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E-business reshaping the world of commerce

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THE inexorable rate of technical advance today is driving two emerging trends that will result in one of the most important transformations in history: the creation of a safe, secure, global medium of human and business interaction as well as the largest, most dynamic, restless, sleepless marketplace of goods, services and ideas the world has ever seen.

The convergence of these two trends - deep computing, as in the ability to analyse and manage data, and pervasive computing, not only through PCs but also through consumer devices - will create a capability that will be the single most important attribute of leadership institutions in the 21st Century.

In this scenario, future leadership companies and institutions of all kinds will be those that are best at competing on the basis of knowledge - learning, adapting and improving, using this vital asset known as information.

"The question is not whether the technology will evolve. It will. The question is whether the world is ready for it," said IBM chairman and chief executive Lou Gerstner Jr in his keynote address setting the tone for IBM Fair 98 in Tokyo last week.

The fair is heavily focused on e-business, IBM's model of a networked world that transcends geography, culture and language.

Arguing along a similar vein, Dr Ira Magaziner, senior adviser to the US President for policy development, in another keynote address, said though it is prudent to be cautious and effect change only after much study, history has shown that once in every few hundred years, there comes a time where governments must act boldly and swiftly.

He noted that those who accepted change and struck out fearlessly at the start of the Industrial Revolution became the leaders of the next era while those who did not, fell behind.

Now is such a watershed, he believes. The Internet, he said, will be the driver for the world economy over the next 20-30 years. Already, the information technology industry in the US is growing at twice the average rate of the economy; and its growth is continuing to accelerate.

At the same time, Magaziner noted, nobody can predict with any certainty where all this will head. Change had been coming so fast that no government, not even the US, can tie policy to technology.

Between the time that bureaucrats understand the implications of a certain technology and formulated legislation on its use, it would have been overtaken by yet newer technology.

The US position, he said, is to leave it to the private sector to regulate itself through industry codes of conduct, with the government role being to provide the legal framework for it to work; and that in limited and specific ways only when necessary.

However, much remains to be done in this game some are calling "Internet leapfrog" - a high-stakes contest in which geographies with high concentrations of Internet participants quickly bypass other regions in production, productivity, and profitable growth.

Said Gerstner: "Inside the information technology industry, there is work to be done to make the technology easier to use, more accessible to people who do not type, even people who do not read.

"We have work to do to ensure that customer choice is not restricted by

industry in-fighting over control of proprietary architectures. Reaching agreement on these issues is going to require a new level of international cooperation and global public policy," Gerstner argued.

Taking a similar stance, Magaziner declared: "We need a set of global agreements from the beginning."

Pledging that the US is prepared to work with every country to achieve this, he noted that the World Trade Organisation is already agreed on a temporary moratorium on new customs duties for Internet business.

He is hopeful when the WTO meets next year, it will agree to make this permanent.

He sees the Internet as a great leveller of income. It would be a tragedy if it were a tool for only the rich countries; which would then result in the gap between the haves and the have-nots widening.

Gerstner sees four major issues: taxation, personal privacy, security and access.

Taxation: "This is top of mind with every customer I talked with," Gerstner said. "They want to know that regulatory agencies are capable of forging uniform, non-discriminatory methods of taxing network transactions; and that e-commerce is not going to be choked off by a multinational hodgepodge of tax policies."

Magaziner said discriminatory taxes will only stifle the growth of e-commerce worldwide. Besides, businesses will need an army of accountants just to know their tax liability in the various countries.

Malaysia has passed ground-breaking cyber legislation as part of the framework for the development of the Multimedia Super Corridor; and Prime Minister Datuk Seri Dr Mahathir Mohamad has called on Asean countries to streamline cyberlaws.

Magaziner, saying that the US will be passing legislation this week for a uniform tax regime, added that it believes the best way to collect tax is via economic growth. "Let the Internet provide this growth; the tax will come in."

Using the analogy of a department store, he added that just as the owner of a department store does not charge anyone to access it, everyone should also have free access to a virtual store.

On personal privacy: "People will do e-business or any kind of business only to the extent they trust that their privacy will be respected and protected," said Gerstner.

"So customers must know they will always get fair notice on how information about them will be used, that they can control its use, confirm the accuracy of data when it is collected, and have the choice not to provide information."

Privacy, Magaziner said, is also important to the US, but it believes this should be self-regulated. He suggested a Web trade code of conduct, with Websites promising strict privacy being identified by a logo or symbol approved by a private sector body.

"It will be up to the consumer to choose. If he values privacy, he need not buy from a trader on the Net which does not subscribe to the code of conduct.

"In the Information Age, we need to empower the people to protect themselves. Such private sector initiatives will also encourage companies to join self-regulating bodies."

On security: "Asian nations, by and large, view this as an issue for business and industry, not government. And I agree that the private sector must lead this work, and that solutions must result from innovation from the IT industry - not mandates from government agencies," said Gerstner.

Magaziner agreed, saying the US approach is not to regulate but to allow the market to choose. The Government's role will only be to monitor

against fraud.

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