Multi-stakeholder governance of the Internet key to innovation and growth

INFORMATION PAPER

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Introduction

Looking back at the Internet in the early 1990s, access was largely through dial-up on a PC, e-mail was simply text, the web was not multimedia, and Internet users were mainly North Americans who relied on low-speed wireline connections. The global Internet is much different today. An estimated 2.5 billion people use it worldwide on any number of devices. Bandwidth-intensive traffic such as video are experiencing massive growth. It would take over 6 million years to watch the amount of video that is forecasted to cross global IP networks each month in 2016.[1] The growth of the Internet is also being driven by the explosive growth of mobile services. The number of smartphones in use globally now exceeds 1 billion.[2]

The Internet has made virtually everything more immediate and effortless. The Internet is a hugely powerful economic force that has a direct and positive impact on job creation, trade, competitiveness and economic development – both for small and large businesses, and for mature and developing economies. It has accounted for 21% of the GDP growth in mature economies over the past five years.[3] If Internet consumption and expenditures were its own economic sector, the GDP of the Internet economy would be bigger than the GDP of Spain or Canada.[4] By 2016, the year when the number of Internet users is set to break through the 3 billion mark, it is anticipated the Internet economy will grow to $4.2 trillion.[5]

We are now riding the next wave of innovation and moving into the mobile life era – where advanced communications connect virtually everything. How we buy things, manage healthcare, secure our homes, access entertainment and much more is quickly being reimagined. Businesses of all sizes are finding new ways to speed growth and operate more productively with fully connected solutions. They are heavy consumers of emerging cloud and mobility services. And almost any business relies on the Internet to reach customers, vendors and partners.

The global expansion of the Internet truly has transformed every part of society. Beyond the enormous economic impact, the Internet has transformed communications, politics and public discourse. From the Arab Spring to grassroots political campaigns and the ubiquitous presence of social networking services, the Internet has become the central platform for advancing the freedom of expression.

[1] Cisco Visual Networking Index: Forecast and Methodology, 2011-2016
[2] Strategy Analytics, *Global Smartphone Installed Base Forecast by Operating System for 88 Countries: 2007 to 2017*, October 2012.
[3] James Manyika and Charles Roxburgh, *The great transformer: The impact of the Internet on economic growth and prosperity*, McKinsey Global Institute, October 2011, p 1.
[4] McKinsey Global Institute. 'Internet Matters: The Net's sweeping impact on growth, jobs and prosperity', May 2011.
[5] Boston Consulting Group 'The Internet Economy in the G-20'.

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Given these transformational economic and social impacts, it should not be surprising that the Internet is driving the need for new governance and policy-making processes. In order to be effective, these processes should reflect the realities of the Internet itself: distributed, transnational and driven by rapid technological change.

Existing multi-stakeholder initiatives

The Internet and the investment that makes it possible are thriving today because it has been governed under a multi-stakeholder model, which creates an environment that allows for rapid growth and innovation without centralised control or global regulation. This multi-stakeholder environment built the highly successful global Internet of today by bringing together engineers and scientists, civil society, business, government, academics, and the general public. It has promoted the Internet in a way that is flexible and allows networking and communications to flourish. As the Internet has matured, new approaches, new venues and new forums have arisen that bring technology and policy experts together to respond to the opportunities and challenges that have been created.

Technical organisations such as the Internet Engineering Task Force (IETF) and the Internet Architecture Board (IAB) develop consensus-based technical standards to ensure the Internet remains an interoperable platform open to innovation. The multi-stakeholder model also is epitomised by the Internet Corporation for Assigned Names and Numbers (ICANN), which coordinates the assignment of Internet domain names and addresses on a global basis with the participation of a wide range of stakeholders. Additionally, organisations such as the Internet Society (ISOC), and the Regional Internet Registries (RIRs), serve important examples of multi-stakeholder entities in the Internet's eco-system.

> Through the World Summit on Information Society (WSIS), and its outcome documents, specifically the Tunis Agenda for the Information Society, the United Nations (UN) took steps to embrace the multi-stakeholder model as a new way to address Internet governance issues. The Tunis Agenda in paragraph 34 noted the working definition of Internet governance as: "the development and application by governments, the private sector and civil society, in their respective roles, of shared principles, norms, rules, decision-making procedures, and programmes that shape the evolution and use of the Internet."

And in 2005, the UN established the Internet Governance Forum (IGF) as a multi-stakeholder forum to discuss existing and emerging Internet governance policy issues. The unique structure of the IGF allows it to shape the Internet policy agenda at the global and national level in a way that national priorities and stakeholders, while avoiding centralised decision-making or a politicised inter-governmental treaty process. Moreover, the IGF has catalysed national and regional IGF events around the globe, including East Africa, West Africa, Russia, the Ukraine and the Asia-Pacific region.

The multi-stakeholder process has enabled the Internet's evolution across the world, and it will be crucial for the Internet's future success. Given the rapid pace of technological change, any framework for Internet governance needs to be guided by fundamental principles for international cooperation. To protect and preserve the economic and social opportunity made possible by Internet investment and innovation, it is absolutely crucial for the Internet governance process to be transparent and open to all stakeholders. Accordingly, multi-stakeholder organisations involved in Internet-related issues have shared common characteristics, such as open stakeholder participation, consensus-based decision-making, information sharing, outreach and collaboration.

Some countries and institutions, however, continue to support a more traditional model of national sovereignty and inter-governmental control over Internet governance. The ongoing tension between these competing worldviews was borne out at the recent World Conference on International Telecommunications (WCIT) convened by the International Telecommunication Union (ITU) in Dubai. While there were many areas of consensus, the United States, the European Union and more than 15 other countries declined to sign the resulting treaty because of concerns that it could extend traditional governmental authority and regulation over the Internet.

Such an expansion of the traditional government-controlled governance model would undermine the transparent fabric on which the Internet is built, potentially stifling its unprecedented capacity for economic and social development. The fragmentation of the Internet that could result from governance disputes has serious implications for the free flow of information across national borders. This risk is emerging at a time when the need to protect the free flow of information online has never been greater. It is the key pre-requisite for both the freedom of expression online and free trade, for without the unhindered flow of data, the global Internet-based economy cannot flourish.

Recommendations

The multi-stakeholder process must continue to evolve so that it is inclusive, participatory and representative of the global Internet community. In particular, expanded involvement by business, government and other stakeholders from emerging economies is critical to the legitimacy and future sustainability of the multi-stakeholder process. This can only be accomplished with a flexible and scalable approach that is supported by consistent engagement and practical solutions for making the process as open and accessible as the Internet itself. As the underlying infrastructure of the Internet continues to be extended to more and more countries, there should be a corresponding expansion of involvement from developing countries as they become more involved in the global Internet economy.

This is why AmCham EU decided to adopt this position paper insisting on some clear positions.

1. AmCham EU insists that there is a need to expand the benefits of competition in the global telecom and ICT sector that bring innovation,

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network reliability, improved customer service and lower prices as well as significant multiplier benefits to the global digital economy, allowing demand-driven development among IT-enabled service industries, and improving the productivity of consumers at all levels of income and education.

2. AmCham EU strongly supports policies that demand an open market, to promote innovation and eliminate barriers facing companies looking to invest in new markets.

3. AmCham EU members firmly believe that governments should work in tandem with industry and civil society to keep the web open for all companies and civil society to engage in legitimate activity, and to capitalise on the positive correlation between Internet investment and economic growth. There are a number of models being developed to addressing Internet governance issues in fair, collaborative ways. Many of the organisations and forums addressing Internet-related issues and their decision-making processes are already multi-stakeholder, including the Internet Corporation for Assigned Names and Numbers (ICANN), the Internet Governance Forum (IGF) as well as regional IGFs, the Internet Society, IETF, RIRs, etc.

   While the IGF, for example, does not negotiate an outcome, it enables those with policy-making power in both the public and private sectors to be part of an open exchange of information. It has also catalysed dozens of national and regional IGF initiatives. The IGF continues to demonstrate why maintaining an open and transparent process that encourages participation from a diverse range of actors, including business, is paramount. The first principle of Internet governance should be to 'do no harm'. The favourable Internet governance environment has been the prerequisite for continued investment, innovation and development. Internet availability is steadily growing in all regions, with the most significant impact coming in places that prepare the fertile ground for open markets. Given the rapid evolution of technology, it is critical that we set out high-level principles for international cooperation that can adapt with the pace of technology, rather than mandate or encourage detailed new regulations that address the technical issues of today (or yesterday).

4. AmCham EU considers the multi-stakeholder model as the most effective way to address existing and emerging Internet policy issues, while preserving the investment and innovation that has made the Internet such an extraordinarily powerful tool for economic and social development. There is general agreement that governance structures should remain dispersed and multi-stakeholder, rather than top-down and controlled by governments.

5. AmCham EU considers that open, competitive telecommunications markets are major drivers of digital trade and electronic commerce. Prior to the WTO Basic Telecom Agreement in 1998, telecommunications were provided on a monopoly basis in most

countries. Fifteen years after that historic agreement, many countries now have fully open telecommunications markets and are experiencing significant economic benefits as a result. Indeed, the importance of encouraging telecommunications liberalisation in all countries has increased in the intervening years, as telecommunications networks have rapidly become the backbone of electronic commerce and the knowledge-based economy of the 21st century. The development of competitive telecommunications markets stimulates the provision of high quality, low cost communications and the spread of information and communications technology, which not only benefit US and EU consumers and all US and EU industries competing in the global marketplace, but also encourage greater growth in the world economy.

6. AmCham EU supports the creation of a more consistent regulatory environment. We welcome any proposal for co-operation between national regulatory authorities. Increased collaboration among national authorities will facilitate the sharing of best practices, while allowing regulators to develop common views on the treatment of similar market conditions. AmCham EU also believes that although license streamlining has had a positive effect on the provision of pan-European services, it has not been implemented consistently across EU Member States, thus hampering the growth of the Single Market. We believe that implementing improvements in this area will:

    a. Further simplify market entry;
    b. Reduce administrative costs for providers and NRAs; and
    c. Give effect to the new regulatory framework's requirements regarding cross-border services.

7. AmCham EU believes that the EU-US Trade Principles for Information and Communication Technology Services, released on April 2, 2011, should form the basis of any transatlantic discussions. Indeed, these principles require that governments should not limit foreign direct investment or prevent service suppliers from other countries electronically transferring information internally or across borders, or require ICT service suppliers to use local infrastructure or establish a local presence in order to supply services.

    Governments should also not restrict the ability of suppliers to supply services over the Internet on a cross-border basis. Additional principles require, among other things, transparent laws, regulations and procedures affecting ICT and trade in ICT services, independent regulatory authorities and the authorisation of competitive telecommunications services based wherever possible on simple notification by a service provider.

    The avoidance of restrictions on cross-border data flows is particularly important to digital trade. Countries should undertake to permit cross border data flows and external data management, storage, and access (including the ability to use cloud-based technologies) both within a firm and in its operations with customers. These commitments should

clearly prohibit the adoption or continuation of requirements for local data storage, the use of local servers, or other local sourcing or local content restrictions that similarly restrict cross-border data flows and limit the growth of digital trade and electronic commerce.

8. AmCham EU believes that unnecessary regulation should be avoided. Indeed regulatory requirements can be discriminatory barriers to market access. To minimise regulatory impediments, countries should undertake in their trade commitments to require regulations to be limited to those necessary to achieve specific and legitimate public policy objectives, establish regulations pursuant to transparent procedures allowing comment by all interested parties, and review and eliminate regulations, or forbear from their application, where competitive market forces are present to achieve the regulatory objective.

   All countries thus should avoid unnecessary regulation and allow commercially negotiated arrangements where competition is effective. Internet traffic arrangements, for example, are negotiated in highly competitive markets, in which prices for transit services are continually declining, Internet traffic volumes are continually increasing, and there are many options for Internet service providers (ISPs) and content providers to exchange traffic and reach users quickly and reliably. By encouraging the rapid growth of Internet connectivity throughout the world, these arrangements are a major reason for the phenomenal success of the modern Internet.

   The effectiveness of Internet traffic arrangements results in substantial part from the absence of prescriptive regulation that would lock into place specific technologies and business models and increase cost. Governments and regulators have generally recognised that these arrangements are commercial transactions negotiated in a competitive marketplace and require neither regulation nor detailed oversight to ensure that consumers and other users are properly served. Regulation of these arrangements is unnecessary, because the large number of indirect interconnection alternatives gives all networks strong incentives to reach efficient interconnection arrangements and thus ensures continued end-to-end connectivity. It is to be hoped that all countries will share this assessment and work to preserve today's unregulated Internet and the very significant user benefits that stem from its resulting dynamism, innovation, and flexibility.

   Some countries and operators, however, wish to replace current commercially negotiated Internet traffic arrangements with a 'sending network pays' or similar regulatory model designed to subsidise the build-out of Internet network infrastructure. Although doubtless well intentioned, such regulation would significantly harm rather than assist the future development of the Internet by suppressing Internet traffic flows and investment incentives, and reducing connectivity to countries adopting such regulation. Rather than adopt such misguided measures, countries that claim to require these subsidies to expand their Internet

infrastructure should be encouraged to achieve this result by following the path successfully taken by many other countries of adopting the pro-competitive telecom liberalisation and privatisation policies recommended by the World Bank, UNCTAD and other expert observers.

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AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled €1.9 trillion in 2012 and directly supports more than 4.2 million jobs in Europe.

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