

A generic problem

afflicted Africans, however, is far more complicated than simply supplying drugs, and although the market is large, the uptake may be very slow. Competition in developed markets such as the United States is also far fiercer than in South Africa. Companies as far afield as Ireland and India are also expanding aggressively into the generics business. Aspen has managed to dominate its local market, but replicating its success abroad is likely to be much harder. ■

### Internet geopolitics

## Gulliver's travails

GENEVA

### The battle to control the internet

SINCE the internet was created in the 1960s as a military-research project, America has co-ordinated the underlying infrastructure. But other countries are increasingly concerned that a single nation enjoys such power, and want to place the internet in the hands of an inter-governmental organisation—something America says might hobble the network.

At a diplomatic conference last month in Geneva to prepare for the United Nations World Summit on the Information Society, taking place in November, vocal critics such as Brazil, China and Iran led the opposition to America's control. On September 28th, the European Union abandoned its support for the current system and proposed a new, governmental approach, leaving America more isolated than ever. ▶

Although the internet is largely decentralised and so difficult to regulate, the domain-name system is one of the few levers by which it can be controlled. Today, the internet is managed by a private-sector group called the Internet Corporation for Assigned Names and Numbers (ICANN), which America helped to set up in 1998 and still oversees. ICANN already has an international board of directors and a governmental advisory committee, but many non-Americans want to strengthen the role of governments.

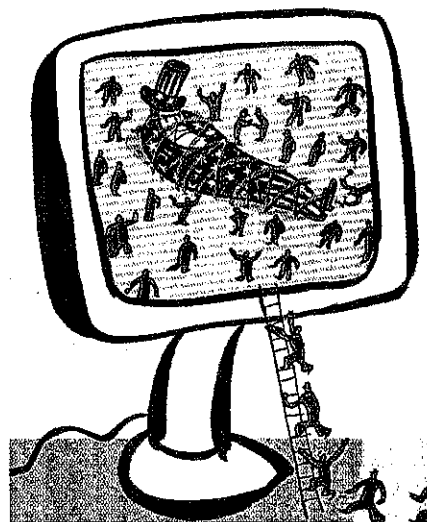
The EU proposal, announced by Britain, which currently holds the EU's rotating presidency, was intended as a compromise between the UN supporters and America. It would create a new organisation to set policies over distributing routing numbers, creating new domains and the like. Because of its role as chair, Britain, usually America's closest ally on internet issues, had to stay neutral and could not beat back calls by Denmark, France, Spain and the Netherlands for greater government influence over the internet. After the announcement, Brazilian and Iranian delegates rushed to congratulate British officials, whose faces dropped when they realised the EU policy was being lauded by America's loudest opponents.

If ICANN already has a degree of government representation, why is a new organisation needed? Many of the arguments advanced come down to suspicion of America, and fear that ICANN is a tool of American hegemony. But another reason is that, although today the internet's address system identifies digital devices, in future it may be extended to encompass objects (through melding addresses with radio-frequency identification tags), location (via global-positioning satellites) and even individuals.

Meanwhile, countries demand sovereignty over their two-letter national address suffixes, which due to a quirk of history still ultimately reside under American control. Such concerns—which are political as much as technical—call for greater government involvement, or so the argument goes. All governments calling for change repeat the mantra that the new system would be a “multi-stakeholder” process that includes industry and civil-society groups.

However, the disingenuousness of the position was made clear during the meeting last month in Geneva. Some countries demanded that groups representing business and public-interest causes be thrown out of the room when governments drafted documents for the summit in November. In one instance, delegates from China and Brazil actually pounded on tables to drown out a speaker from industry.

To break the impasse, some countries are trying to devise a compromise before the summit that will temporarily appease



all sides. America has endorsed a proposal that would create a forum—devoid of formal powers—to discuss these matters. This will enable the issue to remain on the diplomatic radar after the UN summit. Indeed, the real battle will come in 2006 when America's contract with ICANN comes up for renewal and there is a big conference of the International Telecommunication Union, a UN body that aspires to fill ICANN's shoes.

Ultimately, the political squabbles are overshadowing more important things that could improve the lot of internet users, such as widening access to the internet and using technology for development. The good news from the UN meetings is that governments increasingly understand the importance of technology to society. The bad news is that the internet risks becoming suffocated in their embrace. ■

### Online music

## Calling the tune

### Music firms are emboldened, but risk strangling the golden goose

THE music business has long wailed that internet piracy is destroying its business. Now, it is fighting back on two fronts—first, by driving illegal operators out of business; then by driving as hard a bargain as possible with those firms selling legal downloads. Indeed talks between Microsoft and the major music firms have just broken down because the software company thinks the music business is demanding unreasonable levels of royalties.

Things are going better for the major record labels on other fronts. Last week the founder of a popular “peer-to-peer” (P2P) file-sharing program, Sam Yagan, told a

Senate committee that his company will soon stop operating in its current form. He explained that eDonkey—which accounts for around half of all P2P traffic—can no longer afford to fight the music industry in the wake of the Supreme Court's ruling in June against two other P2P firms, Grokster and StreamCast, which declared that such applications are illegal if they induce users to violate copyright.

As expected, the music industry is now using its legal victory to hound commercial P2P operators out of business. Last month the music industry's trade body sent them threatening letters. WinMx, another P2P network, appears to have shut down, while eDonkey says it plans to start making its users pay for music. Grokster is reportedly on the verge of selling itself to a company called Mashboxx, which has a similar strategy to go legitimate. In Australia last month, a court ruled against Kazaa, another popular file-sharing service, and ordered it to use filters to stop the trading of copyrighted content.

Nobody, however, including executives at the major labels, believes that file-sharing is defeated. When the industry forced Napster, the first big file-sharing network, to shut down in 2001—it has since relaunched as a fee-based service—a host of free alternatives sprang up immediately, and that is what will now happen again. Because of the Supreme Court's ruling, says Mr Yagan, the new P2P services will simply move offshore and underground, and will offer more anonymity. In fact, the Supreme Court's decision is likely to encourage a move towards free, “open-source” P2P applications. Since they do not make money from advertising or bundling software, they are less vulnerable to the accusation that they are illegally inducing piracy for their own benefit.

In the first half of this year, digital-music sales from mobile-phone “ringtunes” and legal download services such as Apple's iTunes more than tripled compared with last year, and now represent 6% of total music revenues, according to industry estimates released this week. That rapid growth has restored confidence to the music industry, as have its victories in court.

So much confidence, indeed, that some of the major labels are urging Apple's iTunes service—the epitome of success in online music sales so far—to shift to variable (ie, higher) prices from the consistent \$0.99 per track it currently charges in America. That would be a mistake. Despite its rapid growth, the legal market for music on the internet is still in its infancy. Apple's boss, Steve Jobs, believes that higher prices would stifle legal sales and encourage P2P-based piracy. Microsoft might even deserve better treatment, too. Since the major labels' legal stick will never be completely effective against P2P, it is vital that they also offer an attractive carrot. ■