

**ERKKI LIIKANEN**, European Commissioner responsible for Enterprise and Information Society, gives *Sigma* the latest state-of-play on the policy actions undertaken to further the New Economy and expresses his expectations of statistics.

## Europe in the New Economy

The last five years have witnessed a remarkable acceleration of the expansion and use of digital technologies in the economy and society at large. This has led to visible changes in our daily life, in particular with the explosion of mobile communications and of the Internet. Less visible, yet far-reaching, is the impact of digital technologies on the way the economy works, as a result of the progressive digitisation of the production and distribution chain of goods and services, and the rapidly expanding flows of digitised information on fixed and wireless communications networks.

The evolution of the technological, regulatory and international environment plays an important role in this process. While the performance of electronic micro-components keeps increasing at a steady pace, the liberalisation of telecommunications markets and economic globalisation have increased competition and released the huge innovation potential of digital technologies. This process is giving birth to the "New Economy".

At macro-economic level, the New Economy corresponds to sustained, non-inflationary economic growth, associated with a high level of employment, as has been

observed in the USA with an average annual growth rate of 3.2% over the last decade. At micro-economic level, the New Economy corresponds to new ways of conducting business and organising work, as well as new qualifications and skills.

### eEurope: the EU policy response

At the special European Council meeting held in Lisbon on 23 and 24 March 2000, EU Heads of State and governments decided to speed up Europe's entry into the New Economy. The 'eEurope initiative', launched by the Commission in December 1999, plays a leading role in this process. It aims to quickly harness the opportunities offered by digital technologies and the Internet, and to bring the whole of Europe on-line – citizens, businesses and public services alike. An action plan defining priority measures to quickly reach this objective was adopted at the European Council in Feira on 19-20 June 2000. It focuses on three main objectives:

- ▶ Cheaper, faster and secure Internet,
- ▶ Investing in people and skills,
- ▶ Stimulating the use of the Internet.

The launch of eEurope does not mean that Europe is starting from scratch. eEurope is largely based on existing policies at European and national levels. The aim is to develop, accelerate and, where appropriate, supplement them. But above all, eEurope is an overall strategy, which, for the first time, fully integrates, and co-ordinates EU and Member States' Information Society policies on the basis of common objectives and deadlines.

A progress report has been presented by the Commission to the European Council in Nice on 7, 8 and 9 December 2000. It emphasises that since its inception, in December 1999, the eEurope initiative has had significant political impact. There is an unprecedented level of mobilisation in all Member States, and beyond the EU. Similar initiatives have also been launched by Norway and Eastern and Central European countries.

The eEurope initiative has accelerated the legislative process, with the adoption of major pieces of legislation. Key achievements to date include the unbundling of the fixed telecommunications local loop in January 2001, the liberalisation of intra-Community shipments of encryption goods, the creation of a Community-wide

framework for electronic signatures by mid-2001, and major steps towards the completion of the Internal Market for electronic commerce.

Important progress has also been made on specific issues, notably in the field of the smart card, the upgrade of trans-European research networks and support for the development of European digital content for the Internet.

### A new framework for electronic communications

The creation of a sound framework for electronic communications is one of eEurope's top priorities. Only two years after it came into force, and despite its very positive impact on tariffs and consumer choice, the new liberalised framework for telecommunications is already increasingly challenged by fast-evolving market and technological conditions. The two main drivers of change are the Internet and the convergence between information technologies, telecommunications and the media.

To address these issues, the Commission has tabled a new pro-competitive regulatory package for electronic communications. The main characteristics of the pro-

posed package are a clear distinction between content regulation and network regulation, and a single regulation for all electronic communication networks. Once competition is effective in a given market segment, sectoral regulation will be rolled back, leaving increasing room for the application of general competition law.

Rapid progress is also being made on the new telecommunications package, thanks in particular to close cooperation between the Council and the European Parliament. This has resulted in the adoption, in only half a year, of the EU Regulation on local loop unbundling, which aims to intensify competition in local access networks in order to lower Internet access tariffs. This will also stimulate the offer, on a competitive basis, of high-speed Internet access based on the ADSL (Asymmetric Digital Subscriber Line) technology, which uses regular phone lines. It is hoped that the rest of the package will also benefit from such a fast-track approach, so that it can be adopted before the end of 2001.

The new framework for electronic communications must be complemented by adequate measures to ensure security on the networks and the protection of user privacy and personal data. These are essential prerequisites to secure user confidence, and thus foster the growth of the Internet and electronic commerce. Adequate technologies exist, therefore all that is needed is a favourable

framework to encourage their widespread use. The EU is at the forefront in this area.

By next summer, the legal and mutual recognition of electronic signatures will be ensured throughout the Union and, subject to certain conditions, with third countries. Trade in encryption products has now been liberalised between EU Member States, and facilitated with our main trading partners. There is also a need to step up the fight against cyber crime, something that can only be effectively done at European or international level.

### Benchmarking and statistics

The development and implementation of policies in the field of the Information Society requires the availability of very recent, accurate, reliable and consistent statistical data. As regards the eEurope Action Plan, an open method of co-ordination and benchmarking is being applied to ensure that actions are carried out effectively and have the intended impact in all Member States. A list of 23 indicators has been defined to measure progress. However, up until now, it has been extremely difficult to collect essential Information Society statistical data, mainly for the following reasons:

- ▶ Fast emerging digital products and services are not yet tracked in a consistent manner by official statistical systems at national and EU levels.



*Erkki Liikanen: confident that European statistics will meet the challenges of the New Economy*

This is the case for instance with the number of residential and professional Internet users. The same applies to Internet-related activities such as Internet service provision.

- ▶ In key areas such as mobile communications and the Internet, which are characterised by double-digit annual growth rates, critical data gets outdated in a matter of six months. In Information Society related-sectors, the measure of progress based on data that are 18-months old – a standard for many traditional activities – is no longer acceptable. This calls for an acceleration of the production cycle of statistical

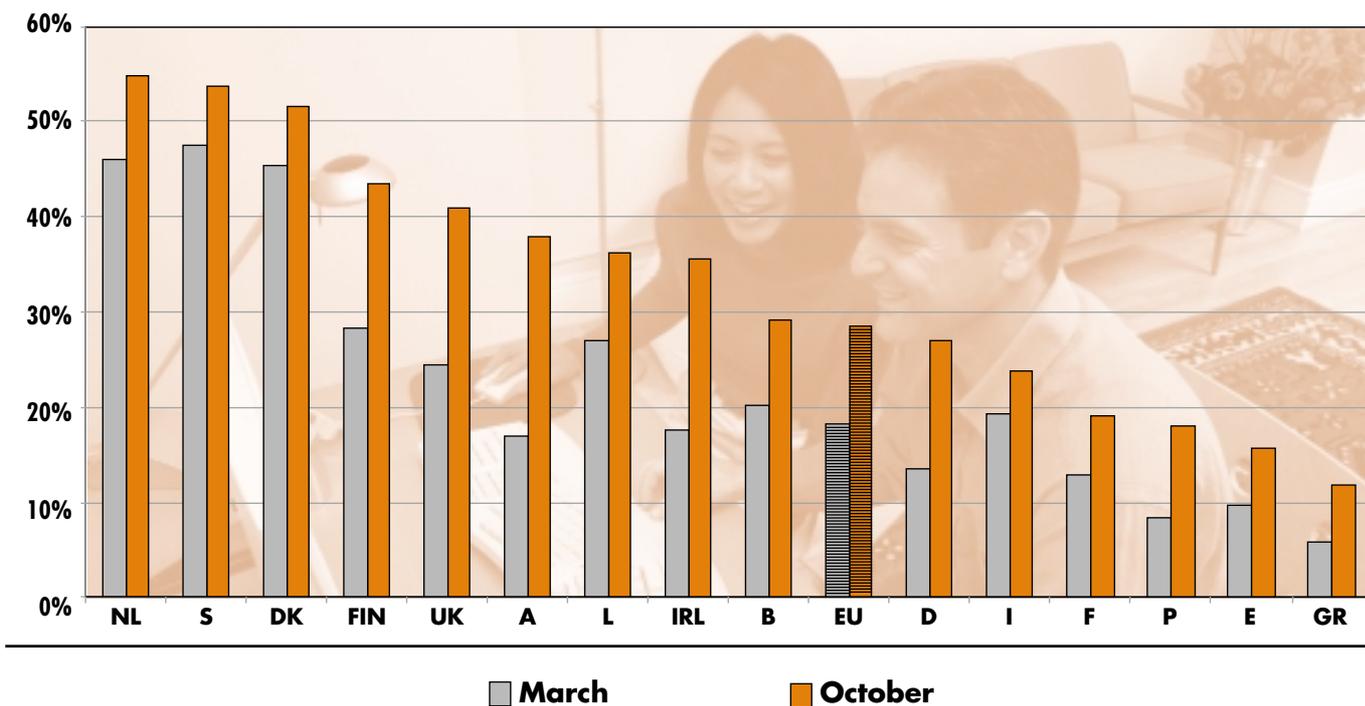
data, from data collection to their publication.

In order to collect the required data for benchmarking the eEurope Action Plan, the Commission has to launch specialised surveys. This solution is also being increasingly implemented at national level by statistical offices.

Beyond this short-term solution, there is a real need to develop and implement more structural solutions:

**First**, I see the need to accelerate the modernisation of the official statistical nomenclatures in order to reflect the development of new activities that go across sectoral borders, as the result of convergence.

## Internet Penetration in EU homes / March-October 2000



The graph shows the results of two Eurobarometer surveys the Commission launched as part of eEurope to measure the evolution of Internet penetration in households. In March 2000 15,900 people and in October 2000 22,562 people were interviewed in the 15 EU Member States.

**Second**, the production cycle of statistics has to be shortened in order to release more recent data and more frequently. The digitisation of the production cycle in most industrial activities has allowed to reduce the time needed to market products. The same should apply to the production of statistics.

**Third**, the digitisation of the economy offers new possibilities to capture data, which could be exploited by the official statistical administrations. One example is the data mining applications used by the marketing sector to exploit the huge streams of data transmitted over the Internet – although this raises business confidentiality and privacy concerns in many EU countries. The EU's Information

Society Technology (IST) Programme co-finances research projects that address these issues<sup>2</sup>.

**Fourth**, there is the need to better understand the sectoral impact of the New Economy on industrial sectors. The borderlines between traditional sectors are increasingly blurring, thus changing competitive patterns. In most industries, the use of ICT has not yet resulted in remarkable higher productivity. An explanation could be that the productivity effects of investments in ICT can only be reaped by further organisational changes, which may take time to be implemented. DG 'Enterprise' will launch further benchmarking studies on this issue, helping European industries to define reasonable 'e-strategies' at sectoral level.

**And finally**, many initiatives for the promotion of ICT and e-business, notably for SMEs, have been launched over the past few years, at national and European level. Although information about them is readily available, there is still need to better understand the different approaches and to identify best practises. Under the 'BEST' programme<sup>3</sup>, the Commission will therefore benchmark national and regional ICT and e-business strategies and compare the results achieved so far.

The transition towards the New Economy is making progress in Europe. The eEurope initiative sets the strategy and the tools to accelerate this process by bringing Europe on-line. In this period of rapid and

deep change, policy-makers need to have an even better perception of the ongoing mutation of the economy's structure, functioning and performance. I am confident the European community of statisticians will be able to take up the challenge of measuring the New Economy. ■

1) [http://europa.eu.int/comm/information\\_society/europe/index\\_en.htm](http://europa.eu.int/comm/information_society/europe/index_en.htm)

2) [www.cordis.lu/ist/](http://www.cordis.lu/ist/)

3) A Business Environment Simplification Task Force (BEST) was created in July 1997 to improve the quality of legislation and eliminate unnecessary burdens which restrain the development of European businesses and especially SMEs. Recommendations were made in five areas, one referring to new technologies.