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SUMMARY of PROCEEDINGS of a

SYMPOSIUM on

INFORMATION TECHNOLOGIES AND INTERNATIONAL RELATIONS

held at the
Department of Foreign Affairs and International Trade, Ottawa, January 13, 1995

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EXECUTIVE SUMMARY

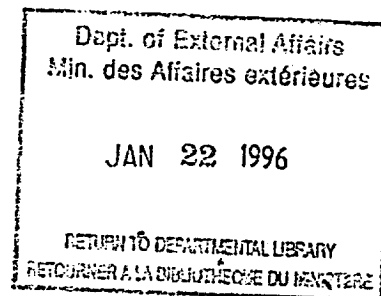The Symposium heard presentations on and discussed information technologies and the restructuring of production and financial markets, the impact on transnational interest groups, transborder criminal activities and the national media and on governing.

Information technology complemented rather than caused changes in the global method of production and firms are creating strategic partnerships to reduce the uncertainty caused by knowledge-intensive production. Such networks lead to global oligopolies, while another harmful effect is that nations become involved in competitions to attract investment. The financial services industry has created the tools for the movement of capital with information technology facilitating transborder capital flows and bringing countries out of isolation. Information technology in this and other domains can create "haves" and "have nots". The rapid movement of capital facilitated by information technology has affected the state since domestic institutions are made more vulnerable as capital takes advantage of different regulatory regimes. This has led to a race to liberalize financial markets.

New information technologies have facilitated the rapid rise of transnational interest groups with multiple agendas. These technologies have also altered the relationship between individuals and interest groups in a number of ways. There will be more of these groups participating in the policy-making process which will tend to be less institutionalized, more issue-oriented and more prone to alliances of convenience. The major challenge for the Canadian government in responding to interest groups' tactics will be coordination. This problem can be ameliorated by the willingness of other players, notably the business community to accept government's leadership and the willingness of the federal government to contribute funds and information.

With regard to money laundering Canada is particularly vulnerable because of weaknesses in the law. Similarly Canada has virtually no information about the movements of money into and out of the country, unlike Australia and the USA which track such moments closely. There is a critical need for an international evidence code which takes account of paperless financial transactions and differing legal systems. There is also a serious resource problem at the enforcement level which is federal.

Changes in technology may be undermining the traditional "mass" national audience, encouraging fragmentation into "niche" communities. In addition, the media attacks the effectiveness and then the legitimacy of government. An alienation of the elites is under way coupled with the seizure of the public agenda by more radical elements. Eventually there will be pools of people with nothing in common. This highlighted the overarching issue of the symposium, namely, whether information technologies were changing nations and the locus of power.

The emergence of the information society had five major effects: globalization; fragmentation, decentralization, and democratization; breakdown of the bureaucratic/industrial organizational model; decreased secrecy; blurring of categorical boundaries. Leadership in this context means taking the lead in establishing an overall

framework of goals, interpretations and values and then encouraging others widely to innovate. Most important is the continuing learning process of constructing shared "mental maps" and so provide the framework within which policy can be innovated by others. In an information society the real challenge is to provide leadership for the process by which people interpret information.

SOMMAIRE

Au cours du symposium, les exposés et les discussions ont porté sur les technologies de l'information et la restructuration de la production et des marchés financiers, l'impact sur les groupes d'intérêt transnationaux, les activités criminelles transfrontières et les médias nationaux, ainsi que sur le bon gouvernement.

Les technologies de l'information ont été le complément des changements apportés aux méthodes mondiales de production; elles n'en ont pas été la cause. Et les firmes créent des alliances stratégiques pour réduire l'incertitude générée par une production tributaire du savoir. Ces alliances conduisent à des oligopoles mondiaux en plus d'entraîner les nations à se faire la lutte pour attirer les investissements. L'industrie des services financiers a conçu les instruments voulus pour assurer le mouvement des capitaux, les technologies de l'information facilitant les flux transfrontières et tirant les pays de leur isolement. Dans ce domaine comme dans d'autres, ces technologies peuvent créer un monde à deux vitesses . Le mouvement rapide de capitaux qu'elles facilitent a un impact sur l'État puisque les institutions nationales sont plus vulnérables du fait que le capital se déplace pour profiter de différents régimes réglementaires. C'est ce qui a précipité la course à la libéralisation des marchés financiers.

Les technologies de l'information ont favorisé l'ascension rapide de groupes d'intérêt transnationaux ayant des objectifs multiples. Elles ont aussi modifié de diverses façons la relation entre les individus et les groupes d'intérêt. De plus en plus de ces groupes participeront à la prise de décisions, qui deviendra un processus moins institutionnalisé et davantage thématique et dominé par les alliances de convenance. Face aux tactiques des groupes d'intérêt, le principal défi pour le gouvernement canadien en sera un de coordination. Sa tâche pourra être simplifiée à ce chapitre si d'autres intervenants, et notamment la communauté des affaires, sont prêts à accepter son leadership et s'il est lui-même disposé à fournir fonds et information.

En ce qui a trait au blanchiment de l'argent, le Canada est particulièrement vulnérable en raison des lacunes de la loi. De même, le gouvernement n'a pratiquement aucune information sur les sommes qui entrent au pays et qui en sortent, contrairement à l'Australie et aux États-Unis qui exercent une surveillance étroite à cet égard. Il est vital de disposer d'un code international de la preuve qui tienne compte des transactions financières «sans papier» et des différences dans les systèmes légaux. Il y a également un sérieux problème de ressources au niveau de l'application de la loi, qui est du ressort fédéral.

Les changements technologiques peuvent encourager la fragmentation de l'auditoire national traditionnel en communautés «spécialisées». De plus, les médias s'en prennent à l'efficacité, puis à la légitimité du gouvernement. Un phénomène d'aliénation des élites s'est engagé, parallèlement au fait que des éléments plus radicaux s'approprient l'ordre du jour. À terme, on se retrouvera avec des îlots de gens n'ayant rien en commun. Ces réflexions ont servi de fil conducteur au symposium, qui cherchait à déterminer si les technologies de l'information changeaient à la fois les nations et les sièges du pouvoir.

L'émergence de la société de l'information a eu cinq grandes conséquences : la mondialisation; la fragmentation, la décentralisation et la démocratisation; l'éclatement du modèle organisationnel bureaucratie/industrie; une plus grande transparence; le gommage des définitions catégorielles. Faire preuve de leadership, dans ce contexte, signifie de prendre l'initiative d'établir un cadre général d'objectifs, d'interprétations et de valeurs, puis d'encourager le plus possible l'innovation. Ce qui importe, surtout, c'est l'apprentissage continu qui permet de tracer des schèmes communs et ainsi de créer le cadre dans lequel d'autres peuvent innover sur le plan des politiques. Dans une société de l'information, le vrai défi consiste à guider le processus par lequel les gens interprètent l'information.

Introduction

The communications revolution has cut across all aspects of society and politics in the late 20th century. Driving this revolution have been a number of technological advances, centring mostly on digital technology and fibre optics, which have vastly enhanced the capacity to store, process and transmit information. This revolution has created, among other things, a planetary web of instantaneous communications which has profoundly altered the international environment across a number of spheres, including the practice of diplomacy, the nature of state governance, and the conduct and scope of transnational business and finance. Taken together, these changes may very well constitute a fundamental transformation of the modern system of states itself.

This symposium gathered together experts from academia, business, the media and government to assess the implications of these new information technologies for the changing international environment and the management of interstate relations. They focused on how information technologies facilitated the rise of new social movements and networks across political boundaries, and how these, in turn, present challenges to the conduct of state governance, the practice of diplomacy, and the character of international economic and security relations. The symposium was designed to stimulate extensive discussion and interaction among the participants following each presentation, over lunch and during the final session. These discussions as well as the presentations themselves are reflected in the following summary. Full texts or speaking notes for the presentations where available are included.

SUMMARY RECORD OF PROCEEDINGS

INFORMATION TECHNOLOGIES AND INTERNATIONAL RELATIONS

A symposium examining the impact of new information technologies on the changing international environment

In an effort to stimulate greater debate on the impact of the communications revolution on the practice of diplomacy, the nature of state governance, and the conduct and scope of transnational business and finance, the Policy Staff of the Department of Foreign Affairs and International Trade in cooperation with the Institute of International Relations (University of British Columbia), invited a select number of scholars and government officials to a symposium held in Ottawa on 13 January 1995.

INFORMATION TECHNOLOGIES AND INTERNATIONAL POLITICAL ECONOMY

Information Technologies and the Restructuring of Production

Following introductions by George Haynal, Head, Policy Staff, Professor Lynn K. Mytelka of the Department of Political Science at Carleton University opened the session by noting that contrary to popular belief, globalization, that is, the process of international finance and production, was well developed before the electronic revolution. Prof. Mytelka reminded the participants that although there has been a qualitative change in the method of international production over the last eighty years due to increasing competitive pressures - evolving from Fordism to today's lean production model and characterized by a shift from electro-mechanical systems to digitalization, miniaturization, and increased knowledge intensity built into both processes and products - the Information Technology (IT) revolution has *complemented* rather than *caused* changes at the level of the firm and its global method of production.

She went on to point out that more knowledge-intensive production leads to increased uncertainty since there is no way of predicting where a nation's competitors will come from. In response, firms, especially SMEs since they lack critical mass, are creating strategic partnerships (*e.g.,* joint marketing, joint production, joint R&D). Networks therefore become strategic necessities for firms so that they do not miss technological leaps. The discussion then turned to the impact of globalization and the rise of networks on the nation-state. The drawback to networks, according to Prof. Mytelka, was that they lead to the creation of global oligopolies that appear to be immune to the state's attempts to enforce anti-competitive practices legislation. Another harmful effect is that nations have become involved in "locational tournaments" to attract foreign investment. However, investment resulting from bidding wars in general did not achieve employment and industrial targets, Mytelka said.

Information Technologies and the Restructuring of Financial Markets

The next speaker, Herbert I. Phillipps, Jr., Vice President, Strategic Solutions Delivery,

Royal Bank of Canada, made a presentation on the impact of IT on the restructuring of financial markets. Mr. Phillipps explained that the reason the financial services industry (*i.e.*, fund managers, brokers, banks, custodians, clearing houses) has been on the forefront of IT for such a long time is that it was forced as a result of customer demands (both domestic and international) to create the tools for the movement of capital and funds to the point that today not only is there the convenience of instant banking machines but money is moved from major centres such as London, New York, and Singapore 24 hours a day. The financial services industry recognized the benefits of IT as a means to both increase customer satisfaction by increasing speed and efficiency and to reduce operational risk and increase profits.

Mr. Phillipps went on to explain that the reason for the increased movement of capital in offshore markets was the saturation of local markets, government incentives (*e.g.*, RRSPs), and developing and developed countries' growing appetites for investment. But influencing this trend, according to Mr. Phillipps, has been the reduction of transaction costs to individual firms made possible by IT and emerging global standards. He noted that the explosion in transborder capital flows has been greatly assisted by IT's ability to facilitate global cash management (i.e., by making cross-border payments easier and more secure), changing customer needs, and the rise of trading blocs.

Mr. Phillipps then assessed the impact of increased foreign direct investment, 24 hour electronic trading, the creation of "offshore" markets, and the rise of transnational banking and other diversified financial services, on the ability of states to formulate and implement macroeconomic policies and achieve international regulatory cooperation. Clearly, prior to the IT revolution, for purposes of security trading, countries were isolated. What IT has done is to increase the certainty (since information is now instantaneous) and confidence of capital movement; therefore, it has added value through increased security and integrity. The link between IT and security raised some questions among the participants, causing some to argue that although IT may indeed ensure greater certainty for trans-border capital flows this paradoxically has created uncertainty in world markets. In other words, participants asked how has the trans-border flow of capital affected global social welfare? Are bond and currency traders - who are unelected - dictating public policy? In addition, as the example of UPS moving operations to New Brunswick shows, IT can create "have" and "have not" regions with respect to economic prosperity. These, noted some participants, are the negative externalities associated with rapid movement of capital and information facilitated by new ITs.

The discussion then turned to how IT has had an impact on the state. Questions were raised: Is IT driving the process of change or is it the state? More pointedly, who will survive? That is, is the nation-state becoming obsolete? What will happen to multinational corporations as many of their functions are replicated by smaller boutique firms using IT? While these questions are somewhat philosophical, the participants did agree that technology has facilitated the rapid movement of capital, and that this in turn has had an impact on the state since domestic institutions are made more vulnerable as capital takes advantage of

different regulatory regimes. This has prompted a race among states to liberalize financial markets, as they have done for investment.

During the discussion that followed Mr. Phillipps's presentation, a number of propositions were put forward on the impact of IT: 1) it is an impingement on governance; 2) it has facilitated trans-national capital flows but is not their cause; 3) the cause is the increased pressure from customers (both public and private) of financial institutions. There was a consensus that on the "information highway" technology can cut both ways: it can hinder as well as assist the public and private sectors. On this point, participants were reminded that for governments the imperative is to get re-elected while for the private sector it is to be profitable.

Given the variety and flow of financial products described by Mr. Phillipps, the question was raised about what role government had, if any, to regulate this development at the international level? There was disagreement among the participants about the feasibility of regulating trans-national financial flows. Some suggested that it was just a matter of devising expert systems. The greatest difficulty would be in achieving some consensus on what was to be regulated. Others, not so optimistic, pointed out that for all the progress at the international level, the development of standards to regulate trans-national capital flows was likely to remain haphazard. Indeed, there would always be at least one jurisdiction that would choose to remain outside a particular regulatory regime.

INFORMATION TECHNOLOGY AND TRANSNATIONAL SOCIAL FORCES AND MOVEMENTS

Information Technologies and Transnational Interest Groups

Professor William Stanbury[1] of the Faculty of Commerce and Business Administration at the University of British Columbia, prepared a presentation on how new information technologies (NITs) have facilitated the rapid rise of transnational interest groups with multiple, overlapping and competing political agendas. Prof. Stanbury describes the NITs as having the following characteristics: the electrification and digitalization of many media; the existence of ubiquitous broadband networks; the ease of accessibility of information in electronic form; distributed intelligence in light of the user control of networks; increased mobility while at the same time maintaining connections; and declining costs and prices.

He notes that a computer network such as the Internet, with about 35 million persons (mostly in North America and Western Europe) on-line at the end of 1994, by collapsing both distance and time offers a speedy and inexpensive (when compared to the telephone, the facsimile, and even mail) means of interactive communication. In this way, it has facilitated

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[1] The following is a synthesis of notes prepared by Prof. Stanbury for delivery at the symposium.

the use of "distributed intelligence" (*e.g.*, millions of individual users and data bases). The emergence of electronic networks is creating a world of self-organizing "virtual communities" based on people with shared values or beliefs, in which geographic boundaries are largely meaningless. Although, today, communication amongst these virtual communities is primarily text-based, in the future with the greater use of broadband transmission not only will there be voice and picture transmission, but also interactive, full motion video. Furthermore, increased electronic interconnectivity increases the likelihood that people will be assigned personal communications numbers, a point brought up in the discussion following Mr. Phillipps's presentation. Prof. Stanbury foresees the possibility of world divided among a minority who are on the Information Highway (900+ million out of 5.3 billion) and a majority who are not.

In terms of the impact of the NITs on the individual, Prof. Stanbury states that as high power a medium that television is, it nevertheless remains a "passive" source of experiential cognition (i.e., the capacity to process information). He predicts that as more and more information is delivered in the form of full-motion video this will promote a more "reactive" form of experiential cognition as people respond more readily to environmental cues.

In the second part of his analysis Prof. Stanbury examines the impact of NITs on interest groups and their activities. He starts by noting that NITs, by facilitating the entry into the **"market for voices"**, are leading to hyperpluralism, since smaller and smaller percentages of the population can now become organized and participate in the political arena at a lower cost. This will mean less reliance on traditional interest groups such as business associations, trade unions, and professional groups, as well as more competition among a greater diversity of interests.

Second, NITs **alter the relationship between individuals and interest group** because it is now easier for individuals to monitor issues, to communicate views to the leaderships of interest groups (as well as to targets of interest group activity), and to acquire more/better information, all leading to a greater sense of urgency. Prof. Stanbury cautions that increased information flow accentuates the danger of information "overload," and can result in paralysis and indecision, irrational acts, and "group think".

Third, NITs will increase the number of **"staff-type"** interest groups, that are divided into entrepreneur-based (*viz.*, an extension of the founder) types and those that are a collective of a small group of activists who share a common vision, rather than the more traditional groups characterized by staff and larger memberships. According to Stanbury, on the one hand, staff groups *may* be more effective because there are fewer people to consult and their overheads are lower; on the other, they may lack the legitimacy of a membership base which "governs" the group.

Fourth, with regard to the **organization of interest groups**, NITs create "flatter" organizations characterized by fewer intermediaries between leaders and members, faster and

possibly less distorted communications among members and between the leadership and staff, and lower costs.

Fifth, in an environment full of NITs the **governance** of interest groups is characterized by: distrust of most public institutions; widespread expectation of direct participation in important public policy decisions; demand for transparency in decision making in public institutions; and growing populist ethos [See Alboim and Rosell discussions]. The NITs permit a closer monitoring of issues, rapid feedback, and a web-like communications path that is quite different from the traditional tree-shaped one.

Sixth, the **mobilization** of interest group have changed as NITs have reduced the time and cost of mobilization. At the same time, the **techniques** used by interest groups have changed as a result of IT, so that today a greater emotional impact can be made on targets through the use of electronic submissions (*e.g.*, CD-ROM, interacting videos, electronic press releases for the news media put on-line).

Prof. Stanbury's analysis then moves on to an examination of the **increased internationalization** of interest groups. He describes the process in the following manner: interest groups in national jurisdiction X seek to influence their private sectors or governments (federal and sub-federal) by pressuring governments and private sectors in jurisdiction Y who, it is hoped by the interest groups in X, will then put pressure on the governments and private sector of X. Prof. Stanbury explains that there are various permutations of this indirect approach such as "affiliates" of multinational interest groups or temporary alliances among transnational interest groups, all having the central aim of changing public policy in one or more jurisdictions. Professor Stanbury notes that the internationalization of interest group activity is critically dependent on: shared interests of different groups or different arms of the same one; capacity to gain coverage in the mass media (critical in raising funds); easy and inexpensive long distance communication; English as a common language.

He states that most transnational interest group activity is driven by concerns in industrialized/developed countries; consequently, their financing is also centred in these countries - even if the focus is a developing country (*e.g.*, Brazil's rainforests). Along with production and trade, many issues are becoming global (e.g., global warming, whaling, dumping of toxic wastes, immigration), and thus it is necessary for groups to internationalize and follow issues and targets wherever they go. Groups internationalize as they try to "match" the activities of multinational corporations, or to match multilateral efforts of governments.

This process of internationalization, says Prof. Stanbury, may create problems in Canada's international relations because: domestic conflicts spill over into the international arena; it may complicate existing international agreements or relations among various countries; and it may generate concerns about sovereignty. Stanbury points out that cultural differences play a variable role in internationalization of interest groups because of different

values/priorities, different world views, the acceptability of certain tactics, different domestic historical/economic/political contexts, and the increase in communications and coordination costs.

Prof. Stanbury says that when interest groups internationalize their activities they cause concern about a nation's international reputation, something to which Canada is especially sensitive. Due to the "distance factor," foreign problems may seem simpler and thus more prone to manipulation by Canadian interest groups. Internationalization of interest group activity also creates the additional problem of "free riders," since foreigners can derive the benefits, but avoid the costs of policies they advocate for Canadians.

He then explains that it is interest groups' interests to widen the scope of a particular conflict because internationalization increases the odds of success, since it brings in more players, exerts pressure abroad where the target is potentially more vulnerable, permits the reframing of an issue (*e.g.*, through the use of international news networks such as CNN), can solicit support (and donations) from broader public, may change the influence techniques used (*e.g.*, boycotts of national products sold abroad, focus on foreign trade policies through the banning of imports of certain goods), and may benefit from the help of foreign mediating bodies. Prof. Stanbury cautions that there are, however, some disadvantages to the internationalization of domestic interest groups such as the impression that they did not succeed at home, the increased cost of coordination (both within domestic groups and across interest groups in different countries), and the acculturation to the history/politics/culture of the foreign country.

In the final part of his analysis, Prof. Stanbury examines the implications for government of new ITs. He concludes that there will be more interest groups participating in the policy-making process, which will tend to be less institutionalized, more issue-oriented, and more prone to alliances of convenience. The response of interest groups to government actions is likely to be faster, broader, potentially better informed, but also may be more driven by emotional appeals ("modern mobs"). Prof. Stanbury is sceptical that the availability of ITs will lead to greater democratization because they: are unlikely to increase participate in political activity; will augment the skills of the existing policy elite; will lead to more pressure for direct democracy.

He states that the internationalization of interest group issues is likely to create more problems for domestic (and foreign) governments. Governments in Canada are faced with a more subtle/difficult problem when Canadian and foreign interest groups are targeting their pressure on Canadian firms at home and abroad. This has implications for sovereignty when foreign groups become so powerful that they have the potential to shape domestic policies. Managing these issues, according to Prof. Stanbury, will require the federal government to coordinate the response of domestic actors in terms of private versus public sectors, deciding which level of government has jurisdiction, and factoring in Canada's international commitments.

Finally, Prof. Stanbury explores the vulnerability of Canadian governments, both federal and provincial, to the internationalization of interest groups by presenting a case study of Canadian environmental groups' attempts to internationalize forestry issues in British Columbia. He supports this view by pointing out that Canada is particularly susceptible to interest group tactics directed from abroad because of Canada's belief that it is better able to resolve interest group conflicts by reasoning and consensus, its leadership role in international bodies (which creates constraints on future actions), and the fact that its foreign policy - like its domestic policy - is strongly influenced by the demands of Quebec.

Prof. Stanbury's analysis concludes that the major challenge for the Canadian government in countering interest groups' tactics is that of coordination, which in turn is complicated by the fact that there are conflicting views about the roles and responsibilities of government (*i.e.*, which level of government is in charge?). However, the coordination problems can be ameliorated by the willingness of other players (notably Canada's business community) to accept government's leadership, the willingness of the federal government to provide funds and intelligence from its overseas missions, the use of Ottawa's influence with foreign governments, the change in Canada's own forestry practices, and Canada's participation in multilateral efforts.

Information Technologies and Transborder Criminal Activities

Peter German, Staff Sergeant with the Royal Canadian Mounted Police, in his presentation discussed the impact of ITs on transborder criminal activities in the domains of money laundering, reproduction, and the Internet. It was Mr. German's thesis that criminal law is inadequate when dealing with the globalization of criminality. Following from Mr. Phillipps's presentation, Mr. German noted that there the confluence of the liberalization of trans-border capital movements, trade liberalization, the end of the Cold War, had all resulted in large criminal syndicates shifting their activities away from countries which pursue aggressive anti-money laundering campaigns. With worldwide money laundering estimated to reach $100 billion per year German stated that there is sufficient cause for concern for the integrity of nation states and economies.

Canada, he pointed out, has been and continues to be particularly vulnerable because of lax reporting requirements for money transferred to financial institutions in Canada. German noted that the absence of any requirement for financial institutions in Canada to report large or suspicious cash deposits allowed Time magazine as recently as 1989 to report that Canada was in the same league as Panama, the Cayman islands, and Luxembourg as a safe haven for laundered money. Similarly, the absence of any legislation aimed at tracking wire transfers and other movements of money into Canada, makes this country an extremely comfortable safe haven, even today with Canada's proceeds of crime legislation in place.

In Canada, financial institutions are now required to record information on their

customers and are protected from civil liability should they see fit to report suspicious transactions. What they are not required to do is of much greater relevance, according to German. The law does not provide for adequate auditing of financial institutions and, more importantly, does not make it mandatory for financial institutions to report suspicious transactions. Although some banks and trust companies in Canada do report, German lamented that the RCMP hears nothing from most financial institutions.

German stated that Canada's record on money laundering sits in stark contrast to that of Australia and the United States. For example, AUSTRAC, the Australian agency which tracks the movement of money into that country and which nightly downloads copies of all wire transfers into and out of Australia, is able to tell Canada more about the movement of Canadian money in Asia Pacific than Canadians know ourselves. AUSTRAC receives 90 % of its data electronically and thus developed computerized methods for detecting possible suspicious transactions. Similarly, FINCEN, the financial tracking agency in the United States, can tell Canada more about the movement of money into and out of Canada from the United States than we could dream of learning ourselves. Similarly, the US Customs computer tracking system is a valuable tool which can tell Canada which Canadian residents have moved money across the border.

With Canada's closest allies so far ahead of Canada in tracking potentially illegal trans-national capital flows, German advocated the mandatory reporting of international movements of not only cash but also wire transfers. German calls for Canada to come to grips with the impact of instant communications and the substitution of electronic pulses for paper dollars.

Combining the speed of communications withe advances in reproductive technology, credit card fraud through forgeries has become astronomic. German admitted that because the replicate credit cards are almost undetectable, police are highly frustrated. Another type of criminal activity assisted by IT through the Internet and, in particular, computer bulletin boards, are serving as vehicles for the dissemination of the latest illegal methods of committing every possible crime. As an example of the challenge to national police forces, German noted that to unravel a transaction which can take two minutes to complete by fax, phone, wire, or computer, may require a year of leg work, stymied at every corner by privacy laws and the need for search warrants.

Compounding the foregoing problems, noted Mr. German, is the incompatibility of different national legal systems (that is, evidence codes vary from country to country, secrecy laws encumber many searches for documentation, and confidentiality is an implied term of the bank-customer relationship). Thus there is a need for an international evidence code alive to the realities of a paperless financial world and different legal systems, is crucial according to German. Since 1990 Canada has entered into mutual legal assistance treaties concerning criminal matters with numerous countries. To say the least, they are a giant step forward from the earlier reliance on the comity of nations. German added that there is also a resource-level problem at the national level since provinces and municipalities do not

investigate money laundering; this is left to the federal government.

In ending his presentation Mr. German called for: (1) greater public-private sector cooperation since the breach of security is less and less likely to come through the front door; (2) a concerted effort to reduce bank secrecy laws abroad and to tighten controls on electronic banking to ensure computerized money transfers leave a trail. Finally, Mr. German cautioned that every effort should be made so that Canada does not become the "soft underbelly" of international crime made possible by IT.

National Media in the New Information Environment

In the next presentation Elly Alboim, of the Earnscliffe Strategy Group, presented an overview of new information technologies and the media. Specific attention was given to the way in which changes in technology, such as digitization, narrowcasting, convergence, and direct broadcasting, may be undermining the traditional "mass" national audience, encouraging fragmentation in the form of multiple and transnational "niche" communities, and altering traditional conceptions of news reporting.

Mr. Alboim started by laying out the current national media reality. He noted that the current configuration of the media is becoming increasingly unsustainable as the traditional mass audience is fragmenting and reconstituting itself along new lines that sometimes reflect socio-economic cleavages but increasingly also reflect education levels and absorption skills. As a result, most national news organizations have been forced to rethink how they gather and disseminate information. Since news organizations are wholly consumer driven this audience fragmentation has meant that news definitions have expanded exponentially, with the ensuing consequences to professional standards for news judgment, selection, and editing.

Mr. Alboim said that there are no longer "must cover" issues. Increasingly, information that is titillating or entertaining is replacing "hard" news. Alboim stated that there is a phenomenon of a "downward spiral" as traditional news consumers leave, while a new audience needs entertainment. The media has thus begun to pander to a mass audience. This, and the centrifugal pressures in a rapidly regionalizing society, means that the value of a shared national information experience is eroding.

Mr. Alboim then went on to look at the link between the media and governance. He pointed out, for example, that there is clear evidence that as the media establishes its agenda-setting function, it influences consumers' views about governance and leadership by assigning causality to leadership for problems. The popularity of government and leadership, in turn, varies with their efficacy in treating those issues and resolving them. The problem, according to Mr. Alboim, is that as news organizations determine to strengthen the attachment of the consumer by building not on the consumers' needs but the consumers' desires, media has

begun pander to a variety of consumer impulses. In an alienated and frightened society, media has found it commercially rewarding to attack the effectiveness, and then the legitimacy of government. In summary, Alboim says that in the near-term, mass media will remain the main source of information for most people and it will determine the news agenda by commercially driven criteria; that news agenda is transmuted by the electorate into a public policy agenda and leadership is evaluated by the electorate and sometimes hostile media by the way it hews to, and resolves, that agenda. This, according to Alboim, explained in large part government by risk avoidance.

Mr. Alboim predicted that IT and the application of these technologies to information gathering and distribution will lead to a further stratification of the media. As an example he described the strains on general interest mass media like the national television networks as they face the challenge of strong specialty channels that siphon audience shares; as well, what is emerging is wholly separate elite news media that takes two forms: high cost, tightly edited and controlled intelligence gathering newsletters that sell what used to be free and their inverse on the Internet: eclectic, unedited, free for all bulletin boards that give away what used to be sold. **This fragmentation, said Alboim, is leading to an alienation of the elites and has contributed in turn to the seizure of the public agenda by more radical elements. That is, if general media, both popular and elite continue to weaken, if news agendas and common experiences continue to differentiate, he believes that what will be created are pools of people with different information bases, different sets of agendas, different sets of expectations, different sets of standards for government performance, different sets of policy demands, and different levels of attachment to traditionally common institutions and values.**

Why should we be concerned?, asks Alboim. With digitization has come the end of the centrally-gathered news, which means that the inferred or implied credibility (especially as journalists lose their status as quasi-certified professionals) will also be fragmented as single interest groups take advantage of the multiplicity of channels available to them. Thus the credibility of information supplied by single interest groups will be indistinguishable from the credibility of that distributed by central news organizations. Mr. Alboim noted that for optimists this is the optimal pluralization of the public policy agenda - governance in the absence of control of carriage (especially in the West where there appears to be a reluctance to control IT). For pessimists this trend has the potential to lead to a decoupling of the mass segment of society from national goals and the possibility of a minority setting the public policy agenda. At the same time, if elite structures in the late 20th century are based on IT, this has the dangerous potential to create an aristocratic state.

The fragmentation of information will lead to polarization: some segments of civic society will only receive information that they want to receive. According to Alboim, this in turn may lead to a "paralysis of choice" for the broad middle class segment of society. The stratification in the media is now being transposed to another level. That is, there is very little cross-over from one level of usage to another. In Canada and the US we had shared experiences. Every generation had shared experiences. But now, through the fragmentation

of information distribution made possible by IT, there are very few shared experiences. Mr. Alboim pointed out that when people shape their views of the world from so many sources, their "sense of threat" is fragmented. In short, what is happening is that there is a **localization of political sentiment; but de-nationalization of sentiment.**

This in turn has led to some normative questions to be asked concerning the distribution of gains. Information technology is leading to the creation of a world of information "haves" and "have nots". There is also the question of whether the creation of the information society has engendered the arrival of factional democracies based on the fragmentation of information. This in turn leads us, says Alboim, to question how relevant is the nation state in a world of global information. This in turn raises the question of whether it is the role of government to act as a "leveller" and provider of information? Alboim also pointed out that once the border disappears, those countries not on the information highway are very vulnerable. Thus the fundamental question is how Western governments' traditional antipathy towards interfering in private transactions can be balanced with the threats posed by international criminal activity facilitated by IT.

The discussion following Mr. Alboim's presentation centred on the concern that IT will give rise to single interest power and that this will undermine governance. The question this raises is whether political parties in the Westminster system will be able to encompass the electorate's views in light of this fragmentation. Some other participants disagreed and suggested that this was perhaps an overstatement of the impact of fragmentation on governance. Again, they noted that the communications revolution may aid and abet, but it is not the cause of fragmentation. Indeed, this highlighted what was perhaps the overarching issue and central dilemma arising out of the day's discussion: whether ITs were causing nations to change or not. In essence, it is the chicken and egg question: some argued that technology (wind power, steam, electronic) has always changed our economic and social systems, so is the rise of IT any different from rise of the sailing ship? Others argued that IT is not necessarily causing nations to change, but rather is facilitating that change (which begs the question of *what is* causing the change. This in turn led to a discussion about government's role: should it be a "fair witness" or gatekeeper to IT?

Some participants then asked that before the question of governability could be answered, we would have to make some choices first, namely, to determine what we want - technology or the state. For example, if we want to stop money laundering what is the appropriate institution? Consensus was reached that the nation-state cannot do many of the things (i.e., monitor much less enforce trans-border criminal activity) that the current environment is causing. This in turn led to the questioning of whether the nation-state was obsolete? To this assertion, the response was that the state's role is not to merely control; furthermore, much regulation is itself driven by the demands of civic society and the private sector. Indeed, there are some public policy interests the private sector will not regulate, e.g., privacy legislation.

The discussion then moved on to the question of whether IT changed the source of

power. And, if it does, who will hold the power - the state, banks, criminal organizations? The participants offered no firm conclusions to this question except to say that it would have to be decided on what government should control and what it should be getting out of.

INFORMATION TECHNOLOGIES AND GOVERNANCE

Governing in an Information Society

The final presentation was from Steven A. Rosell, president of The Meridian International Institute, who reported on the work of a Roundtable of senior Canadian government officials and private sector executives who over the last four years have been examining the fundamental changes in the information society, and their implications for the process of governance.

Mr. Rosell began by defining what is the information society and noted that it was not just the product of, or equivalent to, information technology, but rather generated by an interplay of social and technological changes including: developments in information processing; emergence of a more educated and informed population; increasing role and reach of the mass media; higher degrees of specialization in a more knowledge-based economy and consequent change in the structure of work; and a much stronger interaction among private and public organizations. The information society that results, according to Rosell, is characterized by greater interconnectivity; a vast degree of information availability (along with greater overload, filtering, and denial); compression of time and space; and greater unpredictability.

Rosell stated that the emergence of an information society has had five major effects: (1) globalization; (2) fragmentation, decentralization, and democratization (e.g., proliferation, knowledge-based companies, the increased role of sub-national governments, and the multiplication of players involved in the process of governance; (3) breakdown of the bureaucratic/industrial way of organizing characterized by downsizing, privatization, contracting out, delayering, and the reorganization of organizations to create less hierarchical, more flexible "client driven" organizations; (4) decreasing the possibility of secrecy; and (5) the blurring of boundaries between industries, between public and private sectors, between goods and services, between states, which have all led to the need for new alliances and relationships and the need to rethink conceptual categories.

Rosell then reported on the initial findings of the Roundtable. He said that in the more richly interconnected and rapidly changing environment of the information society, older ways of organizing and governing, which are premised on a slower, and more restricted flow of information and more limited interconnections seem to be overwhelmed. To deal effectively with the more rapidly changing environment we need to develop more learning-based approaches to how we organize and govern ourselves. Leadership in this context, according to Rosell, means taking the lead in establishing an overall framework of goals, interpretations and values - a shared mental map - and then encouraging a wide range of

players (within and outside of government) to innovate and learn better ways of achieving those objectives.

Reiterating Alboim's conclusions, Rosell noted that in the past it was easier to take for granted that "we" had a sufficiently shared view of the world. Today, with the players multiplying (*e.g.*, media, interest groups, industries, other governments) and with each proposing potentially different points of view/frameworks of interpretation, citizens have access to many more frameworks of interpretation and this has fundamental implications for the process of governance.

Rosell provided participants with a series of recommendations on how a series of shared frameworks could be constructed as a basis for more effective governance. Some of the approaches explored by the Roundtable included: developing the public service as a learning organization, skilled in the process by which data and information are translated into knowledge, and by which shared frameworks of interpretation are created; and recognizing that sharing knowledge is the key to effective leadership. That is, in the information society it is increasingly self-defeating to try to control what information is released or available, and that the real challenge is to provide leadership to the process by which people interpret and make sense of that information, including: more proactive approaches to the media; using ITs to foster social learning; developing learning-based alternatives to regulation; alternative dispute resolution; stakeholder summits; and a variety of market-based approaches.

Rosell concluded that in the world of rapid change, rich interconnections, eroding boundaries, multiplying interest groups and fragmenting belief systems, the process of constructing such shared frameworks becomes key. He said that what is most important is the continuing learning process by which we construct those shared mental maps, and so provide the framework within which a wide range of players can innovate a succession of policy initiatives to deal with rapid change.

ROUNDTABLE AND OPEN DISCUSSION

After Dr. Rosell's presentation, there was a roundtable and open discussion to draw some preliminary implications from the day's discussions. The participants concluded that re-engineering must take place since government for its part is still dealing with modes of production fit for the industrial rather than the informatics age. Another issue that arose during this discussion was whether government could represent the will of the people in an age of instantaneous information flow. Or, would it have to prohibit the flow of information made possible by IT? This creates a certain absolutism about IT: either it is completely controlled or completely liberated.

One participant suggested that perhaps one way to get around this absolutism is to, as Rosell suggested, increasingly share not only power but also wealth both between the private and public sectors as well as between states.

The discussion also returned the issue of the shared mental map: on the one hand we are talking about new alliances and at the other we are talking about fragmentation and breakdown of systems. The participants discussed how to reconcile these contradictory trends.

The participants noted that the in the information society the issue of secrecy intersects with IT in that IT has acts as the great equalizer.

The participants were very concerned about the question of sharing information. The benefits of sharing is that it will lead to better quality decisions. As one participant stressed, sharing information does not necessarily mean giving up power; indeed, the diffusion of information can actually legitimize the power of government. Then there is the more practical question of cost. What information should be charged for at commercial rates and what information is in the public interest? Some participants, however, felt that the sharing of information is an objective in of itself; the availability of information does not necessarily mean that it is going to be used. Another issue related to this sharing that was recognized was that confidentiality, secrecy, copyright, and enforcement are all issues that are tightly interwoven in sharing information.

In looking at how to share information participants were uncertain about whether such a process required consensus. In the old days one looked to the political parties to do this consensus. Today we have broader stakeholders that are reinforced by IT. The problem is that nobody knows what the rules of the game are any more. In the absence of a consensus from stakeholders it is then thrown back to the government to find consensus. Participants noted that the whole federal bureaucracy is now in an extensive process of consultations, but the problem is that the stakeholders such as the NGOs feel free to walk in and then opt out, after which they pursue their agendas in the international arena. This trend merely highlights the impotence of political parties as instruments for achieving consensus; meanwhile, the bureaucracies too have lost respect in society and thus have lost this traditional role. Public opinion is instead being won over by the media and interest groups.

There appeared to be some disagreement on whether the sharing of power would be in tandem with information technology. This is because IT often can serve very narrow interests rather than being inherently democratic.

The discussion returned to the question of creating shared mental images. Participants felt that there is a crisis of authority and element of non-governmentability: either we are in the process of restructuring ourselves which is made possible by IT; or, IT will merely accentuate our disintegration.

There are some interesting parallel between financial sectors and what is going inside government. Whereas the shelf life in financial sector is six weeks, so the shelf life in government is also shorter. What is the meaning for managing inter-state relations? The key message is the management of contradictions: IT means speed and volume. The problem is

that there is too much there for the decision-maker.

The final comments concerned the relations among states. Over the last 500 years political space has been based on mutually exclusive territorial space. The emergence of IT is causing this space to be transformed. What is emerging are neo-medieval structures, that is, the rise of local and overlapping identities. There are also the distributional consequences of power. Multinational corporations, NGOs, and other transnational actors wield a lot more power now. It is hard to predict what new equilibrium will emerge; the last 20 years may show that rapid change is the norm. In the end, globalization which has been promoted by IT does not mean the birth of a world state, but it does mean the enmeshment of states in a network of regimes and norms that will in turn fundamentally alter the nature of the international system.

Information Technologies and the Restructuring of Production

by
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Dept. of Foreign Affairs and International Trade Symposium on Information
Technologies and International Relations
January 13, 1995

I would like to begin by being a bit of a heretic. I am sure that you all expect your first speaker to laud the information technology revolution and the radical break-throughs that it heralds. And I promise that I will do some of this over the next 20 minutes. But for these changes to take on real meaning, it is essential that you appreciate just how much had already transpired to transform production before the information technology revolution really got underway.

Globalization, for example, is often associated with the information technology revolution. In the mid-1970s, Robert Gilpin, then, a Professor of International Relations at Princeton wrote concerning OPEC's ability to wage an oil boycott in 1973, that "without sophisticated data-processing capabilities, the Arab oil producers could not have kept track of Western oil tankers, refinery output, and all the other information needed to enforce the embargo." "Moreover", he continued, "given the complexity of the oil industry and the potential for cheating by Cartel members, it is doubtful if ...OPEC would remain intact without the benefit of electronic data processing.". Responding to these claims, Joe Weizenbaum, a Professor of Computer Science at MIT pointed out that "oil tankers spend weeks at sea. An old-fashioned clerk with a quill pen could keep track of them on the back of a few large envelopes. And", he added "there have been effective

cartels since at least the rise of modern capitalism, long before there were any electronic computers."[1] So who is right?

Globalization certainly has deep antecedants in processes such as the rise of international lending, the shift from portfolio to foreign direct investment and the changes in the type and location of foreign direct investment over the course of the 20th century. Although the internationalization of finance and production was thus possible before the electronics revolution, it can be argued that the technological rupture of the 1970s and 1980s has done more than simply alter the magnitude of these processes— it has qualitatively changed them.

If changes in the world-wide organization of production were already quite advanced before the onset of the information technology revolution, can the same be said for the transformation of production within the firm? Here, too, I'm afraid the answer must be yes. In the early 20th century, the old artisanal way of doing things was progressively replaced by a model of production that some have called Fordist. This was a model in which workers were specialized to perform narrow tasks in a division of labour, parts were interchangeable, products were standardized and economies of scale were obtained by mass production. Some of you have heard about the debates in the business literature about the competitiveness of this model in the face of a Toyota-inspired form of what some have called lean production. As described by a team of researchers at MIT[2], in the lean production model, specialization has given way to team work that enhances product quality, just-in-time coordination of inputs resulting from closer links between producers and their suppliers improves efficiency and reduces costs

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[1] J. Weizenbaum, "Once More the Computer Revolution" in Tom Forester, *The Microelectronics Revolution* [Oxford: Basil Blackwell, 1990], pp.550-560, pp.568-9.

[2] James P. Womack, Daniel T. Jones and Daniel Roos, *The Machines that Changed the World: The Story of Lean Production* [N.Y.: Harper/Collines, 1990].

while, rapid model changes, facilitated by the collaboration between product and process engineers, ensure that new products are manufacturable and by providing for economies of scope, keep prices down and variety up.

This combination of changes in production is often thought to result from the information technology revolution. Once again, however, this is not the case. Toyota and others in Japan developed this model during the 1950s and 1960 in response to specific conditions in the Japanese environment at that time. Subsequently the information technology revolution complemented and strengthened the economic advantages accruing to those who were able to successfully adapt this model of production to their own needs.

Thus far I have argued that the information technology revolution is not responsible for changes in production within the firm and in the global organization of production underway in the 1960s, although it did subsequently reinforce them. I also, however, suggested that the information technology revolution has brought about some qualitative changes in production and in the relationship of firms to states on a global scale. To understand this impact of the information technology revolution, we need to look briefly at what this revolution is really all about.

The information technology revolution, is not dated to the 19th century inventions of the telegraph or the telephone which made real-time communication possible, nor to the first, building-sized computers that were built out of vacuum tubes in the 1950s. Instead, we generally trace the electronics revolution to the invention of the integrated circuit in 1959. Even then, it would be hard to say that the information technology revolution had been launched by the 1960s though room-sized computers filled with integrated circuits were already common-place in North America, new miniaturized

products such as hand held calculators and ever smaller tape recorders and transistor radios were already in evidence and many fantasized about a world ruled by IBM.

The critical ruptures, I think most people would agree, were rather the bold technological leap which produced the microprocessor or what is known as the-computer-on-a- chip in 1969 and the shift from communications and computations based on analog, mechanical processes to those based on digitial or electronic signals. These changes transformed computers from mamouths into micro-midgets and made them mobile, agile and adaptable to almost any situation. They speeded up transaction time in the transmission of voice, video and data as we moved from electromechanical to digital switching systems, they accelerated computation time to nano-seconds, increased capacity from kilobytes to gigabytes and shrank the size of equipment to fractions of a micron.

What did all of this mean for production. First, as the number of functions that could be crammed onto a chip increased and costs fell, there was incentive to build intelligence into all products. The knowledge-intensity of new products thus increased and along with it, the R&D costs needed to generate a steady stream of new products and the managment technologies required to organize innovation. Second, enormous creativity was unleased with the result that new products and new product generations began to emerge with increasing rapidity. But the 1970s and early 1980s were a period of slow growth. The result was an intensification of competitive pressures within markets around the globe, not least because ever wider markets were required to amortize the rising costs of R&D —telecommunications are a good example. Thus competition among firms became both more knowledge-intensive and it globalized. This, however, led to a considerable increase in uncertainty for business since ruptures in existing technological trajectories were unpredictable and the new knowledge-intensive basis for global

competition meant that competitors could spring full blow from other industrial sectors and countries around the world. Uncertainty about the shape of future markets, about the sources of competition and about the nature of the technological trajectory have all intensified.

For the firm, as knowledge-based competition shortened product life cycles, eroded the frontiers between industries and introduced sharp discontinuities in technological trajectories, the costs and risks of R&D rose and planning became an uncertain enterprise. This increased the need for both critical mass in order to compete globally and for flexibility, to avoid being locked into a technology while competitors moved in new directions -- IBM has never quite recovered from its failure to recognize the importance of personal computers that the fledgling Apple introduced in 1977.

The new mode of competition thus stimulated the formation of intra-national and inter-national strategic partnerships in R&D , production and marketing alongside more traditional internalization and internationalization strategies of the firm. These alliances served to reduce the costs and risks of knowledge production and enabled firms to window on new technologies. Networks of alliance partners now compete with each other in several industries and may become the basis for what elsewhere I have called networked, knowledge-based, global oligopolies.

The new mode of competition also shaped the transformation of older one-way, sub-contracting relationships in which a principal gives designs and specifications to its agent into two-way supplier-client relationships in which suppliers are drawn into joint research and collaboration in the design of new products for their clients, merge inventory and quality control systems for just-in-time delivery and take on additional responsability for the manufacture of whole modules subsequently assembled into

complete products by their customers. Everything from automobiles, to clothing, to consumer electronics now works this way and much of the organizational support for these new forms of collaboration and competition is electronic based – software programmes are written jointly by Hewlett Packard engineers in the United States and India; designs for new clothing products are faxed or emailed around the world so customers and suppliers can work together on modifications and when finalized they are sent to computerized machinery that make up patterns and cut pieces automatically. New satellite communications then spread the word of new products to a world-wide audience.

While on the one hand, firms have become more linked into global R&D, production and marketing networks, recent studies have shown that to sustain the competitiveness of individual firms, a wide array of domestic linkages between users and producers and between the knowledge producting sector –universities, R&D institutions and the goods and services producing sectors of an economy are required. Still other studies have pointed to the important role that political and social institutions and policies play in stimulating the kinds of externalities that enable small and medium-sized firms to become part of broader systems of innovation and production at local, regional and national levels as a support to the development of international partnering activity.

As locational advantages such as those enjoyed by Japanese supplier networks or the firms in Silicon Valley came to be viewed as critical for development, governments at all levels- -municipal, regional, national and quasi-supra-national, such as the European Union, began to directly promote inter-firm collaborative agreements, especially in R&D and to encourage linkages between firms and local universities. Curiously and in a somewhat contradictory fashion, governments also recast their conception of the competitiveness of nations in more mercantilist terms, that is, as the

ability to attract investment from elsewhere, or as Paul David put it, to engage in 'locational tournaments' and seem to be spending even more money on this.

As in the case of the organization of production, competition among nation-states for investment is not new, but the nature of that competition has significantly changed as information technology brought municipalities and regions around the world into direct competition with each other. Consider the automobile industry. In the early to mid-1980s, Japanese automotive companies secured record subsidies in exchange for new plants in Ohio, Tennessee and Kentucky. Politicians at the time vowed to bring the bidding wars under control, but nothing came of it and over the 1980s the level of incentives offered to foreign firms escalated further. By the early 1990s, as the number of cities and regions competing for each new plant increased, firms were able to shift most of their up front costs onto the state thereby substantially reducing their risks --the recent package offered to BMW by Spartanburg, South Carolina is a case in point.

Despite the existance of scattered evidence that some of the firms so attracted, do not achieve employment, production, export or R&d targets and others have shut down, there are few systematic studies of the longer-term impact of the new competition on the emergence and sustainability of systems of production and innovation in these localities. Nor despite the rising costs to states of engaging in these locational tournaments, are there signs that governments recognize the need to work together to bring such bidding wars under control.

In sum, although the information technology revolution does represent a technological rupture that has produced significant qualitative changes in what is being produced, where, how and by whom, these changes build upon a cumulative and incremental process that had already begun to transform our system of production and

the relationship between firms and states in the international economy. Indeed , it was in response to these changes that both firms and states developed the new strategies I have discussed here. Some of these may hold promise for the future; others, I would argue, are already showing signs of dysfunctionality.

Information Technologies and the Restructuring of Financial Markets

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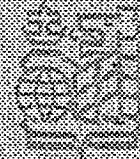
Background

- Prior to IT, countries were isolated for purposes of Securities Trading
- Changes are driven by the Trade process and the need to manage financial flows
- Developed global partnerships and utilized any form of IT to facilitate (Fax, etc.)
- Financial Industry initiatives create tools for the movement of capital and funds e.g. S.W.I.F.T.

Strategic Locations
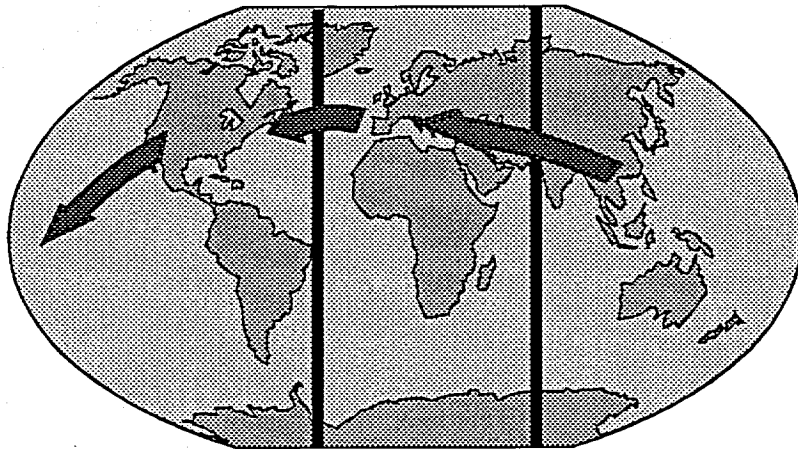
The Players

- Customers
- Fund Managers
- Brokers
- Banks
- Custodians
- Clearing Houses

Transaction Flows
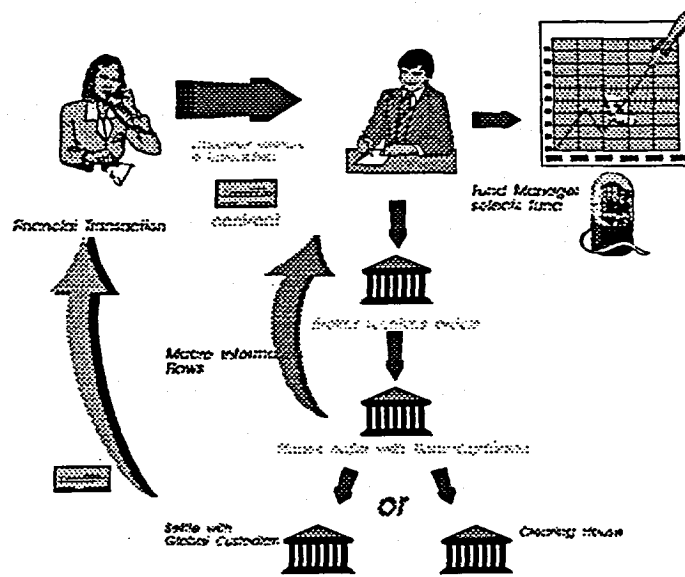
Offshore Markets

- Local markets saturated
- Government incentives (e.g. RRSP)
- Developing countries appetite for investment
- Asia, Europe, Latin America ... India

Influencing Factors

- Disappearing manual / semi automated back office
  - 50 to 60% reduction in transaction costs
- Emerging Global Standards
  - still no consensus; new versions are not backwards compatible
  - ANSI versus EDIFACT versus proprietary
- Requirements for process savings
  - Just in Time Cash
  - Disappearing float
- Regulatory checkpoint have yet to get on the "highway"

Other areas of IT impact

- Global Cash Management
- Changing customer needs
- Zero balance / zero float bookkeeping
- NAFTA and other Trading Blocs
- More efficient Cross Border payments

Issues

- Who drives who?
- Who Survives?
- Technology
  - Standards
  - Regulatory
  - Operational
  - Settlement
- Regulation re: financial flows

Final thoughts....

- Information Technology is facilitating the acceleration of the movement of funds and information
- IT increases the certainty / confidence of capital movement
- Adds value through increased security and integrity
- Technology will continue to grow and influence the way global trade operates

New Information Technologies
and
Transnational Interest Groups*

by

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January 1995

1. Characteristics of the New Information Technologies[1]

1. Electrification and Digitalization of Many Media

2. Ubiquitous Broadband Networks

3. Cornucopia of Easily Accessible Information in Electronic Form

4. Distributed Intelligence/User Control of Networks

5. Increasing Mobility While Maintaining Connections

6. Declining Costs and Prices

2. Computer Networks (Internet)

- Requisites

  - personal computer
  - modem
  - access to Internet (commercial; educational institution)

- Internet is a network of tens of thousands of networks (one source [*Wall Street Journal*, November 21, 1994, p. B6] says 42,000). It began operation in 1969.

- It is a forward-store-forward system

- About 35 million persons online by end of 1994--the vast majority in North America and Western Europe.

- It permits people to find others with (very) specialized interests

  - provides reinforcement of interests/beliefs
  - validation for one's interests

- International in scope - but generally far less coverage in Asia, Eastern Europe and Africa (collapses distance)

- High speed: able to collapse time to communicate

- Cheap (compared to telephone; fax - even mail)

- Text-based, but video is coming (requires more bandwidth)

- Allows communication to be time shifted

- Facilitates utilization of "distributed intelligence": using individuals; and data bases

- 39% of Canadian homes have a PC (*Maclean's*, January 2, 1995, p. 26); versus 27% in the U.S. (1994)--but only a fraction also have a modem.

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1. For more detail, see W.T. Stanbury and Ilan B. Vertinsky, "Assessing the Impact of New Information Technologies in Interest Group Behaviour and Policy Making" to be published in the *Bell Canada Papers on Economic and Public Policy*. Copies can be obtained from Alan Morgan, DFAIT (613) 992-3690.

- Huge number of bulletin boards: 30,000 - 40,000 according to Branscombe (1994); and over 50,000 according to Naisbitt (1994).

3. Future of the Internet

- From narrow to broadband transmission (information highway) sufficient to handle interactive, full-motion video (for hundreds of channels)
- Greater ubiquity -"everyone connected to everyone else"- like the telephone (but it only serves 900+ million out of a world population of 5.3 billion)
- Likely to become wireless--over the "last mile"
- People will have a personal communications number--it follows the person (not linked to a certain physical location)
- Commercialization - leading to a "culture clash" about how the net should be used
- Internet may well become the basis of the Information Highway when a ubiquitous broadband network through the last mile

4. What is a "Virtual Community"?

- It is based on people who share an interest (or similar values/beliefs)
- These people are linked by computer network (PC, modem, access provider)
- People never/seldom meet face-to-face -- yet there can be what is called "remote intimacy"
- Usually no formal organization; example of a self-organizing system
- Primarily text-based communication amongst members of the virtual community
  - in real time
  - time shifted
- Geographic boundaries are meaningless (just have to be on an interconnected network)--except for countries where there are few telephones or governments monitor telephone lines.
- Identities may be concealed - this has a variety of positive (frankness) and negative (may be irresponsible) consequences
- Physical characteristics (even gender) are irrelevant (just need to be online, type and write in a common language)
- Easy "publication" for individuals' ideas on electronic bulletin boards

- "Membership" is entirely voluntary and may be entirely informal--those who participate in the exchange are "members"
- Virtual communities are likely to be:
  - geographically wider than traditional communities
  - based on more specialized interests
  - based on electronic rather than face-to-face communication (interaction)

5. Impact of New Information Technologies (General)

- Time: contemporaneous vs delayed
- Distance: from across the room to across the world
- Speed of Transmission: Pony Express vs telegraph vs telephone, E-mail
- Content of transmission

  - text
  - voice
  - pictures
  - video

- Cost/Price
- Power of the medium - capacity to shape cognition of receivers (and senders)
- Interactivity - capacity of recipient to modify the message; two-way vs one-way
- Ubiquity - fraction of the population which has access to/uses the technology
- Capacity - amount of information transmitted per unit of time. For electronic media, the measure is bandwidth. Fibre optic cable has huge bandwidth--equivalent of tens of thousands of telephone conversations or hundreds of interactive full-motion video channels.

6. Impact of NITs on Individuals

- More Information Available in Electronic Form
  - Defining information[2]
    - bits;bytes
    - data
    - information
    - knowledge
    - wisdom

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2. Information is many things but it is not just a commodity. That's why, for example, the Catholic Church and dictators try to control their followers access to it because it may contain subversive ideas.

- Many media have been converted into electronic form via digitization
- Easy (remote) accessibility
- Potential vs actual use of information
- Cognitive (info processing) capacity: empowerment, or overload?
- Need for and Role of Intermediaries
  - Types
    - individual
    - interest groups
    - software
  - Roles/functions
    - select
    - filter
    - organize
    - digest
  - Dangers: because the agent shapes the information flow received by principal it shapes the perceptions/decisions/actions of the principal
- Video Generation
  - Last two generations grew up in the world of TV
  - 70% of people rely almost exclusively on TV for <u>news</u>
  - watch TV for 2.6 hrs/day
  - TV encourages passivity and experiential cognition;
  - TV is a "high power" medium: sound, motion, colour
- More Experiential Cognition
  - Experience (passive) as a substitute for thought (analysis)
  - Based on perception and reaction to information flows produced by others
  - Reflective cognition requires some structurized organization
  - Full-motion video promotes experiential cognition--and more information will be delivered in this form
  - Likely to become more reactive - responding to environmental cues

7. Impact of New Information Technologies on Interest Groups

- Easier Entry into the Market for Voices
  - number
  - size
- Alters the Relationship Between Individuals and Interest Groups
- More Staff Groups
- Changes Organizational Form, Leadership Styles and Mobilization

- Facilitates Internationalization of Interest Group Activity

- Changes the Influence Techniques of Interest Groups

- Stability·
  - size/budget
  - internal conflict may increase as infra-group communication is made easier
  - change boundaries of the group via coalitions
  - more issue-specific (life depends on the life-cycle of the issue) vs institutionalized groups
  - discontinuities in use of specific tactics

8. New Information Technologies Tend to Reduce the Costs of:

- Finding people with similar interests over wide geographic area-- creating and operating an interest group; hence more staff groups

- Communication (even large volumes of text)--hence increased volume/frequency of communications

- Acquiring information (and "information is power")
  - from individuals
  - from data bases

- Mobilization
  - alerting one's constituents (or potential supporters) to a threat or opportunity for group action
  - increasing the flow of messages to the "target"

- Raising funds--there is a wider "donor-shed"

- Individuals "participating" in interest groups - it is easier for them to
  - monitor issues
  - communicate views--to leadership (and to targets)
  - acquire information

- Processing large volumes of information
  - search routines
  - addressability - hence capacity to manipulate information
  - data vs knowledge vs meaning
  - but dangers of using "electronic agents" to select, organize, interpret large volumes of information

9. Easier Entry into the "Market for Voices"

- Greater ability to find and communicate with those persons with similar interests

- Very specialized interests (small % of population) can now get organized and participate in political arena

- Less reliance on pre-existing organizations (businesses, trade unions, professional bodies, trade associations, occupational groups)
- Reduced costs of organization (including fundraising)
- Reduced costs of mobilization
  - alerting members/supporters
  - taking action to influence policy
- Result in hyperpluralism - many more interest groups (see Rauch, 1994)
  - more competition among groups
  - greater diversity of interests

10. Impact of New Information Technologies on the Organization of Interest Groups

- Reduces the depth of the hierarchy, i.e., permits a "flatter" organization
- Consequences of a "flatter" organization
  - fewer intermediaries between leaders and members
  - possibly less distortion in communications
  - faster communications
  - greater feeling of participation by members
  - greater identification with leader (or the opposite!)
- Reduced costs of organizational maintenance
  - fewer layers of staff
  - easier/cheaper to provide feedback to members/donors
  - lower costs of fundraising
- Facilitates intra-organization communications
  - among members (un-mediated)
  - among leadership/staff
  - between members and leaders/staff
- What is the core of a "virtual organization"?
  - visionary (issue entrepreneur)
  - vision (role/mandate/strategy)
  - capacity to acquire and use other necessary resources to achieve the vision

11. Staff Groups

- There are two main types of staff-type interest groups:
  - entrepreneur-based (group as the extension of the founder/leader)
  - staff/leadership cadre (group as the collective creation of a small group of activists who share a common vision)
- Staff is responsible for
  - creation

- original organization (and subsequent redesign of the organization)
- governance: choice of issues and strategies
- management of volunteers

- "Members" of a staff group do not participate in governance - they are only donors and providers of volunteer labour

- Accountability? Members can only withhold contributions to influence behaviour of leadership

- Attractive to those who

  - want to reduce their cost of participation
  - don't care about governance (means), only about outcomes (ends)
  - want vicarious experience of association with a radical group - but can't be held personally responsible

- Staff groups may be more effective

  - faster cycle time (far fewer people to consult)
  - maintain homogeneous leadership cadre
  - could have smaller overhead

- May have certain disadvantages

  - perceived to lack legitimacy of a membership base which "governs" the group
  - relies on a crude signalling system - loss of donations

12. Effects of Increased Frequency/Volume of Communications

- Heightened sense of urgency

- Shorter cycle time (observe; organize; decide; act)

- More/better intelligence from participants (but requires more "processing capacity")

- Members and leaders can have more/better information

- Danger of information "overload" resulting in -

  - paralysis/indecision
  - panic/irrational acts
  - "group think"

13. Relationship of Individuals and Interest Groups

- Theories of why people join interest groups:

  - Already member of a group for other reasons (e.g., trade association, professional body, trade union) and lobbying is just part of the groups activities
  - Affiliation needs -- man/woman is a social animal

- Role of individuals as participants

  - supplying funds
  - provide voluntary labour
  - participate in governance (shape the group's basic policies)
  - participation in influence techniques (from telephone calls to civil disobedience)

- What does "membership" mean?

  - a measure of the person's degree of attachment (over time)
  - an indication of the role(s) the person plays in the group (from passive donor to highly active role in governance and influence techniques)

- How _easy_ is it to participate? (given the many demands on people's time)

- Value of the group as a network among people with similar interests

- "Virtual communities" as a new basis for interest groups

14. Governance of Interest Groups

- The current social/economic/political context shapes governance of interest groups:

  - distrust/scepticism of most public institutions (less for private institutions)
  - widespread expectation of direct participation in important public policy decisions
  - demand for transparency in decision making in public institutions
  - growing populist ethos -- power to the individual, not Burkean representatives

- More staff groups (governed by staff, not members)

- Computer networks facilitate "distributed intelligence" and it is a two-edged sword.

- People on computer networks tend to be better educated and younger - also probably better informed on policy issues. Group leaders must be able to deal with this fact.

- Leaders must be adaptive and responsive to expectations of members

- NITs permit members/participants

  - to engage in closer monitoring of issues and group leadership
  - to provide rapid feedback
  - to more easily communicate amongst themselves (web, not a tree-shaped communications path)
  - in general, there is increased frequency/volume of communications--because it's so easy/cheap

15. Mobilization by Interest Groups

- There are several aspects to mobilization by interest groups:

  - gaining (and retaining) the attention of members and other possible supporters
  - communication of the threat or opportunity (prompting the need for action)
  - getting members/supporters to _act_ in the desired fashion
    - participate in direct action technologies (e.g., rallies, civil disobedience)

- communicate with "target" (e.g., fax, letter, E-mail, telephone call)
- stimulating the "grass roots"

- acquiring resources necessary to influence public policy

  - money (the most fungible resource)
  - volunteer labour
  - information/intelligence

- Mobilization is usually a competitive process. Which group(s) can do it faster/better?

- The new information technologies help to

- reduce the cost of mobilization
- reduce the time to mobilize

- add to the types of influence techniques which the group can use

16. Impact of New Information Technologies on Interest Group Influence Techniques

- Easier/cheaper mobilization of members/supporters--hence more frequent mobilization (but danger of members fatigue)

- Electronic submissions/"briefs"

  - larger, but addressable (e.g., CD-ROM)
  - multi-media: text, graphics, sound, -- even interacting video
  - greater emotional impact of video (and still pictures)

- Electronic "press releases" for the news media

  - more rapid dissemination--put online; use satellites
  - recognizes importance of TV news (video clips) to 70% of the population
  - reduces the cost/time for news media outlets (hence increases likelihood of coverage)

- Electronic media (video, audio tapes) are more powerful means to

  - educate potential supporters and recruit them (e.g., donations)
  - reinforce efforts/support of members

- Possible internationalization of interest group efforts

17. Types of Internationalization of Interest Group Activities

1. Group A in Country X seeks to influence firms based in Country X or governments in Country X by putting pressure on one or both in Country Y (but not seeking the help of interest groups in Country Y).

2. Group A in Country X seeks to influence public policies in Country X by taking their case to Country Y where it wants private interests or the government in Country Y

to put pressure on government and/or private actors in Country X.

3. Group B, an "affiliate" of a multinational interest group, in Country X seeks help from the affiliate of the group in Country Y to take actions in Country Y which will help B's cause within Country X.

4. Group C in Country X forms an alliance/coalition (could be quite informal) with group(s) D (E, F etc) in Country Y for the purpose of changing public policy in Country X or Country Y or both.

5. Independent interest groups in a number of countries form an alliance (agree to coordinate their efforts) to influence an international body (e.g., UN Commission on Sustainable Development).

18. Nature of the Internationalization of Interest Group Activities

- Some groups are formally multi-national in their design and organization, e.g.,

  - World Wildlife Fund was the first multi-national environmental group - established in Great Britain in 1961; by 1986 it had offices in 17 countries
  - Greenpeace: founded in 1969 in Vancouver; focused on international issues from the start (nuclear testing; whaling); foreign offices started in mid-1970"s; Greenpeace International formed in 1980; now over 40 offices in 30 countries with total revenues of about U.S. $130 million (versus U.S. $160 million in 1991 and almost 5 million donors). Greenpeace International's budget in 1995 is U.S. $28.6 million, down U.S. $3 million--resulting in the reduction of 9% of its staff of 1100 people; 75% is to be spent on campaigning.

- For national (local) interest groups, internationalization is part of the general strategy of <u>widening the scope of the conflicts</u> in which they are involved - see section 19 below.

- Internationalization of interest group activity is critically dependent upon

  - shared interests of different groups or different arms of the same one
  - capacity to gain coverage in the mass news media--proof of efficacy; may be critical to raising funds
  - cheap/easy long distance communications (environmental groups were pioneers in the use of computer networks)
  - English as the common language

- Many environmental issues are <u>inherently</u> international (transnational).

  - spaceship earth is more than a metaphor
  - transborder pollution (air; water)

- Agenda-setting: Most trans- or inter-national interest group activity

  - is driven by issues of concern to <u>industrialized/developed</u> countries

- is <u>financed</u> by groups in industrialized countries--even if the focus is a developing (Third World) country, e.g., Brazil's rainforests

- Internationalization may create problems in Canada's (home country) international relations

  - domestic policy conflicts spill over into international arena--and complicates them
  - may put pressure on home government's foreign policy
  - may complicate existing international agreements or relations among various countries
  - may generate concerns about sovereignty--foreigners shaping domestic public policy (but some people welcome the influence of foreigners, because they are obsessed with a particular issue and care little about the economic welfare of their fellow citizens)

- International efforts by interest groups are

  - A mixture of cooperation and conflict - even within a single organization like Greenpeace. There are conflicts over issue priorities, tactics financing, fundraising, media visibility, leadership. Cooperation may occur with respect to selection of issues, choice of "targets", tactics/techniques, rhetoric for public communications, sharing costs

  - Dynamic - in terms of targets, tactics, participation in the "coalition"

  - Prone to all the difficulties of creating and sustaining a coalition--even harder across linguistic/cultural differences

  - Getting cheaper and easier to coordinate in technical terms (computer networks)

  - Interest groups are able to exploit the benefits of distributed intelligence residing in individuals, and data bases (broadly defined).

- Wealth/economic security allows people to focus on non-material issues--like saving the planet (post-materialist values can be found in all major industrialized countries)--see Inglehart (1977; 1990); Dalton (1994).

- Cultural differences play a variable role in internationalization of interest group activities:
  - different values/priorities
  - different "world view" (basic assumptions)
  - acceptability of certain tactics
  - different domestic historical/economic/political contexts shape interest groups in each country
  - increase in communications and coordination costs

- Actions by <u>domestic</u> interest groups in foreign locations may

  - increase coverage by domestic news media (aimed at the folks at home)
  - make irresponsible actions more likely (lower costs, greater benefits)
  - make the issue seem more important because foreigners are paying attention to it

- Added factors when interest groups internationalize their activities

  - Concern about the nation's international reputation (Canada seems quite sensitive to foreigners perceptions)
  - "Distance lends enchantment" factor--foreign problems seem simpler than one's own--hence may be easier to manipulate by Canadian interest groups.
  - A type of "free rider" problem arises: foreigners can capture benefits, but avoid the costs of the policies they advocate for Canadians.
  - The foreign country's interest in policy issues in Canada depends upon the policy context and forces in the <u>foreign</u> country--hence action on the issue in Canada must "solve some problem/meet some need in the foreign country.

- Effective trans-national interest group activity must
  - be sensitive to cultural differences
  - be based on both "tight" and "loose" coupling of groups
  - find balance between stability and adaptability

19. Interest Groups' Motivation in Internationalizing a Conflict

- Widen the scope of the conflict (and increase the odds of success)

  - seek more allies/supporters (more players in general)
  - follow the "target"
  - exert pressure where the target is more vulnerable--which may be abroad
  - going international may redefine or reframe the issue
  - solicit support from broader public opinion
  - may enlarge the set of influence techniques
  - seek help from mediating bodies which may help achieve the group's goals

- Many issues are becoming "globalized" (along with production and trade). Thus it may be necessary for groups to internationalize to deal adequately with certain issues (e.g., global warming; whaling; dumping of toxic wastes at sea; trade policy issues; immigration). Thus the groups try to follow issues/targets wherever they go. The group may need to "match" the activities of multinational corporations, or to match multi-lateral efforts of governments; activities of international bodies.

- Internationalization provides greater consumption opportunities for the staff ("getting there is half the fun"; Paris in the spring is nicer than Hamilton or Winnipeg). Interest groups are vehicles for increasing the utility of those persons who control them
    - ideology
    - consumption (travel; interacting with the elite)
    - income

- A central objective of internationalization is to aggregate and concentrate resources and efforts on selected targets (weakest point)

- Internationalization of policy issues vastly complicates life for the interest groups' "targets" (domestic governments; domestic firms)

- May change issue selection and focus
    - when groups coordinate activities across national boundaries they tend to focus on fewer issues at any one time
    - concentrate the attention of the public on one (or a few) issues at a time
    - reduce cognitive dissonance

- Media coverage--in the most extreme case it can "define reality" and make it harder for "targets" (in government or private sector) not to conform with what the interest groups want. Internationalization enables the group(s) to argue that "The whole world is watching"--increases pressure on domestic actors. This is partly the result of the use of satellites by major TV news programs and international news networks such as CNN

- Internationalization widens the scope for the <u>acquisition of resources</u> by the groups
    - fund raising (larger "donor shed")
    - volunteers
    - information/intelligence (distributed/remote)

- May change the influence techniques used by the groups
    - boycotts ("buycotts") of Country A's firms' products being sold in Country B, C, etc
    - appeals to international bodies to act to change public policy to constrain behaviour of private sector actors
    - media coverage to broaden the scope of public opinion
    - focus on the trade policy of other countries, e.g., ban the import of the pelts of seal pups

20. Disadvantages of Internationalization to Domestic Interest Groups

- Going international may be a signal that the group(s) did not succeed at home.

- Internationalization usually increases the cost of coordination: (a) within the domestic group(s), (b) across interest groups of different countries (may be easier within a multi-nation group like World Wildlife Fund or Greenpeace).

- The costs of mounting an international campaign may be greater than the additional revenue it may generate for the group.

- The domestic group must learn about the history/politics/culture of the foreign country from whose groups they seek assistance (except in Case 1 in section 17 above).

21. Implications for Government of the Impact of New Information Technologies on Interest Groups

- There will be more interest groups participating in politics and policy making processes
  - tend to be more issue-oriented groups (relative to institutionalized groups)
  - more coalitions, alliances of convenience (issue-oriented--likely to be of fairly limited duration)
  - tend to be less institutionalized (issue-oriented)

- Interest groups response to government actions: is likely to be
  - faster
  - broader
  - potentially better informed
  - but may be more driven by emotional appeals ("modern mobs")

- Will the greater rise of NITs result in greater democratization?
  - What does the phrase mean?
  - Sceptical for several reasons:
    - NITs unlikely to increase participation in political activity
    - NITs augment skills of the existing policy elite which have money and education to use them
    - Universal broadband network is at least a decade away--and it will likely be used mainly for entertainment by most people
    - Possibility of "modem mobs"--new channels for frustration
    - More interest groups, but almost all are dominated by the middle class
    - More pressure for <u>direct</u> democracy

- More intense competition among interest groups

  - more effort at niche differentiation (even more specialized interests can be efficiently represented)
  - problem of gaining/keeping attention of supporters--may lead to dramatic tactics
  - government will be better able to play groups off against each other
  - net "rents" to interest group activity will likely fall (negative sum game"
  - "gridlock"/demosclerosis?

- Computer networks can be used by government for direct communication with citizens unmediated by either news media or interest groups. But this requires ubiquity (every household is online--like access to a telephone)

- NITs raise a host of policy issues for government

  - Support for Information Highway, e.g., subsidy ; regulatory framework - force cross-subsidy
  - Clipper chip - privacy issue
  - Protection of Canadian content as channels and information services proliferate
  - Universal access to broadband-- what will it mean in practical terms?
  - Putting government services online
    - computer availability and literacy

- Internationalization of interest group issues is likely to create more problems for domestic (and foreign) governments. Governments in Canada are faced with a more subtle/difficult problem when Canadian and foreign interest groups are targeting their pressure on Canadian firms at home or abroad (even though the ultimate objective is to get changes in public policies in Canada that would force changes in the behaviour of Canadian firms in Canada).

- What does sovereignty mean when foreign groups become powerful (shape domestic policies)?

- Managing these issues will likely require the federal government to coordinate response of domestic actors

  - private vs public sector
  - federalism - who had jurisdiction
  - Canada's international commitments

- Cycle time--how can government be as nimble and adaptive as interest groups?

22. Greater Vulnerability of the Canadian Government

- Canada is more <u>economically</u> vulnerable to pressures by interest groups in foreign countries than some countries:

  - Over 30% of Canada's GDP consists of exports. Some industries (e.g., forest products) are far more dependent upon exports.
  - A growing portion of Canada's high government debt load is held by foreigners (now 40%)

- The federal government of Canada would appear to be more vulnerable to the internationalization of interest group tactics than other countries for other reasons:

  - Canada has sought to have a higher profile in international affairs than its strategic significance (e.g., leader in peacekeeping forces)
  - Canada likes to believe that it is better able to solve interest group conflicts by reasoning and consensus
  - Canada has been a leader in participating in international bodies and agreements--but this creates constraints on future actions
  - Canada's foreign policy - like its domestic policies - is strongly influenced by the demands of Quebec (which is <u>not</u> a province like the others)

23. Actions by BC Environmental Groups to Internationalize Forestry Issues in B.C.[3]

- BC environmental groups invited the following persons to visit BC and learn about forestry issues: journalists; MEPs; representatives of European environmental groups.

- Provided information to European journalists, environmental groups, and MEPs

- Solicited letters/statements of support from European environmental groups

- Greenpeace Canada pushed Greenpeace International to make temperate forestry issues one of the organization's major campaigns (which it became in December 1993).

- Representatives of various groups "bird dogged" Premier Harcourt's tour of Europe to explain BC's policies.

- The BC groups persuaded European environmental groups to engage in a variety of pressure tactics, e.g., demonstrations, rallies, come to blockade a road into Clayoquot Sound; persuade customers of MacMillan Bloedel to stop buying its pulp; "Stumpy

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3. For details, see W.T. Stanbury, Ilan B. Vertinsky with Bill Wilson, "The Challenge to Canadian Forest Products in Europe: Managing a Complex Environmental Issue" (Vancouver: Forest Economics and Policy Analysis Research Unit, University of B.C., December 1994).

tour;

- Greenpeace sent letters to MacMillan Bloedel customers in the U.S. asking them to stop buying MacMillan Bloedel pulp or paper.

24. Lessons from the Forestry Issues in Europe Case[4]

1. **General**

   - Large number of organizations/interests--greatly complicates the problem.

     - Governments: federal, provincial
       - various departments
       - international commitments
     - Businesses
       - Firms
       - Trade associations
     - Environmental groups

   - Issue is dynamic/evolving--hence hard to manage

   - Coordination is very difficult (for any actor--including federal government)

     - many interests
     - different interests
     - problem/issue keeps evolving

   - Issue must compete for attention within various organizations

   - Canada's brand of federalism can create particular difficulties in the case of international issues, e.g., Provinces have jurisdiction over forestry - but the federal government had jurisdiction over trade issues.

   - Likely to be more frequent internationalization of what public policy issues had previously been domestic

2. **Forest Companies**

   - Differing views/interests

     - perception of the problem
     - degree of involvement (MB in the "cross hairs")
     - what actions should be taken

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3 .   See W.T. Stanbury, Ilan B. Vertinsky with Bill Wilson, "The Challenge to Canadian Forest Products in Europe: Managing a Complex Environmental Issue" (Vancouver: Forest Economics and Policy Analysis Research Unit, University of B.C., December 1994).

- "Skill deficit" among top executives of some companies re public policy issues
  - Ignored plenty of warning signals
  - Waited for trade association response (e.g., CPPA) and action by government (F; BC)
  - Too slow to respond

- Failed to communicate directly with environmental groups, e.g., MB's <u>first</u> meeting with Greenpeace was in August 1994.

3. **Environmental Groups**

- Greenpeace is a multi-nation environmental group
  - 40+ offices in 30 countries
  - Greenpeace International acts as the coordinator on the forestry issue.
  - Greenpeace Canada has been subsidized for two years by Greenpeace International

- A largely domestic issue (BC/Clayoquot Sound) became internationalized by BC environmental groups - recall section 23 above.
  - Chlorine bleaching of pulp precedent (common technology ; Europe as a major market)
  - BC groups made forays into Europe and brought European media/politicians to BC since 1990
  - Objective was to (1) widen the conflict (2) attack the companies where they were more vulnerable (Britain and Germany are "greener")

- Some groups (e.g., WWF) wanted to demonstrate that they were willing to battle for temperate forests in rich industrialized countries as well as for tropical hardwood forests in poor developing countries ("moral parity")

- Advantages of environmental groups[5]
  - Better coordinated in pressing the "attack" than "defenders" (Canadian governments and forest firms)
  - Held the initiative
    - set the agenda--and changed it
    - treat specific actions as "experiments"
    - perceived to have moral high ground
  - Public/media tolerate "lower standards" of behaviour by certain interest groups
    - defining the issue(s)
    - what are "facts"
    - use of scientific evidence

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4.   Many of these apply to other types of voluntary interest groups.

- rhetoric/emotional appeals
- tactics such as boycotts, civil disobedience, propaganda aimed at news media and public, and, media stunts.

4.   **Governments**

- New kind of problem

  - Interest groups are targeting foreign customers of Canadian firms (not domestic or foreign governments)
  - Hard to define the government's interest (issue touches a number of different/conflicting policies)

- What <u>should</u> the government's role be?

  - Isn't it the forest companies' problem (their customers at risk in boycott)
  - Conflicting views about the roles responsibilities of government
  - Governments also have made extensive efforts at environmental protection (and there is a major constituency for "green" policies).

- Who (which government) is in charge? (Does the question make sense?)

  - Canadian federalism
  - Inter-departmental conflicts ("turf wars")
  - Coordination problems (see below)

- Who cares? Priorities for action

  - Getting the attention of senior officials, and cabinet ministers

- Coordination Problems

  - Legal authority to get others to act
  - Willingness of other players to accept government's leadership
  - What should be the role of the each government?
    - It's the companies' problem
    - Some people say that the federal government should not lead--but it can
      - provide funds
      - supply intelligence from the posts
      - relate to foreign governments
      - change its <u>own</u> forestry policies
      - participate in multi-lateral efforts (e.g., certification)

25. Actions Taken by the Federal Government Relating the Forestry Issues In Europe

- Formed a national committee of stakeholders (F, P, industry) to respond to the challenge in Europe posed by Canadian and European environmental groups

- Established the International Image Program

  - communication
  - support activities of others
  - monitor media coverage

- Monitoring and analysis of developments in Europe by embassies (London, Brussels, Bonn). They also helped implement the image program.

- CCFM funding of $4.5 million over three years for International Forestry Communications Program (executed by Sector Working Group: monitoring; providing communications materials; facilitating NGO exchanges; coordinating related activity

- Funding for CPPA's new office in Brussels which was opened in 1993

- Actions to improve Canadian forestry practices, e.g., Canada Forest Accord (March 14, 1992); National Forest Strategy (including model forest network)

- Participate in multi-lateral effort to develop standards of sustainable forestry and certification program

- Sponsored Montreal Seminar of Experts on Sustainable Development of Boreal and Temperate Forests

- Criteria and indicators for UN Commission on Sustainable Development meeting in June 1995

- Signed "Guiding Principles of Forests", and the International Convention on Biological Diversity at the Earth Summit in Rio in June 1992

- Hearings and report on clear cutting and other forest practices by Standing Committee on Natural Resources (dissent by BQ members).

26. Assessment of Federal Governments Actions

- The forestry issue in Europe is an intractable problem:
  - large number of players with different interests
  - deeply conflicting values--hard to find widely acceptable solutions
  - dynamic/evolving issue
  - limited federal jurisdiction in this case
  - environmental groups can use tactics not available to businesses/trade associations (or government)

- Federal policy making process requires extensive consultation inside and outside government (hence slow; LCD effect)

- Forestry issue must compete with many others for attention of senior officials and cabinet ministers

- Complaints/criticisms by other stakeholders
  - Ottawa's response was too slow and too little

- Study/talk, but not enough <u>action</u> (due to low priority?)
- Should be more financial and other support for the forest industry so firms can defend themselves
- Multi-lateral initiative re certification is right idea--but too slow to meet current problems

- Perceived <u>strengths</u> of the federal effort:

  - Efforts of officials in the European posts

  - Leadership in multi-lateral efforts re certification (standards for sustainable forestry)

  - Model Forest Network (ahead of Greenpeace Germany's Lubeck Forest)

- Possible actions to <u>improve effectiveness</u> of federal efforts

  - Transmit early warnings from posts to companies/trade associations

  - Give more money sooner to support private sector efforts (seen as a repudiation of support for environmental issues?)

  - Establish (with the provinces) an interim certification program quickly (and replace it later with multi-lateral effort)

  - Mount a direct federal information campaign in Europe to counter environmental groups' distortions

  - Exercise a stronger leadership role in coordinating actions of other players (feasible? sensitivity to provincial jurisdiction)

27. B.C. Government and the Forestry Issue

- The Harcourt Government was faced with a host of conflicting demands related to the forestry issue

  - NDP campaign promises in 1991; about half the platform dealt with environmental issues, e.g., doubling park/preservation areas to 12% of the land base.
  - Desire to protect traditional labour supporters from disemployment due to reduced cut etc (e.g., Forest Renewal Plan)--and still not alienate "green" supporters.
  - The Province is owner, taxer, regulator of forest land (e.g., new *Forest Practices Code*)--hence must share the culpability for past practices .
  - Desire to resist "mob rule" - pressure exerted by repeated blockade of road into

Clayoquot Sound in 1993; 857 people were charged with contempt of court[6]--including Svend Robinson, MP

- Traditional NDP suspicion of private enterprise and desire for government influence over the private sector (e.g., tougher enforcement of environmental regulations)
- Desire to increase provincial revenues from the forest industry (e.g., Harcourt a large increase in stumpage)
- Strong desire to restructure the BC economy toward greater environmental sustainability
- Desire to preserve most of the direct and indirect economic benefits from the forest industry--incomes, tax base, employment

- Actions of the BC government dealing with the forestry issue:

  - Clayoquot Sound decision by the Cabinet - following a very extensive public consultation process - began to increase area for parks/preservation and reduce logging of old growth
  - CORE (Commission on Resources and Environment) land-use planning process; multiple stake-holders trying to reach a consensus
  - Protected Areas Strategy ("the 12% solution")
  - Reducing the average annual cut (Timber Supply Area Action Plan)--to ensure the AAC is at a sustainable level (due to "fall down-effect").
  - More vigorous enforcement of environmental protection regulations--no more "sympathetic enforcement"
  - Negotiation with natives re management of forests in areas subject to land claims (Interim agreement in March 1994)
  - Forest Practices Code - much tougher environmental regulations; smaller clear cuts
  - Premier's tours of Europe
  - Minister of Forests tours of Europe
  - Forest Renewal Plan--use higher stumpage revenues to create jobs for disemployed forest workers
  - Evolving international strategy (sustainability theme)
  - Criticism by Premier and Forests Minister of Greenpeace and other groups' radical/extreme tactics, e.g., call for a boycott

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5. See W.T. Stanbury, "Protest Behaviour and Other Efforts to Influence Forest Policy in British Columbia: The Case of Clayoquot Sound" (Vancouver: Forest Economics and Policy Analysis Research Unit, University of B.C., June 1994).

INFORMATION TECHNOLOGIES AND TRANSBORDER CRIMINAL ACTIVITIES

Discussion Notes

by

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for

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The international move to outlaw money laundering and confiscate the proceeds of crime is based on the premise that predicate criminal offences, drug trafficking, fraud, forgery, stock market manipulation, gambling, political corruption and many others, can best be attacked by focusing on the profits of those illicit activities.

By striking a criminal organization in its pocket book, the theory suggests that the organization will eventually wither and die. It is a premise which presently is supported by the United Nations and by most countries of the world. The theory is not without its critics, however. Some have suggested that for every criminal organization which is neutralized, another will fill the gap and, in reality, all that the legislation does is shift power bases. The criticism is, of course, thinly veiled praise for its effectiveness.

Money laundering refers generally to the process by which money obtained through illegal activity is reintroduced to the mainstream economy through banking and other financial intermediaries in order to conceal its illegal origin. It can take many forms, including investment in businesses, real estate, stock, precious metals or the simple exchange of cash at a bank, trust company or foreign exchange.

Since 1989, laundering of the proceeds of crime has constituted a

criminal offence in Canada, punishable by a maximum of ten years imprisonment. The predicate offence, the crime which gave rise to the proceeds, need not have been committed in Canada.

Recently, Dr. John Hogarth, a leading Canadian expert in the field, advanced the theory that a paradigmatic shift has occurred in the nature of money laundering, as a direct result of global economic and political changes. The liberalization of cross-border capital movements resulting from free trade, deregulation and globalization in the financial sector, combined with the fall of the Iron Curtain, have resulted in large criminal syndicates shifting their activities away from countries that pursue aggressive anti-money laundering campaigns.

Dr. Hogarth's research with the United Nations indicates that world wide money laundering could reach $100 billion per year, much of that money controlled by a small number of criminal syndicates, sufficient to cause concern for the integrity of nation states and economies. It is Hogarth's thesis that the criminal law is inadequate when dealing with a problem of this magnitude. Instead, governments, in concert with private industry, must fight such activity at the front end, through regulatory legislation and by reducing demand for criminal commodities.

Keeping this theme in mind, I wish to explore Canada's present situation from my personal vantage point in Vancouver. In so

doing, I hope that my observations and opinions can be extrapolated from their situs and viewed in a national perspective.

Vancouver is Canada's window on the Orient, the bustling economies of Hong Kong, Singapore, Thailand, Taiwan and China, to name but a few. It is also Canada's doorway to the western seaboard of the United States - Washington, Oregon, California, the megalopolis of Los Angeles, the bustling cities of San Francisco, Las Vegas, San Diego, Portland and Seattle.

By most measures, Vancouver is now an international city - and not simply because its residential house prices rank near the top in North America. Vancouver is a designated international banking center, home to a plethora of banks. It has a stock exchange, notorious in some circles, all manner of financial service providers and foreign exchange houses everywhere - including in corner grocery stores. Its economic perspective is internationalist, its principal trade routes being north south and west, and it typifies the new intermestic approach to economic policy making.

It is a major seaport for the west coast of North America and has a large airport which caters to numerous international carriers. One of Canada's busiest border crossings is thirty minutes to the south. It is a cruise ship destination and Hollywood North. Whistler is a world ski destination and Vancouver has hosted

various international events, most notably Expo '86 and the recent Clinton-Yeltsin Summit.

Of great interest is the diversity resident in Vancouver's metropolitan population of 1.8 million persons. Its Chinese and Indo-Canadian communities are large and of long-standing. Over one half of Vancouver's school children are English-second language. Affluent immigration from Hong Kong is bringing new wealth and transforming neighbourhoods. There are also strong aboriginal Canadian, Italian, Jewish, French, Japanese, Ukrainian, German, Korean and Vietnamese communities in the city.

On top of it all, it's a beautiful city - but there is another side to the story.

Vancouver has one of the nation's highest rates of violent crime. It is the home to more chapters of the Hell's Angels than anywhere else in the country. It is also home to representatives of the major Triads and their offspring, youth gangs. Recently, drug wars involving Russian and Indo-Canadian gangs have left their bloody mark on city streets. Murders, armed robberies and kidnappings are regular news items. Our courts are regularly accused of being too lenient and overworked.

Vancouver is an ideal location for the investment or laundering of the proceeds of crime, be they the proceeds of crime within Canada

or, more likely, abroad.

In Vancouver, we have witnessed huge property seizures as the result of international drug trafficking. Recently, six luxury homes worth over one million dollars apiece, other homes, land, vehicles and vessels, including a freighter, have been seized.

The Vancouver stock exchange has been the repository of laundered money, in the form of stock. During the past summer, we seized approximately one million dollars in stock being held by a brokerage house for a Belgian client who was languishing in a jail in that country on fraud charges.

Also during the summer, we seized a million dollars from a bank account - a regular, everyday bank account at a reputable first tier chartered bank, which represented the world wide profits of an international fraud artist in custody in the United States.

Both the Belgian investor on our stock exchange and the international fraud artist were able to move money into Canada, undetected and with no reporting requirement and invest that money in legitimate financial vehicles.

One can only speculate how much goes undetected. We acknowledge that the cases which we do examine are but the tip of the iceberg.

The absence of any requirement on financial institutions in this country to report large or suspicious cash deposits allowed Time magazine, as far back as 1989, to lump Canada together with Panama, the Cayman Islands, Luxembourg and other nations as safe havens for laundered money. Similarly, the absence of any legislation aimed at tracking wire transfers and other movements of money into Canada, makes this country an extremely comfortable safe haven, even today with our proceeds of crime legislation in place.

We are just completing a task force investigation into the activities of the foreign exchange department of a major regional trust company. It is alleged that up to $14 million was laundered through the side door of that company, which continues to operate in our city. Quite simply, a major drug trafficker required U.S. dollars in order to purchase drugs in that country, which he then distributed in Canada and for which he received Canadian currency.

We are also aware of sophisticated underground banking channels which funnel both black (tax evasion) and dirty (illegal) money between Canada and other nations. The Chinese chop shop system is ancient in origin as are the Indian Hawalla and Sahukara systems. The information exchange utilized in traditional underground banking systems is not particularly cutting edge but it is efficient and quick. With no actual transfer of cash, simply a fax message, a member of one of the ethnic communities served by underground bankers can place money in the hands of others in the

correspondent nation within minutes or hours.

In Canada, financial institutions are now required to record information on their customers and are protected from civil liability should they see fit to report suspicious transactions. What they are not required to do is of much greater relevance. The law does not provide for adequate auditing of financial institutions and more importantly, does not make it mandatory for financial institutions to report suspicious transactions. Some banks and trust companies do so on a regular basis, complete with customer identifiers and even bank photos. Unfortunately, we hear nothing from most banks and trust companies and those who do provide notice of suspicious transactions often give so little - a name and an address - that we simply waste resources attempting to run background checks.

How did we discover the million dollars at the brokerage house? The Belgian police told us it was there.

How did we discover the million dollars in the bank account? Bank security told us it was there.

How did we discover the laundering that was taking place at the trust company? Disgruntled employees alerted us to it.

How much else is out there?

AUSTRAC, the Australian agency which tracks the movement of money into that country and which nightly downloads copies of all wire transfers into and out of Australia, is able to tell us more about the movement of Canadian money in the Orient than we know ourselves. AUSTRAC receives 90% of its data electronically and has developed computerized methods for detecting possible suspicious transactions.

Similarly, FINCEN, the financial tracking agency in the United States, can tell us more about the movement of money into and out of Canada from the United States than we could dream of learning ourselves. Similarly, the U.S. Customs computer tracking system at border crossings is a valuable tool which tells us, with the flick of a switch, what Canadian residents have moved money across the border.

Canada needs a better system if it intends to truly tackle the issues presented by illegal money movement. Mandatory suspicious transaction reporting is essential. Mandatory reporting of international movements of money, primarily cash, but also wire transfers, is essential. For years, the United States has gone even further by requiring financial institutions and retailers to report all cash and other transactions over $10,000, including deposits structured to avoid that threshold amount.

We must also come to grips with the impact of instant

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communications and the substitution of electronic pulses for paper dollars. The speed of communications today is dizzying. Our Belgian investor, once he suspected that we were on his trail, was able to telephone and forward fax messages from his prison. Over the course of a week, while we attempted to obtain sufficient information for a search warrant, he attempted to locate an agent to remove his stock from the brokerage house. As it turned out, he sent a courier from Liechtenstein on the weekend, a courier who was waiting for the broker on Monday morning at 0645 hours when we arrived with a search warrant.

Combine the speed of communication with advances in reproductive technology. Credit card fraud has become a nightmare. Factories in the Orient can replicate credit cards which are almost undetectable. The frauds and forgeries associated with credit card use are astronomic. Police have essentially thrown their hands in the air. The level of frustration experienced by federal, provincial and municipal officers is tangible.

Recently, through old-style detective work and a fair bit of luck, we detected attacks on the instabank system, whereby persons created bank cards which mimic existent cards, and others who utilized bypasses to obtain the signal traffic from retail store bank card machines. The former resulted in changes to card security codes and machine procedures at a number of institutions on a national basis. The fear of an electronic attack on the

instabank system is real.

The Internet and, in particular, computer bulletin boards, are serving as vehicles for the dissemination of the latest illegal methods of committing every possible crime. Recently we downloaded instructions for making homemade silencers for guns, safe cracking, electronic bug detection and money laundering.

To unravel a transaction which can take two minutes to complete by fax, phone, wire or computer, may require a year of leg work, stymied at every corner by privacy laws and the need for search warrants, full disclosure of investigative methods and the like. We must strive to reduce bank secrecy laws abroad and tighten controls on electronic banking to ensure that computerized money transfers leave a paper trail and not simply electronic pulses.

Compounding the foregoing problems is the incongruity of legal systems around the world, and not only between Canada and third world countries. When dealing with European nations which adhere to the inquisitorial system of criminal law, rather than the English common law, we are faced with different evidentiary requirements, some of which appear insurmountable. Criminals need only to exploit these differences in order to find safe havens.

The need for evidence capable of securing convictions and forfeitures, is crucial. Encumbered by an _Evidence Act_ which is

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antiquated in many respects, it is generally useless to expect a foreign police agency to provide the necessary original documentation or affidavit material without a Canadian police officer travelling to the foreign nation.

Even then the evidence gathering process can be frustrating at best. Evidence codes are as varied as the nations of the world. Bank secrecy laws encumber many searches for documentation. In common law jurisdictions, confidentiality is an implied term of the bank-customer relationship. The incompatibility of the British common law system with the continental, inquisitorial system is a recurring problem. The need for an international evidence code, alive to the realities of a paperless financial world and different legal systems, is crucial.

Since 1990, Canada has entered into mutual legal assistance treaties concerning criminal matters, with numerous countries. To say the least, they are a giant step forward from the earlier reliance on the comity of nations. Nevertheless, such treaties are not the be all and end all. Although they can be an effective tool if the foreign agency that receives a request is prepared to act with despatch and efficiently, they prove frustrating when the opposite occurs. Conflicts of law continue to surface. In addition, while relieving our police of some evidence gathering, we are now expected to field numerous incoming treaty requests, particularly from the United States.

Last but not least, the question of resourcing must be posed. In British Columbia, there are no municipal or provincial police dollars dedicated to proceeds of crime work. Our budgets are a shoestring. In today's economic climate it is almost heretical to suggest that additional resources are needed.

Although, in the long term, it is imperative that provincial and municipal contract partners pay their way, in the short term, the federal government, which carries the present burden, must seek new and innovative ways to finance investigations.

Who should reap the benefit of seizures made under Canada's proceeds of crime legislation? In a pristine world, it may appear appropriate to take the forfeited profits and turn them over to other departments, to interest groups or peripheral players in the criminal justice field. Nobody wants to see the priorities of Canada's police dominated by those crimes which produce revenue. On the other hand, we cannot allow our crime fighting initiatives to be stymied because we are not prepared to take a stand, give the police the money which is there, ensure that they target properly and let them do the job.

If the paradigm is shifting, as Dr. Hogarth suggests, Canada must ensure that it does not become one of those countries with a soft under belly, a haven for dirty money. It must also take the lead,

as it has in other areas, such as peacekeeping, and strive to assist other nations of the world to likewise stand firm against the insidious efforts of international criminals and criminal syndicates.

NATIONAL MEDIA IN THE NEW INFORMATION ENVIRONMENT

This is not going to be a discussion of global television, CNN, or the cause and effect of fax machines on the spread of information in societies with controlled media. Those phenomena, whether overstated or not, have probably run their course of useful discussion.

Nor am I prepared to speak with any great certainty about where Information Technology Development is likely to take all of us. It is an obvious proposition that we are in a transitional phase, heading down a number of diverging roads, many of which look like dead ends or detours.

I would rather talk about the intersection of media, technology and governance and the dilemmas that are currently foreseeable.

Let me begin by laying out current national media reality. None of this will surprise you very much, but we need a starting point.

1. The traditional media economic paradigm is becoming increasingly unsustainable. The strategy of assembling a mass audience with its inherent mass marketing weight to fund large integrated media organizations has become a suspect proposition.

    Those audiences are fragmenting and reconstituting themselves at an astonishing rate and as Life magazine discovered in the early 1960s, there are much more efficient ways to reach subsets of those audiences.

    Audiences are stratifying along new lines that sometimes reflect socio-economic cleavages but that now, increasingly, reflect information absorption skills and education levels. The traditional information audience — always a minority in Canada — is increasingly using non-traditional sourcing.

    Most national news organizations have had to enter into joint ventures, reconfigure foreign bureaus to cut costs and alter their news judgement model to try to attract non-traditional audience. They've been forced into those changes despite the advent of consistently more cost effective news gathering and distribution technology.

    Though there has always been an economic imperative in media organizations, they are now almost wholly consumer driven, with ensuing consequences to professional standards for news judgment,selection, and editing.

2. There is far less social and civic premium being paid to the value of a shared national information experience. In part that is true because of centrifugal pressures in a rapidly regionalizing society, in part it is true because news definitions have expanded so substantially that it is hard to assemble coherent, mutually agreed upon hierarchies of importance -- the traditional core of what people used to call News Value. "What happened today" is much more complex question than it used to be.

News organizations have begun to reject their professionally articulated mandate, that of establishing and communicating Importance, to a much more commercially viable mandate of communicating issues of relevance and interest. The broader the range of issues, the more emotional, divisive, entertaining and interesting those issues are, the larger the prospects of assembling new coalitions of audience. However, by definition, that broader range of issues yields a series of eclectic choices made for different target audiences, rendering each news agenda idiosyncratic.

In fact, it is now possible to conduct public business essentially in private. If an issue, while Important in the classical sense, does not fit the changing media definition of news, it will not be reported on. There are no longer any "must cover" mandates.

In a process that began at least two decades ago, we have an increasing mismatch between the expectations and conventional wisdom of media consumers who believe news products continue to convey to them and order for them a hierarchy of importance and media producers who have moved to a far different news judgment model.

Where there is a common denominator for news organizations seeking wider audience, it is in information that is entertaining and inherently interesting. The irony, of course, is that as these organizations seek that common denominator, they begin moving downmarket into space that has been developed over the years by tabloid print, and now, tabloid television. And because they cannot fully compete, largely because of residual professional standards, they become squeezed at both high and low ends. The best illustration of this is the dilemma confronting CNN in the US. Its normal information audience is quite small but it peaks at substantially larger share when it has an attractive tabloid event. As it devotes resources to that kind of event, it renders itself less attractive to its core audience. However, when the event ends, the new audience abandons it every time.

In a profoundly vicious and counterproductive circle, traditional news consumers are driven to alternatives to seek information of importance, audience base diminishes, forcing news organizations to relay more non-traditional information in attempt to attract and keep new audience which further dilutes traditional information which, in turn, weakens information audience attachment to product but does not fully attract consumers who want a full menu of non-traditional fare.

3. Having said all that, for time being in this period of transition, there is pertinent, solid research that shows that most people still consume national and international information via television; most find television inherently more trustworthy than any other medium; and though national media do not influence what people think OF particular issues in any profound way — they do still have extraordinary effect on what people think ABOUT. The emphasis and tonnage of media coverage combine into a clear agenda setting function. Remember, that is because most consumers still think media ethos is to convey and order importance.

More importantly perhaps, there is clear evidence that having established their agenda setting purpose, media then influence their consumers' view about governance and leadership by assigning causality to leadership for problems. The popularity of government and leadership, in turn, varies with their efficacy in treating those issues and resolving them.

Some of this is the natural result of the relationship between media and its audiences and the trust those audiences invest in media. However, as news organizations determine to strengthen the attachment of a consumer by building not on that consumer's NEEDS but the consumers DESIRES, media has begun to pander to a variety of consumer impulses. In an alienated and frightened society, media has found it commercially rewarding to attack the effectiveness, and then, the legitimacy of government. It has tried in many ways to arrogate to itself the role of representation. In a world where the sophisticated information consumer is increasingly turning away from mass media, the distortion of both the news model and the role of media has run into less resistance than it might have otherwise.

So in pessimistic summary, we have had, and will continue to have for a while, a situation where mass media is the main source of information for most people; it determines its news agenda by commercially driven criteria; that news agenda is transmuted by the electorate into a public policy agenda and leadership is evaluated by the electorate and a sometimes hostile media by the way it hews to, and resolves, that agenda. This explains in large part government by risk avoidance.

The good news, and the bad news, lies in the further stratification of media, the way that is being accelerated by information technologies and in the application of those technologies to information gathering and distribution.

Many western societies now have stratified mainstream media cultures with increasingly less overlap among consumers of the various strata. News organizations can be situated within a grid that has one axis ranging along a spectrum from elite through popular to tabloid and another that moves from general to highly specific and specialized.

I've outlined the strains on general interest mass media like the national television networks. Compounding the problem for the national television networks is the emergence of strong specialty channels that siphon audience because they provide both alternate information sources and entertainment choice. They have far smaller cost bases and, unlike the main networks, a strong alternate revenue source through user pay which in some regulatory regimes is not market sensitive but amounts to a compulsory and guaranteed cash flow.

General elite vehicles are having a tough go as well assembling enough critical mass to be financially sustainable because elite consumers have a tremendous amount of choice of strongly competing alternatives. Elite, specialized media are steadily increasing their market share.

As well, we have developed a fully alternate elite news media that takes two forms: high cost, tightly edited and controlled intelligence gathering news letters that sell what used to be free and their inverse on the Internet: eclectic, unedited, free for all bulletin boards that give away what used to be sold.

Though it is far too simple a description, we may be in a transitional phase where the most commercially viable media, and the ones with expanding, loyal constituency, are those that provide mass, low end, product for people who are only marginally attached to information and public policy and specialized, high end products that are very specifically targeted to serve highly fragmented elite audiences but do so without any common agenda and foster, by definition, intramural, and largely invisible, debate.

None of this would be terribly important and could be dismissed as an artifact of the evolving marketplace, if it wasn't for the difficulties for governance posed by the twin dilemmas of agenda setting and diminishing shared information experience. If general media, both popular and elite continue to weaken, if news agendas and common experiences continue to differentiate, we will have pools of people with different information bases, different sets of agendas, different sets of expectations, different sets of standards for government performance, different sets of policy demands, and different levels of attachment to traditionally common institutions and values.

I guess this is a long way of getting to the fairly simple points I wanted to make.

Digitization, direct broadcast, distribution convergence will all have profound impact on the way people gather information, distribute information and consume information. They will undeniably increase choice for the consumer (to the point of paralysis for most)and probably end centrally organized, proprietary journalism as we know it.

The practise of reporting will change beyond recognition — melding picture,sound and written word through integrated,digitized multi-media delivery. The news gatherer or reporter will use digitized technology that will free him or her of technical encumbrance, of tied linkage to points of transmission, and of the interference by authority with the means of transmission in an attempt to influence or block.

The privileged protection of journalist as quasi-certified professional will be eroded and may disappear altogether as anyone with the technical skill set will be able to assemble and transmit journalism from virtually anywhere.

The multiplicity of channels, modes of transmission and most importantly, the internet and its successors, will afford to virtually anyone a distribution outlet — ultimately as simple as downloading to an individual user's PC.. That will end the other half of the journalist's protection — the implied authority and conferred credibility of the standalone organization for whom the journalist works. The networks' primary reason for being — their distributional advantage - will have disappeared.

In fact as we have begun to see in specialty networks, there is the clear prospect of closed-loop networks — information gathering and distribution systems organized by interest groups, religious groups or market affinity groups who will employ their own reporters, distribute their own material and incur very little cost doing it. All will use the same multimedia conventions and forms — they will be virtually indistinguishable.

The ease with which image and sound can be manipulated could lead to some wretched excess without journalistic standards to be enforced by journalistic institutions in even the limited way they are now. Separating real and virtual reality will become a technical impossibility, opening up the possibility of real abuse.

Pessimists would say that among those who consume journalism, there will be terrible confusion about credentials, credibility, authority, and truth.Optimists will call it the ultimate pluralization and democratization (if that is actually a meaningful concept in this context) of information.

This is not really very new thinking.

It was thirty years ago that Robert Heinlein, ironically a right wing ideologue, created the concept of Fair Witness in his landmark vision of the future, A Stranger in a Strange Land. He argued that a multi-planetary, variegated human society would need a particular kind of person in order to survive -- a person specially trained and trusted to observe events fairly and dispassionately enough to satisfy even the most cynical second hand viewer that an objective reality was being transmitted. So importantly did he view this role, that he conferred supreme social status to Fair Witnesses.

But to me, probably easier for me since I've left journalism, this discussion of evolving journalism is somewhat beside the point. We are in the middle of that transition now, technology will make it virtually unstoppable anyway.

The main point is that it all facilitates fragmentation and stratification both within, and across, borders and what that means to the issues I began with — governance in the absence of shared agenda and shared information experience.

The concept of national influence over content through regulation of carriage will be a memory.

Digitization and data transmission will render control, and even monitoring, impossible

The problem is that much of this talk about information technology is talk about how one subset of society, national and global, gathers and consumes information. How transnational elites will have difficulty coming to terms with changes to information transfer and what strategies they will employ to restore credibility, commonality, trust, reliability and sustainability to the information they themselves must have.

More worrying to me is the likely decoupling of broad masses of electorates from information itself, let alone from the discussion of new forms and safeguards.

At least initially through this transition we know that it takes a level of skill to navigate the information highway. It certainly requires an allocation of time for which there is intense competition. There are compelling and entertaining alternate choices. And the easy, one stop shops of general information are increasingly weaker, more idiosyncratic and less satisfying.

When there is no civic premium paid to sharing information experience and no practical way to do it or enforce it, and worse still, when trying to connect demands a level of patience and skill people are unwilling to invest, logic says the likeliest outcome is more and more detachment from all but the most threatening or overwhelming kind of information. That means a general differentiation in knowledge about context, process and even basic facts among the various strata.

Western societies are reluctant to regulate journalism because of the civic and social function journalists say they play. Indeed, we have extended constitutional protection to this curious profession, assuming its business imperatives somehow stay separate from its "watchdog" role. Even if we accept the dangers inherent in IT journalism, we will find it difficult to regulate solutions.

How does a society manage decisions about the allocation of resources, determine a sense of will, or broker resolutions? What happens if the emerging transnational elites give up and withdraw from civic participation in individual societies?

Now, lest this sound entirely pessimistic, let me acknowledge that there are countervailing influences and logics and end that way because it might lead us to consider the points of leverage if we choose to pursue the issues I have raised.

It is reasonable to assume that as the technology of information transfer becomes more and more user friendly, it will be far less painful to extract and consume. The cost of access should drop. Visual media literacy increased exponentially over the past 20 years. So should digital competence over the next.

Paralysis of choice is an issue -- though the economics of one stop shopping and general information are difficult, the logic of the need for them is not. Given the proper choice,one that is economic, relatively painless, and relatively compact, most people are still likely to delegate to others the bother of assembling an inclusive menu of information they need.

At the most basic level, journalism has always been driven by consumers' need for reasonable and consistent threat assessment — roughly the questions all journalists try to answer are: "is it safe to leave your home? is your country safe? is your world safe?" or put another way " what do i need to know about what might effect me as I go about my life today?" Most people understand there are risks out there they need to assess.

The cynicism and suspicion of journalism is growing, not in small measure due to a dawning understanding that it is too commercially oriented, that there are too many different varieties of journalists and too variable a level of credibility.

Elite pressure is building against journalism and for the reasons I indicated earlier, elites will find it in their self-interest to help resolve some of these emerging issues because of their need for information they can trust. They will likely first move to satisfy themselves that their own preferred vehicles meet that test but they will come to understand that they lose when government is driven by masses of voters who are dealing with inadequate and differing information. They will also understand that unless they share information experience with those voters, they will be blindsided.

And the broad middle of decent, civic-minded people will get increasingly uncomfortable about the minorities who are far ahead in their access to information and leverage and who disdain the limitations placed on them by government and about the minorities who have disengaged or who have been disengaged and who put unreasonable demand on government to satisfy their needs.

The common sense survival instincts of that broad middle usually tend to prevail when it exercises coordinated will.

And that, ultimately, is potentially the most hopeful point. Should we collectively exert will, should we harness access so it is easy and cheap, the architecture of the new technology will make it easier to reconstruct the common institutions of information we need.

The Department of Foreign Affairs and International Trade
in cooperation with
the Institute of International Relations/University of British Columbia

announces

INFORMATION TECHNOLOGIES AND INTERNATIONAL RELATIONS

A symposium examining the impact of new *information technologies*
on the changing international environment

January 13, 1995
Lester B. Pearson Building
Robertson Conference Room
Ottawa, Ontario

The communications revolution has cut across all aspects of society and politics in the late 20th century. Driving this revolution have been a number of technological advances, centring mostly on digital technology and fibre optics, which have vastly enhanced the capacity to store, process and transmit information. This revolution has created, among other things, a planetary web of instantaneous communications which has profoundly altered the international environment across a number of spheres, including the practice of diplomacy, the nature of state governance, and the conduct and scope of transnational business and finance. Taken together, these changes may very well constitute a fundamental transformation of the modern system of states itself. The purpose of this symposium is to gather together experts from academia, business, and government to assess the implications of these new information technologies for the changing international environment. The focus of each panel will be on how information technologies have facilitated the rise of new social movements and networks across political boundaries, and how these, in turn, present challenges to the conduct of state governance, the practice of diplomacy, and the character of international economic and security relations.

INFORMATION TECHNOLOGIES AND INTERNATIONAL RELATIONS
Symposium Schedule

Friday, January 13, 1995

Session A: **Information Technologies and International Political Economy**

8:45 - 9:00   Welcome and Introduction

George Haynal, Head of Policy Staff, Department of Foreign Affairs and International Trade

Gordon S. Smith, Deputy Minister of Foreign Affairs

9:00 - 9:20   *Information Technologies and the Restructuring of Production*

Professor Lynn K. Mytelka, Department of Political Science, Carleton University

New information technologies have had a profound effect on the nature of business and production around the globe, restructuring firms both internally and across borders. This presentation will provide an overview of the changing nature of production and investment and the globalization of competition, emphasizing the way in which information technologies are affecting these processes both positively and negatively. Particular attention will be given to the way in which these changes have impacted on the nature of state governance at all levels, including competition among municipal, provincial, and national governments for investment, and the positive agglomeration effects involved in the location of research and development and production.

9:20 - 9:40   *Information Technologies and the Restructuring of Financial Markets*

Herbert I. Phillipps, Jr., Vice President, Trust and Securities, Royal Bank of Canada

Along with (de)regulatory changes and market innovations, information technologies have revolutionized the international financial sector. This presentation will provide an overview of the ways in which information technologies have led to an explosion of transborder capital

flows in the form of increased foreign direct investment, 24 hour electronic-trading, the creation of "offshore" markets, and the rise of transnational banking and other diversified financial services. As in the previous presentation, particular attention will be given to the way in which these changes have created structural pressures on states' macroeconomic policies and have facilitated international regulatory cooperation.

9:40 - 10:30   Questions and Discussion

10:30 - 10:45   Coffee Break

Session B: **Information Technologies and Transnational Social Forces and Movements**

10:45 - 11:05   *Information Technologies and Transnational Interest Groups*

                              Professor William Stanbury, Faculty of Commerce and Business Administration, University of British Columbia

New information technologies have facilitated the rapid rise of transnational interest groups with multiple, overlapping and competing political agendas. This presentation will provide a detailed overview of the way in which transnational environmental interest groups have capitalized on computer networks and faxes to organize activities and influence political processes across national boundaries. The presentation will also include suggestions on possible ways in which governments can exploit information technologies to better manage and respond to these groups.

11:05 - 11:25   *Information Technologies and Transborder Criminal Activities*

                              Peter German, Staff Sergeant, Special Projects Group, Vancouver Commercial Crime Section, R.C.M.P.

A series of complex, interrelated legal issues have arisen as a result of the global spread of information technologies. This presentation will focus on the way in which such technologies may encourage transborder criminal activities, with a special focus on illegal capital movements and transborder money laundering activities. Particular attention will be given to possible regulatory and policing responses, focusing on both domestic and international surveillance, and the electronic privacy issues that emerge as a result of such

responses.

11:25 - 11:45   *National Media in the New Information Environment*

                     Elly Alboim, Earnscliffe Strategy Group, Research and Communications

This presentation will present an overview of new information technologies and the media. Specific attention will be given to the way in which changes in technology, such as digitization, narrowcasting, convergence, and direct broadcasting, may be undermining the traditional "mass" national audience, encouraging fragmentation in the form of multiple and transnational "niche" communities, and altering traditional conceptions of news reporting. The presentation will also assess the prospects for the survival of national broadcasting in a global information environment.

11:45 - 12:45   Questions and Discussion

1:00 - 2:15   Lunch
                     Hospitality Facilities, 9th Floor, Tower A, Lester B. Pearson Bldg

Over lunch the participants at each table are asked to review informally the morning's presentations to identify what (from the presentations and their own experience) they see as the most important new challenges for the conduct of international relations arising from the communications revolution. The results of those discussions will be reported briefly by each group at the outset of the afternoon session.

Session C: **Information Technologies and Governance**

2:30 - 2:45   Reports from Lunch Groups

2:45 - 3:05   *Governing in an Information Society*

                     Steven A. Rosell, President, The Meridian International Institute

In jurisdictions around the world, and in both the public and private sectors, the emergence of a global information society is accelerating the pace of change and overwhelming

established methods of organizing and governing that were developed for a world of more limited information flow, greater stability, and clearer boundaries. A roundtable of senior Canadian government officials (Assistant and Associate Deputy Ministers) and private sector executives, working with researchers over the last 4 years, has been trying to examine more systematically those fundamental changes underway in the information society, and their implications for the process of governance. To lead off the afternoon roundtable discussion, this presentation will report on that work, and relate its findings to some of the key themes that emerge in the morning presentations and in the conclusions reached by the small groups over lunch.

Session D   **Roundtable and Open Discussion**

3:05 - 4:30   Roundtable and Open Discussion

Drawing some preliminary implications: how the emergence of a global information society is changing, or should change, the conduct of Canada's international relation. Exchange among participants.

Note: There will be no formal break in the afternoon between sessions, but refreshments will be available in the Skelton Lobby from 3.15pm.

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INFORMATION TECHNOLOGIES AND INTERNATIONAL RELATIONS
JANUARY 13, 1995.

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