Internet—E-Commerce

The Outlook

Trying to Make World Safe for E-Commerce

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WASHINGTON

U.S. Trade Representative Charlene Barshefsky wants to make the world safe for electronic commerce. That's one of her top goals for this week's Seattle summit. And it should be easier to achieve than most. Trade talks usually focus on tearing down barriers that are already in place, and must overcome bitter opposition from protected industries.

The e-commerce initiative is aimed at stopping barriers before they are erected, and thus faces less entrenched political opposition.

But selling the world on free-flowing cybercommerce is proving more difficult than expected. Many see e-commerce as just another arm of American hegemony. In the past few years, it has become increasingly clear that the U.S. stands without peer in the post-Cold War world, dominating military, economic and cultural, or at least pop-cultural, affairs. E-commerce, some foreigners fear, will only extend that dominance.

They may have a point. With only 5% of the world's population, the U.S. has 50% of the world's home computers linked to the Internet. And its dominance in e-commerce is much greater than those numbers suggest. Even European nations with high connection rates still harbor skepticism about the U.S. enthusiasm for buying clothes, cosmetics and such on the Web.

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E-commerce

Internet enthusiasts in Seattle this week plan to tout the populist nature of the new technology. George Vradenburg, vice president for global and strategic policy at America Online (the name alone raises eyebrows overseas), plans to push the popular argument that the Web erases "time and distance" and will let small and developing countries play ball with the big guys. Barriers to entry on the Net are virtually nonexistent, and the initial capital investment required to set up a Web site is tiny, especially when compared with the massive investments required to play in old-economy industries such as steel or autos.

"This is a potential leapfrog opportunity for access to developed markets," Mr. Vradenburg argues. "E-commerce allows smaller countries to get on the same playing field with the larger countries."

"The Internet works against centralized control or centralized purpose," agrees Rhett Dawson of the Information Technology Industry Council. "It's going to happen everyplace, and American hegemony is not going to sustain itself."

But it's easy to understand why some countries are skeptical of such rhetoric. For two centuries, they've watched the gap between per capita income in the world's richest nation and that in its poorest grow larger — 3to 1 in 1820, 11 to 1 in 1913, 35 to 1 in 1950, 44 to 1 in 1973 and 72 to 1 in 1992, according to the U.N. Human Development Report.

In addition, says Jay Walker, founder of Priceline.com, "the language of the Net is English, and that's uncomfortable for a lot of countries." Mr. Walker also notes that thriving e-commerce requires efficient and well-developed shipping and delivery systems, which don't exist in many countries.

Moreover, the network economy, while shrouded in the mythology of empowering the little guy, has elements that encourage massive scale. The cost of adding new customers to a network is often very small, while the benefits that come to customers from expanding the network can be quite large. In Silicon Valley vernacular, that translates into a "first mover advantage" for online companies, and markets that "tip" to the dominant player. That's why there is a Microsoft, a Yahoo!, an AOL. And there's no reason to think those dynamics will change as the game moves overseas.

Concerns about American hegemony can easily translate into subtle and not-so-subtle protectionism. The European Union, for instance, already has rules that impose value-added taxes on services, and then require those services to establish a presence in each VAT-collecting territory. Such rules could be debilitating if applied to the Internet, says Emery Simons, counselor to the Business Software Alliance.

Mr. Vradenburg says telecom monopolies and regulations in many countries could also be a huge impediment to Internet firms. And growing concerns about privacy could lead to rules that hamper the flow of information across borders, making Amazon.com-type services impossible to sustain.

Susan Esserman, the deputy U.S. trade representative, says the U.S. is hoping to use the new round of trade talks to achieve four goals in the area of e-commerce. The first is to declare a moratorium on Internet tariffs, a parallel to the moratorium on taxes within the U.S. The second is to establish some basic rules of the road for e-commerce trade, similar to the WTO rules that exist for other sorts of trade, assuring that foreign firms aren't discriminated against. The third is to get an agreement that members of the WTO will refrain from unnecessary measures that restrain e-commerce. And the fourth is to agree on the principle of technological neutrality — that products traded in the electronic world will be treated in the same way as those traded in the real world.

As of late last week, Ms. Esserman was cautious in saying that the pre-Seattle discussions were seeing "emerging support for this type of approach. There is a recognition of the importance of e-commerce."

And even nations that worry most about U.S. hegemony will have to recognize this: There may be an advantage that accrues to those who move first in international e-commerce, but there will surely be a disadvantage to those who move last.

—Alan Murray

THE WALL STREET JOURN
MONDAY, NOVEMBER 29,

Still, Dresden workers make 10% less than their Regensburg colleagues.

IG Metall plays hardly any role at the Dresden plant. Its monthly newsletter sits on a shelf in the entrance hall, untouched by workers who rush by in sweats and T-shirts before changing into clean-suits. The union tries to stay in touch with the workers council, but a majority of the council's members don't belong to a union. The council chairwoman, a frail, dark-haired woman named Margitta Proehl, is in a small union for independent workers. IG Metall won't say how many workers at Infineon's Dresden plant are members. The low number would make IG Metall look weak, concedes Ralf Konstanzer, who runs the IG Metall office in Dresden.

Mr. Konstanzer firmly rejects Infineon's claim that technology companies are different from sweat-and-iron businesses and need different conditions. "Over there, they are sweating as much as in the steelworks," he says, his head nodding in the direction of the Infineon plant. "The problems for workers are the same no matter what product they are making."

Such sentiments strike business executives, particularly Americans looking for places to invest in Europe, as anachronistic. Most refuse to join Germany's national collective-bargaining process. Others get creative. International Business Machines Corp.'s only remaining plant in Germany hires students on weekends because the regular workers don't come then.

Over the past 10 years, IBM has closed four of its five factories in Germany. The closures were part of a world-wide restructuring effort, but they also reflect Germany's high wage costs and labor rules. Even at its marketing and sales unit in Stuttgart, IBM dropped out of national collective bargaining in 1991; it now negotiates individual contracts with the white-collar union DAG. As a result, employees work longer than the 35 hours mandated by IG Metall.

"The wage monopoly between unions and employers is one of the biggest disadvantages for Germany as a business location," says Hans-Olaf Henkel, a former chairman of IBM Germany who now heads the Federation of German Industry. "Around the world, only Austria employs the same 'lawn mower principle' that prevents companies from making individual arrangements with their own worker representatives."

At the Infineon plant in Regensburg, IG Metall's worst fear is now coming true: The company wants to import the more flexible Dresden pay scheme. The union wants a uniform wage system for east and west, but it wants the western one. In Regensburg, Infineon is still in the employer association. About a third of its workers are union members, and the company says it would like to keep cooperating with the union. But if IG Metall blocks the move toward more flexible wages and hours, Infineon threatens to leave the wage cartel. That means it wouldn't sign the wage contract agreed to by its employer group and the union. Dropping out of national contract doesn't create financial costs for a company, but it forces the company to negotiate directly with worker representatives, bringing the difficult bargaining process closer to home.

IG Metall leaders are pledging "massive resistance" to a pay scale that partly depends on corporate performance. Flexibility, they say, always means less pay for workers. "People who don't earn much anyway can't afford to depend on the fate of the company," says Wolfgang Mueller, IG Metall chief in nearby Munich. "It would shift the entrepreneurial risk onto the shoulders of the weak."

Like Mr. Ruess, Mr. Schaetzler once thought about joining the union, and didn't. Born into a farming family, he has been with Siemens in Bavaria for 11 years, and for the past 18 months has headed a team of 11 developers who make plastic devices for attaching chips to circuit boards. No one on the team is a union member.

"The goals and methods of the unions are out of touch with our business," says Mr. Schaetzler, who says that when union leaders speak at his Infineon plant, they talk about politics and class struggle, but not much about Infineon. "They stick to their rules and demands, no matter what industry they're dealing with," he says.

• Mr. Schaetzler predicts that Infineon will introduce the more flexible payment system—with or without IG Metall's blessing. "There will be a big outcry," he says. "But I doubt that we will shut down the factory for weeks or run to the union in droves."

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Warner —
E-Commerce

Document No. ________

WHITE HOUSE STAFFING MEMORANDUM

Date: 11/24/99 ACTION / CONCURRENCE/ COMMENT DUE BY: ASAP 1PM

Subject: Radio Address on E-Commerce

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	✓	☐	LOCKHART	☐	✓
PODESTA	✓	☐	MARSHALL	☐	☐
ECHAVESTE	✓	☐	MOORE	☐	☐
RICCHETTI	✓	☐	NASH	☐	☐
LEW	☐	☐	NOLAN	☐	☐
BAILY	☐	☐	REED	✓	☐
BERGER	☐	☐	SOSNIK	✓	☐
BLUMENTHAL	☐	☐	SPERLING	☐	☐
BURSON	✓	☐	STEIN	☐	☐
CAHILL	☐	☐	STREETT	☐	☐
EDMONDS	✓	☐	TRAMONTANO	✓	☐
FRAMPTON	☐	☐	UCELLI	✓	☐
IBARRA	☐	☐	VERVEER	☐	☐
JOHNSON, B.	☐	☐	Sally Katzen	✓	☐
JOHNSON, J.	✓	☐	David Beier	✓	☐
LANE	☐	☐		☐	☐
LEWIS	✓	☐		☐	☐

REMARKS: Comments to Lowell Weiss 62734

RESPONSE:

Staffmem 9/2/99

Office of the Staff Secretary
Ext. 62702

Draft 11/24/99 9:50am
Lowell Weiss

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PRESIDENT WILLIAM J. CLINTON
RADIO ADDRESS ON ELECTRONIC COMMERCE
CAMP DAVID, MD
November 27, 1999

Good morning. This weekend marks the beginning of the traditional holiday shopping season. Today, I would like to speak with you about the remarkable rise of the Internet as a destination for holiday shopping – and about how we are working to ensure that online commerce will live up to its enormous promise.

On Thanksgiving, my family and I had a chance to offer thanks for the confidence and pride that America is carrying forward into the 21st century. Today, our economy is the strongest in a generation – with nearly 20 million new jobs and the lowest unemployment in 30 years.

As the Vice President will make clear in a report he will soon release, one of the key reasons for this economic turnaround is that we are making the most of new technologies, which now account for more than one third of our nation's economic growth. Few applications of information technology have more potential than electronic commerce. That is why the Vice President and I have worked to make the Internet a free-trade zone -- with a moratorium on new and discriminatory taxes, incentives for competition, and protection for consumers and children. Because these principles have worked so well to spark electronic commerce in the United States, I will bring them to the table next week in Seattle, when we set the framework for a new millennium round of negotiations on world trade.

In the United States, electronic commerce has truly come of age. During the holiday season alone, online shopping could exceed $9 billion – easily doubling the online totals for the same period last year. About 4 million American families will buy gifts online for the first time in the coming weeks – and I intend to be one of them. Of course, when I buy gifts online rather than in a shopping mall, it will make life a bit easier for my Secret Service detail. But convenience is only one advantage. Online shopping also offers greater selection and often, lower prices.

But just like shopping in a local store, when we buy online, we all must take basic precautions to ensure that what we see is what we get. To help me and all other new online shoppers, the Federal Trade Commission has prepared a checklist of useful tips from consumer experts, which you can find at www.consumer.gov.

First, in the online world, you must pay close attention to details. Check carefully for shipping and expected delivery dates, extra fees, warranties, return policies, and phone numbers to call if you run into a problem. Second, always buy with a credit card. When you do, your liability is limited to only $50. Third, guard your privacy at all times. Look for the unbroken key or padlock symbols on the order page to ensure that your credit card information will be transmitted securely, don't share passwords with anyone, and be sure to read the merchant's privacy policy to see what information is being collected about you and how it will be used.

I am pleased to announce that, thanks to the leadership of Vice President Gore, many leading companies and organizations – including the Better Business Bureaus Online, American

Express, Mastercard, Dell, GetNetWise, eBay, America Online, and Amazon.com – are joining with us to protect and educate consumers this holiday season. Many are distributing guides to help people shop safely and wisely online. Some are offering financial guarantees that go above and beyond federal law. If we want online commerce to continue to thrive, we all must work together to make sure that shopping online is just as safe as shopping in a mall.

I want to close today but asking all of you to think not only about using the Internet to buy gifts for friends and family but also to give more lasting gifts to the future. As I discovered during the philanthropy conference we held at the White House last month, charitable web sites like Helping.org have made signing up to contribute time or money in your community as easy as checking on the weather. This season, in addition to giving thanks for our many blessings, let's use every avenue possible, including the Internet, to give something back to our communities. Thanks for listening.

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INTERNET

E-COMMERCE

April 30, 1999

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The Honorable Thomas R. Carper
Governor of Delaware
Dover, Delaware 19901

Dear Tom:

Thank you for your letter regarding the implementation of the Internet Tax Freedom Act.

As you know, I supported the Internet Tax Freedom Act because it created a short-term moratorium on new and discriminatory taxes and launched a search for long-term solutions to the various tax issues. While we cannot allow 30,000 state and local tax jurisdictions to stifle the Internet, neither can we can allow the erosion of the revenue that state and local governments depend on to fight crime and invest in education.

I believe that the work of the Advisory Commission on Electronic Commerce is vital to addressing these concerns. State and local governments, the Internet industry, retailers, and consumer organizations must come together if we are to find a common ground on the important tax policy issues raised by the growth of electronic commerce. I understand your concerns about the composition of the Advisory Commission. Be assured that my Administration is committed to exploring the best options for getting the commission on track and that we are dedicated to working with state and local officials, industry leaders, and members of Congress to ensure that the Advisory Commission is a success.

I'm always grateful for your leadership, and I look forward to working with you.

Sincerely, BILL CLINTON

BC/WMW/DC/DC/ws-ws-ws (Corres. #4302459)
(4-30.internettax.ws)

cc w/ incmg to IGA, 106 OEOB
cc: Mickey Ibarra 2FL/WW

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Council of State Governments
International City/County Management Association
National Association of Counties
National Conference of State Legislatures
National Governors' Association
National League of Cities
U.S. Conference of Mayors

January 22, 1999

The Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

We are writing on behalf of the nation's state and local elected public leaders to you in your capacity and responsibility to implement and execute the Internet Tax Freedom Act, which you signed into law last October. That law, as you wrote to us, establishes a commission that is supposed to provide "balanced representation for the Internet industry, state and local governments, and 'Main Street' retailers." The intent we all have is to ensure equity in the new electronic marketplace of the future.

The appointments made by the Congress do not yet meet the clear letter of the law. They do not reflect the balanced representation upon which you insisted or which the law requires. There is neither the specific balance between state and local governments, and business and consumers; nor is there any representative of "Main Street" retailers.

Consequently, unless and until Congress completes the appointment process in a manner which complies with the law, we would respectfully request that you make clear that your Administration will neither be able to facilitate, nor participate in any commission meetings, and would be required to question their legal status. We also would urge you to make clear your dilemma to the Congress in an expedited manner.

We look forward to working with you on the implementation of this legislation to ensure that it does not serve as a mechanism to harm or create a bias against local retailers or to serve as a tax haven to drain vital resources critical to education, health care, and public safety from the citizens we all represent.

Sincerely,

Tom Carper
The Honorable Thomas R. Carper
Governor of Delaware
Chairman, National Governors' Association

Kenneth D. McClintock
The Honorable Kenneth McClintock
Puerto Rico Senate
Chairman, Council of State Governments

JAN 25 1999

The Honorable Betty Lou Ward
Commissioner, Wake County, North Carolina
President, National Association of Counties

The Honorable Clarence Anthony
Mayor of South Bay, Florida
President, National League of Cities

The Honorable Deedee Corradini
Mayor of Salt Lake City, Utah
President, The U.S. Conference of Mayors

The Honorable Dan Blue
North Carolina State House of Representatives
President, National Conference of State Legislatures

Mr. Bryce (Bill) Stuart, City Manager
Winston-Salem, North Carolina
President, International City/County Management Association

cc: The Honorable Robert Rubin, Secretary of the Treasury
The Honorable William Daley, Secretary of Commerce
The Honorable Charlene Barshefsky, U.S. Trade Representative
The Honorable Trent Lott, Majority Leader, U.S. Senate
The Honorable Dennis Hastert, Speaker, U.S. House of Representatives
The Honorable Tom Daschle, Minority Leader, U.S. Senate
The Honorable Richard Gephardt, Minority Leader, U.S. House of Representatives