

Warsaw 2007 - Background papers

EIN Summer University and European Ideas Fair

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EIN POLICY ROUNDTABLE ON

THE DIGITAL ECONOMY

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## Background

Increased use of the internet and other new technologies has already brought sweeping changes in how business and society work. The rise of a new technological revolution has made it incredibly cheaper and easier to move goods and information to nearly all corners of the world, setting the stage for the spread of the knowledge economy. Established last year, the EIN working group on the Digital Economy is assessing the impact of information and communications technology (ICT) and the challenges facing Europe's policy-makers. With around 1.2 billion internet and over 2.7 billion mobile phone users worldwide, the world is becoming ever more "e-ready". To put these figures into context, there are around eight hundred million registered cars and 1.3 billion traditional fixed line telephones.

The digital economy offers significant potential for Europe's citizens, the economy and public services - with technology touching all walks of life. Modern communication technologies could enhance the quality of life and solve crucial societal problems. The European Commission's 2007 annual i2010 progress report - the EU's digitally-led strategy - has found that technology is fuelling innovation and productivity, driving fifty per cent of Europe's productivity growth between 2000 and 2004 as the continent moves towards a knowledge-based economy. European research has also been boosted with the launch of the 7th Framework Research Programme, the largest single item of which is over €9 billion for ICT research. Nonetheless, despite some success, Europe has lost ground to the US and Asia.

The rapid rate of technological change brings with it the risk of creating a digital divide between infrastructure-rich and -poor. New patterns of social interaction are being created through the next generation of the internet - so-called Web 2.0 - expanding communications at all levels. Established values such as privacy and human integrity need to be respected, whilst web-based virtual worlds such as Second Life give rise to new legal and contractual situations as virtual currency held by one's avatar becomes exchangeable for real money in one's bank account.

During the 2006 EIN summer university in Lyon, the policy roundtable considered the context in which the digital economy would evolve up to 2020, and the critical policy issues to be addressed. The pace of change makes rigid planning impossible as ICT continues to be a disruptive technology. Europe is falling behind in ICT development and exploitation, with the US investing twice as much as the EU in research and development. China and India are also making major long-term investments in skills and research. The roundtable also noted that there is a 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.

In March 2007, the working group organised a joint seminar in London with the European Policy Forum and the Conservative Party Policy Review looking ahead to the shape of the digital economy in 2025. In April, a joint seminar with the Századvég Foundation was held in Budapest, focussing on the effect of the digital economy on the countries of Central and East Europe. During these deliberations, it was noted that many nations would have to master simultaneously both the digital economy and the process of economic reform. This could entail tough investment choices and difficult regulatory decisions, whilst requiring investment in 'e-skills'. The need for an efficient intellectual property rights (IPR) regime in Europe was also discussed. The cost for patent applications should be reduced, with participants noting the need to harmonise the fragmented litigation system in Europe so as to foster legal certainty.

So as to start the debate at this year summer university in Warsaw, here are five opening questions:

- ? Does Europe have an adequate venture capital and long-term investment industry?
- ? What single policy could stimulate Europe's ICT sector to win the race in 2025?
- ? Can national and European policies stop the ICT brain drain from Europe?
- ? How can we prevent the misuse of personal data in this new environment?