7-30-2000

"e-America: How to Leverage Winning e-Business Strategies" (2)

Max S. Baucus

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Record Type*: Speeches & Remarks

MONTH/YEAR of Records*: July-2000
(Example: JANUARY-2003)

(1) Subject*: U of MT School of Business Administration
(select subject from controlled vocabulary, if your office has one)

(2) Subject* e-merica: How to leverage winning e-business strategies (DRAFT)

DOCUMENT DATE*: 07/30/2000
(Example: 01/12/1966)

* "required information"
Opening Remarks by Senator Max Baucus

e-merica: how to leverage winning e-business strategies

University of Montana School of Business Administration and Montana World Trade Center

July 30, 2000

OUTLINE of Opening Remarks

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Good evening, ladies and gentleman. I’m delighted to kick off this third annual e-commerce conference: "E-merica: How to Leverage Winning E-Business Strategies".

INTRODUCTION

I’m always pleased to participate in programs at the Montana World Trade Center. I’m a big supporter of the Center and the work that Arnie Sherman does to help Montana businesses compete globally.

For the next few days, we’re here to discover how our businesses can become more competitive through the power of the Internet. This is crucial to America’s economy, and especially to Montana’s economy.

Just as we discussed at my Economic Development Summit last month in Great Falls, no business can afford to ignore the impact of the Internet. Internet traffic doubles every 100 days. Fifty to 70 million people are on the Internet at any point. Current estimates put Internet sales as high as $1.3 trillion by 2003.

That’s a lot of business folks. We can’t afford to miss the train. It’s moving quickly down the track.

History of the Pace of Change

Our ancestors could never have imagined such a breathless pace of change. It took over 5,000 years between the invention of the written word and the development of the printing press. It took another 400 years to go from the printing press to the telegraph. Neither technology was very user-friendly. But then things sped up. Going from telegraph to telephone took only about 40 years. Personal Computers to the World Wide Web -- eight years.

The times are compressed and the effects are magnified. New information and communications technology will affect our lives as profoundly as the industrial age did a century ago. In the United States, the railroad and the steam engine provoked explosive growth by linking producers to new consumers. They created a nationwide market.

Today, information technologies link domestic products to global consumers. This creates a single world market.

The Rapid Development of the World Wide Web

In 1995, it was estimated that between one and two million people in the United States used the Internet for some form of commercial transaction. By the next year, Internet traffic, including e-Commerce, was doubling every 100 days!

The rate of e-Commerce growth continues so rapidly that projections often are outdated as fast as they are published.

Industry sources report huge jumps in e-commerce transactions.
One of the fastest growing sectors of e-commerce is business-to-business transactions. By 2003, it is estimated that this sector of the U.S. economy will reach $1.5 trillion, up from $131 billion in 1999.

In the United States, business-to-business transactions between businesses and their suppliers is growing rapidly. Many of these firms began using Internet connections for all internal business processes -- such as coordinating product design, managing inventory, and improving customer service.

**E-Commerce and Globalization**

The potential offered by this new technology will have as profound an effect on our lives as the technology that brought us into the industrial age a century ago. New information and communication technologies are lining domestic producers to global consumers, creating a single world market.

Let me talk about this process and some of the issues it raises at both the national level and the international level, and finally at the state level.

The Internet is integrating every aspect of American economy into foreign markets. This happens to companies of all sizes.

Lou Gerstner, head of IBM, said that the Internet is the great leveler between big and small companies. Why? Because the Internet makes it easier and cheaper for all businesses to transact business and exchange information. Even small companies now customize their products for specific markets.

That's not just smart business. In many cases it's *necessary* for long-term survival.

American companies face increased electronic competition from abroad here in their home market. For example, there is a Japanese Web-site for the world's first credit-debit-cash card. Nordic countries are pioneering wireless e-commerce. It's time for us to get in the game!

This competition is healthy. We need to encourage it. Any American company, large or small, that's not prepared to face global competition, is in trouble.

We have to work faster and smarter than ever before.

We need constant access to the latest information. Information about consumer tastes, information about price changes, information about new production methods, information about the weather. We need this information to keep from falling behind.

But, while creating tremendous opportunities, e-commerce also imposes tremendous
discipline.

On the retail level, customers have access to price and product information from many sources. We’ve already seen the impact of this in several retail sectors. Travel services, including routing and ticketing have expanded significantly. So has flower delivery.

I know from my own experience how easy it is to compare book prices at Amazon.com and Barnes&Noble.com, choose the better buy, and have a book in hand within two days.

In wholesale markets, online exchanges provide industry-wide pricing and open market information at a fraction of physical-world cost. Aggregators are building one-stop shopping mall to help geographically dispersed buyers and sellers find each other fast.

**Telecommunications Infrastructure**

But people need the right tools. I still find it incredible that Montana’s nearest "on ramps" to high-speed Internet access are in Wyoming and Washington state.

With high-speed broadband communications, a business in Billings can compete for electronic commerce on an equal footing with businesses in New York City or Los Angeles. Working with the Montana University system and state and national businesses, I hope to continue to build Montana access to high-speed Internet connections.

We’re working in Washington, D.C., to help with the rollout of broadband. I successfully amended the Senate-passed Rural Local TV bill. This gives consideration to projects that will offer broadband internet services along with local television broadcasts. That’s good for rural states like Montana.

The Rural Local TV bill creates a loan guarantee program to provide low cost financing to provide local-into-local television broadcasting in rural areas.

If we want to compete in the 21st Century, we need to invest in our high-tech communications infrastructure. This will be especially important to developing Montana’s 100,000 small businesses.

**Government Role in e-Commerce**

Right now, the United States is the world leader in Internet access and use. We have more users and more users per capita than any other nation. I believe that’s a result of three structural features of our national economy.

First, we are, as a nation, rich in expertise and inventiveness.

Second, we have a deep market for venture capital, which gives our innovators access to
start-up funds.

Third, we have a deregulated telecommunications market that has driven down the cost of connection. Contrast that with countries like Japan and Germany, which have lagged behind in freeing up their domestic markets to competition. Making it expensive for people to connect to the Web over the phone lines.

It’s no accident that the proportion of Americans with Internet access is almost four times as high as theirs.

I mention this third fact because it teaches an important lesson about the role of government in electronic commerce.

Twenty years ago, the government financed the initial development of the Internet. But the private sector has driven its expansion. For electronic commerce to flourish, the private sector must continue to lead.

Government’s role is to provide the right legal environment for e-commerce to flourish, and otherwise stay out of the way.

Let me say that again, *stay out of the way*.

Private parties should be able to enter into legitimate agreements to buy and sell on-line with minimal government intervention.

Quite frankly, I don’t believe that government can move fast enough to keep up with advances in information technology. So regulations are likely to be outmoded by the time we enact them.

Journalist Tom Friedman said that the trick for governments today is work better, faster and smarter to regulate the free market without choking it. That is especially true when talking about electronic commerce.

There are some areas where Governments must be involved -- tariffs, taxes, consumer protection and commercial law. In those areas, our goal should be to support and enforce a consistent and simple legal environment. Where government intervention is necessary, its goal should be to ensure competition and prevent fraud.

The Internet Tax Freedom Act that we passed in 1998 is a good example of the kind of hands-off action governments should take to keep the Web growing domestically. But there are also things we should do internationally.

E-Commerce and China
Now, I can’t discuss e-commerce without discussing international trade. And, I can’t discuss international trade without discussing China. I’ve been working hard to get China into the World Trade Organization and give them Permanent Normal Trade Relations status. This is vital for our national interests to take advantage of new trade and economic opportunities in China. It’s also important for Montana because of enormous export opportunities for our Montana industries. Especially agriculture.

I want to spend a moment talking about just how much e-commerce figures into my efforts to secure PNTR with China. One of the benefits of granting China PNTR status is that American companies involved in e-commerce will be able to invest and provide service in China. The Chinese government recognizes the power of the Internet to make their industries more competitive.

However, like most non-democratic governments, they want to control access to the Internet and monitor content. They’re learning quickly that it just doesn’t work that way.

I met several Internet and E-Commerce entrepreneurs when I was in Beijing in December. These businesspeople were identical to their counterparts in Silicon Valley.

I think there will be good opportunities for Montana firms to market our products to China over the Internet. This should also be a wonderful opportunity for Montana.

**What This Means for Montana**

Connecting to the Web will unleash a powerful force and American companies will be in the right place. I hope that a lot of those companies will be located here in Montana.

For years, the expansion of Montana’s economy has been hindered by distance. Trains and trucks have to travel hundreds of miles to haul goods in and out of our state. Airlines don’t provide convenient flights for folks coming to Montana. Electric commerce allows your companies to compete in national and global markets no matter where they are. This will spur Montana’s economic development – create good jobs.

High-tech is Montana’s best chance to turn the economic corner and strengthen our economy. It erases our disadvantages -- distance and access to markets nationwide and overseas.

To do that, we need to focus on our main resource: Montana. We need to improve on three fronts:

1) Gaining access to affordable, reliable high-speed Internet access;

2) Attracting investment capital to help build our start-up companies;
3) Increasing general awareness of the advantages of e-commerce.

To explain that last point, there are probably many of small businesses, including ag
producers, that are interested in e-commerce. They are prime candidates for engaging in e-
commerce but they just don’t know where to start. I’m not sure what the answer is, but education
of our current business sector needs to be a key part of any strategy.

Economic Development

Just a month ago I held an economic development summit in Great Falls. Many of the
suggestions from the summit addressed just these issues. More than 1,000 attended. There was
much enthusiasm and energy. Great ideas evolved.

And, technology was a large component of the two-day event.

To follow up, I’m forming a group to work with ideas that came out of the summit. I plan
to keep the momentum going. High-tech and e-commerce will be the agenda of this group.

I named Tom Scott (also Chairman of the First Interstate Bank System) as chair of the
group. Tom will choose other members in the near future. This group will be private sector
driven. It will focus on solutions that arise from the local communities.

The group then will make recommendations for improving Montana’s economy in several
areas -- including e-commerce -- to the Congressional delegation, the new governor, and the
incoming legislature. The most important point: we need to keep the momentum going so we can
close Montana’s economic divide and create good paying jobs here at home.

Conclusion

To conclude, e-Commerce is changing our lives. As it becomes global, Montana and
America needs to be a part of the transition. This means:

- An increase in business-to-business transactions. -- Creation of a single world
  market.
- Improvement in broadband communications.
- Granting PNTR to China.
- Connecting Montana to the World Wide Web.
- And, not only participating in e-commerce development, but encouraging it!

Conferences like these are the beginning. I commend you on your participation. Thank
you and I welcome your questions.