



President Clinton calls for effective privacy protection in global electronic commerce

The Global Information Infrastructure (GII), still in the early stages of its development, is already transforming our world. In this edited report to the Federal Trade Commission in August 1997, US President, Bill Clinton, and Vice-President, Al Gore, present their views on electronic commerce, with particular reference to privacy. This is the latest public statement positive to privacy values which President Clinton has made this year. They make it clear that "the Administration considers data protection critically important. We believe that private efforts of industry working in cooperation with consumer groups are preferable to government regulation, but if effective privacy protection cannot be provided in this way, we will re-evaluate this policy."

Over the next decade, advances on the GII will affect almost every aspect of daily life. Disparate populations, once separated by distance and time, will experience these changes as part of a global community. It has been estimated that commerce on the Internet could total tens of billions of dollars by the turn of the century.

Many businesses and consumers are still wary of conducting extensive business over the Internet because of the lack of a predictable legal environment governing transactions. This is particularly true for international commercial activity where concerns about enforcement of contracts, liability, intellectual property protection, privacy, security and other matters have caused businesses and consumers to be cautious.

As use of the Internet expands, many companies and Internet users are concerned that some governments will impose extensive regulations on the Internet and electronic commerce. Potential areas of problematic regulation include taxes and duties, restrictions on

the type of information transmitted, control over standards development, licensing requirements and rate regulation of service providers. Indeed, signs of these types of commerce-inhibiting actions already are appearing in many nations.

Pre-empting these harmful actions before they take root is a strong motivation for the strategy outlined in this paper.

Balancing privacy rights and benefits

Americans treasure privacy, linking it to our concept of personal freedom and well-being. Unfortunately, the GII's great promise - that it facilitates the collection, re-use, and instantaneous transmission of information - can, if not managed carefully, diminish personal privacy. It is essential, therefore, to assure personal privacy in the networked environment if people are to feel comfortable about doing business.

At the same time, fundamental and cherished principles, like the First Amendment, which is an important hallmark of American democracy, protect the free flow of information. Commerce on the GII will thrive only if the privacy rights of individuals are balanced with the benefits associated with the free flow of information.

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In June 1995, the Privacy Working Group of the US government Information Infrastructure Task Force issued a report entitled *Privacy and the National Information Infrastructure: Principles for Providing and Using Personal Information*. The report recommends a set of principles to govern the collection, processing storage and re-use of personal data in the information age. (PL&B Sept. '96 p.2).

The Privacy principles, based on the OECD's Guidelines, identify three values to govern the way in which personal information is acquired, disclosed and used online:

1. An individual's reasonable expectation of privacy regarding access to and use of his or her personal information should be assured
2. Personal information should not be improperly altered or destroyed.



3. Personal information should be accurate, timely, complete and relevant for the purposes for which it is provided and used.

In June 1997, the Federal Trade Commission held four days of hearings on technology tools and industry self-regulation regimes designed to enhance personal privacy on the Internet. The Administration supports private sector efforts now underway to implement meaningful, consumer-friendly self-regulatory privacy regimes. These include mechanisms for facilitating awareness and the exercise of choice online, evaluating private sector adoption of and adherence to fair information practices, and dispute resolution.

Technological solutions to privacy concerns

The Administration also anticipates that technology will offer solutions to many privacy concerns in the online environment, including the appropriate use of anonymity. If privacy concerns are not addressed by industry through self-regulation and technology, the Administration will face increasing pressure to play a more direct role in safeguarding consumer choice regarding privacy online.

To ensure that differing privacy policies around the world do not impede the flow of data on the Internet, the US will engage its key trading partners in discussions to build support for industry-developed solutions to privacy problems and for market-driven mechanisms to assure customer satisfaction about how private data is handled.

The US will continue policy discussions with the EU nations and the EC to increase understanding about the US approach to privacy and to assure that the criteria they use for evaluating adequacy are sufficiently flexible to accommodate our approach. These discussions are led by the Department of Commerce, through NTIA, and the State Department, and include the Executive Office of the President, the Treasury Department, the FTC and other relevant federal agencies. NTIA is also working with the private sector to assess the impact that the implementation of the EU Directive could have on the US.

The US also will enter into a dialogue with trading partners on these issues through existing bilateral fora as well as through regional fora such

as the Asia Pacific Economic Cooperation (APEC) forum, the Summit of the Americas, the North America Free Trade Agreement (NAFTA) and the Inter-American Telecommunications Commission (CITEL) of the Organisation of American States, and broader multilateral organisations.

The Administration considers data protection critically important. We believe that private efforts of industry working in cooperation with consumer groups are preferable to government regulation, but if effective privacy protection cannot be provided in this way, we will re-evaluate this policy.

Security requires trusted certification services to support digital signatures

There is no single "magic" technology or technique that can ensure that the GII will be secure and reliable. Accomplishing that goal requires a range of technologies (encryption, authentication, password controls, firewalls etc.) and effective, consistent use of those technologies, all supported globally by trustworthy key and security management infrastructures.

Of particular importance is the development of trusted certification services that support the digital signatures that will permit users to know whom they are communicating with on the Internet. Both signatures and confidentiality rely on the use of cryptographic keys. To promote the growth of a trusted electronic commerce environment, the Administration is encouraging the development of a voluntary, market-driven key management infrastructure that will support authentication, integrity and confidentiality.

The US government will work internationally to promote development of a market-driven key management infrastructure with key recovery. Specifically, the US has worked closely with the OECD to develop international guidelines for encryption policies and will continue to promote the development of policies to provide a predictable and secure environment for global electronic commerce.

The full document is available on the worldwide web at: <http://www.whitehouse.gov/WH/New/Commerce/read.html>