

Internet White Paper - April 2000 Internet

Introduction

Information technology is driving economic growth and expansion worldwide. The spread of personal computers and data communications and telecommunications infrastructure is making both small and large businesses more productive, it is improving access to information and education, and helping to drive economic development. The economic benefits of this technology are helping to keep inflation low as well. The growth of the Internet, along with the information technology products and infrastructure that support it, are enabled by - and dependent upon - semiconductors. Without semiconductors, there could be no World Wide Web.

Forecasts call for significant increases in the number of appliances connected to the Internet, from PCs and information appliances to cell phones with web capabilities. In unit terms, there were 200 million Internet-connected devices in 1999 and that number is expected to more than triple to 700 million to 1 billion by 2003.

Growth in the Internet is directly fueling a growth in demand for semiconductors. Semiconductor manufacturing provides high value added jobs around the world. The semiconductor industry is also the foundation for many other high technology industries and adds considerable value to our nations' gross domestic products.

The policies that are being developed to govern the Internet - from taxation and tariffs to privacy and security - could have a tremendous effect on the ability of this sector to continue growing. The associations representing the world's leading semiconductor producers strongly encourage our governments to pursue policies that will foster growth, rather than encumber the development of the Internet and electronic commerce.

Tariffs/taxation

Currently, electronic transmissions are not subject to tariffs. The imposition of new tariffs on Internet transmissions could significantly slow growth in this sector.

The World Trade Organization (WTO) agreed to implement a moratorium on the imposition of duties on electronic commerce transmissions. The members of the WSC believe that the WTO moratorium should be made permanent and binding.

The imposition of new taxes could also serve to slow growth in this dynamic sector. Three guiding principles should govern the taxation of e-commerce:

No Discriminatory Taxation:

Electronic commerce should not be treated less favorably than non-electronic commerce;

No New Taxes:

Bit taxes or other new taxation regimes designed specifically to collect duties from electronic commerce should be avoided; and

Ease of Compliance:

Taxation regimes should be clear, simple and predictable, and should provide a level playing field for all operators, both foreign and domestic.

Finally, government authorities should approach very cautiously the question of classification of electronic transmissions as either goods or services under WTO rules. Classifying products for trade purposes is extremely sensitive - such decisions must be made with an objective of opening markets further. At present, it may be premature to finalize a decision in this area, but, as a matter of principle, no proposals for classification of digital products that provides less market access than currently offered to physical goods should be adopted.

Privacy

In order for the Internet to continue growing, customers must be confident that their personal data is being adequately protected - businesses must offer a level of protection that will give their customers confidence. Because of the speed at which the Internet is growing there is a danger that attempts at regulation in this area could impede legitimate business transactions and interfere with trade.

A primarily self-regulatory regime, under which businesses adopt practices and security mechanisms to protect customer information, is best suited to the Internet environment. Among the factors that will be crucial in any self-regulatory environment is an adequate means through which to address customer complaints, if possible on line.

The business community has taken up this issue at both the national and the international level. The WSC advises governments to work with and support business in the development of adequate privacy practices. We also caution governments to avoid unnecessarily restrictive privacy rules that could hinder growth - in particular, the WSC request that the governments avoid imposing more stringent privacy protection rules in cyberspace than exist in other business transactions.

Intellectual property and content

In part, the explosive growth of the Internet has been driven by the large amount of content that is available to the consumer. Inadequate protection of intellectual property rights could eventually have a negative impact on growth by discouraging rights holders from exposing their content to potential misappropriation.

Several international organizations, including the WTO and the World Intellectual Property Organization (WIPO), are currently working on ensuring that electronic transmissions are

afforded adequate protection. The WSC encourages governments to make sure that these efforts are successful.

Security of transmissions/data

The ability to transmit data in a secure manner is vital in the conduct of both business-to-business and consumer oriented electronic transactions. Protecting data in this manner requires the use of strong encryption.

Governments should work with industry to ensure that lawful business transactions are provided the maximum protection possible, while addressing legitimate national security concerns. Efforts to control encryption products should take into account the availability of such products on the world market and the need of business to offer secure services. It is imperative that governments not impose restrictions in the name of national security that actually serve to discourage or restrict the flow of information and, ultimately, interfere with trade.

Electronic authentication/signatures

In order to ensure that electronic commerce reaches its full potential, there must be a legal and regulatory framework for authentication that does not introduce new barriers. Solutions to this problem also must be technology-neutral. Ideally, governments and industry should work together to ensure that authentication methodologies and technologies continue to evolve to meet the needs of business - and that regulatory regimes remain flexible enough to provide legal protection without stifling innovation.

Infrastructure and technology

Continued growth of the Internet is dependent upon the existence of adequate infrastructure. Open and competitive markets are the best means by which to guarantee the development and growth of infrastructure. The WTO, through its rules governing trade in services and telecommunications and through the Information Technology Agreement (ITA) eliminating tariffs on the Internet.