

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release July 1, 1997

TEXT OF THE PRESIDENT'S MESSAGE
TO INTERNET USERS

I have today approved and released a report -- "A Framework for Global Electronic Commerce" -- setting out my Administration's vision of the emerging electronic market-place and outlining the principles that will guide the U.S. Government's actions as we move forward into the new electronic age of commerce. The report also suggests an agenda for international discussions and agreements to facilitate the growth of electronic commerce.

The invention of the steam engine two centuries ago and the harnessing of electricity ushered in an industrial revolution that fundamentally altered the way we work, brought the world's people closer together in space and time, and brought us greater prosperity. Today, the invention of the integrated circuit and computer and the harnessing of light for communications have made possible the creation of the global Internet and an electronic revolution that will once again transform our lives.

One of the most significant uses of the Internet is in the world of commerce. Already it is possible to buy books and clothing, to obtain business advice, to purchase everything from gardening tools to high-tech telecommunications equipment over the Internet. This is just the beginning. Trade and commerce on the Internet are doubling or tripling every year -- and in just a few years will be generating hundreds of billions of dollars in sales of goods and services. If we establish an environment in which electronic commerce can grow and flourish, then every computer can be a window open to every business, large and small, everywhere in the world.

Governments can have a profound effect on the growth of electronic commerce. By their actions, they can facilitate electronic trade or inhibit it. Government officials should respect the unique nature of the medium and recognize that widespread competition and increased consumer choice should be the defining features of the new digital marketplace. They should adopt a market-oriented approach to electronic commerce that facilitates the emergence of a

global, transparent, and predictable legal environment to support business and commerce.

The report I released today raises a number of important issues that must be addressed by governments worldwide as this electronic marketplace emerges. I have had it added to the White House homepage on the World Wide Web (www.whitehouse.gov).

I call upon all Internet users -- both in government and in the private sector -- to join me in seeking global consensus and, where necessary, agreements on the issues raised in our report by December 31, 1999, so that we may enter the new millennium ready to reap the benefits of the emerging electronic age of commerce.

WILLIAM J. CLINTON

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REMARKS BY THE PRESIDENT
IN ANNOUNCEMENT OF ELECTRONIC COMMERCE INITIATIVE
The East Room

3:08 P.M. EDT

THE PRESIDENT: Thank you very much, Mr. Vice President. For those of you who did not know what he was talking about -- (laughter) -- we went to a Broadway show last night, and there were three guys in the show who did the Macarena in the show. So after it was over, I thought it only fair when the Vice President spoke they come up and do the Macarena while -- it was sort of background music, you know. (Laughter.)

Lou Gerstner, thank you for being here. That was a remarkable statement, and the Vice President gave you a remarkable introduction. I never before thought of you as a gazelle, but I always will now. (Laughter.)

Thank you, Macdara MacColl, for the work you do and for the fine words you spoke. To the members of the Cabinet and the administration and people here from industry and consumer groups, I

thank all of you. I especially want to thank for this remarkable report all the agencies who worked on it, and in particular Ira Magaziner, who did a brilliant job in bringing everybody together and working this out over a very long period of time. And we thank you for what you did on that. Thank you all. (Applause.) I thank the members of Congress for being here -- Congressmen Gejdenson, Gordon, Markey, and Flake, and for their interest in these issues.

I had two disparate experiences in the last few days that would convince a person of limited technological proficiency, like myself that the world is changing rather dramatically. You have to remember now, the Vice President coined the term "Information Superhighway" 20 years ago, back when I didn't even have an electric typewriter. (Laughter.) But anyway, I had these two experiences which were very interesting to me. It's sort of a mark of how our world is changing.

As you may have seen in the press, the oldest living member of my family, my great uncle, passed away a few days ago, and so I went back to this little town in Arkansas where I was born. And when I got there late at night, I drove out in the country for a few miles to my cousin's house where the family was gathering. And she has a son who is in his mid-30s now who lives in another small town in Arkansas, who, after we talked for five minutes, proceeded to tell me that he played golf on the Internet several times a month from his small town in Arkansas with an elderly man in Australia who unfailingly beat him. (Laughter.) An unheard of experience just a few years ago. He knows this guy. He's explaining to me how he finds this man.

Then he says, my brother likes to play backgammon on the Internet, and it got so I couldn't talk to him, but now I know how I can go get him out of his game and he can go find a place to come have a visit with me, and they can hold the game while we have an emergency talk. I mean, these whole conversations, the way people -- it was just totally unthinkable a few years ago.

And then Sunday, The New York Times crossword puzzle --I don't know if you saw it, but it was for people like me. It was entitled "Technophobes." (Laughter.) And I'm really trying to overcome my limitations. I'm technologically challenged and I'm learning how to do all kinds of things on the computer because Chelsea is going off to school and I need to be more literate. But you ought to go back and pull this, all of you who are now into cyberspace, and see if you can work your way back to another world because they had

high-tech clues with common answers, like floppy disk was a clue -- the answer was frisbee. (Laughter.) Hard drive was a clue -- the answer was Tiger's tee shot. (Laughter.) Digital monitor was the clue -- the answer was manicurist. (Laughter.)

So, anyway, we've come a long way. And I'd like to give you some sense of history about this, because, interestingly enough, this gathering at the White House, which I think is truly historic, is in a line of such developments in this house that has shaped our country's history of communications and networking. One hundred and thirty-nine years ago, here at the White House, America celebrated our first technological revolution here in communications. That was the year Queen Victoria sent the very first transatlantic telegraph transmission to President Buchanan -- right here. And later, the first telephone in Washington, D.C. was located in a room upstairs, the same room in which Woodrow Wilson managed the conduct of America's involvement in World War I. So we've seen a lot of interesting technological developments over time in the White House.

Now we celebrate the incredible potential of the Internet and the World Wide Web. When I first became President, which wasn't so long ago, only physicists were using the World Wide Web. Today, as Lou said, there are about 50 million people in 150 countries connected to the Information Superhighway. There will be five times as many by the year 2000, perhaps more, doing everything conceivable. We cannot imagine exactly what the 21st century will look like, but we know that its science and technology and its unprecedented fusions of cultures and economies will be shaped in large measure by the Internet.

We are very fortunate to have with us today, together for the very first time at the White House, the four individuals who gave birth to the Internet: Vincent Cerf and Bob Kahn, who critical to the development of the Internet in the 1970s; Tim Berners-Lee, who invented the World Wide Web, which brought the Internet into our homes, offices, and schools; and David Duke, who headed the team that invented the fiber optic cable which made high-speed Internet connections possible. Their ground-breaking work has done more to shape and create the world our children will inherit than virtually any invention since the printing press. And I would like to ask all four of them to stand and be recognized now. (Applause.)

The report which is being released on work that has been done, is our effort to meet the challenge to make the Internet work for all

of our people. Within a generation, we can make it so that every book ever written, every symphony ever composed, every movie ever made, every painting ever painted, is within reach of all of our children within seconds with the click of a mouse -- which was "black eye" in the crossword puzzle yesterday. (Laughter.)

Now, this potential is nothing short of revolutionary. The Vice President and I are working to connect every classroom and school library to the Internet by the year 2000 so that for the first time all the children without regard to their personal circumstances, economic or geographical, can have access to the same knowledge in the same time at the same level of quality. It could revolutionize education in America. And many of you are helping on that, and we are grateful.

We've also included \$300 million in our new balanced budget plan to help build the next generation Internet so that leading universities and national labs can communicate in speeds 1,000 times faster than today, to develop new medical treatments, new sources of energy, new ways of working together.

But as has already been said one of the most revolutionary uses of the Internet is in the world of commerce. Already, we can buy books and clothing, obtain business advice, purchase everything from garden tools to hot sauce to high-tech communications equipment over the Internet. But we know it is just the beginning. Trade on the Internet is doubling or tripling every single year. In just a few years, it will generate hundreds of billions of dollars in goods and services.

If we establish an environment in which electronic commerce can grow and flourish, then every computer will be a window open to every business, large and small, everywhere in the world. Not only will industry leaders such as IBM be able to tap in to new markets, but the smallest start-up company will have an unlimited network of sales and distribution at its fingertips. It will literally be possible to start a company tomorrow, and next week do business in Japan and Germany and Chile, all without leaving your home, something that used to take years and years and years to do. In this way, the Internet can be, and should be, a truly empowering force for large and small business people alike.

But today, we know electronic commerce carries also a number of significant risks that could block the extraordinary growth and progress from taking place. There are almost no international

agreements or understanding about electronic commerce. Many of the most basic consumer and copyright protections are missing from cyberspace. In many ways, electronic commerce is like the Wild West of the global economy. Our task is to make sure that it's safe and stable terrain for those who wish to trade on it. And we must do so by working with other nations now, while electronic commerce is still in its infancy.

To meet this challenge, I'm pleased to announce the release of our new framework for global electronic commerce, a report that lays out principles we will advocate as we seek to establish basic rules for international electronic commerce with minimal regulations and no new discriminatory taxes. Because the Internet has such explosive potential for prosperity, it should be a global free-trade zone. It should be a place where government makes every effort first, as the Vice President said, not to stand in the way -- to do no harm.

We want to encourage the private sector to regulate itself as much as possible. We want to encourage all nations to refrain from imposing discriminatory taxes, tariffs, unnecessary regulations, cumbersome bureaucracies on electronic commerce.

Where government involvement is necessary, its aim should be to support a predictable, consistent, legal environment for trade and commerce to flourish on fair and understandable terms. And we should do our best to revise any existing laws or rules that could inhibit electronic commerce. We want to put these principles into practice by January 1st of the year 2000.

Today, I am taking three specific actions toward that goal and asking the Vice President to oversee our progress in meeting it. First, I'm directing all federal department and agency heads to review their policies that affect global electronic commerce and to make sure that they are consistent with the five core principles of this report.

Second, I'm directing members of my Cabinet to work to achieve some of our key objectives within the next year. I'm directing the Treasury Secretary, Bob Rubin, to negotiate agreements

where necessary to prevent new discriminatory taxes on electronic commerce. I'm directing our Ambassador of Trade, Charlene Barshefsky, to work within the WTO, the World Trade Organization, to turn the Internet into a free-trade zone within the next 12

months, building on the progress of our landmark Information Technology Agreement and our Global Telecommunications Agreement, which eliminated tariffs and reduced trade barriers on more than \$1 trillion in products and services.

I'm directing Commerce Secretary Daley to work to establish basic consumer and copyright protections for the Internet, to help to create the predictable legal environment for electronic commerce that we need, and to coordinate our outreach to the private sector on a strategy to achieve this.

I'm also directing the relevant agencies to work with Commerce, industry and law enforcement to make sure Americans can conduct their affairs in a secure electronic environment that will maintain their full trust and confidence. Next week, Secretary Daley and Ira Magaziner will lead a delegation to Europe to present our vision for electronic commerce to our European trading partners.

Third, I call on the private sector to help us meet one of the greatest challenges of electronic commerce: ensuring that we develop effective methods of protecting the privacy of every American, especially children who use the Internet. Many of you have already begun working with Chairman Pitofsky and Commissioner Varney at the Federal Trade Commission on this issue. I urge you to continue that work and to find new ways to safeguard our most basic rights and liberties so that we can trade and learn and communicate in safety and security.

Finally, it is especially important, as I said last week, to give parents and teachers the tools they need to make the Internet safe for children. A hands-off approach to electronic commerce must not mean indifference when it comes to raising and protecting children. I ask the industry leaders here today to join with us in developing a solution for the Internet as powerful for the computer as the V-chip will be for television, to protect children in ways that are consistent with the First Amendment.

Later this month, I will convene a meeting with industry leaders and groups representing Internet users, teachers, parents, and librarians to help parents protect their children from objectionable content in cyberspace. Today we act to ensure that international trade on the Internet remains free of new discriminatory taxes, free of tariffs, free from burdens and regulations, and safe from piracy.

In the 21st century, we can build much of our prosperity on innovations in cyberspace, in ways that most of us cannot even imagine. This vision contemplates an America in which every American -- consumers, small business people, corporate CEOs -- will be able to extend our trade to the farthest reaches of the planet. If we do the right things now, in the right way, we can lead our economy into an area where our innovation, our flexibility, and our creativity yield tremendous benefits for all of our people; in which we can keep opportunity alive, bring our people closer to each other, and bring America closer to the world.

I feel very hopeful about this, and I assure you that we will do our part to implement the principles we advocate today. Thank you very much. (Applause.)

ABOUT A FRAMEWORK FOR
GLOBAL ELECTRONIC COMMERCE

The United States government has prepared a strategy to help accelerate the growth of global commerce across the Internet. Under the leadership of Vice President Gore, an interagency working group on Electronic Commerce¹ has prepared, A FRAMEWORK FOR GLOBAL ELECTRONIC COMMERCE. The interagency working group has been meeting for the past 18 months, analyzing the issues and consulting with academics, business representatives, consumer groups, and members of the Internet community in order to prepare the FRAMEWORK. An earlier version was available for public comment and appeared on the World Wide Web (http://www.iitf.nist.gov/electcomm/exec_sum.htm) last December.

The FRAMEWORK establishes a set of principles to guide policy development, outlines the Administration positions on a number of key issues related to electronic commerce, and provides a road map for international negotiations, where appropriate. It also identifies which government agencies will take the lead in implementing this work.

The Clinton Administration has developed this Framework because it is a critical element of the Administration's agenda on trade and technology as it discusses the commercial implications of the Global Information Infrastructure (GII). With responsible private sector leadership and support from our colleagues in Congress, state and local governments, the Clinton Administration hopes to work with our international trading partners and ensure the

development of a free and open global electronic marketplace.

The interagency working group consists of high-level representatives of several cabinet agencies, including the Departments of Treasury, State, Justice and Commerce, as well as the Executive Office of the President, including the Council of Economic Advisors, the National Economic Council, the National Security Council, the Office of Management and Budget, the Office of Science and Technology Policy, the Office of the Vice-President, and the U.S. Trade Representative. Independent commissions including the Federal Communications Commission and the Federal Trade Commission also have been involved.

A FRAMEWORK FOR GLOBAL ELECTRONIC COMMERCE
EXECUTIVE SUMMARY

The Internet has the potential to become the United States' most active trade vehicle within a decade, creating millions of high paying jobs. In addition, Internet shopping may revolutionize retailing by allowing consumers to sit in their homes and buy a wide variety of products and services from all over the world.

Many businesses and consumers are wary of conducting extensive business electronically, however, because the Internet lacks a predictable legal environment governing transactions and because they are concerned that governments will impose regulations and taxes that will stifle Internet commerce.

A FRAMEWORK FOR GLOBAL ELECTRONIC COMMERCE outlines the Administration's strategy for fostering increased business and consumer confidence in the use of electronic networks for commerce. The paper reflects widespread consultation with industry, consumers groups, and the Internet community.

The paper presents five principles to guide government support for the evolution of electronic commerce and makes recommendations about nine key areas where international efforts are needed to preserve the Internet as a non-regulatory medium, one in which competition and consumer choice will shape the marketplace. With respect to these areas, the paper designates lead U.S. government agencies and recommends international fora for consideration of each issue.

PRINCIPLES

1. The private sector should lead. The Internet should develop as a market driven arena not a regulated industry. Even where collective action is necessary, governments should encourage industry self-regulation and private sector leadership where possible.
2. Governments should avoid undue restrictions on electronic commerce. In general, parties should be able to enter into legitimate agreements to buy and sell products and services across the Internet with minimal government involvement or intervention. Governments should refrain from imposing new and unnecessary regulations, bureaucratic procedures or new taxes and tariffs on commercial activities that take place via the Internet.
3. Where governmental involvement is needed, its aim should be to support and enforce a predictable, minimalist, consistent and simple legal environment for commerce. Where government intervention is necessary, its role should be to ensure competition, protect intellectual property and privacy, prevent fraud, foster transparency, and facilitate dispute resolution, not to regulate.
4. Governments should recognize the unique qualities of the Internet. The genius and explosive success of the Internet can be attributed in part to its decentralized nature and to its tradition of bottom-up governance. Accordingly, the regulatory frameworks established over the past 60 years for telecommunication, radio and television may not fit the Internet. Existing laws and regulations that may hinder electronic commerce should be reviewed and revised or eliminated to reflect the needs of the new electronic age.
5. Electronic commerce on the Internet should be facilitated on a global basis. The Internet is a global marketplace. The legal framework supporting commercial transactions should be consistent and predictable regardless of the jurisdiction in which a particular buyer and seller reside.

RECOMMENDATIONS

The principles described above guide the following recommendations:

1. Tariffs and Taxation. The Internet should be declared a tariff-free environment whenever it used to deliver products and services. The Internet is a truly global medium, and all nations will benefit from barrier-free trade across it.

No new taxes should be imposed on Internet commerce. Existing taxes

that are applied to electronic commerce should be consistent across national and subnational jurisdictions and should be simple to understand and administer. State and local governments should cooperate to develop a uniform, simple approach to the taxation of electronic commerce, based on existing principles of taxation.

2. Electronic Payment Systems. The commercial and technological environment for electronic payments is changing rapidly, making it difficult to develop policy that is both timely and appropriate. For these reasons, inflexible and highly prescriptive regulations and rules are inappropriate and potentially harmful. In the near-term, case-by-case monitoring of electronic payment experiments is preferable to regulation.

3. Uniform Commercial Code for Electronic Commerce. In general, parties should be able to do business with each other on the Internet under the terms and conditions they agree upon. Private enterprise and free markets have typically flourished, however, where there are predictable and widely accepted legal principles supporting commercial transactions.

The U.S. supports the development of an international uniform commercial code to facilitate electronic commerce. Such a code should encourage governmental recognition of electronic contracts; encourage consistent international rules for acceptance of electronic signatures and other authentication procedures; promote the development of alternative dispute resolution mechanisms for international commercial transactions; set predictable ground rules for exposure to liability; and streamline the use of electronic registries.

4. Intellectual Property Protection. Commerce on the Internet will often involve the sale and licensing of intellectual property. To promote electronic commerce, sellers must know that their intellectual property will not be stolen and buyers must know that they are obtaining authentic products. Clear and effective copyright, patent, and trademark protection is therefore necessary to protect against piracy and fraud.

The recently negotiated World Intellectual Property Organization (WIPO) treaties for copyright protection should be ratified. Issues of liability for infringement, application of the fair use doctrine, and limitation of devices to defeat copyright protection mechanisms should be resolved in a balanced way, consistent with international obligations.

The government will study and seek public comment on the need to protect database elements that do not qualify for copyright protection and, if such protection is needed, how to construct it.

The Administration will promote global efforts to provide adequate and effective protection for patentable subject matter important to the development of the Global Information Infrastructure (GII), and establish standards for determining the validity of patent claims.

The Administration also will work globally to resolve conflicts that arise from different national treatments of trademarks as they relate to the Internet. It may be possible to create a contractually based self-regulatory regime that deals with potential conflicts between domain name usage and trademark laws on a global basis.

The Administration will review the system of allocating domain names in order to create a more competitive, market based system and will seek to foster bottom-up governance of the Internet in the process.

5. Privacy. It is essential to assure personal privacy in the networked environment if people are to feel comfortable doing business across this new medium.

Data gatherers should tell consumers what information they are collecting and how they intend to use it. Consumers should have meaningful choice with respect to the use and re-use of their personal information. Parents should be able to choose whether or not personal information is collected from their children. In addition, redress should be available to consumers who are harmed by improper use or disclosure of personal information or if decisions are based on inaccurate, outdated, incomplete or irrelevant personal information.

The Administration supports private sector efforts now underway to implement meaningful, user friendly, self-regulatory privacy regimes. These include mechanisms for facilitating awareness and the exercise of choice online, private sector adoption of and adherence to fair information practices, and dispute resolution. The government will work with industry and privacy advocates to develop appropriate solutions to privacy concerns that may not be fully addressed by industry through self-regulation and technology.

6. Security. The GII must be secure and reliable. If Internet users do not believe that their communications and data are safe from interception and modification, they are unlikely to use the Internet on a routine basis for commerce. The Administration, in partnership

with industry, is taking steps to promote the development of a market driven public key infrastructure that will enable trust in encryption and provide the safeguards that users and society will need.

7. Telecommunications Infrastructure and Information Technology. Global electronic commerce depends upon a modern, seamless, global telecommunications network and upon the "information appliances" that connect to it. In too many countries, telecommunications policies are hindering the development of advanced digital networks. The United States will work internationally to remove barriers to competition, customer choice, lower prices, and improved services.

8. Content. The Administration encourages industry self-regulation, the adoption of competitive content rating systems, and the development of effective, user-friendly technology tools (e.g. filtering and blocking technologies) to empower parents, teachers, and others to block content that is inappropriate for children.

The government will seek agreements with our trading partners to eliminate overly burdensome content regulations that create non-tariff trade barriers.

9. Technical Standards. The marketplace, not governments, should determine technical standards and other mechanisms for interoperability on the Internet. Technology is moving rapidly and governments attempts to establish technical standards to govern the Internet would only risk inhibiting technological innovation.

COORDINATION

The Administration will continue to coordinate its approach to electronic commerce. The interagency team that developed this framework and strategy will continue to meet to update the strategy and facilitate its implementation as events unfold.

Background

The Global Information Infrastructure (GII), still in the early stages of its development, is already transforming our world. Over the next decade, advances on the GII will affect almost every aspect of daily life -- education, health care, work and leisure activities. Disparate populations, once separated by distance and time, will experience these changes as part of a global community.

No single force embodies our electronic transformation more than the evolving medium known as the Internet. Once a tool reserved for scientific and academic exchange, the Internet has emerged as an appliance of every day life, accessible from almost every point on the planet. Students across the world are discovering vast treasure troves of data via the World Wide Web. Doctors are utilizing tele-medicine to administer off-site diagnoses to patients in need. Citizens of many nations are finding additional outlets for personal and political expression. The Internet is being used to reinvent government and reshape our lives and our communities in the process. As the Internet empowers citizens and democratizes societies, it is also changing classic business and economic paradigms. New models of commercial interaction are developing as businesses and consumers participate in the electronic marketplace and reap the resultant benefits. Entrepreneurs are able to start new businesses more easily, with smaller up-front investment requirements, by accessing the Internet's worldwide network of customers.

Internet technology is having a profound effect on the global trade in services. World trade involving computer software, entertainment products (motion pictures, videos, games, sound recordings), information services (databases, online newspapers), technical information, product licenses, financial services, and professional services (businesses and technical consulting, accounting, architectural design, legal advice, travel services, etc.) has grown rapidly in the past decade, now accounting for well over \$40 billion of U.S. exports alone.

An increasing share of these transactions occurs online. The GII has the potential to revolutionize commerce in these and other areas by dramatically lowering transaction costs and facilitating new types of commercial transactions.

The Internet will also revolutionize retail and direct marketing. Consumers will be able to shop in their homes for a wide variety of products from manufacturers and retailers all over the world. They will be able to view these products on their computers or televisions, access information about the products, visualize the way the products may fit together (constructing a room of furniture on their screen, for example), and order and pay for their choice, all from their living rooms.

Commerce on the Internet could total tens of billions of dollars by the turn of the century. For this potential to be realized fully, governments must adopt a non-regulatory, market-oriented approach to

electronic commerce, one that facilitates the emergence of a transparent and predictable legal environment to support global business and commerce. Official decision makers must respect the unique nature of the medium and recognize that widespread competition and increased consumer choice should be the defining features of the new digital marketplace.

Many businesses and consumers are still wary of conducting extensive business over the Internet because of the lack of a predictable legal environment governing transactions. This is particularly true for international commercial activity where concerns about enforcement of contracts, liability, intellectual property protection, privacy, security and other matters have caused businesses and consumers to be cautious.

As use of the Internet expands, many companies and Internet users are concerned that some governments will impose extensive regulations on the Internet and electronic commerce. Potential areas of problematic regulation include taxes and duties, restrictions on the type of information transmitted, control over standards development, licensing requirements and rate regulation of service providers. Indeed, signs of these types of commerce-inhibiting actions already are appearing in many nations. Preempting these harmful actions before they take root is a strong motivation for the strategy outlined in this paper.

Governments can have a profound effect on the growth of commerce on the Internet. By their actions, they can facilitate electronic trade or inhibit it. Knowing when to act and -- at least as important -- when not to act, will be crucial to the development of electronic commerce. This report articulates the Administration's vision for the emergence of the GII as a vibrant global marketplace by suggesting a set of principles, presenting a series of policies, and establishing a road map for international discussions and agreements to facilitate the growth of commerce on the Internet.

PRINCIPLES

1. The private sector should lead.

Though government played a role in financing the initial development of the Internet, its expansion has been driven primarily by the private sector. For electronic commerce to flourish, the private sector must continue to lead. Innovation, expanded services, broader participation, and lower prices will arise in a market-driven arena, not in an environment that operates as a regulated industry.

Accordingly, governments should encourage industry self-regulation wherever appropriate and support the efforts of private sector organizations to develop mechanisms to facilitate the successful operation of the Internet. Even where collective agreements or standards are necessary, private entities should, where possible, take the lead in organizing them. Where government action or intergovernmental agreements are necessary, on taxation for example, private sector participation should be a formal part of the policy making process.

2. Governments should avoid undue restrictions on electronic commerce.

Parties should be able to enter into legitimate agreements to buy and sell products and services across the Internet with minimal government involvement or intervention. Unnecessary regulation of commercial activities will distort development of the electronic marketplace by decreasing the supply and raising the cost of products and services for consumers the world over. Business models must evolve rapidly to keep pace with the break-neck speed of change in the technology; government attempts to regulate are likely to be outmoded by the time they are finally enacted, especially to the extent such regulations are technology-specific.

Accordingly, governments should refrain from imposing new and unnecessary regulations, bureaucratic procedures, or taxes and tariffs on commercial activities that take place via the Internet.

3. Where governmental involvement is needed, its aim should be to support and enforce a predictable, minimalist, consistent and simple legal environment for commerce.

In some areas, government agreements may prove necessary to facilitate electronic commerce and protect consumers. In these cases, governments should establish a predictable and simple legal environment based on a decentralized, contractual model of law rather than one based on top-down regulation. This may involve states as well as national governments. Where government intervention is necessary to facilitate electronic commerce, its goal should be to ensure competition, protect intellectual property and privacy, prevent fraud, foster transparency, support commercial transactions, and facilitate dispute resolution.

4. Governments should recognize the unique qualities of the Internet.

The genius and explosive success of the Internet can be attributed in

part to its decentralized nature and to its tradition of bottom-up governance. These same characteristics pose significant logistical and technological challenges to existing regulatory models, and governments should tailor their policies accordingly.

Electronic commerce faces significant challenges where it intersects with existing regulatory schemes. We should not assume, for example, that the regulatory frameworks established over the past sixty years for telecommunications, radio and television fit the Internet. Regulation should be imposed only as a necessary means to achieve an important goal on which there is a broad consensus. Existing laws and regulations that may hinder electronic commerce should be reviewed and revised or eliminated to reflect the needs of the new electronic age.

5. Electronic Commerce over the Internet should be facilitated on a global basis.

The Internet is emerging as a global marketplace. The legal framework supporting commercial transactions on the Internet should be governed by consistent principles across state, national, and international borders that lead to predictable results regardless of the jurisdiction in which a particular buyer or seller resides.

ISSUES

This paper covers nine areas where international agreements are needed to preserve the Internet as a non-regulatory medium, one in which competition and consumer choice will shape the marketplace. Although there are significant areas of overlap, these items can be divided into three main subgroups: financial issues, legal issues, and market access issues.

Financial Issues

- * customs and taxation
- * electronic payments

Legal Issues

- * 'Uniform Commercial Code' for electronic commerce
- * intellectual property protection
- * privacy
- * security

Market Access Issues

- * telecommunications infrastructure and information technology
- * content
- * technical standards

I. Financial Issues

1. CUSTOMS AND TAXATION

For over 50 years, nations have negotiated tariff reductions because they have recognized that the economies and citizens of all nations benefit from freer trade. Given this recognition, and because the Internet is truly a global medium, it makes little sense to introduce tariffs on goods and services delivered over the Internet.

Further, the Internet lacks the clear and fixed geographic lines of transit that historically have characterized the physical trade of goods. Thus, while it remains possible to administer tariffs for products ordered over the Internet but ultimately delivered via surface or air transport, the structure of the Internet makes it difficult to do so when the product or service is delivered electronically.

Nevertheless, many nations are looking for new sources of revenue, and may seek to levy tariffs on global electronic commerce.

Therefore, the United States will advocate in the World Trade Organization (WTO) and other appropriate international fora that the Internet be declared a tariff-free environment whenever it is used to deliver products or services. This principle should be established quickly before nations impose tariffs and before vested interests form to protect those tariffs.

In addition, the United States believes that no new taxes should be imposed on Internet commerce. The taxation of commerce conducted over the Internet should be consistent with the established principles of international taxation, should avoid inconsistent national tax jurisdictions and double taxation, and should be simple to administer and easy to understand.

Any taxation of Internet sales should follow these principles:

- * It should neither distort nor hinder commerce. No tax system should discriminate among types of commerce, nor should it create incentives that will change the nature or location of

transactions.

- * The system should be simple and transparent. It should be capable of capturing the overwhelming majority of appropriate revenues, be easy to implement, and minimize burdensome record keeping and costs for all parties.
- * The system should be able to accommodate tax systems used by the United States and our international partners today.

Wherever feasible, we should look to existing taxation concepts and principles to achieve these goals.

Any such taxation system will have to accomplish these goals in the context of the Internet's special characteristics -- the potential anonymity of buyer and seller, the capacity for multiple small transactions, and the difficulty of associating online activities with physically defined locations.

To achieve global consensus on this approach, the United States, through the Treasury Department, is participating in discussions on the taxation of electronic commerce through the Organization for Economic Cooperation and Development (OECD), the primary forum for cooperation in international taxation.

The Administration is also concerned about possible moves by state and local tax authorities to target electronic commerce and Internet access. The uncertainties associated with such taxes and the inconsistencies among them could stifle the development of Internet commerce.

The Administration believes that the same broad principles applicable to international taxation, such as not hindering the growth of electronic commerce and neutrality between conventional and electronic commerce, should be applied to subfederal taxation. No new taxes should be applied to electronic commerce, and states should coordinate their allocation of income derived from electronic commerce. Of course, implementation of these principles may differ at the subfederal level where indirect taxation plays a larger role.

Before any further action is taken, states and local governments should cooperate to develop a uniform, simple approach to the taxation of electronic commerce, based on existing principles of taxation where feasible.

2. ELECTRONIC PAYMENT SYSTEMS

New technology has made it possible to pay for goods and services over the Internet. Some of the methods would link existing electronic banking and payment systems, including credit and debit card networks, with new retail interfaces via the Internet. &Electronic money,⁸ based on stored-value, smart card, or other technologies, is also under development. Substantial private sector investment and competition is spurring an intense period of innovation that should benefit consumers and businesses wishing to engage in global electronic commerce.

At this early stage in the development of electronic payment systems, the commercial and technological environment is changing rapidly. It would be hard to develop policy that is both timely and appropriate. For these reasons, inflexible and highly prescriptive regulations and rules are inappropriate and potentially harmful. Rather, in the near term, case-by-case monitoring of electronic payment experiments is preferred.

From a longer term perspective, however, the marketplace and industry self-regulation alone may not fully address all issues. For example, government action may be necessary to ensure the safety and soundness of electronic payment systems, to protect consumers, or to respond to important law enforcement objectives.

The United States, through the Department of the Treasury, is working with other governments in international fora to study the global implications of emerging electronic payment systems. A number of organizations are already working on important aspects of electronic banking and payments. Their analyses will contribute to a better understanding of how electronic payment systems will affect global commerce and banking.

The Economic Communique issued at the Lyon Summit by the G-7 Heads of State called for a cooperative study of the implications of new, sophisticated retail electronic payment systems. In response, the G-10 deputies formed a Working Party, with representation from finance ministries and central banks (in consultation with law enforcement authorities). The Working Party is chaired by a representative from the U.S. Treasury Department, and tasked to produce a report that identifies common policy objectives among the G-10 countries and analyzes the national approaches to electronic commerce taken to date.

As electronic payment systems develop, governments should work closely with the private sector to inform policy development, and ensure that governmental activities flexibly accommodate the needs of the emerging marketplace.

II. Legal Issues

3. 'UNIFORM COMMERCIAL CODE' FOR ELECTRONIC COMMERCE

In general, parties should be able to do business with each other on the Internet under whatever terms and conditions they agree upon.

Private enterprise and free markets have typically flourished, however, where there are predictable and widely accepted legal environments supporting commercial transactions. To encourage electronic commerce, the U.S. government should support the development of both a domestic and global uniform commercial legal framework that recognizes, facilitates, and enforces electronic transactions worldwide. Fully informed buyers and sellers could voluntarily agree to form a contract subject to this uniform legal framework, just as parties currently choose the body of law that will be used to interpret their contract.

Participants in the marketplace should define and articulate most of the rules that will govern electronic commerce. To enable private entities to perform this task and to fulfill their roles adequately, governments should encourage the development of simple and predictable domestic and international rules and norms that will serve as the legal foundation for commercial activities in cyberspace.

In the United States, every state government has adopted the Uniform Commercial Code (UCC), a codification of substantial portions of commercial law. The National Conference of Commissioners of Uniform State Law (NCCUSL) and the American Law Institute, domestic sponsors of the UCC, already are working to adapt the UCC to cyberspace. Private sector organizations, including the American Bar Association (ABA) along with other interest groups, are participants in this process. Work is also ongoing on a proposed electronic contracting and records act for transactions not covered by the UCC. The Administration supports the prompt consideration of these proposals, and the adoption of uniform legislation by all states. Of course, any such legislation will be designed to accommodate ongoing and possible future global initiatives.

Internationally, the United Nations Commission on International Trade Law (UNCITRAL) has completed work on a model law that supports the commercial use of international contracts in electronic commerce. This model law establishes rules and norms that validate and recognize contracts formed through electronic means, sets default rules for

contract formation and governance of electronic contract performance, defines the characteristics of a valid electronic writing and an original document, provides for the acceptability of electronic signatures for legal and commercial purposes, and supports the admission of computer evidence in courts and arbitration proceedings.

The United States Government supports the adoption of principles along these lines by all nations as a start to defining an international set of uniform commercial principles for electronic commerce. We urge UNCITRAL, other appropriate international bodies, bar associations, and other private sector groups to continue their work in this area.

The following principles should, to the extent possible, guide the drafting of rules governing global electronic commerce:

- * parties should be free to order the contractual relationship between themselves as they see fit;
- * rules should be technology-neutral (i.e., the rules should neither require nor assume a particular technology) and forward looking (i.e., the rules should not hinder the use or development of technologies in the future);
- * existing rules should be modified and new rules should be adopted only as necessary or substantially desirable to support the use of electronic technologies; and
- * the process should involve the high-tech commercial sector as well as businesses that have not yet moved online.

With these principles in mind, UNCITRAL, UNIDROIT, and the International Chamber of Commerce (ICC), and others should develop additional model provisions and uniform fundamental principles designed to eliminate administrative and regulatory barriers and to facilitate electronic commerce by:

- * encouraging governmental recognition, acceptance and facilitation of electronic communications (i.e., contracts, notarized documents, etc.);
- * encouraging consistent international rules to support the acceptance of electronic signatures and other authentication procedures; and
- * promoting the development of adequate, efficient, and effective alternate dispute resolution mechanisms for global commercial transactions.

The expansion of global electronic commerce also depends upon the participants, ability to achieve a reasonable degree of certainty

regarding their exposure to liability for any damage or injury that might result from their actions. Inconsistent local tort laws, coupled with uncertainties regarding jurisdiction, could substantially increase litigation and create unnecessary costs that ultimately will be born by consumers. The U.S. should work closely with other nations to clarify applicable jurisdictional rules and to generally favor and enforce contract provisions that allow parties to select substantive rules governing liability.

Finally, the development of global electronic commerce provides an opportunity to create legal rules that allow business and consumers to take advantage of new technology to streamline and automate functions now accomplished manually. For example, consideration should be given to establishing electronic registries.

The Departments of Commerce and State will continue to organize U.S. participation in these areas with a goal of achieving substantive international agreement on model law within the next two years. NCCUSL and the American Law Institute, working with the American Bar Association and other interested groups, are urged to continue their work to develop complementary domestic and international efforts.

4. INTELLECTUAL PROPERTY PROTECTION

Commerce on the Internet often will involve the sale and licensing of intellectual property. To promote this commerce, sellers must know that their intellectual property will not be stolen and buyers must know that they are obtaining authentic products.

International agreements that establish clear and effective copyright, patent, and trademark protection are therefore necessary to prevent piracy and fraud. While technology, such as encryption, can help combat piracy, an adequate and effective legal framework also is necessary to deter fraud and the theft of intellectual property, and to provide effective legal recourse when these crimes occur. Increased public education about intellectual property in the information age will also contribute to the successful implementation and growth of the GII.

Copyrights

There are several treaties that establish international norms for the protection of copyrights, most notably the Berne Convention for the Protection of Literary and Artistic Works. These treaties link nearly all major trading nations and provide them with a means of protecting,

under their own laws, each other's copyrighted works and sound recordings.

In December 1996, the World Intellectual Property Organization (WIPO) updated the Berne Convention and provided new protection for performers and producers of sound recordings by adopting two new treaties. The two treaties -- the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty -- will greatly facilitate the commercial applications of online digital communications over the GII.

Both treaties include provisions relating to technological protection, copyright management information, and the right of communication to the public, all of which are indispensable for an efficient exercise of rights in the digital environment. The U.S. Government recognizes private sector efforts to develop international and domestic standards in these areas. The Administration understands the sensitivities associated with copyright management information and technological protection measures, and is working to tailor implementing legislation accordingly.

Both treaties also contain provisions that permit nations to provide for exceptions to rights in certain cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author (e.g., "fair use"). These provisions permit members to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. These provisions permit members to devise new exceptions and limitations that are appropriate in the digital network environment, but neither reduce nor extend the scope of applicability of the limitations and exceptions permitted by the Berne Convention.

The Administration is drafting legislation to implement the new WIPO treaties, and looks forward to working with the Senate on their ratification.

The two new WIPO treaties do not address issues of online service provider liability, leaving them to be determined by domestic legislation. The Administration looks forward to working with Congress as these issues are addressed and supports efforts to achieve an equitable and balanced solution that is agreeable to interested parties and consistent with international copyright obligations.

The adoption of the two new WIPO treaties represents the attainment of one of the Administration's significant intellectual property

objectives. The U.S. Government will continue to work for appropriate copyright protection for works disseminated electronically. The Administration's copyright-related objectives will include:

- * encouraging countries to fully and immediately implement the obligations contained in the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS);
- * seeking immediate U.S. ratification and deposit of the instruments of accession to the two new WIPO treaties and implementation of the obligations in these treaties in a balanced and appropriate way as soon as possible;
- * encouraging other countries to join the two new WIPO treaties and to implement fully the treaty obligations as soon as possible; and
- * ensuring that U.S. trading partners establish laws and regulations that provide adequate and effective protection for copyrighted works, including motion pictures, computer software, and sound recordings, disseminated via the GII, and that these laws and regulations are fully implemented and actively enforced.

The United States will pursue these international objectives through bilateral discussions and multilateral discussions at WIPO and other appropriate fora and will encourage private sector participation in these discussions.

Sui Generis Protection of Databases

The December 1996 WIPO Conference in Geneva did not take up a proposed treaty to protect the non-original elements of databases. Instead, the Conference called for a meeting, subsequently held, to discuss preliminary steps to study proposals to establish sui generis database protection.

Based on the brief discussion of sui generis database protection that took place before and during the Diplomatic Conference, it is clear that more discussion of the need for and the nature of such protection is necessary domestically and internationally.

The Administration will seek additional input from, among others, the scientific, library, and academic communities and the commercial sector, in order to develop U.S. policy with respect to sui generis database protection.

Patents

Development of the GII will both depend upon and stimulate innovation

in many fields of technology, including computer software, computer hardware, and telecommunications. An effectively functioning patent system that encourages and protects patentable innovations in these fields is important for the overall success of commerce over the Internet. Consistent with this objective, the U.S. Patent and Trademark Office (PTO) will (1) significantly enhance its collaboration with the private sector to assemble a larger, more complete collection of prior art (both patent and non-patent publications), and provide its patent examiners better access to prior art in GII-related technologies; (2) train its patent examiners in GII-related technologies to raise and maintain their level of technical expertise; and (3) support legislative proposals for early publication of pending patent applications, particularly in areas involving fast moving technology.

To create a reliable environment for electronic commerce, patent agreements should:

- * prohibit member countries from authorizing parties to exploit patented inventions related to the GII without the patent owner's authority (i.e., disapproval of compulsory licensing of GII-related technology except to remedy a practice determined after judicial or administrative process to be anti-competitive);
- * require member countries to provide adequate and effective protection for patentable subject matter important to the development and success of the GII; and
- * establish international standards for determining the validity of a patent claim.

The United States will pursue these objectives internationally. Officials of the European, Japanese, and United States Patent Offices meet, for example, each year to foster cooperation on patent-related issues. The United States will recommend at the next meeting that a special committee be established within the next year to make recommendations on GII-related patent issues .

In a separate venue, one hundred countries and international intergovernmental organizations participate as members of WIPO's permanent committee on industrial property information (PCIPI). The United States will attempt to establish a working group of this organization to address GII-related patent issues.

Trademark and Domain Names

Trademark rights are national in scope and conflicts may arise where

the same or similar trademarks for similar goods or services are owned by different parties in different countries. Countries may also apply different standards for determining infringement.

Conflicts have arisen on the GII where third parties have registered Internet domain names that are the same as, or similar to, registered or common law trademarks. An Internet domain name functions as a source identifier on the Internet. Ordinarily, source identifiers, like addresses, are not protected intellectual property (i.e., a trademark) per se. The use of domain names as source identifiers has burgeoned, however, and courts have begun to attribute intellectual property rights to them, while recognizing that misuse of a domain name could significantly infringe, dilute, and weaken valuable trademark rights.

To date, conflicts between trademark rights and domain names have been resolved through negotiations and/or litigation. It may be possible to create a contractually based self-regulatory regime that deals with potential conflicts between domain name usage and trademark laws on a global basis without the need to litigate. This could create a more stable business environment on the Internet. Accordingly, the United States will support efforts already underway to create domestic and international fora for discussion of Internet-related trademark issues. The Administration also plans to seek public input on the resolution of trademark disputes in the context of domain names.

Governance of the domain name system (DNS) raises other important issues unrelated to intellectual property. The Administration supports private efforts to address Internet governance issues including those related to domain names and has formed an interagency working group under the leadership of the Department of Commerce to study DNS issues. The working group will review various DNS proposals, consulting with interested private sector, consumer, professional, congressional and state government and international groups. The group will consider, in light of public input, (1) what contribution government might make, if any, to the development of a global competitive, market-based system to register Internet domain names, and (2) how best to foster bottom-up governance of the Internet.

5. PRIVACY

Americans treasure privacy, linking it to our concept of personal freedom and well-being. Unfortunately, the GII's great promise -- that it facilitates the collection, re-use, and instantaneous transmission of information -- can, if not managed carefully, diminish personal

privacy. It is essential, therefore, to assure personal privacy in the networked environment if people are to feel comfortable doing business.

At the same time, fundamental and cherished principles like the First Amendment, which is an important hallmark of American democracy, protect the free flow of information. Commerce on the GII will thrive only if the privacy rights of individuals are balanced with the benefits associated with the free flow of information.

In June of 1995, the Privacy Working Group of the United States government Information Infrastructure Task Force (IITF) issued a report entitled, PRIVACY AND THE NATIONAL INFORMATION INFRASTRUCTURE: Principles for Providing and Using Personal Information. The report recommends a set of principles (the "Privacy Principles") to govern the collection, processing, storage, and re-use of personal data in the information age.

These Privacy Principles, which build on the Organization for Economic Cooperation and Development's GUIDELINES GOVERNING THE PROTECTION OF PRIVACY AND TRANSBORDER DATA FLOW OF PERSONAL DATA and incorporate principles of fair information practices, rest on the fundamental precepts of awareness and choice:

- * Data-gatherers should inform consumers what information they are collecting, and how they intend to use such data; and
- * Data-gatherers should provide consumers with a meaningful way to limit use and re-use of personal information.

Disclosure by data-gatherers is designed to stimulate market resolution of privacy concerns by empowering individuals to obtain relevant knowledge about why information is being collected, what the information will be used for, what steps will be taken to protect that information, the consequences of providing or withholding information, and any rights of redress that they may have. Such disclosure will enable consumers to make better judgments about the levels of privacy available and their willingness to participate.

In addition, the Privacy Principles identify three values to govern the way in which personal information is acquired, disclosed and used online -- information privacy, information integrity, and information quality. First, an individual's reasonable expectation of privacy regarding access to and use of, his or her personal information should be assured. Second, personal information should not be improperly altered or destroyed. And, third, personal information should be

accurate, timely, complete, and relevant for the purposes for which it is provided and used.

Under these principles, consumers are entitled to redress if they are harmed by improper use or disclosure of personal information or if decisions are based on inaccurate, outdated, incomplete, or irrelevant personal information.

In April, 1997, the Information Policy Committee of the IITF issued a draft paper entitled Options For Promoting Privacy on the National Information Infrastructure. The paper surveys information practices in the United States and solicits public comment on the best way to implement the Privacy Principles. The IITF goal is to find a way to balance the competing values of personal privacy and the free flow of information in a digital democratic society.

Meanwhile, other federal agencies have studied privacy issues in the context of specific industry sectors. In October 1995, for example, the National Telecommunications and Information Administration (NTIA) issued a report entitled Privacy and the NII: Safeguarding Telecommunications-Related Personal Information. It explores the application of the Privacy Principles in the context of telecommunications and online services and advocates a voluntary framework based on notice and consent. On January 6, 1997, the FTC issued a staff report entitled Public Workshop on Consumer Privacy on the Global Information Infrastructure. The report, which focuses on the direct marketing and advertising industries, concludes that notice, choice, security, and access are recognized as necessary elements of fair information practices online. In June of 1997, the FTC held four days of hearings on technology tools and industry self-regulation regimes designed to enhance personal privacy on the Internet.

The Administration supports private sector efforts now underway to implement meaningful, consumer-friendly, self-regulatory privacy regimes. These include mechanisms for facilitating awareness and the exercise of choice online, evaluating private sector adoption of and adherence to fair information practices, and dispute resolution.

The Administration also anticipates that technology will offer solutions to many privacy concerns in the online environment, including the appropriate use of anonymity. If privacy concerns are not addressed by industry through self-regulation and technology, the Administration will face increasing pressure to play a more direct role in safeguarding consumer choice regarding privacy online.

The Administration is particularly concerned about the use of information gathered from children, who may lack the cognitive ability to recognize and appreciate privacy concerns. Parents should be able to choose whether or not personally identifiable information is collected from or about their children. We urge industry, consumer, and child-advocacy groups working together to use a mix of technology, self-regulation, and education to provide solutions to the particular dangers arising in this area and to facilitate parental choice. This problem warrants prompt attention. Otherwise, government action may be required.

Privacy concerns are being raised in many countries around the world, and some countries have enacted laws, implemented industry self-regulation, or instituted administrative solutions designed to safeguard their citizens' privacy. Disparate policies could emerge that might disrupt transborder data flows. For example, the European Union (EU) has adopted a Directive that prohibits the transfer of personal data to countries that, in its view, do not extend adequate privacy protection to EU citizens.

To ensure that differing privacy policies around the world do not impede the flow of data on the Internet, the United States will engage its key trading partners in discussions to build support for industry-developed solutions to privacy problems and for market driven mechanisms to assure customer satisfaction about how private data is handled.

The United States will continue policy discussions with the EU nations and the European Commission to increase understanding about the U.S. approach to privacy and to assure that the criteria they use for evaluating adequacy are sufficiently flexible to accommodate our approach. These discussions are led by the Department of Commerce, through NTIA, and the State Department, and include the Executive Office of the President, the Treasury Department, the Federal Trade Commission (FTC) and other relevant federal agencies. NTIA is also working with the private sector to assess the impact that the implementation of the EU Directive could have on the United States.

The United States also will enter into a dialogue with trading partners on these issues through existing bilateral fora as well as through regional fora such as the Asia Pacific Economic Cooperation (APEC) forum, the Summit of the Americas, the North American Free Trade Agreement (NAFTA), and the Inter-American Telecommunications Commission (CITEL) of the Organization of American States, and broader

multilateral organizations.

The Administration considers data protection critically important. We believe that private efforts of industry working in cooperation with consumer groups are preferable to government regulation, but if effective privacy protection cannot be provided in this way, we will reevaluate this policy.

6. SECURITY

The GII must be secure and reliable. If Internet users do not have confidence that their communications and data are safe from unauthorized access or modification, they will be unlikely to use the Internet on a routine basis for commerce. A secure GII requires:

- (1) secure and reliable telecommunications networks;
- (2) effective means for protecting the information systems attached to those networks;
- (3) effective means for authenticating and ensuring confidentiality of electronic information to protect data from unauthorized use; and
- (4) well trained GII users who understand how to protect their systems and their data.

There is no single "magic" technology or technique that can ensure that the GII will be secure and reliable. Accomplishing that goal requires a range of technologies (encryption, authentication, password controls, firewalls, etc.) and effective, consistent use of those technologies, all supported globally by trustworthy key and security management infrastructures.

Of particular importance is the development of trusted certification services that support the digital signatures that will permit users to know whom they are communicating with on the Internet. Both signatures and confidentiality rely on the use of cryptographic keys. To promote the growth of a trusted electronic commerce environment, the Administration is encouraging the development of a voluntary, market-driven key management infrastructure that will support authentication, integrity, and confidentiality.

Encryption products protect the confidentiality of stored data and electronic communications by making them unreadable without a decryption key. But strong encryption is a double-edged sword. Law abiding citizens can use strong encryption to protect their trade secrets and personal records. But those trade secrets and personal records could be lost forever if the decrypt key is lost. Depending

upon the value of the information, the loss could be quite substantial. Encryption can also be used by criminals and terrorists to reduce law enforcement capabilities to read their communications. Key recovery based encryption can help address some of these issues.

In promoting robust security needed for electronic commerce, the Administration has already taken steps that will enable trust in encryption and provide the safeguards that users and society will need. The Administration, in partnership with industry, is taking steps to promote the development of market-driven standards, public-key management infrastructure services and key recoverable encryption products. Additionally, the Administration has liberalized export controls for commercial encryption products while protecting public safety and national security interests.

The Administration is also working with Congress to ensure legislation is enacted that would facilitate development of voluntary key management infrastructures and would govern the release of recovery information to law enforcement officials pursuant to lawful authority.

The U.S. government will work internationally to promote development of market-driven key management infrastructure with key recovery. Specifically, the U.S. has worked closely within the OECD to develop international guidelines for encryption policies and will continue to promote the development of policies to provide a predictable and secure environment for global electronic commerce.

III. Market Access Issues

7. TELECOMMUNICATIONS INFRASTRUCTURE AND INFORMATION TECHNOLOGY

Global electronic commerce depends upon a modern, seamless, global telecommunications network and upon the computers and information appliances that connect to it. Unfortunately, in too many countries, telecommunications policies are hindering the development of advanced digital networks. Customers find that telecommunications services often are too expensive, bandwidth is too limited, and services are unavailable or unreliable. Likewise, many countries maintain trade barriers to imported information technology, making it hard for both merchants and customers to purchase the computers and information systems they need to participate in electronic commerce.

In order to spur the removal of barriers, in March 1994, Vice President Gore spoke to the World Telecommunications Development Conference in Buenos Aires. He articulated several principles that the

U.S. believes should be the foundation for government policy, including:

- (1) encouraging private sector investment by privatizing government-controlled telecommunications companies;
- (2) promoting and preserving competition by introducing competition to monopoly phone markets, ensuring interconnection at fair prices, opening markets to foreign investment, and enforcing anti-trust safeguards;
- (3) guaranteeing open access to networks on a non-discriminatory basis, so that GII users have access to the broadest range of information and services; and
- (4) implementing, by an independent regulator, pro-competitive and flexible regulation that keeps pace with technological development.

Domestically, the Administration recognizes that there are various constraints in the present network that may impede the evolution of services requiring higher bandwidth. Administration initiatives include Internet II, or Next Generation Internet. In addition, the FCC has undertaken several initiatives designed to stimulate bandwidth expansion, especially to residential and small/home office customers.

The goal of the United States will be to ensure that online service providers can reach end-users on reasonable and nondiscriminatory terms and conditions. Genuine market opening will lead to increased competition, improved telecommunications infrastructures, more customer choice, lower prices and increased and improved services.

Areas of concern include:

- * Leased lines: Data networks of most online service providers are constructed with leased lines that must be obtained from national telephone companies, often monopolies or governmental entities. In the absence of effective competition, telephone companies may impose artificially inflated leased line prices and usage restrictions that impede the provision of service by online service providers.
- * Local loops pricing: To reach their subscribers, online service providers often have no choice but to purchase local exchange services from monopoly or government-owned telephone companies. These services also are often priced at excessive rates, inflating the cost of data services to customers.
- * Interconnection and unbundling: Online service providers must be able to interconnect with the networks of incumbent

telecommunication companies so that information can pass seamlessly between all users of the network. Monopolies or dominant telephone companies often price interconnection well above cost, and refuse to interconnect because of alleged concerns about network compatibility or absence of need for other providers.

- * Attaching equipment to the network: Over the years, some telecommunication providers have used their monopoly power to restrict the connection of communication or technology devices to the network. Even when the monopoly has been broken, a host of unnecessary burdensome "type acceptance" practices have been used to retard competition and make it difficult for consumers to connect.
- * Internet voice and multimedia: Officials of some nations claim that "real time" services provided over the Internet are "like services" to traditionally regulated voice telephony and broadcasting, and therefore should be subject to the same regulatory restrictions that apply to those traditional services. In some countries, these providers must be licensed, as a way to control both the carriage and content offered. Such an approach could hinder the development of new technologies and new services.

In addition, countries have different levels of telecommunications infrastructure development, which may hinder the global provision and use of some Internet-based services. The Administration believes that the introduction of policies promoting foreign investment, competition, regulatory flexibility and open access will support infrastructure development and the creation of more data-friendly networks.

To address these issues, the Administration successfully concluded the WTO Basic Telecommunications negotiations, which will ensure global competition in the provision of basic telecommunication services and will address the many underlying issues affecting online service providers. During those negotiations, the U.S. succeeded in ensuring that new regulatory burdens would not be imposed upon online service providers that would stifle the deployment of new technologies and services.

As the WTO Agreement is implemented, the Administration will seek to ensure that new rules of competition in the global communications marketplace will be technology neutral and will not hinder the development of electronic commerce. In particular, rules for licensing new technologies and new services must be sufficiently flexible to accommodate the changing needs of consumers while allowing governments

to protect important public interest objectives like universal service. In this context, rules to promote such public interest objectives should not fall disproportionately on any one segment of the telecommunications industry or on new entrants.

The Administration will also seek effective implementation of the Information Technology Agreement concluded by the members of the WTO in March 1997, which is designed to remove tariffs on almost all types of information technology. Building on this success, and with the encouragement of U.S. companies, the administration is developing plans for ITA II, in which it will seek to remove remaining tariffs on, and existing non-tariff barriers to, information technology goods and services. In addition, the Administration is committed to finding other ways to streamline requirements to demonstrate product conformity, including through Mutual Recognition Agreements (MRAS) that can eliminate the need for a single product to be certified by different standards laboratories across national borders.

Bilateral exchanges with individual foreign governments, regional fora such as APEC and CITELE, and multilateral fora such as the OECD and ITU, and various other fora (i.e. international alliances of private businesses, the International Organization of Standardization [ISO], the International Electrotechnical Commission [IEC]), also will be used for international discussions on telecommunication-related Internet issues and removing trade barriers that inhibit the export of information technology. These issues include the terms and conditions governing the exchange of online traffic, addressing, and reliability. In all fora, U.S. Government positions that might influence Internet pricing, service delivery options or technical standards will reflect the principles established in this paper and U.S. Government representatives will survey the work of their study groups to ensure that this is the case.

In addition, many Internet governance issues will best be dealt with by means of private, open standards processes and contracts involving participants from both government and the private sector. The U.S. government will support industry initiatives aimed at achieving the important goals outlined in this paper.

8. CONTENT

The U.S. government supports the broadest possible free flow of information across international borders. This includes most informational material now accessible and transmitted through the Internet, including through World Wide Web pages, news and other

information services, virtual shopping malls, and entertainment features, such as audio and video products, and the arts. This principle extends to information created by commercial enterprises as well as by schools, libraries, governments and other nonprofit entities.

In contrast to traditional broadcast media, the Internet promises users greater opportunity to shield themselves and their children from content they deem offensive or inappropriate. New technology, for example, may enable parents to block their children's access to sensitive information or confine their children to pre-approved websites.

To the extent, then, that effective filtering technology becomes available, content regulations traditionally imposed on radio and television would not need to be applied to the Internet. In fact, unnecessary regulation could cripple the growth and diversity of the Internet.

The Administration therefore supports industry self-regulation, adoption of competing ratings systems, and development of easy-to-use technical solutions (e.g., filtering technologies and age verification systems) to assist in screening information online.

There are four priority areas of concern:

- * Regulation of content. Companies wishing to do business over the Internet, and to provide access to the Internet (including U.S. online service providers with foreign affiliates or joint ventures) are concerned about liability based on the different policies of every country through which their information may travel.

Countries that are considering or have adopted laws to restrict access to certain types of content through the Internet emphasize different concerns as a result of cultural, social, and political difference. These different laws can impede electronic commerce in the global environment.

The Administration is concerned about Internet regulation of this sort, and will develop an informal dialogue with key trading partners on public policy issues such as hate speech, violence, sedition, pornography and other content to ensure that differences in national regulation, especially those undertaken to foster cultural identity, do not serve as disguised trade barriers.

- * Foreign content quotas. Some countries currently require that a specific proportion of traditional broadcast transmission time be

devoted to "domestically produced" content. Problems could arise on the Internet if the definition of "broadcasting" is changed to extend these current regulations to "new services." Countries also might decide to regulate Internet content and establish restrictions under administrative authority, rather than under broadcast regulatory structures.

The Administration will pursue a dialogue with other nations on how to promote content diversity, including cultural and linguistic diversity, without limiting content. These discussions could consider promotion of cultural identity through subsidy programs that rely solely on general tax revenues and that are implemented in a nondiscriminatory manner.

- * Regulation of advertising. Advertising will allow the new interactive media to offer more affordable products and services to a wider, global audience. Some countries stringently restrict the language, amount, frequency, duration, and type of tele-shopping and advertising spots used by advertisers. In principle, the United States does not favor such regulations. While recognizing legitimate cultural and social concerns, these concerns should not be invoked to justify unnecessarily burdensome regulation of the Internet.

There are laws in many countries around the world that require support for advertising claims. Advertising industry self-regulation also exists in many countries around the globe. Truthful and accurate advertising should be the cornerstone of advertising on all media, including the Internet.

A strong body of cognitive and behavioral research demonstrates that children are particularly vulnerable to advertising. As a result, the U.S. has well established rules (self-regulatory and otherwise) for protecting children from certain harmful advertising practices. The Administration will work with industry and childrens advocates to ensure that these protections are translated to and implemented appropriately in the online media environment.

The rules of the "country-of-origin" should serve as the basis for controlling Internet advertising to alleviate national legislative roadblocks and trade barriers.

- * Regulation to prevent fraud. Recently, there have been a number of cases where fraudulent information on companies and their stocks, and phony investment schemes have been broadcast on the Internet. The appropriate federal agencies (i.e., Federal Trade Commission and the Securities and Exchange Commission) are determining whether new regulations are needed to prevent fraud over the Internet.

In order to realize the commercial and cultural potential of the

Internet, consumers must have confidence that the goods and services offered are fairly represented, that they will get what they pay for, and that recourse or redress will be available if they do not. This is an area where government action is appropriate.

The Administration will explore opportunities for international cooperation to protect consumers and to prosecute false, deceptive, and fraudulent commercial practices in cyberspace.

Federal agencies such as the Department of State, U.S. Trade Representative (USTR), the Commerce Department (NTIA), the FTC, the Office of Consumer Affairs and others have already engaged in efforts to promote such positions, through both bilateral and multilateral channels, including through the OECD, the G-7 Information Society and Development Conference, the Latin American Telecommunications Summits, and the Summit of the Americas process, as well as APEC Telecommunications Ministerials. All agencies participating in such fora will focus on pragmatic solutions based upon the principles in this paper to issues related to content control.

9. TECHNICAL STANDARDS

Standards are critical to the long term commercial success of the Internet as they can allow products and services from different vendors to work together. They also encourage competition and reduce uncertainty in the global marketplace. Premature standardization, however, can "lock in" outdated technology. Standards also can be employed as de facto non-tariff trade barriers, to "lock out" non-indigenous businesses from a particular national market.

The United States believes that the marketplace, not governments, should determine technical standards and other mechanisms for interoperability. Technology is moving rapidly and government attempts to establish technical standards to govern the Internet would only risk inhibiting technological innovation. The United States considers it unwise and unnecessary for governments to mandate standards for electronic commerce. Rather, we urge industry driven multilateral fora to consider technical standards in this area.

To ensure the growth of global electronic commerce over the Internet, standards will be needed to assure reliability, interoperability, ease of use and scalability in areas such as:

* electronic payments;

- * security (confidentiality, authentication, data integrity, access control, non-repudiation);
- * security services infrastructure (e.g., public key certificate authorities);
- * electronic copyright management systems;
- * video and data-conferencing;
- * high-speed network technologies (e.g., Asynchronous Transfer Mode, Synchronous Digital Hierarchy); and
- * digital object and data interchange.

There need not be one standard for every product or service associated with the GII, and technical standards need not be mandated. In some cases, multiple standards will compete for marketplace acceptance. In other cases, different standards will be used in different circumstances.

The prevalence of voluntary standards on the Internet, and the medium's consensus-based process of standards development and acceptance are stimulating its rapid growth. These standards flourish because of a non-bureaucratic system of development managed by technical practitioners working through various organizations. These organizations require demonstrated deployment of systems incorporating a given standard prior to formal acceptance, but the process facilitates rapid deployment of standards and can accommodate evolving standards as well. Only a handful of countries allow private sector standards development; most rely on government-mandated solutions, causing these nations to fall behind the technological cutting edge and creating non-tariff trade barriers.

Numerous private sector bodies have contributed to the process of developing voluntary standards that promote interoperability. The United States has encouraged the development of voluntary standards through private standards organizations, consortia, testbeds and R&D activities. The U.S. government also has adopted a set of principles to promote acceptance of domestic and international voluntary standards.

While no formal government-sponsored negotiations are called for at this time, the United States will use various fora (i.e., international alliances of private businesses, the International Organization for Standardization [ISO], the International Electrotechnical Commission [IEC], International Telecommunications Union [ITU], etc.) to discourage the use of standards to erect barriers to free trade on the developing GII. The private sector should assert global leadership to address standards setting needs.

The United States will work through intergovernmental organizations as needed to monitor and support private sector leadership.

A COORDINATED STRATEGY

The success of electronic commerce will require an effective partnership between the private and public sectors, with the private sector in the lead. Government participation must be coherent and cautious, avoiding the contradictions and confusions that can sometimes arise when different governmental agencies individually assert authority too vigorously and operate without coordination.

The variety of issues being raised, the interaction among them, and the disparate fora in which they are being addressed will necessitate a coordinated, targeted governmental approach to avoid inefficiencies and duplication in developing and reviewing policy.

An interagency team will continue to meet in order to monitor progress and update this strategy as events unfold. Sufficient resources will be committed to allow rapid and effective policy implementation.

The process of further developing and implementing the strategy set forth in this paper is as important as the content of the paper itself. The U.S. Government will consult openly and often, with groups representing industry, consumers and Internet users, Congress, state and local governments, foreign governments, and international organizations as we seek to update and implement this paper in the coming years.

Private sector leadership accounts for the explosive growth of the Internet today, and the success of electronic commerce will depend on continued private sector leadership. Accordingly, the Administration also will encourage the creation of private fora to take the lead in areas requiring self-regulation such as privacy, content ratings, and consumer protection and in areas such as standards development, commercial code, and fostering interoperability.

The strategy outlined in this paper will be updated and new releases will be issued as changes in technology and the marketplace teach us more about how to set the optimal environment in which electronic commerce and community can flourish.

There is a great opportunity for commercial activity on the Internet. If the private sector and governments act appropriately, this opportunity can be realized for the benefit of all people.

A Framework For Global Electronic Commerce
President William J. Clinton
Vice President Albert Gore, Jr.
Washington, D.C.

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