# Lyon 2006 - Background papers and conclusions

**EIN Summer University and European Ideas Fair**
**21 - 23 September 2006**

**EIN POLICY ROUNDTABLE**
*The Digital Economy*

**Background**

The EIN working group on the Digital Economy was set up this year to identify the impact of information and communications technology (ICT) and address the challenges for European policy-makers for exploiting fully its potential for citizens, the economy and public services. With over one billion internet and two billion mobile-phone users worldwide, and continual progress in most qualitative indicators of technology-related development, the world in 2006 is ever more "e-ready".



Modern communication technologies provide formidable opportunities to enhance the quality of life and solve crucial societal problems. But converging technologies also pose significant challenges to individuals and society. Established values such as privacy and human integrity need to be respected and ICT should not widen the various digital divides between the infrastructure-rich and -poor.

ICT products and services will impact on all aspects of our lives. Technological convergence will lead to an embedded, invisible infrastructure that could affect almost all areas of social interaction, including how individuals obtain, manage and share knowledge. New patterns of 'human-machine' interaction should improve healthcare and facilitate life-long learning. The next generation of the internet - so-called Web 2.0 - is likely to unleash an explosion of communications at all levels.

ICT is one of the largest sectors of the European economy, providing double-digit growth rates and high-skilled jobs. It is the major driver for innovation, competitiveness and growth in many other sectors. Unfortunately, Europe has lost ground to the US and Asia - despite success stories in some segments of the market. Moreover, the uptake of ICT is lower in Europe than in other regions of the world. In fact, most of the recent productivity gap between the US and Europe is due to the former's higher investment in and better usage of ICT.

The use of ICT in the public sector should help modernise structures, processes, the regulatory framework, human resources and the culture of public administration, so as to provide better government, and ultimately, increased 'public value'. By 2020, government services could be widely automated and fully personalised, thus making the relationship between government, citizen and business simpler. New democratic participation models could result from this climate of technological change. ICT could facilitate citizens' participation by providing direct access to public offices from anywhere, at anytime, and in any language.

Public procurement in e-government would help to boost the overall uptake of ICT, as well as creating new ICT clusters in Europe. However, public administrations in Europe are some considerable way from exploiting the full potential benefits. Budget restrictions, resistance to organisational reform and other obstacles have so far prevented sufficient investment in and usage of ICT.

**Conclusions of Lyon discussion**



The Policy Roundtable on the Digital Economy considered the context in which such an economy would evolve up to 2020, and the critical policy issues to be addressed. This led to the identification of a potential future work programme, which we hope that policy thank tanks might consider.

• With the dynamic forecast development of ICT, rigid planning models are of no value. (No Digital 2020 plan). What is certain is that network connections will grow exponentially and ubiquitous services will be delivered wirelessly, at costs unrelated to distance. ICT will continue to be a disruptive technology.

• ICT is a proven ingredient of accelerated economic growth, but Europe is falling behind in ICT development and exploitation. The US has twice amount of research and development investment found in the EU. China and India are making big long-term investments in skills and research. (For example, Huawei filed 2000 patents in 2005).

• ICT is enabling integrated global corporations to operate seamlessly across boundaries and to disaggregate value-creating activities. The regulatory environment is an increasing important competitive differentiator.

• Business and government models will have both 'push' (new technology driven) and 'pull' (customer need driven) aspects. But the spread of pervasive technologies in society is causing 'digital tensions' over security, privacy and the use of data.

• There is huge potential for more efficient and citizen-oriented delivery of public services - but bold political leadership is required to transform organisations, rather than mechanise existing processes.

• 'Organized leadership' is needed to optimise the exploitation of ICT, but it must balance inspiration and positive interventions, without being over prescriptive or stifling innovation.

*Policy issues: Society*

• There is a need to promote common principles of privacy and security at an EU (and maybe global) level, while respecting different national approaches (for example, on identity cards).

• Equally, we should facilitate a dramatic up-grading of 'e-skills' and interest in science and technology. In parallel, it is important to give attention to 'digital divide' problems, across all age and income groups.

*Policy issues: Economy*

Here the Policy Roundtable concluded that policy should:

• Ensure that the EU supports an enabling regulatory environment to foster ICT investment (spectrum policy is a crucial issue).

• Foster a balanced IPR environment and maintain rigid criteria for patentability (quality of patents), while enhancing awareness on the role of patents as incentive for investment.

• Continue to give priority to ICT in public support for research and development and look for ways of putting innovative thought into products and services (through for example venture capital and innovative public procurement).

• Remove internal constraints on ICT (especially labour law restrictions) by reforming social models and public service delivery.

• Refocus ICT-enabled schemes from cost reduction to customer service enhancement, and benchmark public value added.

• Create a climate that allows 'variable geometry' models to evolve, with ICT enabling networks and multi level consolidation.