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A Digital Agenda for Europe

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

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I have one goal this evening: to convince you of the seriousness of Europe's digital problems and the urgent need for our leadership to address them.

By that I mean all of us, public and private sectors together. Anyone who lives in Europe or does business here stands to gain if we address these issues now while we still have the time.

Waiting will not help – not only will other countries over take and pass us, it will be too late to catch up to them later. We need to ensure that the regulatory foundations and the funding are there in these next few years.

You will be familiar now with the Europe 2020 Strategy and the call for smart, sustainable and inclusive growth. And you may know too that the European Digital Agenda is one of the flagships of this initiative of President Barroso.

It is easy to agree with these ideals. What is harder to pinpoint is how we move beyond the nice words and clear the hurdles that are blocking this scenario.

What I want to do is maximise the social and economic potential of information and communications technologies (ICTs), notably via the internet. I will focus on the economic aspects of that tonight.

Let me set the scene for you with a few statistics. The first is not so surprising – that ICT is worth €600 billion a year to Europe, or 5% of GDP. But more importantly, over the last 15 years ICT investments across all sectors delivered 50% of our productivity growth.

You probably also know that US productivity growth is higher than Europe's. And the lion's share of that gap is due to their bigger and better investment in ICTs. Would you say this is acceptable?

I certainly do not think so. And what is more, this information makes it clear that effective use of ICT is a pre-condition for achieving the growth that President Barroso envisions.

Europe is going nowhere fast in the absence of great ICTs

Europe can produce world beaters. You would never believe it given all the hype from Apple, but Nokia's smart phone market share is still three times the size of Apple's at nearly 50%. And I note that Nokia's decades of success have been partly built on the GSM standard that developed from European Commission-funded research. We also have some of the best brains in the world...

... And yet, overall, we are falling short.

Some further examples:

- We are competing against countries such as South Korea and Japan whose businesses have internet that is up to 100 times faster than ours.
- Israel alone launched more companies on the NASDAQ IT stock exchange in the last 20 years than all of Europe. How was this possible?
- Why do we let the US complete five times as many venture capital deals as Europe? (918 deals to 4,400 deals or \$4.5bn versus \$21.4bn) Europe is a bigger market: we should actually attract more venture capital than the US.
- The European Commission's ICT R&D budget is smaller than Google's!
- And our digital markets are uneven - for example 74% of Dutch people use online banking, but only 5% of Greeks....

Anyone who doesn't believe in the need for action is living with the fairies.

But what can we realistically do? How can we aim high, but in a way that is truly deliverable?

I will not pretend that our Digital Agenda for Europe could or should dictate the design and scale and direction of the internet or other technologies. But we are determined to create a new set of conditions for ICTs and the internet ecosystem of the future. We are determined to support all parties to take advantage of those better conditions.

In my view the main problems are these:

1. Lack of investment in networks:

We need better incentives for new and faster networks – not simply marginal upgrades. These networks will be the centre of future competitive economies, so Europe can't afford a second-class internet. All of these networks need to be competitive and open.

2. Fragmented digital markets:

Europe is still a patchwork of national online markets even though the problems are fixable.

3. Lack of digital literacy and skills:

Europe suffers from digital poverty and no amount of traditional social security can hide that. It hurts the daily and professional life chances of millions and it holds business back. It can't continue.

4. Missed opportunities in addressing societal challenges

Europe misses out on much of the potential of ICT because it does not give common answers to challenges facing society (such as the ageing population, rising health costs, climate change). In this we really can be the world's laboratory and its leader.

5. Rising cybercrime and risk of low trust in networks:

You wouldn't use a system you don't trust, would you? And you'd be furious if the digital equivalent of a volcanic ash cloud left you cut off for days.

6. Insufficient research and innovation efforts:

Europe continues to under-invest and fails to convert intellectual advantage of research into the competitive advantage of market-based innovations. Our priority has to be not only attracting more investment, but building bridges between the ideas and their potential markets.

7. Lack of interoperability:

Europe does not maximise the benefits of interoperability. Weaknesses in standard-setting, public procurement and coordination prevent digital services and devices from working together as well as they should.

I have now one final example that in my opinion summarises the situation we are facing - and why we need to come together and take action to reap the benefits of the digital era. The example concerns the importance of creating a Digital Single Market.

While the internet is borderless, Europe's online markets are not. It is often easier to buy something from a US website than online from the country next-door in Europe. Often you cannot buy it at all within Europe.

For instance, consumers can buy CDs in every shop but are often unable to buy music online across the EU because rights are licensed on a national basis. No wonder the US market for online music is five times bigger than Europe's.

But there is a huge Digital Single Market for audiovisual material. The problem is that it's illegal, and it's not monetized. We have effectively allowed illegal file-sharing to set up a single market where our usual policy channels have failed.

I am convinced that we can do better. In fact, we must do better. Creating the legal Digital Single Market will lead to a wealth of options for citizens. It will strike a blow against piracy and benefit authors and artists. And it will do this without endangering the open architecture that is essential for the internet. It is obviously common sense to fix problems like this.

Of course, I am aware that the ultimate test is implementation. Words, we all know, are easier than results. And we also know that we never see the results of ICT investment overnight.

But, over time, our work will mean real change in the daily lives of European businesses and citizens.

Having said that, the vital ingredient in converting our intentions into ongoing actions is leadership at all levels of the next few years. That is where we all come in and have an essential role.

Leadership

The Digital Agenda portfolio is a complicated one. Making a success of it requires the alignment of many interests.

I am no stranger to delivering messages that some people do not want to hear: just ask Microsoft or Intel or any big bank in Europe. And this portfolio is going to require more tough messages.

Messages like: Europe faces irrelevance if it does not get on board with this Digital Agenda. And I will have to tell stakeholders other things:

Like: *'we can't afford that'*

Like: *'stop looking at the end of your nose - we have to work together and look to the future'*

And: *'how are you factoring in future generations?'*

I firmly believe we can do this.

The public leadership of the current economic and financial crisis - especially the actions taken in its early months - is proof of what the public sector can achieve when it wants to.

Just as we had to do with the current financial crisis, we now need to:

- stay firm in defence of the Single Market
- look beyond narrow interests
- build new relationships

Having gone to the brink of disaster in the crisis, I know that we can also pull together to deliver this Digital Agenda.

Our Single Market has delivered us the highest prosperity for the longest period of time in Europe's history. We must deliver a Digital Single Market too.

That is our way forward. There's no money for a second round of bail-outs. And there's no time to rest as Asia and Brazil and others race ahead. The coming years will require long-term vision, hard work, and clear goals to achieve a smart, sustainable and inclusive digital future.