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DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEERING COMMITTEE FOR THE PREPARATION OF THE OTTAWA MINISTERIAL
CONFERENCE "A BORDERLESS WORLD: REALISING THE POTENTIAL OF GLOBAL
ELECTRONIC COMMERCE"

**OECD MINISTERIAL CONFERENCE
"A BORDERLESS WORLD: REALISING THE POTENTIAL OF GLOBAL
ELECTRONIC COMMERCE"**

DISCUSSION DOCUMENT

Ottawa, 7-9 October 1998

Delegates to the Steering Committee will find attached the 1st draft outline, prepared by the Secretariat, for the "Discussion Document" for the Ottawa conference. It is provided for the general guidance of delegates, who are referred to the introduction for further explanation of its provisional status. If the Canadian Proposal "Blueprint for Conference Documents" approach is approved by the Steering Committee, future versions of this document will be restructured accordingly.

Action required: for discussion.

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**“A BORDERLESS WORLD:
REALISING THE POTENTIAL OF GLOBAL ELECTRONIC COMMERCE”**

1. Electronic commerce provides a fundamentally new way of conducting business. It has potentially far-reaching economic and social implications for the nature of work, the role of governments, daily life, and even the environment. In terms of commercial transactions, it is clear that accepted ways of doing business will be profoundly modified: traditional intermediaries will be replaced, new products and markets will be created, new and more direct relationships will be forged between businesses and consumers. These changes require new procedures for conducting business and a review both of the effectiveness of government policies pertaining to commerce and of traditional commercial practices and procedures, most of which were set with a much different image of commerce in mind.

2. Electronic commerce issues are highly integrated making it impossible, for example, to discuss efforts to tax e-commerce transactions without also discussing issues of privacy, security and consumer protection. In order to realise the full economic and social potential of global electronic commerce, four key sets of issues must be faced:

- a) Building user and consumer trust;
- b) Minimising regulatory uncertainty;
- c) Easing logistical problems;
- d) Ensuring access to and use of the Information Infrastructure.

3. Consequently, the Conference is not organised around specific issues but is intended instead to develop a global action plan to address the issues, including: private sector initiatives, technological tools, government policies and work by international organisations.

4. This paper sets forth discussion points for each of the broad approaches and includes discussions of the separate and intersecting points within the specific issue areas in the context of private sector action, government policy and action and work at the international-level. Ministers are encouraged to use these as a preliminary starting point for their discussion of the issues.

Building user and consumer trust

5. Trust is central to any commercial transaction. Developing new kinds of commercial activities in the electronic environment largely hinges on assuring consumers and business that their use of network services is secure and reliable, that their transaction are safe, and that they will be able to verify important information about transactions and transacting parties. Furthermore, consumers want to have control over the collection and use of their personal data and to have appropriate redress mechanisms.

6. Activities to promote electronic commerce must be directed towards developing and implementing trustworthy technologies and policies which address potential failures, public education, developing redress mechanisms, and developing law enforcement mechanisms to respond to misuses.

		<i>Security and authentication</i>
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<p><i>Private Sector</i></p> <p>What technical standards and business practices can industry develop and adopt to facilitate the use of authentication technologies in support of secure and trustworthy electronic transactions, including those across national borders?</p>
<p><i>Governments</i></p> <p>How can governments create a predictable legal environment for the operation of authentication technologies and mechanisms to facilitate their use by businesses and consumers?</p>
<p><i>International Organisations</i></p> <p>What role, if any, can international organisations play in promoting global interoperability of electronic authentication technologies and mechanisms?</p>

		<i>Protection of privacy and personal data</i>
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<i>Private Sector</i>		
<p>To what degree can private sector mechanisms (such as codes of conduct for Internet businesses) give users confidence that their privacy is being protected online? What complementary solutions are needed to ensure enforcement of these mechanisms?</p> <p>To what extent can privacy enhancing technologies be utilised to empower users to protect their own privacy online?</p>		
<i>Governments</i>		
<p>What can governments do to help ensure the enforcement of industry self-regulatory approaches?</p> <p>What frameworks can be developed to foster the development of effective online privacy protection while still allowing e-commerce to thrive?</p>		
<i>International organisations</i>		
<p>What can international organisations do to help bridge the gap between different approaches (regulatory vs. self-regulatory) for seamless privacy protection on global networks?</p>		

		<i>Consumer protection</i>
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<i>Private sector</i>		
<p>How can technological solutions or industry codes be used to protect consumers? What are the best mechanisms for developing and deploying these solutions?</p>		
<i>Governments</i>		
<p>How best can consumers be educated about electronic commerce? What enforcement mechanisms, if any, need to be implemented?</p>		
<i>International Organisations</i>		
<p>What can international organisations do to promote consumer protection?</p>		

Minimising regulatory uncertainty

7. Associated with the issue of trust is general uncertainty about how existing regulatory frameworks will be applied or updated, and new regulations drafted, in this new realm. Both businesses and individuals want to know the expected consequences of on-line activities, and government action is one way to respond. Because electronic commerce is inherently international, some consensus must be found at international level in order to establish a consistent regulatory environment. Some of the key problems in this regard are taxation and customs, trade policy and market access, intellectual property issues and the updating of commercial codes.

		<i>Taxation and Customs duties</i>
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<p><i>Governments and International Organisations</i></p> <p>How can governments provide a fiscal environment which permits electronic commerce to flourish but at the same time protects the revenue base?</p> <p>Is it agreed that the existing domestic and international taxation arrangements are capable of being applied to electronic commerce and therefore there is no need at this point to examine new forms of taxation?</p> <p>Do Ministers share the concerns of the Committee on Fiscal Affairs that electronic commerce will intensify the need for international co-operation between tax authorities?</p> <p>How can Customs procedures be streamlined to promote electronic commerce generated trade?</p> <p>How best can the needs for the collection of taxes be balanced against needs for privacy and security?</p>

		<i>Trade Policy and Market Access</i>
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<i>Governments and international organisations</i>		
<p>Which trade barriers need to be removed to improve access?</p> <p>How best can the delivery (mode of supply) of digital products over networks be characterised for trade policy?</p>		

		<i>Intellectual property issues</i>
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<i>Governments and International Organisations</i>		
<p>How can the implementation of the WIPO and WTO (TRIPS) agreements be best achieved?</p> <p>Are these agreements sufficient for promoting electronic commerce?</p>		
<i>Private Sector</i>		
<p>How best can technologies be developed to help protect or aid in the prosecution of IPR violators?</p>		

		<i>Updating of commercial codes</i>
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<i>Private Sector, governments and international organisations</i>		
<p>What is the best mechanism for making commercial codes compatible with global electronic commerce?</p>		
<p>How can liability, jurisdiction and choice of law be properly assigned across the various elements in an electronic commerce transaction?</p>		

Easing logistical problems

8. The growth of electronic commerce and its potential economic impact could be limited by a number of logistical problems relating to payment and delivery and also the Y2K (“millennium-bug”) problem. For electronic commerce to thrive, secure and simple electronic payment systems must be in place. Furthermore, efficient and low-cost distribution channels are needed, both for physical delivery of goods ordered electronically and, as discussed under the section on “access”, for timely delivery of digital goods and services over crowded information networks. Lastly, the potential disruption to computing systems associated with the Y2K problem could adversely affect e-commerce systems.

<p><i>Governments</i></p> <p>What role can and should governments play in the development of e-payment systems?</p> <p>What regulatory reforms are needed to ensure timely, inexpensive, intermodal delivery of parcels?</p> <p>How best can governments make users aware of the need to re-assess priorities to address the Y2K computer problem?</p>
<p><i>Private Sector</i></p> <p>Is it important to achieve the interoperability of systems? If so, how can this best be realised?</p> <p>What administrative functions (e.g. tax or tariff collection) can e-commerce intermediaries provide?</p>

Ensuring access to and use of infrastructure

9. Before users can engage in on-line commercial transactions, they must be able to access and use the network infrastructure. This includes access to information technologies such as computers, servers and software, as well as to the network itself, which is composed of a number of different infrastructures: fixed-line communications, cable TV, cellular mobile networks, satellites and broadcasting networks.

<i>Governments and International Organisations</i>
What can be done to bolster competition in the provision of network services, especially in the local loop?
How should concepts of universal service be applied to electronic commerce? How can governments best accelerate convergence of infrastructures to facilitate competition and ensure that high-speed infrastructures are available for electronic commerce?
<i>Private Sector</i>
What role can self-regulation play in determining liability in e-commerce transactions?

Understanding the Social and Economic Impact

<i>Governments</i>
What measures can governments take to ease the transition and turbulence associated with the widespread adoption of electronic commerce? How best can governments measure this type of economic activity? What specific issues (e.g. prices, productivity, employment) are most deserving of in-depth analysis? How best can governments exploit the growing use of electronic commerce infrastructures to improve their own operations, service delivery, and interactions with citizens?