

## EDITORIAL

### Rich and poor nations launch global information society dialogue

Developing and developed nations have launched a "Dialogue" on the Global Information Society (GIS) at a Conference on Information Society and Development (ISAD) hosted by the South African government in Midrand on May 13-15, 1996.

ISAD was attended by ministers and senior officials from 40 countries and 18 international organisations as well as leading businessmen and representatives from the civil society. The conference initiated the process of defining a "Shared Vision" of the GIS as well as "Common Principles" on which to base "Collaborative Actions".

A key message of the ISAD Conference is that each developing nation should develop an information society adapted to its own needs and specific realities.

The idea of holding the ISAD Conference was launched by South African Executive Deputy President Thabo Mbeki as a follow up to the G7 Conference on the Information Society hosted by the European Commission in February 1995.

Participant said that information and communication technologies can help developing nations leapfrog entire stages of development, promote sustainable economic growth and offer great potential to meet basic needs, develop human resources, improve government efficiency and promote democracy as well as linguistic and cultural diversity.

This, however, will require that developing nations mend the technology and infrastructure development gap with developed nations. Meeting this challenge will ultimately depend on their ability to create a favourable investment climate.

The ISAD Conference also stressed that the risk of creating new social discrepancies between info-rich and info-poor people is even bigger in developing nations than in developed ones. Life-long education will play a crucial role in this respect.

ISAD endorsed the G7 principles which recognise that private investments will play a driving role in the deployment of a global information infrastructure underpinning the GIS and that governments must remove obstacles to investment by defining an adaptable regulatory framework based on competition and providing open access to the networks.

Governments must also ensure universal provision of and access to services, promote equal opportunity for all citizens, promote content diversity, especially as regards indigenous cultures and languages, and pay close attention to developing nations.

Based on these principles, participants said they are committed to foster public-private partnerships, launch or continue a process of national information society planning consistent with the GIS, share information on best development practices, launch projects in conjunction with international organisations and non-governmental organisations and call upon these organisations to refocus their action in light of the GIS.

A follow-up meeting of the ISAD Conference will be held in Cairo before the end of 1996 to identify themes and projects for collaborative action at a global level.

## EUROPE

Trends: Consolidation of the European telecoms industry tops the news -- despite the collapse of the BT-C&W merger plans -- with AT&T and Unisource's decision to merge their European operations and BT's strengthening of its global presence through deals with Mediaset and Hong Kong Telecom. Meanwhile, yet more alliances are being formed in the German TV market by the two main proponents: Bertelsmann and Kirch.

## LEGISLATION AND POLICIES

The European Union's Council of Ministers has adopted a Resolution calling upon Member States to use new multimedia tools and software in education and training.

## MARKET AND COMPANIES

The European telecoms group Unisource and the US telecoms giant AT&T said they have agreed to merge almost all of their European telecoms operations within a new company, AT&T-Unisource Services, respectively owned 60% and 40%.

The partners are also planning to set up another company owned 50% each, AT&T-Unisource Investment, to establish partnerships throughout Europe. As part of the deal, Unisource will have an option for a minority stake in AT&T-UK.

AT&T-Unisource Services will have a division specialising in corporate communications services, currently known as Uniworld, and a division specialising in multimedia and "solutions," for instance corporate services based on the Internet.

Amongst Uniworld's assets are 49.9% of Iris, a joint venture set up with the French mobile operator CGE, and an alliance with the German corporate service provider CNI.

The new company would also become the European point of entry for Worldpartners, a worldwide corporate services alliance set up and led by AT&T.

Unisource is a joint venture specialising in corporate services set up by the Dutch, Swedish, Swiss and Spanish operators KPN, Telia, Swiss Telecom and Telefonica.

Britain's leading telecoms operators, BT and Cable and Wireless, broke off six-month merger talks which would have created the world's third largest telecoms group.

Meanwhile, BT completed two telecoms deals in Hong Kong and in Italy which extend the operator's global reach, partly making the deal with C&W unnecessary.

The BT-C&W negotiations foundered over the issues of price, uncertainties regarding regulatory approval in the UK and Hong Kong, where C&W has a majority stake in Hong Kong Telecoms, and the companies' rival telecoms alliances in Germany.

One of BT's main motivation was to get a foothold in the Asian market via Hong Kong Telecoms. But Hong Kong Telecom has now accepted to distribute corporate services for Concert, a joint venture between BT and the US long distance operator MCI.

In Italy, Mediaset, the media arm of Fininvest, the group of the Italian media mogul Silvio Berlusconi, has agreed in principle to join forces with Albacom, a joint telecoms venture set up by BT and the Italian bank Banca Nazionale del Lavoro (BNL).

Mediaset would spend 25.5 million Ecus for a 35% stake in Albacom, while BT and BNL would buy 2,4% of Mediaset. The move would mark an important diversification of activities into telecoms by Fininvest and reinforce BT's position in Italy.

The German TV group Kirch Gruppe has agreed to form a joint venture with its US counterpart Discovery Communications to launch a documentary channel in Germany as part of Kirch's digital satellite bouquet DF-1 to be launched in July 1996.

As part of the deal, Kirch would also have the rights for distributing Discovery documentaries to other commercial TV channels in German-speaking countries. The two partners also plan to cooperate in the video distribution market.

Discovery, which specialises in the production of documentaries on nature, science and technology, operates in own Discovery Channel in the United States.

The German media giant Bertelsmann said it is planning to set up a joint venture specialising in commercial services for digital TV broadcasters, Digital Broadcasting System (DBS), with the German national telecoms operator Deutsche Telekom and Debitel, the computer arm of the German industrial group Daimler-Benz.

Owned 40% each by Bertelsmann and Telekom and 20% by Debitel, DBS would target broadcasters using the technological platform developed by Multimedia Betriebsgesellschaft (MMBG), a joint venture including amongst others Telekom, Bertelsmann, the French pay-TV group Canal+ and the European media group CLT.

#### SOCIAL, SOCIETAL AND CULTURAL

Unipac Pipex, Britain's leading provider of Internet access for businesses, has decided to block the transmission of child pornography and provide its subscribers with software allowing them to bar access to unsuitable parts of the Net without a password.

#### NORTH AMERICA

Trends: US business moves around Internet-related services, in particular Intranets, are intensifying with a array of new mergers and partnerships, including Cisco-StrataCom, MFS-UUNet, Netscape-Compuserve, GE-Netscape and Microsoft with four cable operators. Meanwhile, Prodigy and Delphi seem to be the first casualties of the on-line war as their parent companies have agreed to sell them off.

#### MARKET AND COMPANIES

America's Cisco Systems, the world's leading supplier of local area network (LAN) equipment, has agreed to purchase StrataCom, a leading US supplier of wide area network (WAN) equipment, in a stock swap worth about \$4 billion.

The move is seen as part of Cisco's strategy to complement its offer of networking solutions in the context of the growing use of networks by businesses and the rapid growth of Internet-based corporate networks, so-called Intranets.

Netscape, the world's leader in Internet navigation software, and General Electric said they would set up a 50-50 owned joint venture, Actra Business Systems, to jointly develop software allowing businesses to conduct secure transactions over the Internet.

MFS Communications, a US telecoms company specialising in corporate communications services, said it would spend \$2 billion on purchasing UUNet Technologies, a leading US provider of Internet access for businesses.

The move is seen as a way for MFS to strengthen its position in the fast emerging market for Intranets, private corporate networks based on the Internet.

MFS operates its own network in over 40 US cities as well as in Frankfurt, London, Paris and Stockholm. As for UUNet, in which Microsoft has a 13% stake, its UK subsidiary Unipal Pipex is Britain's leading provider of Internet access for businesses.

Netscape, the world's leader in Internet navigation software, and Compuserve, the second largest US commercial on-line service, have agreed to join forces to launch by the fall of 1996 an Intranet service which would allow employees within a given company to do on-line collaborative work over the Internet.

Microsoft, the world's leader in PC software, said it has agreed to join forces with four leading cable TV operators, America's Time Warner and Comcast, France's Compagnie Générale des Eaux (CGE) and Singapore Cable Vision (SCV), in the market for Internet access via cable networks on the basis of high-speed cable modems.

The four cable operators would supply their subscribers with Microsoft's Internet navigation software, Explorer, and use its operating system Windows NT.

The US computer giant IBM and Sears Roebuck, said they have agreed to sell off for \$250 million the commercial on-line service Prodigy in which they each own a 50% stake to the international investment group International Wireless.

International Wireless, which includes Grupo Carso, the main shareholder of the Mexican national telecoms operator Telmex, makes communications investments in Mexico, Asia and Africa, and plans to supply Prodigy outside the USA in other languages.

The US media giant News Corp. has said it would sell its commercial on-line service Delphi to the team of managers that originally launched the service.

With only 50,000 subscribers, Delphi is small compared to rival America OnLine (AOL) and Compuserve, with about 5 million subscribers each.

ASIA AND PACIFIC

Trends: However timid, the Japanese government's steps to liberalise telecoms are already prompting an array of plans by new national and foreign entrants such as Matsushita, Toyota and Marshall to provide consumer and corporate telecoms services. Competition in Japan's on-line market also looks set to intensify with the arrival of a newcomer: AOL. Meanwhile, liberalisation is progressing in Australia and Singapore.

## LEGISLATION AND POLICIES

Japanese Telecoms Minister Ichiro Hino has asked the Telecoms Council, the highest advisory panel of the Ministry of Posts and Telecoms, to draw interconnection rules which would promote fair and effective competition in the telecoms market.

The move follows the adoption in March of the government's Deregulation Plan which decided that transparent interconnection rules to the local network of the national operator Nippon Telegraph and Telephone should be established by the end of 1997.

Based on the Telecoms Council's recommendations, the MPT would submit in early 1997 a proposal to the Japanese Diet for changes in the Telecoms Business Law.

The Japanese Ministry of Posts and Telecoms has asked one of its advisory panel, the Radio Regulatory Council, to revise current plans for frequency allocation on the BS 4b TV satellite, to be operational in 2000, to introduce digital broadcasting in Japan.

The move can be seen as an attempt by the MPT to prevent Japan from falling behind Europe and the USA in digital satellite broadcasting. A similar attempt was blocked in 1994 by the national broadcaster NHK and Japanese electronics producers, which are promoting the Hi-Vision standard for analogue high-definition TV instead of digital TV.

Current frequency allocation plans do not reserve any of the BS 4b capacity to digital TV which would only be introduced in 2007 with the future BS 5 satellite series.

The government of Singapore said it would fully open its telecoms market to competition in 2000 instead of 2007. The 89% state-owned operator Singapore Telecom currently has a monopoly in local, wireless and international services, but it will face competition from a new cellular operator, MobileOne, from May 1997.

The Australian government said it would introduce in 1996 legislation to fully liberalise the country's telecoms market by mid-1997.

Competition has already been introduced in the long distance market where the state-owned operator Telstra competes with Australia's Optus, and in the mobile phone market, where Telstra competes with Britain's Vodaphone.

## MARKET AND COMPANIES

The Japanese electronics giant Matsushita has unveiled plans to become a supplier of telecoms and on-line multimedia services to Japanese consumers in 1997.

Matsushita said its service offer would be based on its private leased lines linking up its 500 subsidiaries and affiliates across Japan. The move is part of Matsushita's strategy to become less dependent on consumer electronics products.

The Japanese car manufacturer Toyota too it has plans to provide telecoms services over its leased lines. But it intends to focus instead on the corporate market.

Another newcomer is the British broker M. W. Marshall, which intends to set up a 100%-owned subsidiary, Saturn Global Bar Network Services (SGN), to offer basic international communications services to financial institutions and trading firms in Japan.

Marshall would build upon its private telecoms network linking up brokers in Europe, the USA, Hong Kong and Australia, as well as on its Japanese subsidiary, Hatori Marshall, which would provide lines leased from the Japanese overseas operator KDD.

Matsushita, Toyota and Marshall would be amongst the first Japanese and foreign companies to take advantage of the Japanese government's pledge to allow leased lines to be connected at both ends to public networks by the end of 1997.

The world's leading on-line commercial service, America OnLine (AOL), said it has agreed to set up a joint venture with the Japanese trading house Mitsui and the Japanese publisher Nikon Keizai Shimbun (Nikkei) to offer an Japanese version of its service.

The venture would be owned 50% by AOL, 40% by Mitsui and 10% by Nikkei.

## LATIN AMERICA

## MARKET AND COMPANIES

Two powerful Mexican long distance telecoms alliances have agreed to join forces within a single company, Alestra, to compete in the long distance market with the incumbent operator Telmex and invest 800 million Ecus over five years.

The alliances are a joint venture between the US telecoms giant AT&T and the Mexican industrial group Grupo Alpha, and Unicom, which comprises the US regional telecoms operator GTE, the Spanish telecoms operator Telefonica, Mexico's second largest bank Bancomer and the Mexican industrial group Valores Industriales.

Another major competitor is Avantel, a joint venture between the US long distance operator MCI and the Mexican financial group Grupo Financiero Banamex-Accival. As for Telmex, it has joined forces with the US long distance operator Sprint.

## WORLD-WIDE

Trends: Failure to complete the WTO telecoms talks is a serious setback towards rapidly creating an environment favourable to the deployment of a global information infrastructure. However, the agreement to set a new deadline may encourage some countries to improve their offer and others, in particular developing ones, to submit one.

## LEGISLATION

The 53 countries taking part in the World Trade Organisation (WTO) negotiations on the liberalisation of telecommunications services failed to meet the April 30 deadline for completing the talks but agreed to set a new deadline for February 15, 1997.

The delay is largely a result of the United States' refusal to drop their request, supported by none of the other 52 participants, to exclude satellite services from the agreement. The WTO talks cover both competition principles and the removal of market entry barriers such as foreign ownership restrictions.

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