Organizing Electronic Commerce Principles and Practical Solutions

Eric Blot-Lefevre, MA, PHD

Mr. Blot-Lefevre has led a distinguished and successful business career in Europe with the following organizations:
- Foreign Exchange Dealer - Banque INDOSUEZ (1976-1978)
- Treasurer - L'OREAL (1978-82)
- Vice Corporate Treasurer - THOMSON (1983-86)
- Chief Executif officer - BATIF Banque (1987-90)
- Chairman - BATIF Développement (1987)
- Chairman - TIMEXPRESS services (1988)
- Senior Vice Chairman - ALTUS Finance (1989)
- General Manager - CONCEPT (1990)
- Chairman - TECHNIC INFORMATIQUE AND SPECTRAL MIS (1991 - 92)
- Director of accounting and information systems department - Director of capital market division (1992-93) CREDIT LYONNAIS
- Treasurer (1994 - 95) CREDIT LYONNAIS
- Corporate Treasurer - THOMSON (since 1995)

Expert to the European Commission (since 1997) in the domains:
- Software Technology
- MultiMedia Systems
- Information Technology Market

General Manager of Thomson-CSF BV Export
- Chairman - E.C.E. - Electronic Commerce Europe - BRUXELLES (since 1997)

Contact:
THOMSON-CSF
173 Boulevard Haussmann 75415 PARIS Cedex 08
Tel: (+33) 01 53 77 88 07
Fax: (+33) 01 53 77 81 71
Email: grand@siege.thomson.fr

The Euro and the Single Market are part of a "Global MarketPlace" concept emphasizing:
- free trade in the interest of full employment,
- competitiveness in the interest of economic prosperity,
- security in the interest of individual and collective protection.

I. The general principles of the organized market

Thus 11 European countries have chosen a unit of value (the Euro) and a unit of exchange (the Single Market) that are going to increase the number of counterparties, transactions and long-distance communications, with all the resulting risks.
This market widening must be carried out in an organized way, respecting the principles set out by the G7 and the WTO:

For quality of exchanges

1. Universality
2. Security
3. Efficiency

For legal and financial protection

1. Confidence
2. Transparency
3. Traceability

II - The Single Market and the Euro

1. Business problems

Only Electronic Commerce has enough technology to apply these principles to the Euro and to the Single Market with the protection needed by business:

1. In connection with the legal and financial content
2. In connection with the management software
3. In connection with the communication networks (Internet)

To promote the Single Market, relying on the advantages of Electronic Commerce, the European Commission encourages the development of codes of contact, promotion of the best commercial practices (benchmarking) and experimentation with new secured communication networks on Internet.

2) Inter-company exchanges

2.1 - The concept of the extended company

The Single Market consists of 350 million consumers and 15 million companies, 35,000 of which have a work force of more than 250.

The single currency is going to facilitate exchanges between the major companies (35,000) and their subcontractors (5.9 million), which define the concept of the "extended company".

The extended company refers to a universal transaction model that is particularly well adapted to subcontractors concentrating all of their operations and applying, at international level, one and the same code of conduct.

The concentration of flows of information and of processing in competence networks, particularly in purchasing offices and coordination centers, exposes a company to new risks with respect to computer security and legal and financial guarantees.

2.2 - Dematerialization of exchanges
Management of operations in a context of security (integrity, non-repudiation, encryption), confidence (credit/payment/confidentiality), and strengthened control (traceability, transparency, authenticity) is leading the authorities and professional organizations to see to dematerializing management acts by substituting electronic messages, signatures and proof for paper.

3) Financing small and medium-sized businesses in Euro

The Euro's credibility will be ensured by a selective policy of guaranteed credit based on definite and eligible receivables kept by a trusted third party so as to protect the financial establishment and the Central Bank with respect to its refinancing.

The best solution for financing payment periods at small and medium-sized business will consist - under these circumstances of limited and more expensive loans - in having the invoices immediately purchased by factors or securitization establishments as soon as the supplier establishes the accounting resistance of its receivable and the payment guarantee is judged by a scoring or rating agency on the basis of the customer's solvency.

Dematerializing invoices will facilitate evaluation thereof on the basis of solvency criteria, putting them into escrow, and their financing of the payment period so as to improve the operating funds of small and medium-sized businesses and so as to respect the European Central Bank's rules of financial orthodoxy.

4. Message standardization

The Euro and Electronic Commerce are going to work together to effectively bring about the content of the Single Market in terms of rules of the game, security, and dematerialization of exchanges.

But the messages have to be standardized to ensure end-to-end management without manual intervention, associating, with this process, the depositary trusted third party that is indispensable to authentication, escrow and custody of management acts, signatures and proof that are entirely electronic.

But computer data exchanges do not exist in the small and medium-sized businesses and the majority of extended companies. The fact is that the best such exchanges operate more in connection with financial flows than commercial flows. Under these circumstances, learning about electronic exchanges risks being more decisive at the outset in electronic finance (risk and cash management) than in Electronic Commerce, when it comes to company negotiations and purchases.

In other words, electronic exchanges with the existing systems and their present facilities are going to proliferate to a greater extent in the internal networks ("Intra") than in the external networks (customers/suppliers).

As soon as the computer data exchange solutions have proven their value on the Web, particularly with XML - HTML and OBI (Open Business to Internet), the situation may then be reversed. But it is also necessary for the codes of conduct to accompany this progress.

III - Electronic Commerce

A secured communication network par excellence

- Electronic Commerce operates under the banner of a code of conduct that aims to be universal and efficient, and to produce security. It has the essential characteristics of an organized market: confidence between parties, traceability of operations and transparency of intermediaries.

- The secured communication network possessing all of these intrinsic qualities is called an "Electronic Commerce network par excellence".

- E.c.e. will organize the status of the "Electronic Commerce networks par excellence" with the required expertise
and independence so as to promote quality and practical exchanges for the small and medium-sized businesses.

- Creation of the Working Group on E.c.E. codes of conduct - E.C. Single Market is justified for these reasons.

**III.1 - Universality of exchanges**

- Formalization and standardization of exchanges in the light of the nature of contracts is vital in a renewed computer data exchange technology to facilitate correspondence and synchronization of the messages with Internet.

- Harmonization of management methods and languages is vital

- Interoperability must be arranged between the message formats and the management applications.

- The code of conduct must ensure both the universal and the professional characteristics of exchanges by indicating the communication and security specifications with which the parties agree to comply.

**III.2 - Security of exchanges**

- Security is mainly organized, in the interest of safe electronic exchanges, by the Trusted third party - keys/security and by the Trusted third party - Depositary.

- The Trusted third party for security applies the ceremony of the keys, certifies (integrity, non-repudiation, encryption) and responds to special cases of force majeure.

- The Depositary Trusted third party acts as:
  - manager in identifying the parties
  - checker of authorizations
  - depositary (authentication on electronic signature and on electronic proof
  - custodian (escrow).

**III.3 - Efficiency of exchanges**

- The efficiency of a secured communication network very often begins with an Intranet. This is security software avoiding falsification, intrusion and distortion of messages (integrity, non-repudiation, encryption).

- The efficiency of a secured communication network brings a concentration of databases distributed or dispersed among powerful open server centers and hyper-protected by authorization management (Centric Web - Third party architecture).

- The efficiency of a secured communication networks presupposes the use of all communication means and of all existing work stations equipped with authorization software for accessing server centers with search engines, and with perfect security.

- "Legal issues": there is no efficiency unless Governments organize themselves to harmonize legislation and facilitate the development of codes of conduct. The harmonization must bear on encryption legislation, on legislation relating to individual protection and filtering information, and on the international status of trusted third parties keys/security and depositary.

**Conclusion**

Electronic Commerce can develop only by first working on codes of conduct and trusted third parties. These two
functions are of a constitutional nature for the Single Market and the Euro.

The point now is to transpose the old concepts of "Jure et Facto et depositum custodi" - which have existed since Antiquity - into the digital and electronic economy of the 21st Century.