

EDITORIAL

Commission calls for International Charter for the on-line economy

On 4 February 1998, the European Commission adopted a Communication on "Globalisation and the information society: The need for strengthened international coordination" which aims to launch an international debate on how to improve coordination of world-wide policies affecting the global on-line economy. The Commission argues that a multilateral framework is necessary to tackle the technical, legal and social challenges of the borderless electronic marketplace. This could lead to the adoption of an International Charter by the end of 1999.

The Charter would set a framework for international policy cooperation on global communications issues, particularly in the area of electronic commerce, thereby responding to the need to streamline the many existing activities at international level. As initial steps in a consensus-building process involving government, industry and consumer groups, the Commission intends to organise a round table at expert level in the course of 1998, and proposes to hold an International Ministerial Conference.

Businesses and consumers can only take full advantage of the new opportunities offered by global communications if obstacles and uncertainties are removed. Electronic commerce is forecast to reach over 300 billion ECU by the year 2002. But the borderless nature of the rapidly growing on-line economy will require clarification and in some cases adaptation of existing "off-line" rules to the "on-line" world. Issues such as taxation, data and consumer protection, copyrights, encryption and digital signatures, the Internet Domain Name System and Internet governance require urgent attention.

The European Union (EU) has already begun to formulate several policy lines on electronic commerce by stimulating the development of an internal market for electronic services whilst safeguarding public interests. In parallel, bilateral and multilateral initiatives are being pursued at national and regional levels, and by a growing constellation of international organisations and bodies.

Against this background, the initiative does not call for the creation of a new international body, nor for additional regulation. It argues that more coordination is necessary between the many different entities concerned in order to help avoid unnecessary regulation and calls for stronger involvement of the private sector, consumers and the social partners. The Commission suggests that the EU should strive to contribute its vision on the information society at a global level, notably by promoting fair competition, private sector investments, and open markets, accompanied by appropriate public interest safeguards. The Commission invites all interested parties to e-mail their comments by 31 March 1998 to eif@bxl.dg13.ccc.be

(Available on-line)

EUROPE

Trends: The emphasis is on the European Community with a series of important steps regarding a global Internet Charter (see editorial), Internet telephony, GNSS and the Fifth Framework Programme. At market level, the main news is the teaming-up of Cégétel, Canal+, AOL and Bertelsmann in the French Internet market, and of Havas, Bertelsmann, World Book Publishing and IBM in multimedia content.

MULTIMEDIA SERVICES AND PRODUCTS

The leading UK telecoms operator BT and America's VeriSign, a world leader in digital certificates, have agreed to launch in Britain in the Spring of 1998 a range of corporate and residential digital certificate services for secure electronic commerce over the Internet. The services would allow users to send and receive digitally-signed and encrypted e-mail, thus allowing to protect data confidentiality and to check the integrity of messages. The services would be fully compatible with the VeriSign Trust Network (VTN), a global network of corporate digital certificates for use on the Internet which has 1.5 million customers. BT and VeriSign would also establish a certification authority in the UK to issue, authenticate and manage digital certificates.

The French software company Audiosoft has finalised a distribution agreement with Telindus, a European group specialised in the integration of telecoms systems for corporations, telecoms operators and cable TV operators. The move would allow Audiosoft to make its Internet-based interactive music service, City Music Network, available to cable TV subscribers that enjoy high-speed Internet access over cable networks in Belgium, Luxembourg, Switzerland and the Netherlands. City Music is already supplied by the French cable TV operator Lyonnaise Cable. All together, 100,000 Internauts would be able to access City Music by the end of 1998.

LEGISLATION AND POLICIES

The European Commission has adopted a notice defining its policy on voice telephony in respect of telephony over the Internet. The notice considers that Internet telephony is not subject to the regulation applying to voice telephony until certain

conditions are met. The provision of Internet telephony may therefore not be subject to European Union Member States individual licensing procedures but at the most to declaration procedures.

The European Commission has adopted a strategy to ensure a full European role in the development of Global Navigation Satellite Systems (GNSS), a market estimated to be worth over 43 billion Ecu by 2005. GNSS offers a huge potential for improving the safety and efficiency of all modes of transportation. But the use of existing systems, the Global Positioning System (GPS) and Glonass, currently remains respectively under US and Russian military control. The Commission therefore set three options for the future: joint development of GNSS by all major players; development of GNSS by the European Union and one or more global partners; independent development by the EU.

The European Commission has adopted a revised proposal for the Fifth Framework Programme for research and development based on the views expressed by the European Parliament and the Council of Ministers (available on-line).

The European Commission has cleared the acquisition by Germany's Mannesmann of a controlling interest in the Italian telecoms operator Infostrada. Infostrada is a joint venture which was set up by the US telecoms operator Bell Atlantic and the former Italian computer giant Olivetti, but Bell Atlantic has recently decided to sell its stake.

The French government has adopted an Action Plan for the information society which focuses on six priority lines of action: new technologies in education; culture policy; the modernisation of public services; new technologies for businesses; industrial and technological innovation; and an efficient regulatory environment.

The Ukrainian government has said it would privatise 5% to 25% of the state-owned national telecoms operator UkrTelecom in the second semester of 1998.

MARKET AND COMPANIES

France's largest private telecoms operator, Cégétel, and the French pay-TV giant Canal+ have agreed to merge their

Internet activities. This would also include the Internet activities in France of America OnLine (AOL), the world's largest commercial on-line service, and its partner, the German media giant Bertelsmann. The venture, which would be the sector's leader in France, would focus on five activities: Internet telephony, corporate services, advertising, electronic commerce and interactive TV.

The French, German and US publishing groups Havas, Bertelsmann and World Book Publishing and the US computer giant IBM have announced that they would join forces within a multimedia consortium to produce and market high-quality multimedia content using state-of-the-art technology, in particular tri-dimensional imaging.

O.tel.o, a new entrant in the German telecoms market, has announced that it has signed up the German Roman Catholic and Protestant churches and their charity organisations, a market that is estimated to be worth 435 million Ecu a year.

NORTH AMERICA

Trends: US news are dominated by Compaq's take-over of Digital and by the Supreme Court's decision to review parts of the 1996 Telecoms Act.

LEGISLATION AND POLICIES

The US Department of Commerce has released a draft proposal suggesting ways to improve the management of the Internet Domain Name System (DNS) by establishing a private sector policy oversight body and introducing competition into the domain name registration system. The document aims to spark a large debate with interested parties.

The US Supreme Court has agreed to take up several appeals filed by the US Federal Communications Commission (FCC), the US Department of Justice and several US long-distance operators such as AT&T and MCI. They challenge in particular the rulings of the Eighth US Circuit Court of Appeals in St. Louis, which, in 1997, rejected FCC rules on grounds that the FCC overstepped its authority in areas that fall under state responsibility, in particular network interconnection charges and leased lines. The St. Louis Court's rulings created uncertainty and delayed the full liberalisation of the US telecoms market under the 1996 Telecoms Act. But the Supreme Court's move will not clarify the situation for a while longer as it will not hear the cases until the fall of 1998 and since a decision is unlikely to be reached before a year.

MARKET AND COMPANIES

The US PC manufacturer Compaq has agreed to spend \$8.7 billion on purchasing its US counterpart Digital Equipment, the biggest deal to date in the information technology (IT) sector. The move would turn Compaq into the world's second-largest IT group with \$37.5 billion in annual revenues after IBM and ahead of Hewlett Packard.

The venture would allow Compaq to cover the entire range of IT products. It would in particular strengthen its presence in the corporate market, where it would benefit from Digital's leadership in work stations and servers. The remaining gap in Compaq's market reach compared to IBM would be software, from which IBM draws \$12.8 billion of its \$78.5 billion annual revenues. However, this could be largely offset by Compaq's close ties with the US PC software giant Microsoft.

SOCIAL, SOCIETAL AND CULTURAL

Netscape Communications, the world's leader in Internet browser, has announced plans to axe up to 15% of its 3,200 strong workforce. Netscape also said that it would consider selling part of all of its activities. This follows the company's announcement that it would, for the first time, post a loss for the last quarter of 1997. This could largely be a result of heated competition with the world's leader in PC software, Microsoft, which has grabbed a significant share of the browser market by offering its Explorer browser for free. But Netscape said it would fight back by also releasing its Communicator browser for free.

ASIA AND PACIFIC

INFRASTRUCTURE

The Japanese and UK telecoms operators Nippon Telegraph and Telephone (NTT) and Cable and Wireless (C&W) said they have agreed to set up a joint venture specialised in submarine telecoms cable in Asia. It would be comprised of NTT's maritime cabling operations and be owned 15% by C&W Marine.

LEGISLATION AND POLICIES

The UK and US telecoms operators BT and WorldCom have applied for "Type I" telecoms licenses which would give them the privileges of a public telecoms operator in Japan, including the right to build their own network. Both companies said they intend to offer telecoms services in Japan. WorldCom also unveiled plans to develop its own fibre-optic network in Tokyo to offer corporate communications services before year-end. WorldCom has already developed and interconnected high-speed networks in major US and European financial centres through its subsidiary MFS Communications.

The Japanese Ministry of Posts and Telecoms (MPT) is preparing plans to introduce terrestrial digital broadcasting in Japan starting in the Tokyo area in the year 2000 and progressively covering the whole country by the year 2006. Licenses would be issued to either programme producers or broadcasters.

The Japanese Fair Trade Commission, the country's competition watchdog, has opened an investigation into US software giant Microsoft for allegedly having restricted the use by Japanese computer manufacturers of competing application software.

LATIN AMERICA

LEGISLATION AND POLICIES

The Colombian Telecoms Regulatory Commission has awarded a license for the provision of long-distance and international services to a local telecoms operator owned by the municipality of Bogota, Empresa de Telecomunicaciones de Bogota, thus breaking the monopoly of the national operator, Telecom.

WORLD-WIDE

LEGISLATION AND POLICIES

The World Trade Organisation (WTO) announced that the WTO Basic Telecoms Agreement entered into force on 5 February 1998. The accord, which has been signed by 72 nations, accounts for 93% of the global telecoms market worth over 500 billion Ecu.

SOCIAL, SOCIETAL AND CULTURAL

The number of Internet users reached close to 200 millions at the end of 1997, according to the Internet Industry Almanach, a publication of America's Computer Industry Almanach Inc.. The USA is still dominating Internet use with over 54%, but this share has declined rapidly from 65% in 1994, and is expected to drop to 40% by the end of 2000. Europe amounts to 22% of the total and Japan 8%. Overall, 15 countries, mostly highly industrialised ones, account for 90% of Internet usage.

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