into a censorship tool. The Computer-Related Crime Act (CCA) is instrumental in forcing platforms to take down content critical of the authoritarian

government although such content might not necessarily violate platforms' community guidelines or rules. On the contrary, the Thai authorities have had little success in enforcing platform ad regulations. Despite threats to take legal action against non-compliant companies, the Thai government has not been able to achieve this.

What underpins this global discrepancy in regulatory powers? For one, Brazil and Thailand, as middle-income countries with limited domestic tech industries, tend to heavily rely on foreign investment. This provides US- and China-based Big Tech with economic leverage over national governments. Moreover, the lack of regulatory tradition, shaped by the entrenchment of liberal institutions, means that governments often have little political willingness and institutional tools to regulate foreign companies.

Another possible scenario to consider is companies' non-compliance with regulatory provisions, which must be addressed by adopting effective enforcement and accountability measures. For example, TikTok's Commercial Content Library is only available to users in the European Economic Area (EEA), Switzerland, and the UK. However, their library offering is weak in comparison to Meta and Google. TikTok ads are only searchable from October 1, 2022 – the first day of mandated compliance with DSA provisions. And the ability to find TikTok 'political content' is stymied by narrow or non-existent searchable parameters. Such limitations are sufficiently apparent that, as of February 24, 2024, the European Commission has opened formal proceedings against TikTok, which will investigate "compliance with DSA obligations to provide a searchable and reliable repository for advertisements presented on TikTok" and "suspected shortcomings in giving researchers access to TikTok's publicly accessible data as mandated by Article 40 of the DSA" (European Commission, 2024).

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Appendix

[Context of Ads and Platforms in Each Country/Region](#)