Internet Policy Issues in New Zealand

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Abstract

This paper surveys the impact of the Internet on government policy in New Zealand, and asks what the impact is likely to be for governments worldwide. A link is drawn between the "openness" of a society and the ability of a people and their government to tolerate the influence of the Internet and capitalise on the benefits it brings.

1. Introduction

Although this paper has the somewhat bland title "Internet Policy Issues in New Zealand", it could just as well be called "Internet: the Challenges for Governments Worldwide".

The policy issues posed by the Internet in New Zealand don't seem to be very different from those in other countries - the Internet itself helps us realise this by allowing governments and citizens everywhere to share their problems and solutions. How governments everywhere react to the Internet depends on the extent to which they are prepared to accept external influences.

Broadly, the Internet causes problems for those countries whose domestic, social and economic policies are tightly managed and controlled, and provides opportunities for those countries which are transparent and open. New Zealand has already undergone much structural change to make its economy one of the most open in the world, and this allows its citizens and businesses to take best advantage of the Net.

From a policy analyst's point of view, government domestic policies tend to be classified into economic policies and social policies. Economic policies are those which are primarily levers to control business and trade, such as managing an exchange rate, or regulating, say, the banking industry. Examples of social policies are a welfare system, or a state provided education or health system.

Government policies have generally derived from the values of the government of the day. Such values would typically include a view on the extent to which the state should control resources, on the extent to which citizens should be protected from forces beyond their control, on how the nation should relate to other nations, and so on. In elections, most voters probably cast their votes based on their view of the similarity of their values and those of the candidates.

The sort of mass one-to-one communication offered by the Internet can challenge people's values. The way in which one may make contacts with similar interests, however obscure, the ease of purchasing in a global marketplace, the access to a huge amount of information, causes users to re-evaluate their relationship to the rest of the world.

2. Background on New Zealand

New Zealand is an island nation in the South Pacific, in the same general neighbourhood as Australia. Although Australia is our largest and closest trading partner, its as far from New Zealand as San Francisco is from Chicago. With our small domestic market (3.5 million people), and limited natural resources, New Zealand needs to export to maintain its standard of living. Because we're so remote transport costs are significant - especially for New Zealand's traditional products such as animal carcasses and timber.

The invention of the freezer ship was a turning point in New Zealand history. It provided the economic base for New Zealand to turn itself from a pioneering outpost of Mother England into an independent nation with a Western standard of living.

Throughout the middle part of this century New Zealand lived well by exporting food to the UK. During several decades of prosperity New Zealand introduced welfare policies which were seen as world leading.

With Britain's entry into the Common Market (now the EU) this market gradually became less open, resulting in a serious loss of export earnings for New Zealand. Successive governments tried to maintain the welfare systems and the general standard of living by regulating and borrowing. The result by the early 1980s was an inefficient, centrally-controlled economy and burgeoning external debt.

By the mid-1980s it became very apparent that Government policies would have to take a radically new direction.

Recent New Zealand Government policy has centred around:

- reducing public expenditure;
- removing barriers to imports and subsidies for exports;
- reducing business regulation;
- promoting competition across the whole economy and especially in sectors traditionally dominated by state monopolies;
- privatising utilities;
- not participating in commercial markets;
- reducing taxes and shifting partly toward indirect taxation;
- reducing labour market regulation; and
- targeting state assistance to only those who cannot provide for themselves.

These policies have reversed the slide into debt, and are creating employment and economic growth.

3. Internet and Economic Policy

So since 1984 New Zealand's economic policies have been aimed at reducing the regulations faced by industry, removing barriers to trade and to foreign investment, and reducing the size of the state sector.

Telecommunications is a particular case in point; the old state telephone monopoly was first opened to competition and then sold by the Government. There are now several companies active in the New Zealand telecommunications market, most are at least party owned offshore, and there has been a considerable investment in upgrading the telecommunications infrastructure. This has led to a considerable improvement in quality of service coupled with a significant reduction in the cost to the consumer. A recent world competitiveness survey ranked New Zealand's telecommunications infrastructure as number one in the OECD in services offered to business.

These policies have led to a highly competitive environment in which local industries have been forced to compete with overseas suppliers without subsidies or a protected local market. The New Zealand telecommunications market is now very competitive with high quality services available.

The Internet arrived in New Zealand into this policy climate. From the time of the Internet's introduction it was clear that the government would not fund it, and that users would be expected to pay Internet access providers, who would operate in a competitive market.

The Internet is brought to New Zealand by Universities and research institutes who want access to it for their own use, and by commercial companies who sell access to business and home users. There are a number of different providers offering access to the Internet, and further companies are springing up to service this market. New Zealand Internet users pay by the megabyte for traffic that enters or leaves the country.

This does not appear to have hindered the uptake of the Internet in New Zealand. Internet has experienced very rapid growth in New Zealand. In the last quarter New Zealand was second only to the United States in growth in numbers of Internet subscribers. Internet penetration is very high compared with other countries when measured against GDP and population.

Internet providers in New Zealand compete for customers, on the basis of price, quality and type of service. Some New Zealand Net users compile and publish documents listing the charges which would be incurred through each provider by various idealised users.

Global telecommunications and the Internet offer New Zealand an alternative to shipping large physical objects around a significant portion of the globe. If we can export information, software, and expertise through the Net we can avoid the high transport costs that New Zealand exporters have traditionally endured.

New Zealand has quite a number of advantages in developing the kind of intellectual property which may be traded over the Net. We have an English-speaking, educated workforce, and, due to our physical isolation, we have developed a culture of innovation. The principal of a New Zealand multimedia production company recently told me that, according to their US competition, his New Zealand company was producing products of an equivalent quality, and at half the price.

As in other countries, the Internet is increasingly being used by businesses. Not just for selling - and certainly not for "spamming" - but for communicating with suppliers and customers around the world, and for research into markets and products. Transborder data flow is set to become a significant component of the New Zealand economy. It is my hope that global telecommunications, and particularly the Internet, will prove to be the "freezer ships" of the 1990s.

The New Zealand government is also using the Net to do its business. At least half the central

government departments now use at least Internet e-mail in their day to day operations, and some have Web sites of their own. Policy analysts in particular find the Web a great research tool for finding out about overseas experiences and initiatives. There is also a central New Zealand government Web site at URL <http:\\www.govt.nz>, which delivers information about New Zealand, its constitution and government, and has links to the departmental sites.

To summarise, the government's economic policy response to the Internet so far has been:

- maintaining an environment of competition, preventing any player from "capturing" any specific part of the New Zealand Net;
- avoiding excessive regulation on activities or ownership of the Net or the underlying telecommunications systems;
- declining to subsidise any element of the New Zealand Internet; and
- using the Net to do the business of government, on the same terms as other Net users.

4. Internet and Social Policy

The potential social policy impacts relate to:

- copyright and privacy;
- the content of the Internet; and
- the issue of access.

4.1. Copyright and Privacy

The difference technology makes to copyright and privacy is seen as one of degree rather than one of kind, consequently they are dealt with by legislation which is not specific to telecommunications. The New Zealand Copyright and Privacy Acts don't seem to be substantially different from corresponding laws in other developed countries.

Where the Internet does pose interesting copyright and privacy problems is in its trans-border nature. How to deal with, for instance, copyright violations occuring in a country which doesn't have the same notion of intellectual property? Or privacy threats originating from overseas?

Until now, transborder copyright has been enforced (in as far as it has been) by some fairly heavyweight negotiations, and in some cases threats, between national governments. It remains to be seen whether this system will hold up with the increased opportunities for violation offered by the Internet, as the Net becomes widespread in more and more countries.

The issue of parallel importation is often seen as an aspect of copyright. In New Zealand, as in many other developed countries, imports of particular brands of certain kinds of goods are restricted to those who are nominated as agents by the goods' offshore suppliers. Examples include: books; pharmaceuticals; CDs; and software.

It would be legal for me to buy, say, a copy of WordPerfect in the US and take it to New Zealand for my own use, but it would not be legal for me to import it for sale to someone else. Through on-line book and CD stores the Internet allows more and more New Zealanders to see the price differences for these goods between the US and New Zealand - and parallel import restrictions are often blamed for the premium charged. Public pressure may eventually cause the government to reconsider its position on this issue.

Privacy seems to me to be increasingly an issue. I don't know how well most countries' privacy legislation copes with violations coming from across the border. I know the OECD has done some work aimed at producing a code, but for governments to make our privacy safe on the Net it would need an international treaty on the privacy of citizens, allowing the pursuit of violators across borders. Of course, this would just push violators into non-signatory countries, and, whether governments would be prepared to apply the diplomatic muscle which has been displayed in defence of copyright is moot.

The answer may lie in the Net itself. As we have all seen recently, eg in the Canter and Siegel case, the Net tries to protect the collective interests of its users. This protection depends on the attitude and outlook of the majority of Net users, which may alter as a greater proportion of the population gets connected to it. I hope that the self regulation of the Internet will continue, and in particular that those who wish to violate the privacy of others using the Net are forced to change their ways or disconnect from it.

4.2. Content of the Internet

Since New Zealand has no land borders it has grown used to having the ability to control goods and information entering and leaving the country. Such control is liberal by international standards, New Zealanders are fairly tolerant and the only material routinely stopped would appear to be what most people would regard as the more extreme forms of pornography. Control is exerted by the

Customs Department seizing such material as it arrives.

Of course the Internet erodes this ability. Some people like to point out the amount of pornography available on the Net, others complain that people can get information on making bombs. What is happening is that the Net is providing a medium for those wish to disseminate information of whatever kind to reach those who wish to read it. As we know, information on the Internet crosses international borders unchecked.

Most public Internet access services in New Zealand ban or restrict access to the alt.sex hierarchy. This does not guarantee that other news groups do not contain objectionable material. Also anyone with full internet access can read material from news servers or ftp sites overseas.

Whether people see a problem here depends on their point of view. Most New Zealanders would agree that it is important to control access by children to certain materials. The area of disagreement lies between those who would like to censor the net, in the same way that physical publications can be censored, and those who see parental responsibility as the key.

As this paper is written there is a private member's bill (ie a piece of draft legislation not introduced by the government) before the New Zealand parliament. This bill seeks to control access to pornographic materials via several media including the Internet. The bill reflects the real concerns of many New Zealanders that children can potentially access explicit material in an uncontrolled manner. The bill's sponsor has publicly stated that he does not want to cut off the Net. The bill is currently being examined by a Select Committee, which is a group of Members of Parliament from the government and the opposition. To become law this bill would have to emerge from the select committee and be passed by vote in the house. It is not clear at present whether this will occur.

As well as pornography, telecommunications and the Internet allow transactions of types normally controlled by government to be made across borders. I am particularly thinking of gambling, which in New Zealand is tightly restricted in terms of types of bet and who is allowed to be a bookmaker. (Except for a very few casinos the only legal bookmaker is the state.) I don't believe New Zealand is unusual in this respect, many other countries have gambling controls.

The advent of direct dial international telephone calls has allowed enterprising companies based offshore to offer gambling facilities to New Zealanders with credit cards. While using these services is illegal, this law is virtually unenforceable. The Internet, with its low costs and improving user interface, offers even greater opportunity for bookmaking companies to locate themselves in any country that will accept them. We are beginning to see this happen already.

4.3. Access

As the Internet becomes more pervasive there is potential for some citizens to become unable to participate fully due to their inability to pay for Net services. This is not a problem with the current level of Internet penetration, but it may be one in future. The government will monitor this issue and consider its policy options if required.

5. Control of Internet

In New Zealand, as in other countries, there is diversity of opinion on the merits of government control of resources against a user driven approach. Some people, when shown the Net, say that a central gateway should be constructed so that all non-New Zealanders accessing addresses in, or information about New Zealand go through a single "home page". This is argued for in terms such as "managing New Zealand's image" and "presenting an image of quality to the world".

While such a measure might be desirable to those who are used to controlling information access, it misses the point of the Net. Indeed, such a move would crush the individual creativity which has driven the Net's expansion.

Possibly the reason the Net exists today is that its technical structure does not easily permit central control.

In fact, the New Zealand Internet has until now been under the control of the Tuia Society, a group comprising the original Net users. In recognition that many users of the Internet in New Zealand are not based in Universities or research institutes, an Internet Society is being formed to manage "common interest" issues such as IP address space and domain names. The New Zealand Internet Society will also undertake Internet education, research and promotion activities, and is seeking affiliation with the global Internet Society.

6. Conclusion

In a functioning democracy such as New Zealand, government policies can be expected to reflect the views of many of its citizens.

The Internet empowers individuals by allowing them to exchange information freely, challenging them to reassess the extent to which they require government to manage their lives. In New Zealand the influence of government in people's lives has been reduced over the last decade, the likely long term impact of the Internet is that this reduction will continue. For this reason I believe that New Zealand stands to gain a great deal from the Internet, and is in an excellent position to capitalise on it.

Another way of putting the same point: the Internet makes some areas of domestic policy dependent on international policy, and on the domestic policies of other countries. New Zealand, through the reduction of the government's intervention in the economy and society, has made its domestic policies transparent. It's not hard for us to accept the "opening up" that the Internet brings, because in large measure we have already done it ourselves.

In the last few centuries governments have been geographically based, enforcing sovereignty over an area of land which they can defend. With the rise of the information economy, and the globalisation of data networks, the ability of governments to affect the economy in their specific territiories may be eroded. A further example, if one were needed, is brought about by digital cash, which has implications for taxation, exchange rates and money supply - all areas in which governments have traditionally played a large role.

Adapting to the global economy that will result from free trading of goods and ideas through the Net represents a challenge for governments. Citizens of countries whose governments accept the limitations that globalisation places on the power of governments, or as some would say on their sovereignty, will prosper due to increased trade and idea sharing.

Author Information

Colin Jackson has been an information techology professional since leaving University in 1982. He has worked as a consultant and a systems designer in the UK and in New Zealand. In 1993 he joined the Ministry of Commerce as a policy advisor specialising in advising the government on the economic and social issues of IT. He created the New Zealand Government Web pages at URL <http:\\www.govt.nz>.

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