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**Contribution to the Second Meeting of the Internet Governance Forum**  
**ITU work on International Internet Interconnectivity**

## 1 Context

ITU's previous contribution on this topic was submitted to the Athens meeting of the Internet Governance Forum and can be found at:

[http://www.intgovforum.org/contributions\\_for\\_1st\\_IGF.htm](http://www.intgovforum.org/contributions_for_1st_IGF.htm)

ITU-T Study Group 3 (SG 3) started examining the international Internet connectivity (IIC) issue in 1998. The objectives of the study were, at that time, to identify the differences between the Internet and the Public Switched Telephone Network (PSTN) costing models. SG3 agreed that it was inappropriate to apply the existing PSTN costing model to the Internet, as agreement was not reached regarding whether the existing Internet connectivity model results in equitable cost compensation between providers.

After ten years of discussion, ITU and other international bodies are still working to find consensus on ways to distribute the costs of International Internet connectivity (IIC) that are satisfactory both to Internet service providers (ISPs) situated in regions and countries far from the Internet backbone and to Internet backbone providers (IBPs). Many developing countries take the view that their ISPs should not have to pay the entire cost of international connections to IBPs because this makes them unable to recover the costs of traffic transported to their own networks at a time when more and more international transmissions are made using this medium.

The current IIC models are unlike the prevailing model for telecommunications, whereby each country pays for the segment of circuits needed to transport its traffic, and the operator in the country originating the calls makes compensatory cost-oriented payments to the operator in the country receiving them – a source of income that many developing countries have used to help finance their investments and meet their universal service obligations. In an informal note to the WTO Trade in Services Council on 26 May 2000, the ITU secretariat wrote<sup>1</sup>:

“ITU estimates that, between 1993-98, net flows of settlement payments from developed countries to developing ones amounted to some US\$40 billion. However, an increasing volume of traffic now

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<sup>1</sup> Document on accounting rate reform drawn up by the ITU secretariat and approved by the Study Group 3 management team: [www.itu.int/ITU-T/studygroups/com03/accounting-rate/index.html](http://www.itu.int/ITU-T/studygroups/com03/accounting-rate/index.html)

passes outside the accounting rate system (e.g., via the Internet), or is routed in such a way as to exploit the least-cost route between two end-points, which is not necessarily the most direct one.”<sup>2</sup>

As a consequence, there has been a change in the net flow of settlement payments, and some developing countries are becoming indebted to developed countries.

## 2 ITU activities

ITU-T Study Group 3 turned its attention to the matter in the 1997-2000 study period, having been prompted to do so by criticism from the developing countries of the hierarchical scheme of international Internet connections, characterized by commercial arrangements between ISPs in those countries and a limited number of providers (IBPs in developed countries) that at that time concentrated global access to the Internet (IBPs). Many developing countries take the view that these conditions have not yet allowed for an equitable distribution of Internet connection costs or the recovery of Internet voice traffic costs.

Unlike the developing countries, however, some of the developed countries consider that the payment model used for the public switched telephone network is not applicable to the Internet, that any regulatory action in respect of the Internet could jeopardize its development, and that the current model, based on bilateral negotiations between commercial companies, results in efficient pricing and an appropriate distribution of costs and revenues.

However, many developing countries are of the view that this has not been proven.

The main outcomes of the discussion in ITU-T are as follows:

- In October 2000 the World Telecommunication Standardization Assembly approved ITU-T Recommendation D.50, which recommends that “Administrations involved in the provision of international Internet connections negotiate and agree to bilateral commercial arrangements enabling direct international Internet connections that take into account the possible need for compensation between them”<sup>3</sup>.
- In June 2004, after extensive analyses, ITU-T approved an appendix to Recommendation D.50, recommending charging criteria and options for international Internet connectivity and cost distribution for the international link.
- The Regional Tariff Groups have participated actively, given that most of those countries’ ISPs are not yet in a position to adopt peering agreements with global or regional Internet backbone providers (IBPs), and are instead obliged to purchase “transit services” in order to provide end users with universal Internet access.
- The subject continues to be examined in the current study period, and two rapporteur groups are in charge of studying the technical and economic aspects of international Internet connectivity and of analysing the factors that influence Internet traffic flows. Many developing countries take the position that there have been no effective results in terms of the application of Recommendation D.50 or equivalent measures that meet the interests of the developing countries, while other countries take the position that market forces are working well and that there is no evidence at this time that would warrant regulatory interventions, apart perhaps from national interventions in cases of abuse of dominant market power by incumbents.

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<sup>2</sup> *This text describes the situation at the time regarding the exchange of voice traffic involving settlement payments between countries.*

<sup>3</sup> *Two countries expressed reservations when the recommendation was approved. For the complete text, see: <http://www.itu.int/rec/T-REC-D.50-200010-I/en>.*

### **3 Consideration of the subject in recent international meetings**

#### **3.1 World Summit on the Information Society (WSIS)**

WSIS also considered the costs of international Internet connectivity, under Internet Governance. It acknowledged the developing countries' concern that such charges should be better balanced and called for the development of strategies to make global connectivity more attainable, chiefly by:

- a) promoting Internet transit and interconnection costs that are commercially negotiated in a competitive environment and that should be oriented towards objective, transparent and non-discriminatory parameters, taking into account ongoing work on this subject;
- b) setting up regional high-speed Internet backbone networks and creating national, subregional and regional Internet Exchange Points (IXPs);
- d) encouraging ITU to continue the study of the question of international Internet connectivity as a matter of urgency, and to periodically provide output for consideration and possible implementation, and likewise encouraging other relevant institutions to address the issue;
- f) encouraging ISPs and other parties in the commercial negotiations to adopt practices towards attainment of fair and balanced interconnectivity costs;
- g) encouraging relevant parties to commercially negotiate reduced interconnection costs for least developed countries (LDCs), taking into account the special constraints of LDCs.

#### **3.2 ITU Plenipotentiary Conference (PP-06)**

The 2006 ITU Plenipotentiary Conference, adopted Resolution 146 on the Review of the International Telecommunication Regulations<sup>4</sup>, *resolves* 3) to 5) of which establish:

- 1 that the fourth World Telecommunication Policy Forum (WTPF)<sup>5</sup> should consider emerging telecommunication policy and regulatory issues, for the purpose of understanding them and possibly developing opinions as appropriate;
- 2 that WTPF should prepare reports and, where appropriate, opinions for consideration by Member States, Sector Members, relevant ITU meetings and the Council;
- 3 that a world conference on international telecommunications should be convened in 2012, on the basis of the recommendations arising from this process of review.

Many developing countries are of the view that the IIC issue should be included in the review of the existing ITRs, or in the WTPF work related to new issues for the ITRs. Other countries are of the view that it is not necessary to consider the IIC issue in the context of the ITRs.

### **4 Outlook**

It is to be hoped that the activities approved by WSIS and PP-06 will lead to consensus decisions with respect to the issue of International Internet connectivity and that those decisions will be in the interests of both developing countries, LDCs and developed countries.

This outcome can be achieved through coordinated agreements at the highest level involving the political will of the governments and the other sectors to share the benefits of guaranteed global access to the Internet at affordable prices for all the world's inhabitants.

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<sup>4</sup> *A binding ITU document establishing general principles for the provision and payment between countries of the transport and termination of international telecommunications, adopted in 1988, before the appearance of the Internet.*

<sup>5</sup> *PP-06 agreed to convene the fourth WTPF in 2009 on convergence, including Internet-related public policy matters (Decision 9, Antalya, 2006).*