ICAIS: Myths Versus Reality

Donald Abelson
U.S. Federal Communications Commission
Chief, International Bureau
June 7, 2001

Myths Versus Reality

Goal: Dispel some of the myths surrounding the issue of ICAIS.

1. Facts about Internet traffic flows, including a shift away from U.S.-centrism.
2. The role of telecom policy in fostering Internet connectivity within region.
3. The fact that the commercial market is working and is providing ways for economies to develop self-sufficient Internet markets.
4. Some of the inherent flaws with the ICAIS model.

Goal 1: Internet Traffic

<u>Myth</u>: The Internet is U.S.-centric. All Internet traffic flows to and through the United States.

<u>Realities</u>: Shifts are occurring in Internet traffic flows, especially Europe and Asia where telecom liberalization and regulatory environments have taken hold.

- According to *Telegeography 2000*, the move away from U.S.-centric architecture depends on well-developed local infrastructure.
- According to *Telegeography 2000*, it also depends on a regulatory environment which neither prohibits connectivity nor prices is out of reach.
- It also reports that international Internet traffic from Africa flows to non-U.S. points, including Canada and Europe, and to a lesser extent, China and Singapore.

Goal 1: Internet Traffic

Myth: The developing countries' biggest problem is that they have to pay to send international Internet traffic to the United States.

Realities: The real problem of the developing world is the lack of Internet bandwidth overall within their regions, not that they pay for international Internet traffic to route via the United States.

- We need to be smart and creative about how to solve the problem of building infrastructure in developing countries.

Goal 1: Internet Traffic

Myth: International Internet traffic flows to the United States because the U.S. is content-rich.

Realities: A disproportionate share of Internet traffic routes via the U.S. because the U.S. has affordable and efficient infrastructure.

- Internet flows to the United States may not involve the download of content.
- An OECD report noted that many foreign companies locate their content on U.S. servers because of affordable U.S. infrastructure.

Goal 2: Telecom Reform

<u>Myth</u>: The bulk of the cost of Internet connections comes from fees paid to to U.S. Internet backbone providers.

<u>Realities</u>: Domestic telecom policies have a impact on sharing in the wealth of Internet growth.

- Domestic telecom policies are directly related to Internet connectivity staying in-region and, thus, the elimination of international links. Regulatory policies that foster competition promote domestic Internet retention.
- Regulatory policies that favor telephone monopolies can adversely impact Internet development. High leased-line prices restrain the expansion of local Internet infrastructure.

Goal 2: Telecom Reform

Myth: International organizations need to dictate the terms of private commercial negotiations between ISPs in order to increase domestic Internet development.

Realities: Competition, deregulation, and liberalization of basic telecom services are paving the way for Internet growth.

- Appropriate regulation of basic telecom is necessary to prevent incumbent monopolization.
- Countries with protectionist telecom policies may be bypassed by countries with more open, competitive environments.

Goal 3: The Commercial Market Is Working

<u>Myth</u>: Only U.S.Tier 1 ISPs peer with each other whereas a non-U.S. ISPs must pay transit fees to access the Internet. This is an anti-competitive practice that should be corrected through international agreements.

<u>Reality</u>: In today's marketplace, many strategies are available for U. S. and foreign ISPs to access the Internet.

Goal 3: The Commercial Market Is Working

Myth: The Internet market is a strict hierarchy in which transit prices are fixed and no peering policies are published.

Realities: Internet market is dynamic and becoming less hierarchical.

- Companies are disclosing peering policies.
- The USG does not believe, at this time, there is a problem of U.S. Internet backbone providers abusing their market power. However, if there were a problem, anti-trust laws are available to address the problem.

Goal 4: Problems with ICAIS

<u>Myth</u>: ICAIS is the remedy for the developing countries' woes with respect to the Digital Divide.

<u>Realities</u>: Mandated Internet cost-sharing models could stifle the growth of the dynamic international Internet market.

- The models create disincentives for investment and locking in inefficiencies in traffic routing patterns.
- Mandated cost-sharing models may not assist and, in fact, may impede the ability of developing countries to achieve their goal of expanding and promoting development of local Internet services.

Goal 4: Problems with ICAIS

Myth: Non-U.S. ISPs have to pay for "free riders" that send traffic over non-US ISPs whole circuits. U.S. ISPs should split the costs of the international link with non-U.S. ISPs.

Realities: there are no "free-riders" sending Internet traffic over non-U.S. ISPs full circuits.

- ISPs, whether small or large or whether U.S. or non-U.S., must pay to bring their traffic to a place to exchange traffic.
- Splitting the cost of the international circuit is not an equitable cost allocation.

Summation

<u>Goal 1</u>: Facts about Internet traffic flows, including a shift away from U.S.-centrism.

<u>Goal 2</u>: The role of telecom policy in fostering Internet connectivity within region.

<u>Goal 3</u>: The fact that the commercial market is working.

<u>Goal 4</u>: Some of the inherent flaws with the ICAIS model.