

**REMARKS OF FCC CHAIRMAN JULIUS GENACHOWSKI  
U.S.-CHINA INTERNET INDUSTRY FORUM  
WASHINGTON, DC  
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Good morning. I'm Chairman Julius Genachowski of the U.S. Federal Communications Commission.

Thank you to Microsoft and the Internet Society of China for inviting me to spend some time with all of you today. In particular, I'd like to thank Vice Minister Qian Xiaoqian of the State Internet Information Office, Vice Chairman Wu of the Internet Society, and Craig Mundie of Microsoft.

I will talk today about opportunities and challenges in the U.S.-China relationship on information and communications technology issues.

Let me be clear: while there are significant opportunities, the FCC and other U.S. government entities have significant concerns regarding China's conduct on important issues, including restrictions on Internet freedom and openness, inadequate protections for intellectual property, cybersecurity, international standards, and market access.

The Federal Communications Commission is the U.S. government's expert agency for communications. We develop and implement policies for wired and wireless communications—including broadband Internet, telephone service, broadcast TV and radio, satellite, and cable.

A fundamental principle of the FCC is this: Free markets for commerce, communications, and ideas will result in greater innovation and investment, increased job growth, and benefits to our citizens.

I'm pleased that during my two-plus years at the FCC, we've focused the agency on unleashing the tremendous opportunities of broadband – wired and wireless. Broadband is an information and communications technology that can do so much to promote job creation; economic growth; and advances in health care, education, energy, public safety, and cloud computing.

Broadband can help new businesses start, small businesses grow, and large businesses compete and succeed. And not just technology businesses. Broadband is helping an enormous number of "offline" businesses, from farms to bakeries to delivery companies.

To harness the opportunities of broadband, we at the FCC crafted America's first-ever National Broadband Plan, released in the spring of last year. It identified key initiatives related to broadband deployment, in areas of the country where broadband networks haven't been built out; broadband adoption, for the tens of millions of Americans who do not have broadband service; and wireless spectrum, since demand for spectrum is fast outstripping supply as we see tremendous innovation in and on mobile platforms. It also identified key initiatives in the use of broadband in important sectors of our economy, such as education, health care, and energy.

Since adopting the Broadband Plan, we've been hard at work ensuring we have the right policies in place to execute on the initiatives.

For example, to address broadband deployment, just six weeks ago, the Commission comprehensively reformed our Universal Service Fund, which helps the private sector provide communications services in rural areas. We took an outdated, broken system designed for the telephone era and modernized it for broadband, our 21<sup>st</sup> century essential infrastructure. This will help connect millions more rural Americans over the next several years, and put our country on the path to universal broadband by the end of the decade.

To address broadband adoption, we challenged the private sector – including leading Internet service providers, technology companies and nonprofit organizations – to help overcome barriers to broadband adoption. Earlier this fall I was pleased to announce that a coalition of organizations had launched the “Connect to Compete” initiative, which will enable low-income families to purchase a computer and basic broadband service at deeply discounted prices, and as part of which partner organizations will step up their efforts to improve Americans’ digital literacy skills. We’re also working to modernize existing FCC rules and policies in this area.

To address the growing spectrum shortfall, our National Broadband Plan set a goal of unleashing 500 megahertz of spectrum for mobile broadband, both licensed and unlicensed, by the year 2020 – a goal endorsed by the President last June.

To help meet that goal, we’ve proposed a number of policy initiatives, including a new type of two-sided spectrum auction called voluntary incentive auctions, and have been taking additional steps to remove barriers to the use of spectrum for broadband.

We’ve also been focused on other policies to promote innovation and investment throughout the broadband economy.

Last year we adopted a strong framework to preserve Internet freedom and openness. This framework does not – and we should not – regulate the Internet. Rather, it ensures that no central authority, public or private, can act as a gatekeeper to the Internet. This framework ensures that entrepreneurs and others can launch online businesses and reach customers and markets through the Internet, without fear of blocking or interference.

We said these widely supported rules of the road to preserve Internet freedom would increase certainty and predictability in the marketplace, unleashing new innovation and investment across the broadband economy. And they have. At both applications and infrastructure companies in the U.S., innovation is increasing. Investment is up.

We’re focused on ensuring we have the right broadband policies in place because broadband is so important to our economy and our country. And we understand that broadband is driving tremendous benefits and opportunities - and can drive even more - not just in the United States, but also abroad.

By working together to address common challenges, we can increase global economic growth, innovation, and prosperity, benefitting all countries. That’s why, continuing the work of my predecessors, I’ve met regularly with my counterparts overseas.

And that’s why I recently traveled to China, where I met with many key government officials and business leaders, including Vice Minister Qian and Director-General Liu Zhengrong of the State

Council Information Office - who I know are with us today. I also met with Vice Minister Shang Bing of the Ministry of Industry and Information Technology, and other Chinese government leaders.

We went to China primarily to discuss several important issues: spectrum and broadband policy, the need for free flow of data across borders to advance cloud computing, and the important role of intellectual property protection and open networks in spurring innovation.

In addition, we emphasized the importance of enhanced market access, and greater Internet freedom. We have real concerns about China's position on these issues. We also believe there are significant opportunities to work together to promote economic growth and innovation in both our countries – a win-win.

One immediate area for possible cooperation and coordination is spectrum policy.

In the U.S., multiple experts expect that by 2014, demand for mobile broadband and the spectrum to fuel it will be 35 times greater than last year. And China alone added 30 million mobile subscriptions in just the last quarter.

We believe cooperation and coordination on issues like spectrum harmonization will increase economic growth, innovation, and lead to a range of societal benefits for both of our nations, including in health care, education, energy, public safety, and cloud computing.

The same is true on the issue of ICT standards, where we have real concerns that Chinese domestic standards are creating unnecessarily burdensome technical barriers.

As Undersecretary of State Hormats said this morning, wireless broadband standards based on global norms will increase Chinese innovation and help Chinese consumers. They will increase the size of the wireless broadband pie, benefitting everyone.

In addition to unleashing spectrum, my counterparts in China and I discussed the promise of cloud computing. As both of our nations seek to unlock the enormous promise of the cloud, I believe that there is a common interest in ensuring data is able to move more freely across national borders.

In that regard, restrictions by governments on where data centers must be located undercut the cost structures that make cloud computing a viable business proposition. Neither of our nations gains if these restrictions take root globally.

Last month, President Obama, along with the other leaders of the Asia-Pacific Economic Cooperation (APEC) group, approved a new framework to harmonize cross-border data privacy rules across the APEC region. This is an important step to promote growing economies.

By removing restrictions that hamper the free flow of data across borders, we would allow cloud computing to truly flourish. The result would be the rapid expansion of cloud benefits to the greatest number of Chinese and American citizens, including our innovators and entrepreneurs.

We also discussed the importance of stronger intellectual property protection. The future of both of our economies depends on innovation, but innovation cannot flourish without robust IP

protection to provide the right incentives. As China further develops an information-based economy in line with its most recent Five Year Plan, we hope and expect to see all innovators and content creators benefit from stronger IP protection and enforcement.

Likewise, we believe preserving a free and open Internet stimulates innovation and economic growth. As we have observed in our domestic market, it is the open, decentralized nature of the Internet that has made it an engine of innovation and economic growth. We believe the U.S. and China share an interest in ensuring our entrepreneurs and innovators are free to launch new products, reach new markets, and continue driving the innovation economy.

Similarly, we believe innovation flourishes in an environment where our citizens enjoy the freedom to go where they want, use the services they want, and read and say what they want online. As Secretary of State Clinton has observed, “principles like information freedom aren’t just good policy . . . they’re also good for business. . . . [T]he freedom to connect . . . allows individuals to get online, come together, and hopefully cooperate.”

Widespread and open connectivity fuels innovation and broad consumer benefits.

I was encouraged by our meetings in Beijing, and I am pleased to report that the FCC and Ministry of Industry and Information Technology (MIIT) have agreed to initiate a new Broadband & Innovation Dialogue. I am hopeful this new, ongoing dialogue will provide a vehicle for the U.S. and China to address some key opportunities and challenges in the information and communications technology sector.

As both of our nations experience rapid growth in mobile data traffic and seek to benefit from Next Generation IT, I look forward to working together at the upcoming ITU conference in January, and beyond, to free up additional harmonized spectrum globally for mobile broadband – both licensed and unlicensed.

I look forward to exploring the possibilities of our new Broadband & Innovation Dialogue, and to working with many of you to seize the opportunities we have to stimulate economic growth, innovation, and investment, improving the lives of people in the U.S. and China, and billions around the globe.

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