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EIN POLICY ROUNDTABLE ON THE DIGITAL ECONOMY

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Background

Digital technologies, particularly the internet, are **fundamental** to the modern global economy. Around 1.5 billion people use the
internet
, both at work and in their social lives: an increase of more than three hundred per cent since 2000. Over the past three decades it has evolved from an experimental research network to underpin most key
economic
activities – including much of the infrastructure that Europeans rely upon daily, ranging from financial markets and health services to energy and transport. With the stage set for the spread of the
knowledge
economy, the EIN working group on the digital economy has carefully examined over the past three years the impact of information and communications technology (ICT) will have on citizens and policy-makers alike.

The International Telecommunications Union (ITU) estimates that globally there are around 3.3 billion mobile phone users. About half China's population now has one, with 592 million users in May 2008, up nine percent from the 547.3 million at the end of 2007. In Finland, ninety per cent of all voice calls are expected to originate from a **mobile phone** - and in Africa they eclipse traditional fixed lines, accounting for nine out of ten telephone subscribers and thus avoiding the costs of laying new fixed lines. In 2008, predictions suggest that over two
trillion
text messages will be sent worldwide.

The internet permeates economic, social and public policy areas. E-government supports government functions, interacting with citizens and firms. Healthcare systems use **online** networks for affordability, quality and efficiency. Educational performance correlates with home access to, and use of, computers – other things being equal. Environmentally-friendly concepts based on using the internet in buildings, transport and power systems can help to address climate change and improve
energy
efficiency.

The emergence of the new **Future Internet** will bring a wealth of new services and an even

greater impact on society. Europe must build on its educational and economic strengths to benefit from this potential. This will require the completion of a truly harmonized **internal market** that includes the digital economy - providing legal certainty, trust and **investment** in innovative web-based services in Europe. EU member states should also establish innovation and research **clusters** to compete with the Asian and US centres of excellence. EU member states have pledged, through the renewed **Lisbon Agenda** and the i2010 initiative, €9.1 billion of funding, as part of a public-private partnership, for ICT research over the duration of FP7.

But challenges in the realms of technology, business, society and **governance** still have to be overcome. Through embracing the potential of ICT to improve **competitiveness**, policy-makers will see gains in productivity and efficiency. Europe needs to develop strong web-based services industries that can export globally through the web. In part, the EU **i2010** plan should promote technological and socio-economic innovation. Yet building an information society for growth and employment requires encouraging digital **convergence** backed by investment into EU research and development. By eliminating the digital **divide**, i2010 plan also aims to improve inclusive services, promoting technology advances and the 'silver economy'.

At the EIN **summer university** in Warsaw in 2007, the policy roundtable focussed on the competitiveness of Europe in the digital economy in 2025. Innovation capacity was seen as one of the most important drivers, where Europe has to catch up with the US and Asia by developing sector clusters and setting **global standards**. Entrepreneurship was regarded as another enabler where the EU must tackle market **rigidities** to ensure the free movement of labour, products and capital. Reform of the regulatory environment should encourage new entrants and reward **risk** takers, creating an entrepreneurial culture.

Education was highlighted by all the participants as the key factor making the main difference between nations competing in the new global digital economy. Europe lacks **engineers** and **programmers**, and should focus on teaching mathematics and sciences in schools alongside attracting skilled workers from abroad. The EU must invest in ' **e-skills** ' for every citizen.

In short, Europe must embrace the digital economy by building a vibrant **software** industry alongside **hardware** and **content**. With global innovation and strong political leadership, public confidence can be built during what may be a time of rapid and extensive change. ICT solutions must be seen to be reliable and interoperable. Security and privacy of **individuals** should be given the utmost priority. Ultimately, people will recognise the daily benefits of modern ICT as costs fall and standards rise.

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

? Can Europe meet the challenge of global leadership in the digital economy and match the rise of Asia?

? What are the key drivers of global leadership in digital economy and does Europe have any advantages?

? How will the next generation internet change markets and industries: EU challenges and opportunities?

? Looking at ICT start-ups in Europe, how can the EU enhance the role of entrepreneurs?

? Will educators be able to meet the skills demand and can policy-makers create the climate for success?