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THE NEW ECONOMY

eEUROPE: – CHALLENGES AND OPPORTUNITIES

ERKKI LIIKANEN*

The information society has been on the top of the EU agenda since the Lisbon summit more than a year ago. The conclusion of the summit was clear: economic growth is closely linked to the speed with which we get ready to use new technologies, especially in the information and communications field.

The term “we” means in this case all of us – businesses, citizens, government, everybody. Some, for example big companies, and research institutes had been quicker to adapt. Some had been slower, such as SMEs and governments. Some had not yet started, including the majority of citizens without access to the Internet.

The analysis of Lisbon was that the benefits of the information society can be realised only if the society as a whole adopts – and not only adapts to – the digital world.

Of course, since spring 2000 everything has changed. Or has it? I’m not so sure.

True, the stock markets – especially the high tech stock markets – have fallen. The US economy is stuttering, and as consequence the European economy has slowed down a bit, too. But look beyond short-term indicators and stock market headlines: the ground forces have remained the same.

- Internet penetration in Europe keeps rising at a very fast pace.
- The ICT sector keeps growing, both in absolute terms and relative to the rest of the economy.
- Businesses and governments keep integrating ICTs and the Internet into their normal work.

In short, the information society is progressing as expected, albeit not at an explosive speed, but only

at a very very fast speed. And it remains our key task to set the right framework to allow growth to continue.

Telecoms liberalisation and the new framework

EU telecoms policy has one main objective: provide high quality services at low prices to European citizens. To do so, we have gradually liberalised all segments of the telecoms market. As you know, this process culminated in January 1998 with the full liberalisation of services and infrastructures in all Member States.

I underline “in all Member States”. Throughout the entire liberalisation we have managed to keep everybody on board the same ship, in marked contrast to the electricity liberalisation.

I do not point this out to say that we were more efficient than our colleagues in the electricity sector. The times were different in the early 1990s. There was not as much mistrust towards common solutions as in the last years. But I believe recent developments have convinced even many sceptics of the necessity of a degree of harmonisation of the European market.

Thanks to liberalisation together with some harmonisation,

- telecoms services have become the fastest growing sector of the European economy, with an overall growth rate of 12.6% in 2000.
- competition keeps intensifying, leading to lower prices, more choice and better quality of service.
- incumbent operators have turned themselves into innovative companies that expand internationally.

We have achieved a lot, but much remains to be done to create a level-playing field for all competitors. This is particularly the case in local communications, which are still largely dominated by former monopolies.

Furthermore, the EU telecoms market remains fragmented along national lines. This was illustrat-



Full telecoms liberalisation achieved in 1998

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ed by the incoherence in the licensing process for third-generation mobile services.

Therefore, our aim is to create a genuinely unified and coherent market, where rules are applied in a harmonised way all across the EU. Proposals for a new regulatory framework for electronic communications were tabled last summer. Let me briefly remind of three key features:

- **Simplification.** The new telecoms package streamlines the existing framework, reducing the number of Directives from 28 to 8.
- **Convergence.** It adapts the existing framework to the Internet-driven convergence between telecoms, computers and the media, where any content can travel over any network to any terminal. Currently a video on your TV is subject to one set of rules, the same video on your computer is subject to another.
- **Spectrum.** The telecoms framework incorporates a new area of responsibility: spectrum. Radio spectrum, which is, for instance, used for wireless telecoms or broadcasting, is of growing economic importance. This requires a co-ordinated EU approach, both at the European and international levels.

The target was that this new telecoms package should enter into force in early 2003, including one year of transposition by Member States. I am glad to report that significant progress has been made since. We are still on target.

The legislation to unbundle the local loop already came into force in January 2001 after one of the fastest adoption procedures in EU history. As a result we expect, in particular, to rapidly see the emergence of competition in flat-fee, high-speed Internet based on ADSL – a technology which allows for fast Internet access over regular telephone wires.

The other Directives deal both with the regulation necessary ensure effective competition and with the rights of customers. Consequently, they cover a vast array of issues, going from dominant positions over licensing conditions all the way to universal service and data protection.

Despite this very ambitious scope, most of the package is already subject to agreement, thanks to very intensive discussions in the European

Parliament and in the Council of Ministers. True, some differences subsist, notably:

- on the level of co-operation in remedying competition problems, i.e. whether the Commission can intervene to guarantee that remedies do not create problems for the internal market;
- on how to deal with spam, where a majority of Member States and the Commission support opt-in, while a minority prefers opt-out;
- on retention of traffic data, where necessities of law enforcement and right to privacy require a very delicate balance indeed.

However, I'm confident that solutions will be found rather sooner than later.

Concerning our other legislative activities I am happy to report that we have made significant progress on the dot.eu regulation. A common orientation by Member States has been found, and the European Parliament has given a largely positive opinion. We are on good course for adoption before the end of the year.

Network and information security

However, competition alone will not be enough to ensure widespread Internet take-up in Europe. It must be complemented by a high level of security and privacy on the Internet. Indeed, this concern is getting more and more important for users. According to our surveys, the number of Internet users encountering security problems has leapt from 18% last year to 31% this year.

The EU has already taken several initiatives in this respect:

It has fully liberalised the trade of encryption technologies between Member States. These are key to securing confidentiality.

It has also adopted legislation to ensure the lawfulness and mutual recognition of electronic signatures between EU countries. These are key to securing the integrity and authentication of electronic data.

However, more needs to be done, for three reasons.

- Firstly, networks and information systems have become critical for the proper functioning of

A unified telecoms market to be in place by early 2003

our societies as more and more of our economy relies on them.

- Secondly, the amount of data flowing between countries and between continents is still growing on a daily basis. As a consequence, security threats, such as virus attacks, can in principle be launched from any place on earth against any network or information system on the globe.
- Thirdly, network and information security is nowadays a commodity bought and sold on the market and part of the contractual agreements between parties. Policy measures should reinforce this market process.

Therefore, the Commission has recently published a Communication on network and information security. On the basis of the analysis in this Communication we will start discussions with Member States and the European Parliament on which measures need to be implemented.

Let me highlight some of the policy proposals we have made in this document:

- In order to raise awareness, public information and education campaigns should be launched and best practices should be promoted.
- A European warning and information system is needed to strengthen the activities of Computer Emergency Response Teams (CERTs) or similar entities and improve the co-ordination amongst them.
- Examine how to best organise at European level pro-active measures to develop forward looking responses to existing and emerging security threats (e. g. an Information Security Observatory).
- Concerning the legal framework, we will set up an inventory of national measures, which have been taken in accordance with relevant Community law.

Our objective is to table a comprehensive strategy on the security of electronic networks before the end of the year. On the basis of this strategy, security is likely to be one of our priorities for the next two years.

Access for all: skills and inclusions

Liberalisation leads to lower prices; security leads to more trust; both lead to a quicker uptake. The growth rates of Internet use in Europe are already higher than for any other new technology in histo-

ry, with one exception – mobile telephony. Some simple figures show how far they have spread in only a couple of years:

- 65% of the European population have a mobile phone.
- 45% of Europeans use a computer at work.
- More than 36% of EU homes had an Internet connection in June 2001, up from 28% eight months earlier.

However, cheap and secure telecoms services by themselves are not enough. People also need the ability to use them. There are four segments of the skills question where we must intervene to fully exploit the potential of the Internet:

- First, schools must provide all young Europeans with the essential digital skills they need to live, work and be responsible citizens in the digital age.
- Second, we need to ensure the employability of people already in the job market. Many of them need to adapt their skills or acquire new ones. This is exacerbated by two factors: the ageing of Europe's workforce, and the accelerated outdating of skills due to the fast pace of technology development. This calls for the promotion of life-long learning for all Europeans.
- Third, we must provide a sufficient supply in IT-skilled workers. To do so, we have to adapt higher education and encourage more young people to embrace scientific and technological carriers.
- Fourth, we should not forget people needing special help to join the information society, whether sick, elderly, disabled or otherwise inhibited. Modern technology provides them with new opportunities to be better integrated in society – oversized keyboards, voice-enabled websites and so on. Investments in developing adequate technologies for their needs not only keep them from being excluded from the *information* society, but also integrate them better into society at large. Applications such as e-health will enable them to participate more actively in everyday life. The information society does not only have economic benefits, but social ones as well.

Skill improvement
for Internet use

Getting everyone on board is a very important point which I never tire of underlining. Currently, growth rates are very high, and are likely to stay that way for some time. We might imagine that with

these growth rates everybody sooner or later will be online. However, there will be a time (at 60% penetration? at 80% penetration? who knows?) when growth slows down and it will become clear who will not join the bandwagon by themselves.

It will be our duty to make sure that we help those on the outside to join the rest. And not only for reasons of social cohesion. Although social cohesion by itself would be a sufficient reason to do so, among other things because it is one of the key policy objectives of the European Union. But in addition, it is in our economic interest, even if it costs some money.

Take for example mail. If all customers of a given company have e-mail, the company can migrate its entire billing system online. However, if some of its customers are not online, it will have to maintain a double billing system at a much higher cost.

However, it is not only quantifiable effects we are talking about. Before we go to public services, a prime example of efficiency increases which are only possible if everybody is online, think for a moment about what effects for example on-line registration for social aid can have: by applying for social aid via a computer in an Internet café or at a Public Internet Access Point, the social stigma associated with going to the office for public assistance is greatly reduced, making life much easier for people in need.

On-line public services

As the number of connected citizens grows, so will the incentive for government to offer efficient and diversified on-line public services. Much progress has already been achieved regarding the use of the Internet by governments.

Access to public documents and legislation is improving. That's good for openness and transparency. But it is only a first step. What is still missing is real interactivity, which is the essence of the Net.

It is all very well to be able to find administrative forms on-line and to download them. But having to print them out, fill them in, and then send them back by regular mail is not yet an e-government. The real change will be true interactivity in public services. A major reform of public services will

then become possible. Responsiveness, citizen-friendliness and quality of service will become new standards for public services.

In parallel, government will become more efficient. Old and expensive service delivery methods will be replaced by more carefully tailored and targeted services – with important cost-savings and increased efficiency.

In the spring of this year, the EU defined a list of twenty basic public services such as delivering driving licences or granting building permits, for which we will measure the progress which public administrations in all Member states make.

A first study is underway, and we expect the results in time for our key conference on e-government on 29/30 November in Brussels. This will be the first analysis of e-government based on empirical and not on anecdotal evidence.

In parallel, the European Commission has committed itself to address the need to revise its procedures to better exploit digital technologies in the context of a wider reform of Commission structures. The Reform White Paper identified the eCommission as one of the fundamental pillars for the successful delivery of reform. The three principal aims are:

- Modernisation of internal administration
- More efficient communication with external partners
- Better public service to citizens and businesses.

Internet regulation

Another issue I would like to touch upon is the question of how much regulation of the Internet is needed. I know that it is a highly contentious one, but it cannot be ignored due to its increasing importance.

The Internet is a highly dynamic sector of the economy, thanks partly to the absence of excessive regulation. Nevertheless, a minimum of public regulation is necessary if it is to fulfil its potential, especially if e-commerce is to bloom.

But setting rules in cyberspace is complex: it is a realm that ignores borders and is based on tech-

Comprehensive inclusion is in our economic interest

nology in constant evolution. Therefore, government should focus on essential issues such as privacy, legal responsibility, cybercrime etc.

As for self-regulation, it should fill in the gaps in regulation. It should apply mostly in the field of e-commerce, for instance through codes of good conduct or alternative dispute resolution mechanisms. Industry may also be in a better position to choose the most suitable technology to uphold certain rights.

Regulation and self-regulation are complementary. They must go hand in hand and not simply side by side. This implies real co-operation between government and industry, in each other's interest, leading to a kind of co-regulation.

Let me take an example: privacy. Its handling will largely determine the future of retail e-commerce. On-line retailers need to collect data about their consumers and track their purchasing patterns to target their sales and sell this information to direct marketers.

At the same time, they have to respond to growing consumer demands for control over their private data. Yet consumers may find it useful to receive targeted commercial information. Therefore, a trade-off can be found.

The EU approach could set an example. Based on a close collaboration with all parties, it secures important, yet balanced user rights, in a technology neutral way. EU legislation grants individuals the right to access and correct their personal data. For sensitive data, such as race and religion, explicit consent is required.

The new telecoms package contains simple rules on the confidentiality of communications, on the right to determine what personal information can be included in a public directory, or on how unsolicited commercial communications can be domesticated. It is up to industry to develop technological mechanisms to enforce these rights.

A further difficulty is linked to the global nature of the Internet. No individual government can regulate the Internet in isolation. At the same time, creating a consistent global framework will prove very difficult considering the diversity of political and cultural values. However, governments should at

least agree on minimum rules at international level. To this end, and whenever possible, EU legislation embeds international co-operation mechanisms, for instance for the mutual recognition of electronic signatures.

Enlargement

It is imperative that we start integrating the candidate countries in our policies. At the Göteborg Summit in June this year, the Heads of Government of the Candidate Countries launched the so-called eEurope Plus Action Plan. This means that they share our political commitment to embrace the challenges of the information society.

As the name indicates, the eEurope Plus Action Plan is inspired by our previous eEurope Action Plan, but adapted to the particular needs of the candidate countries. It intends to accelerate reform and modernisation of the economies in the candidate countries and to encourage capacity and institution building.

In particular, eEurope Plus recognises that there is a basic need to ensure that all citizens are offered the possibility of access to affordable communications services. Consequently, it is based on four objectives:

- accelerate the putting into place of the basic building blocks of the Information Society
- a cheaper, faster, secure Internet
- investing in people and skills
- stimulate the use of Internet

and a whole range of actions in areas like e-commerce, education, e-health, e-government, transport, and environment.

Each candidate country is preparing its own action plan to translate eEurope Plus. It is expected that the plans will incite substantial private sector investment in the candidate countries.

Nevertheless, however beneficial eEurope Plus will be, it is crucial that candidate countries do not focus so much on it that they neglect their key task for telecommunications and electronic commerce: the adoption and implementation of the "*acquis communautaire*". At the same time, eEurope Plus should have a positive impact on the adoption and

The eEurope Plus Action Plan intends to bring the information society to the candidate countries

implementation of the *“acquis communautaire”* in telecommunications and electronic commerce.

As in the EU’s eEurope Action Plan, progress will be benchmarked. It is foreseen that a first progress report on eEurope Plus would be presented during a European Ministerial Conference which would be jointly organised by the candidate countries and the European Commission in the spring of 2002.

Conclusion

The spread of the information society all across Europe is in everybody’s interest. It fosters economic growth, provides jobs, connects remote places to urban centres and increases living standards.

I have singled out what I believe are the key concerns we have to address in order for its growth to continue. We need cheap and secure networks, we need the dissemination of the necessary skills by the entire population, we need governments to provide public services online. And all of this we need throughout the EU of tomorrow, not only in the current Member States. Finally, we will have to face the question of Internet regulation at some time – maybe not tomorrow, but sooner than most people think.