

# **Policy Guide for Developing Nations Wishing to Encourage the Formation of a Domestic Internet Industry**

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# Background

The Internet is a decentralized network of autonomous commercial interests.

Internet Service Providers (ISPs) operate by exchanging traffic at their borders, propagating data from its source to its destination.

This exchange can be settlement-free (“Peering”) or paid (“Transit”).

# Why This is Important

If you have no domestic Internet exchange facility, your domestic ISPs must purchase transit from foreign ISPs

The large foreign ISPs who sell transit are American, Japanese, and British

This is an expensive and unnecessary exportation of capital to developed nations at the expense of your domestic Internet industry

# Second-Order Benefits of Domestic Exchange

A strong domestic Internet industry creates high-paying knowledge-worker jobs

Domestic traffic exchange reduces the importation of American content and cultural values, in favor of domestic content authoring and publishing

# Policy Goals

Reduce costs to domestic ISPs

Encourage the formation of competing exchanges at different price-points

Maintain a single cohesive switch-fabric interconnecting all competing exchanges

Discourage reliance upon foreign providers for critical Internet capabilities

# Future Issues

Shared fate necessary in unlicensed spectrum allocation

Voice over IP services may replace more easily taxed circuit-based voice



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