

19 FEB 1998

FREE TRADE ZONE IN CYBERSPACE

By: Salmy Hashim

WASHINGTON, Feb 19 (Bernama) -- The concept of buying and selling on the internet is no longer a wave of the future. The digital economy is now booming and expected to explode in the next millennium.

The World Trade Organisation (WTO) has estimated that global revenues from internet trade could be US\$200 billion (US\$1 = about RM3.7) a year by the turn of the century and grow quickly after that.

The US government estimates that while e-commerce represents only about US\$2 billion of company buying on the internet today, by the year 2002, it will represent almost US\$300 billion of business in the US alone. By the year 2005, one billion people are expected to be on-line.

The evidence is here. Net surfers in Kuala Lumpur are by-passing ticket agents to get bargain-priced airline tickets on the internet so that they can fly to London on the same day; investors can get real time information on the global stock market and invest on-line in their pyjamas while drinking coffee at home; while sleazy pornographic video producers are jamming users' e-mails with their trashy cyber come-ons.

"Resistance is futile," as an alien borg told Captain Jean Luc Picard in a famous Star Trek episode. That line is indeed true in the case of electronic commerce, which is expanding its reach globally every minute of the day.

The United States sees profit in this global, yet untapped business, and has formally proposed that the WTO members keep trade in goods and services duty-free on the internet. The proposal is on the agenda for today's meeting of the WTO's ruling General Council, the first time it will be deliberated since the idea was launched by President Bill Clinton last July.

As for Malaysia, prime minister Datuk Seri Dr Mahathir Mohamad has said that the country would have to carefully examine the effect of making trading of goods and services through the internet duty free.

He had said that Malaysia should take great care in deciding the issue as the government must also protect national interest.

The prime minister said this to reporters at the end of the Multimedia Super Corridor (MSC) Second International Advisory Panel (IAP) meeting on Feb 12.

Among the principles outlined in the US proposal contained in a report called "A Framework for Global Electronic Commerce," the US maintained that:

- * The private sector should lead.
- * Governments should avoid undue restraint on electronic commerce.
- * Where government involvement is needed, its aim should be to support and enforce a predictable, and simple legal environment for commerce.

The US forwarded nine recommendations under the framework and they are :

- * Tariffs and Taxation. The internet should be declared a tariff-free environment whenever it is used to deliver products and services. No new taxes should be imposed on internet commerce. Existing taxes that are applied to electronic commerce should be consistent across national and sub-national jurisdictions and should be simple to understand and administer.

- * Electronic Payment Systems. The commercial and technological environment for electronic payments is changing rapidly, making it

difficult to develop policy that is both timely and appropriate. Inflexible and highly prescriptive regulations and rules are inappropriate and potentially harmful. In the near-term, case-by-case monitoring of electronic payment experiments is preferable to regulation.

* Uniform Commercial Code for Electronic Commerce. Such a code should encourage governmental recognition of electronic contracts; encourage consistent international rules for acceptance of electronic signatures; promote the development of alternative dispute resolution mechanisms for international transactions; set predictable ground rules for exposure to liability; and streamline the use of electronic registries.

* Intellectual Property Protection. To promote e-commerce, sellers must know that their intellectual property will not be stolen and buyers must know they are obtaining authentic products.

In this regard, the US government will study and seek public comment on the need to protect database elements that do not qualify for copyright protection and, if such protection is needed, how to construct it.

The US will promote global efforts to provide adequate and effective protection for patent and trademarks.

* Privacy. It is essential to assure personal privacy in the networked environment if people are to feel comfortable doing business across this new medium. The administration supports private sector efforts now underway to implement meaningful, user friendly, self-regulatory privacy regimes.

Data gatherers should tell consumers what information they are collecting and how they intend to use it. Consumers should have meaningful choice with respect to use and re-use of personal information. Redress should be available to consumers who are harmed by improper use or disclosure of personal information.

* Security. The Global Information Infrastructure (GII) must be secure and reliable. The US government, in partnership with industry, is taking steps to promote the development of a market-driven public key infrastructure that will enable trust in encryption and provide the safeguards that users and society will need.

* Telecommunications Infrastructure and Information Technology. Global e-commerce depends upon a modern, seamless, global telecommunications network and upon the "information appliances" that connect to it.

In too many countries, telecommunication policies are hindering the development of advanced digital networks. The US will work internationally to remove barriers to competition, customer choice, lower prices, and improved services.

* Content. The administration encourages industry self-regulation, the adoption of competitive content rating systems, and the development of use-friendly technology tools (e.g. filtering and blocking technologies) to empower parents, teachers, and others to block content that is inappropriate for children.

The US government will seek agreements with trading partners to eliminate overly burdensome content regulations that create non-tariff barriers.

* Technical standards. The marketplace, not governments, should determine technical standards and other mechanisms for inter-operability on the internet.

Ira Magaziner, senior adviser to the president for policy development, said in an interview with "Electronic Journal," that the US government is trying to work with other governments and with the world's business community to help create the architecture for this future digital economy.

"We don't believe that any of us has all the right answers. None of us know for sure how this marketplace is developed, and how the technology is going to develop. So, we need to work together to create the sort of

commercial and legal and economic frameworks that will allow this economy to emerge," Magaziner said.

-- BERNAMA

SH FR