

Unclassified

SG/EC(98)9/FINAL



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

OLIS : 18-Dec-1998
Dist. : 22-Dec-1998

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STEERING COMMITTEE FOR THE PREPARATION OF THE OTTAWA
MINISTERIAL CONFERENCE "A BORDERLESS WORLD: REALISING
THE POTENTIAL OF GLOBAL ELECTRONIC COMMERCE"**

**OECD MINISTERIAL CONFERENCE
"A BORDERLESS WORLD: REALISING THE POTENTIAL
OF GLOBAL ELECTRONIC COMMERCE"**

OTTAWA, 7-9 OCTOBER 1998

OECD ACTION PLAN FOR ELECTRONIC COMMERCE

73026

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format

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FOREWORD

This OECD Action Plan for Electronic Commerce was endorsed by Ministers at the OECD Ministerial Conference, “A Borderless World: Realising the Potential of Global Electronic Commerce”, held on 7-9 October 1998 in Ottawa, Canada.

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OECD MINISTERIAL CONFERENCE

**“A BORDERLESS WORLD: REALISING THE POTENTIAL OF
GLOBAL ELECTRONIC COMMERCE”**

OECD ACTION PLAN FOR ELECTRONIC COMMERCE

At the OECD Ministerial Conference on Electronic Commerce in Ottawa, the significant impact of electronic commerce on economies and societies in the coming years and decades was recognised. Electronic commerce is inherently transborder and its successful development will depend on transborder solutions. Ministers at the Conference noted that the OECD has important contributions to make in specific areas where it has a clear comparative advantage and as a forum for dialogue among national governments, international organisations and the private sector.

Electronic commerce is a central element in the OECD's vision for economic growth, jobs and improved social conditions. Building on previous work in areas related to electronic commerce and on the results of the Ottawa Conference, the priority areas for the OECD's future work on electronic commerce were identified.

This Action Plan for proposed OECD activities is intended as a complement to the proposed work plans of other international organisations and the ongoing efforts of the private sector and is organised along the following thematic lines:

- A. building trust for users and consumers;
- B. establishing ground rules for the digital marketplace;
- C. enhancing the information infrastructure for electronic commerce;
- D. maximising the benefits of electronic commerce.

The OECD Action Plan highlights areas of priority for the OECD that participating Ministers recommended should be considered by the OECD Council, taking into account the capabilities of its subsidiary bodies and the level of available resources, when determining the overall programme of work of the Organisation. The Plan attaches particular importance to OECD work in the areas of privacy, authentication, consumer protection, taxation, access to infrastructure and socio-economic impact while work in other areas, which is described in the annex, was also noted.

It was recognised that the OECD's work should be diffused as widely as possible to the global community.

It was also recognised that OECD's work in electronic commerce should be carried out in a co-operative and complementary fashion with work under way in other international organisations, labour and consumer organisations, social interests and the private sector.

A. Building Trust for Users and Consumers

As commercial activities in the electronic environment develop, consumers and business will expect that their use of network services is secure and reliable, that their transactions are safe, and that they will be able to verify important information about transactions and transacting parties. Consumers want to have control over the collection and use of their personal data and to have assurance of, and access to, appropriate redress mechanisms. The growth and use of electronic commerce will be encouraged if trustworthy technologies and policies are in place that address potential failures, public education, redress, and response to misuses.

Protection of privacy and personal data

Since the 1980s, the OECD has been active in the area of protection of privacy and personal data. It has produced the *Guidelines on the Protection of Privacy and Transborder Flows of Personal Data* (1980) and the *Declaration on Transborder Data Flows* (1985). More recently, in consultation with the private sector, the OECD began to examine how the basic privacy principles of the 1980 Guidelines could be implemented on international networks.

The “*Ministerial Declaration on Protection of Privacy on Global Networks*” adopted at the Conference reaffirms the importance of protecting privacy. It recognises that the principles outlined in the 1980 OECD Guidelines continue to provide an international foundation for the protection of privacy on any medium, and that countries should work together, and with the private sector, to ensure their effective implementation in an open and global network environment. The background report on *Protection of Privacy on Global Networks* sets the context for the Declaration and proposes activities to monitor progress and directions for future OECD work.

The OECD will

- Support Member countries in exchanging information about effective methods to protect privacy on global networks, and to report on their efforts and experience in achieving the objectives of this Declaration;
- Examine specific issues raised by the implementation of the OECD Privacy Guidelines in relation to global networks and, after collection and distribution of examples of experiences on implementation of the Guidelines, provide practical guidance to Member countries on the implementation of the Guidelines in online environments, taking into account the different approaches to privacy protection adopted by Member countries and drawing on the experiences of Member countries and the private sector;
- Co-operate with industry and business as they work to provide privacy protection on global networks, as well as with relevant regional and international organisations.

Secure infrastructures and technologies, authentication and certification

Throughout the 1990s, the OECD has been active in examining policy and regulatory issues and promoting information exchange among public and private sector actors related to the development of secure information and communication infrastructures and technologies, most recently focusing on electronic authentication and certification. The Organisation developed *Guidelines on the Security of Information Systems* (1992) and on *Cryptography Policy* (1997).

The “*Ministerial Declaration on Authentication for Electronic Commerce*” adopted at the Conference recognises the importance of authentication for electronic commerce and outlines a number of programme elements for the OECD in this area. The background report “*Inventory of Approaches to Authentication and Certification*” is a preliminary stock-taking, at a specific point in time, of laws, policies and initiatives in the public and private sectors, at both national and international level related to authentication and certification on global networks.

The OECD will facilitate the exchange of information and experiences in the areas of authentication and certification in the context of global electronic commerce. More specifically, by holding joint OECD-private sector workshops to discuss the emerging technologies, models and issues for authentication, and by further developing the *Inventory* of national approaches and international initiatives.

Consumer Protection

The OECD has provided leadership for the international discussion of consumer-related issues since 1969. Current OECD work focuses on helping meet the challenges posed by the evolving networked environment by enhancing consumer confidence in electronic commerce while encouraging the development of the global marketplace.

The OECD “*Ministerial Declaration on Consumer Protection in the Context of Electronic Commerce*” adopted at the Conference highlights the need to ensure that consumers who participate in electronic commerce are afforded a transparent and effective level of protection for electronic transactions.

The OECD will continue to examine consumer-related issues in the context of electronic commerce and facilitate the exchange of information on relevant consumer protection issues. In addition, the OECD will work to complete its ongoing work to draft, within 1999, effective “*Guidelines on Consumer Protection in the Context of Electronic Commerce*” whose purpose is to enhance consumer confidence in electronic commerce transactions while encouraging the development of the global marketplace, more specifically as pertains to consumer protection issues including, for example, full and fair disclosure of essential information, advertising, complaint handling, dispute resolution, redress as well as other relevant issues in consumer protection.

Other Work of the OECD

The OECD also conducts work in the area of ***cryptography*** and has prepared the background report “*Inventory of Controls on Cryptography Technologies*” (see Annex).

B. Establishing Ground Rules for the Digital Marketplace

Existing legal and commercial frameworks that govern how businesses transact with each other, with consumers and with governments were designed in a non-digital age. As consumers and business venture onto this new platform, they are looking to governments to ensure that the rules of the game are equivalent to those of the physical world as far as possible, and where it is absolutely necessary to introduce new rules and regulations or changes to existing rules, to ensure that these are transparent and predictable.

Taxation

The OECD is the leading international organisation in the area of taxation, with long standing expertise in establishing international taxation norms such as those underlying the *OECD Model Tax Convention* and the *OECD Transfer Pricing Guidelines*. The OECD was given an international mandate in 1997 to develop taxation framework conditions applicable to electronic commerce.

The report “*Electronic Commerce: Taxation Framework Conditions*” welcomed at the Conference sets out taxation principles which should apply to electronic commerce - neutrality, efficiency, certainty, simplicity, effectiveness, fairness and flexibility. The report also outlines the agreed conditions for a taxation framework covering taxpayer service opportunities, identification and information needs, tax collection and control, consumption tax and international tax arrangements and co-operation. The proposals on how to take this work forward were endorsed at the Conference.

The OECD, in close working arrangements with other international and regional organisations, business and non-member countries, as appropriate, will continue to:

- Monitor relevant developments regarding technical, protocol and standards issues and where appropriate provide input to ensure the continued sound administration of tax systems;
- provide additional clarification of relevant international taxation norms, as required; and
- provide guidance on the adaptation of existing norms or administrative practices to respond to future developments in electronic commerce.

Other Work of the OECD

Work on *trade policy and market access* aspects of electronic commerce especially in the field of empirical analysis, with a view to preparing discussions at the World Trade Organization (see Annex).

C. Enhancing the Information Infrastructure for Electronic Commerce

The growth of electronic commerce relies on universal and affordable access to high quality advanced information infrastructures which will in turn depend on appropriate telecommunication policies and regulatory frameworks.

Access to and use of the information infrastructure

In 1997, the OECD Council adopted the report on *Global Information Infrastructure/Global Information Society*, which made many recommendations relevant to electronic commerce. The report included recommendations emphasising the development of information infrastructures and access to these infrastructures. The OECD also carries out work on Internet governance issues, in particular Domain names and Internet traffic exchange (see Annex).

The report “*The Role of Telecommunications and Information Infrastructure in Advancing Electronic Commerce*” emphasised the role of information infrastructures and their regulation in ensuring the growth of electronic commerce. Other issues dealt with in the report included furthering information infrastructure competition, improving market access, facilitating interconnection to underlying infrastructures, technological convergence and Internet traffic exchange.

The OECD will continue to work together with industry on:

- examining the public policy implications of the changing information and network technologies, including the convergence of networks, and the changing market demands;
- enhancing access to information infrastructures;
- monitoring Internet developments and governance issues;
- examining the policy requirements for open international telecommunication markets.

Other Work of the OECD

In response to the request by the Council at Ministerial Level of April 1998 for the OECD to help promote global awareness of the “*Y2K problem*” and its potential economic impact, a background report “*The Year 2000 Problem: Impacts and Actions*” was prepared, which highlighted the major policy challenges governments face in ensuring that the problem is adequately addressed, promising approaches and areas in which further action is needed (see Annex).

D. Maximising the Benefits

The full economic potential of electronic commerce will only be realised through its widespread use by businesses, consumers, and institutions. Using the information infrastructure and electronic commerce also links citizens to each other and the world and fosters social cohesion. A clear understanding of the needs of enterprises and citizens in both developing and developed countries is needed to ensure that a facilitating environment is fostered. The impacts of electronic commerce will be felt throughout the economy and society.

Economic and Social Impact

The OECD is appropriately placed to deal with the analysis of the policy implications of the economic and social impacts of global electronic commerce. Recent OECD work has included “*Electronic Commerce: Opportunities and Challenges for Governments*” (1997) (the “Sacher Report”). The OECD has also reviewed business-to-consumer issues, the measurement of electronic commerce, the impact on prices, lessons to be drawn from France’s Minitel system, and the potential impact of electronic commerce on international trade.

The background report “*The Economic and Social Impact of Electronic Commerce: Preliminary Findings and Research Agenda*” prepared in collaboration with the Government of Canada, provides assessments on issues such as the impact on economic growth and efficiency, organisational change, employment and social issues as well as the current and future impact of electronic commerce, and identified areas where further analysis is needed.

As recommended in the report, the OECD will continue work to:

- improve the ability to measure the structure and volume of electronic commerce;
- deepen understanding of the impact of electronic commerce within and between businesses;
- determine how electronic commerce changes the level of employment and skill requirements;
- analyse implications of electronic commerce on government service delivery;
- analyse the potential and effects of government as a model user of electronic commerce.

Other OECD Work

- The OECD also works in the areas of *Ensuring Global Participation, Electronic Commerce and SMEs* and *Educational Software and Multimedia* (see Annex).

ANNEX

ADDITIONAL OECD WORK ON ELECTRONIC COMMERCE

A. Building Trust for Users and Consumers*Cryptography*

The OECD “*Guidelines on Cryptography Policy*” (1997), identify basic issues that countries should take into consideration when developing cryptography policies at the national and international level. The Guidelines aid development of electronic commerce through a variety of commercial applications by considering the use of cryptography to provide for data security and privacy protection and fostering user confidence in information infrastructures.

The background report “*Inventory of Controls on Cryptography Technologies*”, covers laws and regulations in OECD Member countries concerning cryptography technologies, focusing on domestic controls and import/export restrictions.

The OECD will use the report as the basis for continued exchange of information and experiences related to cryptography.

B. Establishing Ground Rules for the Digital Marketplace*Trade Policy and Market Access*

The OECD has traditionally been a forum where future trade policy issues are discussed with a view to preparing discussions in the WTO/GATT arena and has produced a number of papers pertaining to Trade Policy and Market Access aspects of electronic commerce.

The OECD document “*Measuring Electronic Commerce: International Trade in Software*” (1998) shows how the Internet will affect practices of measuring and thinking about trade transactions, by using available sources and statistics for software to try to measure the extent to which international transactions are, or could become, “digital”, and it raises policy issues related to international trade in electronic markets. The OECD document “*Electronic Commerce -- Trade Policy Aspects of Digitised Products Provided on the Internet*” (1998) discusses the use of the Internet to supply products wholly on-line; and approaches to analysis of some key trade policy issues. The paper is being further revised, and analysis undertaken on customisation of on-line products; jurisdiction issues in world trade; technical standards; and differential tariff treatment based on the form of a product.

The role of the OECD, complementary to that of the WTO, and its comparative advantage in conducting empirical analysis was acknowledged.

C. Enhancing the Information Infrastructure for Electronic Commerce

Internet Governance/Domain Names System

The OECD has previously undertaken analytical work on the economic and regulatory implications of the Domain Names System. “*Internet Domain Names: Allocation Policies*” dealt with issues arising from Top Level Domain and generic Top Level Domain administration, and recommended the introduction of competition, higher standards of openness and public accountability, and wide participation by the private sector. “*Internet Traffic Exchange: Developments and Policy*” notes the preference for traffic exchange to take place in an open competitive environment based on a framework where all firms have equal opportunities. The OECD has prepared a report on “*Internet Infrastructure Indicators*”.

The OECD will continue to develop Internet indicators, and new indicators in the area of Domain Names System and Internet traffic exchange, to assist Internet self governance and access issues.

The Year 2000 Problem

The report “*The Year 2000 Problem: Impacts and Actions*” was prepared in response to a mandate from the OECD Council Meeting at Ministerial level of April 1998, in which Ministers asked the OECD to help promote global awareness of the problem and its potential economic impact, and report back to the Ministerial Conference in Ottawa. The report highlighted the major policy challenges governments face in ensuring that the problem is adequately addressed as well as promising approaches and areas in which further action is needed.

The OECD will maintain up-to-date information on its Internet site and disseminate its results via selected conferences (including the “Global Year 2000 Summit” on 15-16 October, co-sponsored by the OECD and several other international public and private sector entities).

D. Maximising the Benefits

Small and Medium Enterprises

The OECD, in co-operation with the G-8 Initiatives, has been carrying out work on “Global Marketplace for SMEs”, including in areas of Global Information Network for SMEs.

A background report “*SMEs and Electronic Commerce*” noted the critical issues affecting SMEs and electronic commerce, and areas that require priority government attention.

The OECD will identify the obstacles and barriers to greater participation by SMEs in a global electronic marketplace, outline what governments are doing to broaden the use of new communication and information technologies by SMEs to facilitate their participation in the digital economy, and clarify means whereby governments can assist SMEs in the acquisition of management skills and expertise in information technology relating to the business environment. The OECD will also carry out work in the area of tourism services, including a conference on tourism and information technologies in November 1998. It will also analyse the impact of

information technologies on tourism industries, notably for travel distribution channels, which is particularly relevant for SME issues.

Educational Software and Multi-Media

At an informal meeting in the Hague in June 1998, OECD Education Ministers strongly supported further work by the OECD in the areas of criteria for quality of educational software and multi-media, market conditions and partnerships between the public and private sectors, and the impact of ICT on learning.

The background report “*New Developments in Educational Software and Multi-Media*” underlined the importance of creating a successful educational market which is able to take advantage of the new opportunities for delivering effective education over distributed networks. Educational content needs special consideration when defining the regulatory framework for electronic commerce. Measures must be taken to investigate appropriate funding models and to attract investment, to meet the training needs of users and suppliers, and to ensure the economic viability of the educational market. Partnerships must be fostered between the public and the private sectors. Cultural identity and diversity must be safeguarded in the quest for quality.

The OECD will carry out further work to promote awareness, encourage action, and conduct analysis to address the key aims in this area: the promotion and assurance of high quality educational software and multi-media; the fostering of new, sustainable partnerships between the private and public sector to develop high quality educational software and multi-media; the optimisation of the impact of different uses of ICT on learning in schools through improved evaluation and research.

Ensuring Global Participation

The OECD will ensure dissemination of its work on electronic commerce outside OECD Member countries in co-ordination with other international organisations such as the World Bank, the World Trade Organization (WTO) and UN agencies, and regional bodies such as APEC.