

Secretary of Commerce Gary Locke
Remarks at Organization for Economic Cooperation and
Development (OECD) Conference
Washington, D.C.

Hello, everybody. Thank you all for being here, and for listening in remotely.

Thank you, John for your kind introduction. And thank you to the FTC and the OECD for organizing this conference.

And of course, let me welcome Secretary-General Gurría who is here with us in Washington. I look forward to hearing your remarks.

This is an important time to be discussing the future of electronic commerce and the public policy framework that supports it.

For many of our retailers, sales made during the Holiday season makes up a significant chunk of their annual business.

Those of you from the United States know that last week we enjoyed another successful "Cyber Monday." On the first Monday after our Thanksgiving holiday, electronic retailers woo holiday shoppers with deals. And despite the difficult economic times, sales grew by 5% over last year's figures.

E-commerce clearly continues to thrive, even when traditional consumer spending is off at brick-and-mortar shops.

Looking back over the years, the speed at which consumers have adopted the Internet for their shopping needs is truly amazing.

Between 1999 and 2007, the value of business-to-consumer e-commerce in the United States increased over 500 percent to \$251 billion. By adding in business-to-business transactions, e-commerce makes up more than three trillion dollars of economic activity in the United States.

Across OECD economies, the percentage of adults doing business online grew by 33 percent in just the five years between 2004 and 2008.

In today's environment of economic uncertainty, we need to keep these numbers growing even more.

Many of you know I am from Seattle. Several of the world's leading e-commerce companies have created thousands of well-paying jobs there. But when I think of successful e-commerce companies in Washington State, I don't just focus on the Amazons, Expedias and Microsofts of the world.

I also think about T-Mobile USA, which is headquartered in a Seattle suburb. I think of Boeing, which electronically transacts business with customers and suppliers around the world.

And I think about entrepreneurs and small businesses that rely on e-commerce to not only grow their businesses but to stay in business.

On the outskirts of Seattle, there is a small, ten-person shop that engraves plaques and trophies. Today, 60 percent of its business is conducted online with customers that live outside the Seattle area.

Without the Internet, small business which, when I was growing up at least, sold almost exclusively to local consumers would be in dire financial straights.

These are the positive outgrowths of our online economy. They need to be cultivated around the U.S. and around the world.

But as all of you know, expanding e-commerce flows also present were targets for those who seek to steal information and victimize consumers.

When consumers lack trust in the online environment, the Internet's economic potential – and its potential to generate new jobs—will.

And ensuring a high level of public trust in all Internet activity still presents a challenge.

A 2009 European Commission survey found that 37 percent of consumers were more confident making purchases from domestic online sellers than from overseas vendors. A different study showed that nearly 30 percent of U.S. households that use the Internet believe their credit card information is not secure online, and nearly three quarters are concerned with identity theft.

So, as the OECD recognized a decade ago, policymakers must strike a careful balance.

On the one hand, we need to refrain from the precipitous, prescriptive regulation that can stifle innovation. Instead, we need to keep in mind that innovators want to please customers. That's how they succeed.

So, we must welcome new commercial scenarios. This is especially important because the Internet changes so quickly.

Developing hard-and-fast rules is exceedingly difficult—and impossible—because online experience can evolve in new directions before the ink on a traditional, detailed regulation dries.

On the other hand, when threats to consumers arise—and the world's innovators are at a loss as to how to remedy these dangers—it is the government's role to work with stakeholders to address the situation.

The Commerce Department is grateful to the OECD for demonstrating leadership in this area and for its measured approach.

In the years after releasing its 1999 Consumer Protection Guidelines—during what might be called “version 2.0” of Internet policymaking—the OECD's Committee on Consumer Policy developed recommendations on a number of issues, such as fighting cross-border fraud, combating spam and preventing online identity theft.

But today -- on the 10th anniversary of those OECD guidelines -- we need to recognize that the Internet has evolved.

And this change requires us to re-evaluate the way we think about policymaking.

Let me share just a few facts on why we believe the Internet has undergone a seismic shift:

- Since 1999, we have seen a bevy of new data-intensive services burst onto the scene. Google did not begin serving ads associated with key words until the year 2000. Now, hundreds of thousands of advertisers use Google's AdWords. In 1999, the founder of Facebook was a sophomore in high school. By some accounts his company now owns the fourth largest Web site in the world.
- In 1999, NTT DoCoMo was the first company to offer a dedicated web service for mobile phones. In 2008, over 160 million Internet-connected smart phones were sold, and there are reportedly over 100,000 applications available for the Apple iPhone and iTouch.
- In 1999, the world had 4.1 million broadband users. By 2008, that figure had grown a hundred-fold to 410 million users.

Looking at these facts, we see Internet use will continue to evolve in at least three dimensions.

- First, we will continue to observe rapid growth in the diversity of applications, services and devices. Single purpose "smart appliances" – like smart air conditioners – will connect to the smart grid. Additionally, several companies are creating global "cloud computing" systems, which will offer on-demand, super-computing capacity.
- Second, as the end-uses of the Internet diversify and expand in number, we will continue to see major changes in how information is collected, compiled and aggregated.
- And of course, data will increasingly need to move across jurisdictional borders in order to reduce costs, to improve efficiencies and to help consumers find the products they want.

The agenda for this conference recognizes this new reality.

And I am very glad to see so many people here who are committed to wrestling with the policy challenges that the new e-commerce ecosystem creates.

At the Commerce Department, we are stepping up our game, too.

We are re-committing ourselves to working with all stakeholders—domestic and overseas, as well as from the commercial and civil sectors—to develop policies that foster innovation and grow e-commerce jobs, but that also enhance consumer protection.

In particular, we are looking to evolve what we are informally calling a “version 3.0” of e-commerce policy—a set of policies that strikes the right balance of interests in the new reality.

This is an initiative that will take hard work and new thinking.

But that’s exactly what is required because today’s world is so extraordinarily different from the Web 1.0 era.

We not only have to come up with the right tools to protect the integrity of the Internet and its users, we need to make sure we’re focused on the correct issues.

Given the complexity of today’s environment, we have to ask ourselves whether our tried and true principles are enough. Or instead, should we supplement existing principles with new thinking and modern tools?

We have to look to see if there are more effective methods that all nations can use to safeguard cross-border e-commerce. And we have to ask if there are new models for accountability. If there are, we must also ask if sophisticated multinational companies should be held to higher standards than small entrepreneurs or start ups.

Because we know that just like traditional brick-and-mortar businesses, we do not want to drown that small engraving shop in Seattle in a flood of Internet-related red tape.

These are a few of the questions we are beginning to explore at the Commerce Department.

I know the FTC is conducting its own workshops in the consumer privacy and security realm. The EU will be reviewing its Data Directive. And this body, the OECD, continues to play an important role in articulating an international perspective.

This is essential work. My staff and I look forward to collaborating with you on it.

Thank you.