

SPEECH GIVEN BY SENATOR DALE D. MARSHALL AT THE  
CARRIBBEAN / LATIN AMERICA ACTION CONFERENCE ON  
DECEMBER 10<sup>TH</sup> 1999

“DEVELOPING A HEMISPHERIC POLICY FOR ECOMMERCE”

SPONSORED BY THE AMERICAN CHAMBER OF COMMERCE

Distinguished colleagues, fellow panelists, ladies and gentlemen. Almost exactly one year ago, I stood here at this conference and attempted to outline for that audience the work that the FTAA committee of experts on eCommerce was expected to embark on since its genesis in June of last year.

It is with a deep sense of gratitude that I accepted the invitation to speak at this year's event coming as it does at the end of the first round of deliberations of the Committee. It was an exciting year for the committee as we set about our mandate of examining the issues of eCommerce with a view towards identifying the environment that will allow eCommerce to benefit the countries in the hemisphere”.

As I occupy your time for the next 15 minutes speaking about the subject “**Developing a hemispheric policy in eCommerce**”, it may be useful for me to remind you, that policies are dynamic things and, in the ordinary course of things, they will change over time.

It would be foolhardy to think that in the world of eCommerce, where the word “static” almost does not exist, and where time and distance do not matter, that grappling with policy issues would be easy. Our task has been to try to bring to the fore certain fundamental issues and knowing what we know now, with a few

ideas of what the future holds, to provide some guideposts to the regions governments.

Of course, it is a well known fact that the human race has been woefully inaccurate when it comes to considering what the future holds as far as technology goes. Even visionaries have had trouble when contemplating how radically new technologies can change the way we do things.

In 1889, Charles Duell, head of the U.S. Patent Office said, "Everything that can be invented ... has been invented."

Thomas Watson, the famous chairman of IBM said in 1943: "I think there is a world market for about five computers."

And it is reported that Bill Gates, of all people in 1981 said, "640 thousand bytes of memory ought to be enough for anybody."

The challenge therefore is to develop policies for this rapidly changing environment. Our approaches to eCommerce policy has to be normative and flexible so that the policies can still have some application in another 20 years. We must have a policy and regulatory framework which is flexible, stimulates innovation and competition.

Because it is inherently global, eCommerce policies will be most useful if they are compatible with a global approach. We cannot have a global environment where national approaches are inconsistent with each other as this would only serve to fragment regional and global markets.

The work of the committee has taken the countries a fair way along in this direction.

After examining the state of play, we were able to formulate for the Trade Ministers of the hemisphere, **43** recommendations on 17 heads of eCommerce issues and I propose to give you a brief idea of what these are. For example,

under the heading of **Network access**, the committee considered that there were several factors which determine the diffusion of eCommerce in our countries. These are:

- The extent and nature of the entities providing Internet access;
- The quality of the telecommunications infrastructure and the cost of access;
- The level of individual income and the corresponding access to computers;
- The availability of technical know-how; and
- The policies and regulatory framework.

Perhaps the greatest challenge for us is how to achieve universal access in the hemisphere. Our countries must therefore address important policy questions related to universal access.

Chief among them are:

- Will existing or new entrants be able to find the revenue streams necessary to justify the investments needed for the expansion of telecommunications infrastructure?
- What role will governments have to play if market forces are unable to bring about the desired outcome of universal access.

The network modernization required to provide the advanced telecommunications services which underpin the knowledge based economy has created a major need for investments in all countries. The universal, narrow band public telephone network, which was designed primarily for switched voice traffic, will have to be transformed into a broadband network that can efficiently transport huge volumes of packet switched data traffic. The explosive growth of the Internet will speed up this changeover, and also create a huge new demand for high bandwidth services. To date, the network infrastructure required to

accommodate Internet traffic has been provided largely by the facilities based telecommunications carriers.

However, new technologies are being introduced at great speeds, such as cellular and satellite technologies, in many cases providing access to remote areas not previously serviced by grounded telephony operators. As these technologies evolve, they will also be able to improve access to a variety of Internet-based applications where the bandwidth provided by the public switched networks is insufficient. These developments, whether in the form of research and development or network expansion by public or private operators, will require large new investments. In order to secure these investments, a competitive market with predictable rules will become the primary requirement. At the same time, governments also need to ensure, through proper regulation, that their populations receive quality service at just, reasonable, and affordable rates.

The committee recommended under this head that in order to provide for the widest participation of their citizens and to increase their electronic commerce awareness and skills, FTAA Governments should promote Internet access points open to the public, such as in schools, libraries, community centers or public phone centers.

This is only one of the recommendations under this head, but it was based on the actual experiences of member nations.

- Argentina is currently in the process of installing Community Technological Centers to bring Internet applications to remote areas, as well as installing dedicated lines for Internet access in 1,500 public libraries.

- The Government of Canada has implemented the Community Access Program (CAP) to help establish up to 10,000 affordable public Internet access sites in rural, remote, and urban communities, by March 31, 2001. To date, CAP has supported approximately 4,000 Internet access sites in some 3,000 rural and remote communities; the access sites are found in such public locations as libraries, schools, and community centers.
- In Chile, the government is promoting the National Program of Information Kiosks and Community Telecenters on the Internet, with the goal of providing public access to communities across the country by 2006.

We also recommended that to promote the deployment of the bandwidth necessary to guarantee access to basic telecommunication services, FTAA Governments should update their regulatory frameworks to provide for greater private sector competition in telecommunication services. Policies that encourage competition, facilitate interconnection under reasonable conditions and allow private investment will help to reduce the cost of Internet access and use and promote telecommunications infrastructure development.

Under the broad head of ***Raising skills and awareness***, the committee recognising that education will be essential if eCommerce is to reach its full potential, recommended that FTAA Governments, in cooperation with the private-sector, should foster training in the new tools of electronic commerce; promote development of professionals in information technologies; and encourage greater dissemination of the medium among the population.

May I interject at this point that last year I made mention of a revolutionary educational program in Barbados called Edutech 2000 whereby all of our students at all levels, primary, secondary and tertiary are immersed in the use of computer technology. That program has been implemented and I am pleased to say that very soon at one of our secondary schools every one of its roll of 783

students will receive a laptop computer. There are fewer than 100 schools in the hemisphere which have been afforded this privilege.

On the subject of ***Small Economies***, the committee recognizes that electronic Commerce has the potential to provide smaller economies with improved access to information, improved means and ease of communications to business contacts, lower priced products, reduction of barriers to entry to world markets, reduced transactions costs and improved potential for delivery of services.

We therefore recommended that FTAA Governments, especially smaller economies, should encourage greater participation in electronic commerce in order to realize the benefits and avoid possible disadvantages which could arise if participation is delayed.

Another important area under which we made recommendations is ***Consumer Protection***.

Although many countries have developed laws under which consumers can seek redress from fraudulent merchants, the global nature of the Internet raises issues of applicable law and jurisdiction, and venue for handling disputes. It points to questions such as whose laws apply to advertising, contract terms, or fraud, and to whom do consumers appeal when they need to lodge a complaint against a retailer or a service provider whose place of business is in a jurisdiction or in a country other than that in which the consumer is located. Some of the existing laws may need to be updated to provide adequate protection to consumers who engage in electronic transactions that may expose them to fraud or other types of practices that may harm consumers who transact on-line.

In this new environment, consumers must learn simultaneously how to deal with the use of new technologies, as well as understand what their rights and obligations are when transacting online. Consumers generally find themselves at a disadvantage in this environment, since their capabilities for assessing risk are

different (often much lower) than those of businesses due to inequalities in terms of access to information and resources for seeking and obtaining redress.

The committee has therefore recommended that:

- FTAA countries should continue to apply existing consumer protection, modified as necessary to reflect the nature of the medium, so that online consumers receive effective protection no less than that afforded to consumers engaging in traditional commercial transactions.
- FTAA Governments should promote the education of businesses and consumers about the risks and benefits of conducting transactions online.
- FTAA Governments, business organizations and consumers should work together to develop consumer protection principles and mechanisms, including easy to use online consumer complaint resolution mechanisms.

These are only some of the policy issues touched on by the committee and you should feel free to visit the FTAA website and examine the report in detail.

Where are we now in terms of Internet readiness?

The work program of the committee required us to study the issues as they relate to the countries of the region and particularly, to study the Internet readiness of the countries in the hemisphere. On the question of the Internet readiness in the hemisphere, the committee commissioned a study by the OAS to assist us in making some reasonable assessment of the state of play. The data gathered clearly demonstrates the gap between the developing countries and the developed.

I do not mean to suggest that from one developing country to another that differences will not also be seen. The 34 countries in the Free Trade Area are in many different stages of development. Our experiences in terms of opportunities and challenges of electronic commerce are therefore quite different.

For example, some 35 percent of US and 25% of Canadian citizens use the Internet, whereas most Latin American Countries have less than 3% of their citizens on-line.

There is a similar disparity in terms of regional expenditures on eCommerce. On the positive side of things, the current growth of internet use in Latin America has been among the most rapid in the world. Even with this rapid rate of growth, the leaders in the Latin American Region are still very far behind the US and Canada!!

In Latin America and the Caribbean, as elsewhere, Internet based Electronic Commerce is daily touted as the new way of doing business that will transform, improve and expand the realm of traditional commerce, both domestic and international. The Internet has created great expectations for developing and emerging economies to participate in an increasingly global digital economy.

18 months ago when I became the Chair of this committee of experts, it became clear to me that across the region there was great disparity in terms of knowledge or awareness of eCommerce. In fact, as I traveled across the region speaking to audiences about eCommerce, I realized that a significant percentage of my audiences of business and government leaders, were at the bottom of the learning curve. Today, I am truly amazed at the rate of absorption of information or knowledge, from then 'til now.

It almost seems as if everyone knows about eCommerce. Of course, we have to pause and reflect on the fact that while "e" words and slogans are on everyone's

lips, e-business, e-tail, "you're either e or you're out", the stark reality is that the vast majority of the millions of people in the hemisphere know nothing about it. The majority of the millions in the hemisphere do not have access to it, and only a minuscule percentage of our populations actually use it. This being the case, how can we so glibly make pronouncements about where it is going, and what the numbers will be in the next 5 or 6 years? Indeed we often speak as if eCommerce is some kind of perpetual engine which, having started, will run itself.

And what about the developing countries? Can the hemisphere afford for eCommerce to be divided between the haves and the have nots. Among the developing countries of the region and in fact the world, their capacity to meaningfully participate in eCommerce depends on their ability to raise awareness among individuals and companies, especially small and medium enterprises and building a skilled human resource base able to use and create with digital technologies.

And as a person from a developing country, I say here with great insistence, that our clarion call must be that we do not see ourselves only as consumers of digital content, but that we see ourselves as producers of content. We too want to exploit the technology in the same way as others do.

We all have a good idea of where we need to be in order to take advantage of eCommerce. We know that our populations must have easy access to the technology. We know too that we need to deal with any cultural barriers which may exist. We believe firmly that governments have a major role to play in the spread of eCommerce, controlling in most of our countries the greatest level of economic activity.

The challenges may seem greatest to the smallest of the nations. However, I am of the view that our small countries in the region can use our size to our advantage. We may not have the economies of scale, however, because we are dealing with smaller numbers we may find it relatively easy to reach first world levels of eCommerce absorption. That is certainly the goal of my own country.

One noted author has said:

“ Digital technology represents a major technological revolution,...one that may be as important as the agricultural and industrial revolutions before it,... empowering citizens in their economic, educational, social, and political activities in ways that would have been hard to imagine twenty years ago...”

*Robert Litan and William Niskanen*

We are on the cusp of a new millennium. A millennium which will, even in its opening years, bring such vast changes to the world as we know it, in the way that we do things, that it is difficult even for futurists to contemplate.

We can be sure that it will bring us as many opportunities as it will challenges and the policies which we set now will determine how we seize the opportunities and surmount the challenges.

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December 10<sup>th</sup>, 1999