



# Facilitating the Digital Economy A WITSA Position Paper

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## **Policy Statement**

The World Information Technology and Services Alliance (WITSA), the global public policy body comprised of 28 national information industry representative bodies, urges government and business organizations worldwide to prepare for the coming of the "digital economy." Industry and government, must work together to create a supportive framework to ensure business and consumers have confidence in electronic commerce and doing business "on-line."

## **The Digital Economy**

Electronic commerce will be an increasingly important element of the global economy over the next few years. It will become increasingly efficient to do business "on-line."

Electronic commerce comprises a wide range of activities, some well established, some new and others yet to emerge. It includes the electronic selling of tangible goods such as CDs and books and the on-line delivery of intangibles, including software and services such as insurance. Realizing the full potential of the digital economy will be essential for the competitiveness of businesses, industries and countries.

International Data Corporation expects the amount of commerce conducted over the Internet to grow from U.S. \$ 2.6 billion in 1996 to more than U.S. \$ 220 billion during 2001. Electronic commerce globally is growing at over 200 per cent a year.

The emergence of a digital economy presents tremendous opportunities for all sectors of the economy. Consumers will have access to a global market place of competitively priced goods and services. Business will have access to that same global market and will also be able to trade more efficiently with their suppliers and business partners. The application of electronic commerce through supply chains will have a tremendous impact and accelerate the take up of electronic commerce throughout industry. There will also be new opportunities in emerging technologies, service delivery and content provision.

Many aspects of the digital economy are present today in business-to-business transactions. In fields such as health care, financial services and manufacturing, information important to the efficiency and competitiveness

of industry is routinely exchanged. The extension of this to other business and to consumers is the exciting promise of the digital economy.

The digital economy has significant implications in that it has the capacity to transform businesses and create new ones. Governments will be able to deliver services to their clients in new and more accessible ways. The challenge will be to develop and apply the new skills required to take advantage of these opportunities.

We have to be realistic at the same time and recognize that electronic commerce will be opening up to international competition many market sectors which hitherto had national protection. This will be particularly felt in the services sector.

The global nature of these forces will limit the capacity of national economies to stand aside from the global digital economy. Economies and national governments will have to recognize the huge cost of not cooperating with each other to benefit fully from the digital economy.

### **Basic Principles for the Digital Economy**

Governments need to work with business to make sure that laws and regulations support and do not impede or inhibit the expansion of the digital economy. Useful principles for governments to follow would be:

- private sector leadership
  - continued innovation and growth depend on electronic commerce remaining market-driven
- Industry-led international cooperation
  - in most cases, action will need to be in a global context
- minimal government intervention in transactions
  - self-regulation wherever possible, with solutions derived through technology and market developments
- a simple, predictable and equitably applied legal framework
- equitable access across communities
- user choice and the empowerment of individuals through technology
- the creation of confidence by coordination and consultation with business and other members of the domestic and global community

### **Issues Which Need to be Addressed**

Governments need to address systematically the following issues to create a predictable market-oriented framework for the digital economy.

- **Taxation**

There should be no discriminatory government taxes, charges or fees on electronic commerce transactions. Internet specific taxes will stifle the development of on-line business. Traditional taxes on paper-based transactions should not necessarily be extended to digital transactions unless there is extensive industry and government dialogue on fairness, reasonableness and lack of duplication. Compromises with governments should be made which do not inhibit people from using the net.

- **International trade**

There should be a free trade zone for products and services delivered electronically. Global electronic commerce will expand more rapidly in an open trading environment.

**Electronic payment systems**

Market forces should drive the evolution of electronically based trading systems. Government action may be necessary to provide a supervisory framework and to legitimize electronic transactions

- **Commercial legal framework for electronic transactions**

Traditional freedom of contract principles should apply to electronic commerce transactions. Buyers and sellers need certainty in their dealings on the Internet and confidence that their contracts are enforceable. Changes to contract law should be made only to ensure freedom of contract principles apply in the digital environment. International coordination will be required to validate and recognize electronic transactions.

- **Intellectual Property Protection**

Effective intellectual property protection and enforcement are essential for electronic commerce to thrive. Existing intellectual property laws need to be applied in the digital environment. Some aspects of copyright will require re-examination to insure that the degree of liability is related to the degree knowledge and control a party has in determining the content of a communication or web site. For example, Internet service providers who merely transmit or facilitate the transmission of information should not be held responsible for its content, of which they are ignorant, and should not be required to monitor web sites and other digital communications. As long as Internet service providers act responsibly upon notification of an intellectual property violation or other content issue (e.g., child pornography or fraud) in the realm of Internet communications, they should not be held liable for unauthorized or illegal acts.

- **Privacy**

The privacy rights of individuals need to be balanced against the benefits of a free flow of information. Governments should encourage best practices or other mechanisms which are self-regulated by industry. Any national action will have to be within international guidelines likely to emerge from organizations such as the Organization for Economic Cooperation and Development.

- **Security**

Government should not impose import or export controls on encryption products or attempt to force the use of government mandated management infrastructures. Users must have confidence that their communications are secure and private. Access to products with strong encryption capabilities is critical to providing this confidence.

- **Content Regulation**

- User empowerment including technology based filtering and rating systems are far more effective than sweeping regulations prohibiting or controlling access. User-friendly applications are being developed that provide tailor-made solutions for each individual. Where appropriate, industry self-regulation should provide the necessary controls.

- **Technical standards**

Governments should promote market driven standards and technical regulations. The standards environment should be voluntary and self-regulatory. Governments must negotiate mutual recognition agreements to remove duplicative testing and certification requirements and enshrine the principle 'one standard, one test'. Governments should also remove regulatory and technical barriers to trade.

- **Telecommunications**

Governments should promote competition and deregulation in all telecommunications markets, fully implementing the World Trade Organization (WTO) Agreement on Basic Telecommunications. True competition will accelerate the deployment of new technologies and reduce prices for business and consumers.

- **Consumer protection**

Governments should rely on existing consumer protection legislation and processes as far as possible. New laws, specific to electronic commerce should be developed cautiously, keeping in mind the need to balance protection with not inhibiting growth.

- **Cultural Issues**

Governments should give priority to promoting cultural identity, rather than regulating content by quotas and other protectionist measures.

#### Executive Summary

With electronic commerce becoming increasingly important to the global economy, WITSA has identified several basic principles that governments should follow in order to ensure that laws and regulations do not inhibit the expansion of the digital economy. These include private sector leadership, industry-led international cooperation, industry self-regulation, a simple, predictable and equitably applied legal framework, and equitable access across communities.

In order to create a predictable and market-oriented framework for the digital economy, WITSA also calls on governments to address important issues such as taxation, international trade, electronic payment systems, commercial legal framework for electronic transactions, intellectual property protection, privacy, security, content regulation, technical standards, telecommunications competition and deregulation, consumer protection and cultural issues.

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## The World Information Technology and Services Alliance (WITSA)

WITSA consists of the national information industry representative bodies from around the world. Its role is to develop public policy positions on issues of concern to the information industry and present these positions to governments and international organizations. WITSA members are:

<b>Argentina</b>	Cámara de Empresas de Software y Servicios Informáticos (CESSI) <a href="http://www.cessi.com.ar">http://www.cessi.com.ar</a>
<b>Australia</b>	Australian Information Industry Association (AIIA) <a href="http://www.aiia.com.au/">http://www.aiia.com.au/</a>
<b>Bangladesh</b>	Bangladesh Computer Samity (BCS)
<b>Brazil</b>	Sociedade de Usuários de Informática e Telecomunicações - Sao Paulo (Sucesu-SP) <a href="http://www.sucesusp.com.br">http://www.sucesusp.com.br</a>
<b>Canada</b>	Information Technology Association of Canada (ITAC) <a href="http://www.itac.ca/">http://www.itac.ca/</a>
<b>China, Taipei</b>	Information Service Industry Association of China, Taipei (CISA) <a href="http://www.cisanet.org.tw/english/index.html">http://www.cisanet.org.tw/english/index.html</a> / <a href="http://www.worldcongress2000.org">http://www.worldcongress2000.org</a>
<b>Colombia</b>	Colombian Software Federation (Federación Colombiana de Software - FEDECOLSOFT) <a href="http://www.fedecolsoft.org.co">http://www.fedecolsoft.org.co</a>
<b>Czech Republic</b>	Association for Consulting to Business (Asociace Pro Poradenství v Podnikání - APP)
<b>Egypt</b>	The Co-operative Society for Computers of Egypt (CSCE)
<b>Finland</b>	Information Technology Services Association (Tietotekniikan Palveluliitto - TIPAL) <a href="http://www.tipal.fi/index.html">http://www.tipal.fi/index.html</a>
<b>France</b>	Syntec Informatique <a href="http://www.syntec-informatique.fr/syntec/ow/home.cgi">http://www.syntec-informatique.fr/syntec/ow/home.cgi</a>
<b>Germany</b>	Bundesverband Informationstechnologien (BVITeV) <a href="http://www.bvit.de/home-eng.htm">http://www.bvit.de/home-eng.htm</a>
<b>Greece</b>	Federation of Hellenic Information Technology Enterprises (SEPE) <a href="http://www.hol.gr/sepe/sepe1en.htm">http://www.hol.gr/sepe/sepe1en.htm</a>
<b>India</b>	National Association of Software and Service Companies (NASSCOM) <a href="http://www.nasscom.org/index.html">http://www.nasscom.org/index.html</a>
<b>Israel</b>	Israeli Association of Software Houses (IASH) <a href="http://www.iash.org.il/">http://www.iash.org.il/</a>
<b>Italy</b>	Associazione Nazionale Aziende Servizi Informatica e Telematica <a href="http://www.anasin.it/">http://www.anasin.it/</a>
<b>Japan</b>	Japan Information Service Industry Association (JISA) <a href="http://www.jisa.or.jp/">http://www.jisa.or.jp/</a>

<b>Malaysia</b>	Association of the Computer Industry (PIKOM) <a href="http://www.pikom.org.my">http://www.pikom.org.my</a>
<b>Mexico</b>	Asociación Mexicana de la Industria de Tecnologías de Información (AMITI) <a href="http://www.amiti.org.mx/">http://www.amiti.org.mx/</a>
<b>Mongolia</b>	Mongolian National Information Technology Association
<b>Morocco</b>	L'Association des Professionnels de L'Informatique de la Bureautique et de la Telematique (APEBI) / <a href="http://www.atlasnet.net.ma/forum-apebi/present.htm">http://www.atlasnet.net.ma/forum-apebi/present.htm</a>
<b>Netherlands</b>	Federation of Dutch Branch Associations in Information Technology (Federatie Nederlandse IT - FENIT) / <a href="http://www.fenit.nl/">http://www.fenit.nl/</a>
<b>New Zealand</b>	Information Technology Association of New Zealand (ITANZ) <a href="http://www.itanz.org.nz/">http://www.itanz.org.nz/</a>
<b>Northern Ireland</b>	Software Industry Federation in Northern Ireland (SIF) <a href="http://www.sif.co.uk">http://www.sif.co.uk</a>
<b>Poland</b>	Polish Chamber of Information Technology and Telecommunications (Polska Izba Informatyki i Telekomunikacji - PIIiT) / <a href="http://www.piit.org.pl/index_e.htm">http://www.piit.org.pl/index_e.htm</a>
<b>Republic of Korea</b>	Federation of Korean Information Industries (FKII) <a href="http://www.fkii.or.kr/english/index.html">http://www.fkii.or.kr/english/index.html</a>
<b>Romania</b>	IT&C Association of Romania (ATIC) <a href="http://www.softnet.ro/atic/">http://www.softnet.ro/atic/</a>
<b>Singapore</b>	Singapore Federation of the Computer Industry (SFCI) <a href="http://www.asianconnect.com/sfci">http://www.asianconnect.com/sfci</a>
<b>South Africa</b>	IT Association of South Africa (ITA) <a href="http://www.ita.org.za">http://www.ita.org.za</a>
<b>Spain</b>	Asociación Española de Empresas de Tecnologías de la Información (SEDISI) <a href="http://www.sedisi.es">http://www.sedisi.es</a>
<b>Sweden</b>	Swedish IT-companies' Organisation AB (Svenska IT-Företagens Organisation AB) <a href="http://www.sito.se/">http://www.sito.se/</a>
<b>Thailand</b>	The Association of Thai Computer Industry (ATCI) <a href="http://www.bdg.co.th/atci/atcihome.htm">http://www.bdg.co.th/atci/atcihome.htm</a>
<b>United Kingdom</b>	Computing Services & Software Association (CSSA) <a href="http://www.cssa.co.uk/cssa/">http://www.cssa.co.uk/cssa/</a>
<b>United States</b>	Information Technology Association of America (ITAA) <a href="http://www.ita.org/index.htm">http://www.ita.org/index.htm</a>
<b>Zimbabwe</b>	Computer Suppliers' Association of Zimbabwe (COMSA)