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D'Haenens, Leen

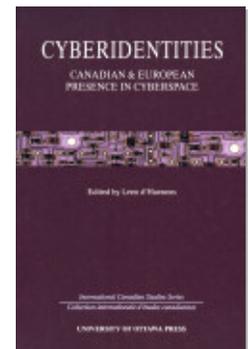
Published by University of Ottawa Press

D'Haenens, Leen.

Cyberidentities: Canadian and European Presence in Cyberspace.

Ottawa: University of Ottawa Press, 1999.

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# THE POSITION OF FLANDERS WITH REGARD TO SOME INTERNET-RELATED MATTERS

by Luc VAN FLETEREN

## I THE REGULATORY ROLE OF GOVERNMENT

According to a recent Gallup survey, European businesses want government to do more to police the Internet. More than 80 percent of companies surveyed said regulators should do more to prevent fraud on the Internet, 78 percent wanted an increased effort to target pornography and the confidentiality and security of data (*The Wallstreet Journal Interactive Edition*, 1997).

The question is whether this response is due to lack of understanding or fear. It is probably both. The Government of Flanders sees an important but minimalist role for government in regulating the Internet. The danger is that overreaction to some issues like pornography will lead to over-regulation, with too much regulation stifling the potential growth of the Internet. In principle, whatever is illegal on the street should be illegal on the Internet. However, Internet service providers should not be asked to play the role of censor. The most dangerous situation is where Internet providers or telephone companies are asked to play judge on the legality of the content. There are democratic legal systems in existence, including court systems and police. We don't need to create a separate entity for the Internet. The issue of illegal and harmful content over electronic networks needs to be addressed in a manner which is proportional to the problem and which recognizes the importance of the principle of freedom of speech. The identification and implementation of appropriate and effective global solutions requires international co-operation.

The general guiding principle should be twofold: first, using existing laws wherever possible rather than creating new ones; and second, always erring on the side of a limited number of regulations until activities on the Internet assume a clearer shape. Some solutions to apparently intractable Internet problems are likely to emerge from the market itself (*The Economist*, 1997a). These principles are not only true for illegal and harmful content but are also applicable for most of the other hot issues like multimedia content, intellectual property rights, and transaction safeguards: cryptography and the protection of privacy and personal data.

### 1.1 Bit tax

Globalization and the expansion of business conducted over the Internet will make it harder to track and hence tax transactions. One possible response would be taxing all electronic flows of information, the so-called bit tax. Many European politicians support such a tax, partly because Europe (with high rates of VAT) stands to lose most from untaxed electronic sales. The basic problem with a bit tax is that it is indiscriminate: it

taxes not just on-line transactions but all digital communications (*The Economist*, 1997b). It would stunt the growth of that industry. The creation of employment in Flanders is mainly supported by future-oriented service sectors and by some industrial sectors where communication is important. A similar bit tax risks curtailing the development in some promising sectors. Whoever wants to sustain yesterday's employment by levying taxes on tomorrow's, is jeopardizing both.

## 1.2 Government as catalyst

In some areas, market forces alone will not be sufficient. The role of government consists in creating the optimal climate and conditions for the development and deployment of infrastructure, applications and services and is not limited to the establishment of the appropriate regulatory frameworks and safeguards. Government also has an important role to play as a catalyst for the enhanced use and development of the information society.

Public administration, whether at a national or regional level, is first and foremost an **information service**. Rather than acting as an infrastructure provider, as in the old days, public authorities should concentrate on being a high-value content provider, opening up new market opportunities for private partnerships in the development, distribution and maintenance of new information systems. At the same time, public authorities should ensure that information is understandable and also available in a non-electronic form (European Commission, 1997).

## 1.3 Universal service and public access

As the information society develops and more elements of the economy, education and entertainment are linked to networks, it is increasingly important that the less advantaged members of society are not excluded or left behind by being unconnected. Setting up public access points in such areas as schools, libraries and community centers is crucial for providing new open gateways to the information society (OECD, 1997a: 10). Subsidies for universal service provision, if necessary, should be transparent. Mechanisms of competitive bidding should be used so as to guarantee that the best and most innovative operators and service providers are awarded. In Europe, most of the state subsidies for Internet-based projects are going to state-owned telephone companies that hold a monopoly grip on Internet infrastructure in Europe.

An important role for government to play in policing the Internet is the application of **competition law** to ensure that telephone companies do not abuse their monopoly positions. According to OECD figures, the penetration of Internet hosts is five times greater in competitive than in monopoly markets. Internet access in countries with telecommunication infrastructure competition has grown six times faster than in monopoly markets. The current trend of rebalancing call tariffs by lowering long-distance charges and raising local charges is increasing the cost of a range of on-line services like the Internet, with users in monopoly markets being worst affected. The

additional price paid on average by users in monopoly countries, although already far greater than the average for competitive markets, is growing (OECD, 1997b: 234).

Another major concern of the Government of Flanders is **cultural and linguistic diversity**. Unless new applications are harmonized with custom and cultures, they are unlikely to be developed for a wide spectrum of services. Applications have to be easily understood by the general public. While it is true that the most of the content currently on the Internet is in English, the balance appears to be changing in line with growing access to the Internet throughout the OECD area. According to Digital Equipment Corporation, the operators of the Alta Vista search engine, an estimated 25 percent of all web content is written in languages other than English (OECD, 1997c: 52). One reason for the shifting balance, as noted by the European Ministerial Conference in Bonn, is that the Internet lowers the barriers of entry for the creation and dissemination of content in different languages (Ministerial Conference Bonn, 1997: 33).

Media ownership restrictions or even production quotas in most countries have traditionally involved not only the goal of ensuring a degree of pluralism within the national boundary, but also of protecting national and regional cultures. Such ownership restrictions and production quotas may be expected to come under pressure vis-à-vis their effectiveness in a global information society. But open competitive markets must not be viewed as antagonistic to concepts of cultural and linguistic diversity. On the contrary, in those markets where there is vibrant competition, low prices, and rapid diffusion, domestic industries have an incentive to produce content at a much more rapid rate, and of higher quality, than in closed markets. Cheaper communication may make it easier to set up a channel showing American cartoons, but they will also make it easier to create special television channels devoted to Flemish films. New technologies such as webcasting have opened up a new way to deliver many radio services aimed at international audiences. Through webcasting, *Radio Vlaanderen* can now be heard in English and Dutch all over the world. New channels will be open to disseminate minority cultures, allowing individuals and businesses the chance to create and distribute low-cost content. The first annual report from the Information Society Forum argues that Europe's cultural and linguistic diversity will be strengthened, not threatened, creating new global opportunities for information products that exploit our rich heritage (The Information Society Forum, 1996).

## II THE POLICY OF FLANDERS

I will only go briefly into some initiatives. For a more complete overview, I refer readers to the policy paper about multimedia, which is available in English as well as in Dutch (Van den Brande, 1996: 39). The Government of Flanders has decided to make the Internet accessible to the largest possible public. As of 1997, free access to the Internet will be made available in all Flemish libraries, schools of higher education, and a first group of 150 secondary schools. In the medium term, all primary and secondary schools will be connected.

The most ambitious initiative is *Telenet Flanders*. The goal of *Telenet* is to convert the existing cable networks into an interactive broadband network, which, apart from the existing broadcasting services, also offers telephone, Internet and other multimedia services. The complete regional network overlay will be finished by 2002. *Telenet Flanders* already delivers fast Internet access in some areas, and started with telephony services on January 1, 1998. In converting the cable network, *Telenet Flanders* is one of the world's pioneers. This is easily the most significant cable broadband project in the world. The BEF47 billion (US\$1.4 billion) project dwarfs other multimedia-ready cable city projects such as those in Amsterdam, Atlanta, Georgia, and Rochester, New York, none of which covers more than 500,000 homes (*Communications Week*, 1997). *Telenet* will cover up to 2.2 million households and 11,000 businesses. The more than 95 percent cable penetration, the highest worldwide, is a unique plus for Flanders. The role of the Flemish authorities was confined to gathering the different parties: the "intercommunales" (intermunicipal societies), the operator (US West) and the financial backers. *Telenet* is now a fully private enterprise.

In order to take advantage of this lead in the field of infrastructure, the Flemish authorities will concentrate their efforts on tele-administration, tele-commerce and the use of information technology in education. Government cannot afford to be fixated on offering an excellent infrastructure. The Flemish government is also to pursue a policy that stimulates the development of new services. The uses that people, companies, schools, and authorities presently make of information technology are critical success factors for tomorrow's knowledge society. This multimedia approach has to be realized by way of partnerships where the end users, government, schools and companies divide up tasks according to interest, skill and responsibility.

The tele-administration program provides for guiding and helping implement a limited number of pilot projects in the Ministry of Flanders and the Flemish public institutions. As far as the companies are concerned, they will of course have to be the driving force behind the introduction of tele-commerce. A quick and general introduction of tele-commerce for small and medium-sized businesses will come to revive the SME sector and create new knowledge and new industries. Furthermore SMEs and the self-employed are close to the residential user, and tele-commerce is, by virtue of its model function, an ideal catalyst for the quick introduction of other broadband services like tele-working, tele-learning and tele-shopping. These new services will also create extra jobs. The role of government is confined to developing awareness.

From 1998, an ambitious program was started to stimulate the use of information technology in schools. In the near future, every class in Flanders is to have a sufficient number of computers, and every school in Flanders is to have access to the Internet. In addition, specific training projects will be required in education and continuing education so as to familiarize people with the specific language of multimedia.