

EUROCHAMBRES Position Paper 2005



**CONTRIBUTION TO THE
CONSULTATION ON**

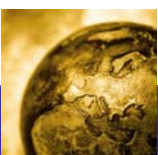
**CHALLENGES FOR
EUROPE'S
INFORMATION SOCIETY
BEYOND 2005**

January 2005

SUMMARY OF EUROCHAMBRES' CONTRIBUTION

- EUROCHAMBRES welcomes the approach set out in the Communication *Challenges for the European Information Society beyond 2005* and the opportunity to contribute to the development of the coming information society policies. EUROCHAMBRES and the Chambers of Commerce look forward to continue playing an important part in this work.
- The relative success of eEurope 2005 must serve as an **impetus for further policy re-invigoration** particularly in order to recoup and maintain a competitive edge vis-à-vis the EU's direct competitors who are pursuing more aggressive ICT strategies.
- European Chambers urges the European Commission to **focus the future Action Plan on the inclusion of SMEs and their employees in the Information Society based economy** (in the enlarged Europe).
- While the first priority is that companies use ICT, the second priority is that companies can count on public administrations to develop at the same time therefore the European Commission must ensure that Governments become model users of ICT applications by being intelligent *buyers* and users of information and communication technology. **Public services emerge as the most important cluster for EUROCHAMBRES' members.**
- EUROCHAMBRES wants the European Union to **set up clear objectives in improving relevant legislation, in providing trust and security and in encouraging interoperability** for reaching a better internal market.

EUROCHAMBRES welcomes the opportunity to contribute to the important work that the Commission is doing on the future of the e-Europe programme and the coming information society policies. Undoubtedly ICT is a significant area of action in the direction of achieving the Lisbon objectives. Therefore, it is essential that the challenges for the European Information Society beyond 2005 are correctly identified and the right policies are developed and implemented.



1. ISSUES TO CONSIDER WHEN DEVELOPING THE "EUROPE BEYOND 2005" PROGRAMME

The main technological, economical and societal developments that have to be taken into account into developing this programme are numerous. EUROCHAMBRES has concentrated on a few well-known factors that affect businesses and their role as well as their interaction with the developing information society.

First, the changing demographics of the European Union will necessitate a continued increase in the productivity unlocked by ICT. We see now that most companies and certainly most governments in the European Union have invested in ICT, but not committed to fulfilling the investments made. ICT has emerged from a phase where focus has been on investment in technology, to a phase where focus is now on releasing the technological potential acquired. Soft factors, such as organizational change and economic re-structuring of processes are now the main challenges for many ICT-related projects.¹ This re-shaping of business and government will be challenging to accepted orders and hierarchies – but it is still necessary. Here, the process of changing the way government works will play a large role. E-government solutions will encourage innovation, new business models and, hopefully, a re-thinking of the classical distribution of work between the public and private sector.

Already today we see the outsourcing of computer centres and other functions are becoming more and more commonplace. Centralized administrative services in health care and other public sector services may well become more economically viable as well. Privatization efforts may well come naturally as a consequence of thorough technology adoption by EU governments, and would be welcomed by EUROCHAMBRES. Free-market solutions should, where possible, be used to counter the possible ill effects of a greying European population, but also to encourage integration policies and other similar projects. The changing demographics are, however, far from set in stone. How the demographics are going to change and how this is managed is truly a challenge.²

Second, the on-going globalisation processes will increase competitive pressures from other regions. Outsourcing will prove beneficial to many sectors, and with the growth of several different zones (near, semi-near, faraway regions) of out-sourcing, new challenges in trade will develop.³ This will also affect job creation and specialisation needs. It is important that the EU commits to a policy of free trade in services and goods even if this increases the pressure for change in the Union. EUROCHAMBRES supports a wide-ranging free-trade policy in the future growth of e-Europe as a part of a global information society.

Third, the development of grid technologies and high bandwidth mobile devices will make new business models as well as new government solutions possible. These new possibilities need to be encouraged and researched.⁴ The growth of UMTS-users will probably lead to innovative new business models and new solutions to old problems. Open systems, new generation of networks and intelligent knowledge management

¹ One way of illustrating this is using the e-business sophistication curve developed by E-business Watch. Companies are still a ways from integrating all their systems in one solution – the end point of this curve. See <http://www.ebusiness-watch.org> and publications.

² One example of a strategy developed to cope with this is the Deutsche Bank example. See http://www.emcc.eurofound.eu.int/publications/2004/ef0479en_1.pdf

³ As well as new challenges, again, in organisation. See for a useful overview: Jens Dibbern, Tim Goles, Rudy Hirschheim, Bandula Jayatilaka "Information systems outsourcing: a survey and analysis of the literature" November 2004 ACM SIGMIS Database, Volume 35 Issue 4.

⁴ See the developments in MIT's Oxygen project as one example of the changes coming: <http://oxygen.lcs.mit.edu/>. That the role of Grid Networks will also develop neighbouring research intensive fields is evident from many existing projects. See, for an example, Mark Ellisman, Michael Brady, David Hart, Fang-Pang Lin, Matthias Müller, Larry Smarr "Bioinformatics: transforming biomedical research and medical care: The emerging role of biogrids" November 2004 Communications of the ACM, Volume 47 Issue 11.



systems are other important areas where ICT development will create impact on business life. It is important that the regulatory framework does not hamper this developing sector of the European economy. Grid technologies will create new possibilities in distributed computing and storage. As these possibilities grow, the investment in infrastructure and technology in the European Union can be exploited by more efficient means for increase productivity and innovation.

Fourth, the continued security challenges – both societal and technological – will necessitate development of security technologies, trusted infrastructures, redundancy and other projects directed at increasing public, commercial and governmental security. It is important that the threats to the European Union and its ICT-infrastructure are handled in the most expedient way. As an information society, the EU is now vulnerable and dependent on the new technologies and infrastructures. This is an essential pre-condition for the continued success of the e-Europe plans.⁵

The security issue in ICT business transactions directly impinges on the question of regulation of the sector. Although it is not disputed that a certain degree of regulation is required in order for instance to enforce copyright and privacy protection, yet the intensity of regulation needs to be closely monitored so as to avoid over-regulation.

Fifth, the growing need for energy will generate a need for more work in developing ICT-related solutions for managing, distributing and trading energy in different markets. Energy management and research will increase in importance. The need for secure and efficient access to energy is an important, though often underemphasised, issue in the information society, and new technologies may increase energy efficiency.

Sixth, the continuing integration process of the European Union may lead to the need for further work in interoperability and transparency between different ICT-systems and sectors. Interoperability is a pre-condition for the development of a Single Electronic European Market⁶, and also a requirement for increased trade as well as consolidation over borders of businesses and sectors to achieve high degrees of efficiency. Transparency is needed from governmental systems to ensure that establishment, communication and trade between member states is facilitated to the highest degree. Here, EUROCHAMBRES also would like to stress the need for an accompanying legal process that develops the internal market in the direction indicated in the proposed service directive.

Seventh, the market development of ICT technologies is inextricably intertwined with **the need for greater deployment of digital content business applications** developed thanks to better-streamlined software development programmes. In encouraging development of applications, public authorities must focus on market driven information society initiatives. Proliferating broadband must be accompanied with the necessary content-bolstering efforts otherwise ICT business operators risk losing out on the potential market opportunities emanating from the deployment of more and better online multimedia content.

Eighth, an integrated approach to research is necessary. The integration of clusters in different research areas, wielding together biotech-clusters and informatics-clusters in new way is just one example, will ensure that where possible fruitful exchange will be encouraged between these developing areas. The need to integrate business needs in research is also important.

⁵ The established ENISA will be important in this work, but there is a need for national participation and coordination in this work as well. We are moving, in a sense, from information security to information society security. Attacks on the network could have devastating effects. This will also necessitate a focus on risk management rather than risk elimination.

⁶ As understood in the Bonfatti, Boras –concept paper.

(http://europa.eu.int/information_society/activities/atwork/seem_at_work/documents/theseemconcept_bonfatti_borras.pdf)



Public authorities need to take into account the channelling of more research and development funding in the implementation of the Information Society policy initiatives for the next five years. The apportioning of greater research and development funding must be directed into those ICT business sectors that are either already providing a competitive advantage to the EU member states' economies or else that clearly carry a commercial but as yet dormant potential that only awaits to be fully and properly exploited. Consequently, all R&D endeavours should be industry-oriented with special emphasis on the practical industry-oriented product development of ICT services.

More often than not, the smaller firms operating in the ICT sector are constrained from participating in mainstream R & D funds such as the 6th Framework Programme simply because the magnitude of the work effort does not pay back in terms of accruing benefits. Regrettably, there exists untapped potential for further development of commercially viable ICT products and services, either due to the prohibitive costs of engaging in an R & D project endeavour or else because the particular firm's location proves to be a constraining factor instead of an abetting plus for enabling market access to the firm's ICT services.

Therefore, future EU Information Society policy initiatives should assure that geographical peripherality does not constitute any hindrance whatsoever for ICT firms' growth. The development of "regions with ICT potential" should also be taken into serious consideration in the EU's articulation of its future Information Society policy initiatives.

Irrespective of firm size, the requirements of ICT business operators need to be fully endorsed in any of the EU's future research and development efforts in this highly innovative sector. Thus, the EU's funding for research endeavours in the ICT sector must be directed to bolster the business development for eventual market deployment of amongst others: automated language translation, voice interaction, digital rights management, ambient intelligence and e-mobile connectivity.

There are many other factors that will influence the way the e-Europe programme will need to be formulated the next five years. These are some of the other developments that EUROCHAMBRES feels will also have an impact on the next five years in differing degrees:

- *Skills and education.* The need for ever-faster re-education and skill-set change will impact the way that ICTs are used in organisations and in governments.
- *Continuing liberalisation of markets.* The liberalisation of markets is an important component in the continued growth of e-Europe. It is important that competition is encouraged in different sectors.
- *Adequate protection for Intellectual Property Rights.* The need for uniform and suitable protection – globally – in protecting IPRs is an important factor in the growth of an EU software market.
- *Better legislation.* The continued review of ICT-related legislation in the EU will have an impact on the development of issues pertaining to consumer protection, privacy and electronic signatures. In particular, the questions of legal and technical compatibility over cross-border e-payment systems and online multimedia broadcasting needs to be addressed through legislative clarifications both at an EU as well as at national Government levels. The development of European patents, European company registration and other common administrative processes will also prove important, among others to fostering innovation.
- *Ensuring an enlarged eEurope including the new member states and particularly those that are lagging behind.*



- *The need to increase the take-up of ICT by SMEs, micro enterprises and citizens (consumers).* Cost, confidence and complexity of IT solutions are major impediments for the effective use of ICT. In this regard, the multifaceted realities of the ICT business sector in the enlarged European Union demands serious consideration for the inception of an official ICT policy based on sectoral differentiation between the larger firms and the multitude of micro-SMEs that - irrespective of their smaller market shares - nevertheless still successfully thrive in the ICT sector. The growth of numerous firms that provide ICT-related services needs to be recognised through the setting-up of a seed capital fund specifically tailored for micro-SMEs with R&D potential. This proposed seed capital fund can be set up and administered within the EIF's venture capital instruments.

2. THE MOST IMPORTANT CLUSTERS

EUROCHAMBRES finds the eight clusters presented sufficient to describe the future e-Europe priorities. If anything, it could be noted that the clusters are overlapping and vague. This may not be a disadvantage, and the need for crisply delineated categories should not be overstated. However, with clusters defined in this open way it is important that the actual actions within the clusters are well measured and evaluated. EUROCHAMBRES feels that even if it would be possible to add other categories to the chosen eight, this would not necessarily add to the overall usefulness of the ICT-programme.

Any choice of categories is problematic, due to the fact that they overlap and complement each-other. However, the following four clusters emerge as the most important for EUROCHAMBRES:

- ***Exploitation of ICT by business.*** One of the first requirements for the exploitation of ICT by businesses is the presence of the necessary infrastructure. In many countries, the real challenge is to develop the infrastructure that can allow for businesses to exploit ICT opportunities. ICT infrastructure must be considered part of the basic infrastructure of all economies, along with more 'traditional' areas such as roads and electricity.

Europe must also ensure that the virtual infrastructure of Europe is developed, with a skilled and technology oriented and scientifically literate workforce being an essential component.

EUROCHAMBRES is working actively to encourage companies to follow-up investments in ICT and to unlock the productivity gains that can be harvested by using the technology to its fullest.⁷ This work is profitably conducted in different forms and networks. The eBSN work should be mentioned as one important part of this priority.⁸

- ***Public services.*** While the first priority is that companies use ICT, the second priority is that companies can count on public administrations to develop at the same time. To fully utilise the new technology and to realize the internal market, it is important that the public sector moves in pace with businesses.⁹ ICT needs to be exploited not only by companies to unlock the productivity gains, but also by public authorities in the Member States. In practice, this could be attained by endorsing the stimulation of ICT business into a coherent segment of member states' governments and public services procurement strategies. In turn, this would guarantee the permeating of the best available ICT

⁷ Again the work done by the E-business watch is important to follow the development of e-business in the EU.

⁸ As introduced and presented at <http://www.e-bsn.org/portal/home.do>

⁹ This is not the case today. In Sweden, to take but one example, only 6 percent of the public authorities use e-invoicing or e-procurement. Among companies the same figure is 56 percent. Municipalities come in second at thirty percent. These gaps create in-efficiencies. (Facts from National Board of Statistics and the Agency for Public Management in Sweden).



commercially viable applications from the public sector's realm onto the private sector's business operations.

The area of e-procurement is one of the most promising future possibilities in the EU, to mention just one case where the private and public sector need to work together in implementing the new possibilities given by the new regulatory framework.

The role of public services for the successful achievement of the EU's future information society initiatives should not be merely limited to the adoption and full utilisation of new ICT technologies. Public services across the European Union must be adequately geared to ensure that ICT businesses are fully integrated in the ICT policy environment so as to make sure that any unfair competition practices are eradicated at source. ICT-conscious public services would help avoid the unnecessary proliferation of any unfair and inequitable competition problems for ICT SMEs that should - and indeed, can - be easily quashed at their origins. Other problems related to procurement opportunities can also be rectified at source.

The role of public services is also crucial for the necessary regular tracking and eventual updating of the respective national ICT strategies adopted by the 25 member states due to the regulatory requirement of conformity to the new eEurope programme once formally adopted and launched by the EU institutions.

- ***Trust and dependability.*** The security, trust and dependability of the European electronic market are important competitive advantages to develop and maintain. There is need for better standards enforcement in order to reassure business users that online commercial services are indeed trustworthy and cost-effective when compared with conventional modes of business transaction. Infusing greater user confidence in the business applications of ICT would in turn help bolster the competitiveness of the sector as well as directly contribute towards larger turnovers and consequently enticing more attractive profit returns on capital investments. In this regard, the EU should actively pursue the exchange of best practice between those member states enjoying an ICT-lead and other member states lagging behind on their ICT learning curve.

Chambers of Commerce are working actively with the development of an infrastructure of trusted third parties that can support and accelerate the growth of the information society. In projects such as ChamberSign¹⁰, EUROCHAMBRES is also actively pursuing national implementations and projects in different member states in areas as diverse as secure e-procurement and secure e-invoicing. Trust, information security and dependability are central issues for European companies – both small and large.

- ***ICT as a key industrial sector.*** The recognition of the ICT industry as a key economic sector in its own right should be attributed greater policy attention in particular due to the evident lack in some member states of supportive infrastructure for the inception of new ICT firms as well as the development of new ICT modes of business. The greater provision of low-interest, and thus easier-to-access, capital venture funds for the ICT sector is urged. The potential growth of software industry remains to-date unsatisfactorily untapped except in particular regions endowed with ICT-intensive industry. In order to unlock the entrepreneurial potential of the ICT industry, there must be a concerted and well-coordinated joint effort between the EU, the member states' governments and private enterprise. The end aim should be the expansion of the ICT industrial sector into the SME and micro-SME arena.

¹⁰ See www.chambersign.com. For a national example, see ChamberSign Sverige AB, www.chambersign.se.



In addition to these top 4 priority clusters, European Chambers believe that skills and work; content and services and ICT as a key industrial sector have also a significant contribution to raising productivity and competitiveness.

Particularly *eInclusion* is a major challenge for the European Information Society policy post-2005 whereby the equality of access at an affordable cost is to be earnestly pursued not just for domestic household consumers but equally important amongst the business users. The digital divide needs to be addressed also from a business perspective as smaller firms risk being left out of the digital loop with all its concomitant benefits.

The private sector is an important source of initiatives to help increase eInclusion, the European Computer Driving Licence (ECDL) a particularly successful example of a private sector initiative that has become a de facto standard... there is no reason why the business community cannot be charged with providing these services in a cost effective and speedy manner.

eInclusion will play a crucial role as the political structures of the EU expand and become ever more complex for both business and the wider general public. ICT will play an increasingly important role in dissemination information to all EU citizens.

The promotion of digital literacy provides an opportunity to enable the general population of Europe to become leaders in this field. In the process of promoting widespread literacy we must ensure that high standards are maintained. We must not find ourselves in a situation of the lowest common denominator. Therefore, *Skills and work* is another importance piece of the puzzle.

Given the increasing mobility of workers across industries and sectors it is important that the opportunities offered by life-long learning are fully embraced. There are also considerable implications for the way in which we work across the EU and ICT provides an opportunity to develop a more flexible and responsive workforce.

Technology provides a means by which **all** workers can continue to update their skills, providing for increased efficiency and development of our workforce. e-learning is an essential part of company survival and growth.

Finally, the *development of content and services* should never be underestimated for the ultimate success of broadband strategies is rooted into the greater business deployment of online services. The regulatory environment is identified as one of the key obstacles to the promotion of content and service. Any such regulation must be comprehensive and clear ensuring growth and development is not inhibited by excessive regulation¹¹.

Note, however, that these are the business priorities as seen by EUROCHAMBRES. The questionnaire is unclear in the respect that it asks for top priorities, but it does not define whose priorities they should be. If the question is interpreted to mean what top priorities EUROCHAMBRES feels that the EU and Member States should adopt, the answer is slightly different. EUROCHAMBRES is working, naturally, with the issues given. But where is more force and initiative needed by the EU? The following clusters then emerge as priorities:

- *Public services.* Here there is a grave need for development and further work, and, as the communication notes, this is important especially for SMEs that could unlock productivity gains if the public administration worked more efficiently. The offering of e-services from the public sector should also be taken as an opportunity to re-structure and re-invent the organisation of public services to

¹¹ It is clear that excessive red tape and bureaucracy is already imposing significant costs on small businesses. The IMF has estimated that improvements in the EU regulatory framework could deliver as much as a 7pc increase in GDP and a 3pc increase in productivity in the longer term. In addition, no EU country appears in the top five ranked countries in the World Bank 'Doing Business 2005' report. The EU should look to countries such as New Zealand as a model for reducing excessive bureaucracy.



achieve more efficient routines and working methods. It is important that e-government does not result only in a more modern, but also a more efficient, government.

- **Interoperability.** There is need for greater interoperability in a large number of fields to enable companies to develop their investments in ICT. In even such a comparatively simple issue as the implementation of the e-invoicing directive, we find a multitude of national implementations that diverge from each-other. This is clearly not acceptable, and best met with open platforms and negotiations on standards.¹²

Issues relating to the creation of standards that allow for the development of a market dominated by small number of large companies must be considered. It is important that all businesses across the EU are provided the incentive to take part in technological developments, while maintaining the incentive for research and development. A common EU patent would help address the issue of interoperability and the difficulties associated with the regulation of cross border trade and information exchange.

- **Trust and dependability.** The information security issues, as well as the more convoluted trust issues, are important to engage in from not only the business side, but also from the EU and the Member States.

3. PRIORITY ACTIONS TO DEVELOP IN THE "eEUROPE BEYOND 2005" PROGRAMME

While the articulation of these eight clusters should provide the right kick-start to the unveiling of a reinvigorated set of *eEurope* policy initiatives there is equally clear the need for a parallel listing of any proposed practical actions that the EU plans to implement between 2005 and 2010.

Given these top priorities for the EU and Member States, what actions does EUROCHAMBRES recommend? What actions should be developed under the next e-Europe programme?

- **Public services.** The next EU-programme should emphasise the need for e-procurement. Exchange of best practices, reviews of the harmonisation effects of the directive package and measuring the level of development, the pace of implementation of e-procurement and resulting gains in productivity, efficiency and transparency should be monitored closely.¹³

The work in IDA should be intensified, and developed at a quicker pace.

The service directive needs to be developed further, and in the e-Europe programme especially the parts that deal with e-services should be lifted to ensure further development.

Developing public services should increase transparency in government affairs, procedures and administration. This e-transparency would make it easier for companies to interact with Member States.

- **Interoperability.** The work within Member States needs to be better coordinated, and strengthening the existing forms and forums. The interoperability work must also be conducted in close cooperation with business organisations and enterprises.

¹² See the work of the e-invoicing group,

http://www.cenorm.be/cenorm/businessdomains/businessdomains/iss/activity/einvoice_fg.asp

¹³ Eurochambres has submitted a consultation on e-procurement. In this consultation more points and views on e-procurement have already been given.



- **Trust and dependability.** The next programme should reflect the need for a stronger trust infrastructure in the EU, and take into account what is being done by the private sector in different initiatives. This is a key issue for encouraging further use of Internet.

The work of ENISA should be broadened, and should examine the need for the integration of the trust markets in the EU and cross-border certification schemes of different natures – both public and private.

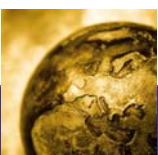
The areas of action should be buttressed by a simplified and more user-friendly access to EU funding under the current programmes including eContent, eTEN, Safer Internet Plus, IDABC, research programmes... There is a great need for flexibility in the coming programme, in order to ensure that the development is not statically set for the next five year plan in the programme. In developing those actions, the EU must encourage public-private partnerships and look for better coordination of the various initiative at regional, national and European level. The involvement of business associations and especially the extensive network at local level of Chambers of commerce is urged.

The successful development of these actions under the new eEurope Programme 2005-2010 should also be supported by a continued involvement of the EU in the UN World Summit on Information Society. The need for a global discussion and the formulation of global policies to redress the digital divide is a policy theme bound to garner greater political and economic relevance in the coming years.

The information society is developing in unforeseen and interesting ways. This also necessitates a constant review of the accomplished results. The need for re-examining old policies – and old directives – is great. EUROCHAMBRES has previously recommended period reviews of legislation in the information society sector. The need is as great as ever: the directive on electronic signature (99/93/EC) and the directive (95/46/EC) on data protection are prime examples of legislation that needs to be revisited and changed to facilitate a simpler, more efficient and clearer legislation.

CONCLUSION

In closing, EUROCHAMBRES welcomes the approach set out in *Challenges for the European Information Society beyond 2005*. The work under the coming challenges needs to be conducted in dialogue with the business sector and business organisations to ensure the continuing development of the European information society. EUROCHAMBRES and the Chambers of Commerce look forward to continue playing an important part in this work.



This position paper has been produced by EUROCHAMBRES, the Brussels based Association of European Chambers of Commerce and Industry.

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EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the only one so close to business. EUROCHAMBRES has member organisations in 43 countries representing a network of 2000 regional and local Chambers with over 17 million member companies. Chamber members employ over 120 million employees.

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