

A man and a woman in business attire are smiling and looking at a tablet together in a cafe setting. The man is wearing a light blue shirt and a dark tie with green polka dots. The woman is wearing a dark blue top. They are sitting at a wooden table with a white coffee cup in front of them. The background shows a blurred cafe interior with a chalkboard menu.

Embracing the Internet Opportunity

A Programme for Modernising the Industrial, Social and Democratic Fabric of Europe

**Promote the use of the Internet throughout
the European economy and create the right
conditions for European Internet innovators**

Protect the open, global Internet

Promote Ecommerce to Boost Employment and Consumer Choice

Put European citizens at the centre of Internet policy
and ensure they continue to enjoy access
to the widest range of information through Internet

Ensure Citizens and Employees have the necessary
skills to benefit from the Internet opportunity

Create a balanced IPR regime with flexibility for citizens and innovators

Encourage competitive provision
of high bandwidth broadband networks

Make Internet trade a key objective of future trade agreements

Ensure that information can flow freely while safeguarding consumers

Embrace new forms of activity
such as the sharing economy

The Internet – The Key to Europe’s Open, Inclusive and Productive Society

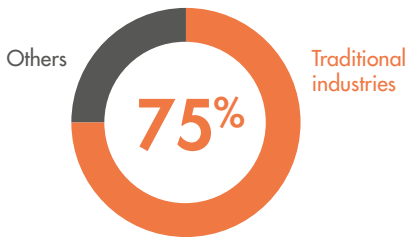
The Internet has brought Europeans the ability to communicate, connect, entertain, learn, research, share, innovate and sell like never before. Prior to the Internet these activities cost considerable sums of money, or were not available for the majority of people, and delivered a worse result. This change has improved the situation of European citizens, consumers and businesses putting power in their hands like never before.

As an example the availability of software tools, cloud computing and the rise of virtual office infrastructure has driven the cost of launching an Internet venture 100 times – down from 5,000,000 in 1997, to 500,000 in 2002, and to \$50,000 in 2008. Even more importantly, it has improved competitiveness and driven down costs for businesses of all types with 75% of the benefits of the Internet accruing to traditional companies.¹

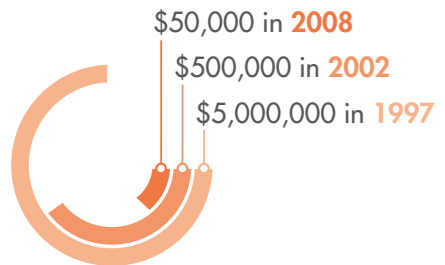
This set of policy recommendations sets out ideas on how the European Union should design policy towards the Internet. It takes as its starting point that we have moved from having a marginal digital economy, to a situation where *the economy is digital*. The same logic applies to society more broadly: we have moved from a narrow digital society to a world where society is increasingly digital.

The Internet is key to maintaining the industrial, social and political fabric of Europe

Benefits of the Internet



Cost of launching an online business



1. Source: Dr Robert Hendershott

Our goal should be for Europe to gain maximum benefit from the Internet. **Europe can best preserve its social and industrial fabric by embracing the Internet.** Increasingly, the firms, employees and societies that fail are those that are ill-equipped to grasp the Internet opportunity: an opportunity that has revolutionised our society, our politics and our economies for the better.

The European Union institutions should embrace digitally powered growth growth, recognizing that our economy is digital. Digital, and the Internet, are present in all elements of our society and this must be reflected in the Commission President's instructions to the new Commissioners whether they be responsible for transport, consumers or agriculture: embrace the digital opportunity.

The Internet is Key to Maintaining Europe's Social Fabric

Internet technologies and services should be deployed throughout Europe's public services thus driving the wider availability of high-quality public services at lower cost and helping to maintain Europe's social model.

Neuroathome allows doctors to prescribe rehabilitation exercises for patients at home. This is an example of how improved outcomes can be achieved for more people at lower cost.

As European countries seek to balance budgets and grapple with the long-term challenge of ageing populations it is clear that only by harnessing the potential of the Internet can high quality services be provided at a sustainable cost.

As an example, healthcare can be provided to more people than would be the case in a physical patient / practitioner model alone (NB. The use of Internet technologies does not replace existing models, rather it complements them).

ACTION

> European Union policy should embrace the use of digital technologies in all areas of society and seek to improve public services through their use. A digital first attitude from the President of the European Commission is crucial to ensuring that policy from transport through to health provision takes this into account.

The Internet is Key to Maintaining Europe's Industrial Fabric

The adoption of Internet technologies is key to Europe preserving its industrial and economic status. Industrially, it is critical for companies from all sectors of the economy to adopt Internet technologies whether to communicate with customers and suppliers, export, manage finances or conduct product development.

Firms adopting these technologies grow more rapidly and have greater capacity to survive and to combine these with their offline activities. The McKinsey Global Institute found out that 75% of the Internet's benefits arise from traditional companies that don't define themselves as pure Internet players.

Social Alarms case study: the Swedish Institute of Assistive Technology has developed an alarm system that allows vulnerable older people to live independently, while being easily able to call for help if necessary. There are currently 2.6 million users of the social alarm service in Europe, but by moving an old technology on to the Internet it can easily and cheaply be provided for 20m people and more. Such innovations will be key to maintaining the social fabric of Europe as it ages.



Case study: Blue Water Sports

From zero to a global sporting goods business in 4 years

In 2009 Adam Mackay set up a business called Blue Water Sports Ltd in Paignton, Devon, selling sports equipment. Initially, the business sold exclusively on ebay.co.uk.

Within 4 years the business has grown to the point where it employs 10 people, stocks 20,000 products, and has a seven figure

turnover. Most employees have joined the firm through local and international work placement schemes.

The key to growth, and indeed survival, has been developing international sales. From a beginning of targeting and selling to the UK, the business now sells to 88 countries and 50% of sales come from overseas. There are now listings in four different eBay sites and three Amazon ones.

ACTION

- > **Companies from all sectors must be encouraged and supported to go beyond email.** Use of social technologies for marketing and communication, ecommerce platforms for online sales, data analytics to better identify customers and trends all play a key role in ensuring firms are competitive. Policymakers should ensure European firms and employees have the necessary skills to embrace the potential of the Internet including its export potential.
- > In more general terms, an innovation-friendly regulatory environment is needed. The Internet is global, as is the competition for talent, ideas, and importantly, risk capital.

Promoting the use of the Internet throughout the European economy

European policymakers should advance policies which help small businesses and SMEs to take full advantage of the vast opportunities offered by the Internet and the fact that the economy is now digital.

The Internet will not only be important to the success of businesses, it will be key to their survival. Capgemini Consulting has also shown that companies which take advantage of digital technology generate, on average, 9% more revenues through their existing assets,

outperform their peers by 26% in terms of profitability and achieve significantly higher market valuations. Helping to European businesses to become more competitive via digital tools should be a policy priority.

ACTION

There are various measures policymakers could take to support 'digital' in all sectors of the economy. These include:

- > Raise awareness for the various benefits of bringing businesses online.
- > Make funds available to bring businesses online.
- > Support digital literacy. Only digitally literate citizens can take advantage of a connected economy and vice versa.
- > Give greater prominence to digital skills in all levels of education to address the current skills gap; there is a strong correlation between technology and employability. As the European Commission points "According to a ICT skills are 'gateway skills' without which a person's likelihood of finding employment is significantly reduced. **85-90% of jobs will require ICT skills by 2020**, according to CEDEFOP. (IPTS, ICT and Employability, 2013) ICT skills include data driven analysis, statistics, computer science, coding, etc."

The Right Conditions for European Internet Innovators

European policymakers should ensure that the necessary conditions are in place for European technology startups to start, grow and internationalise rapidly.

A large number of successful Internet companies and initiatives have been launched by Europeans. These include commercial entrepreneurs such as Pierre Omidyar (Founder, Ebay), Jan Koum (Founder, Whatsapp), Sergey Brin (Founder, Google), Niklas Zenstrom (Founder, Skype) as well as technologists behind the Internet and worldwide web such as Louis Pouzin, Robert Caillau, Tim Berners-Lee.

Research on successful Internet companies shows that between 2000 and 2014 there were 30 companies in Europe that achieved a billion USD or greater valuation vs 39 in the US.²

However, policymakers can still do more to increase the chances of success. Successful Internet companies create value for owners and employees and innovations for businesses and consumers.

ACTION

European Internet start-ups need an enabling environment to ensure that the direct and indirect value created benefits European society. An enabling environment is a complex mix of policy including:

- > Availability of risk capital.
- > Conducive regulatory environment eg a digital single market increasing the growth prospects for firms.
- > The creation of a special 'startup' company status.

- > Startup Champion / group to advocate for the startup community in European policy.
- > An entrepreneur hotline to senior policymakers to avoid innovative businesses being killed by better connected competitors.
- > A digital test in European policy making that considers the impact of all initiatives on digital entrepreneurship.
- > Special focus on digital skills and new forms of training and support for digital skills from structural funds.
- > Support the formation of technology startup clusters as key model to grow new high tech businesses.

Promoting Ecommerce: employment and consumer choice

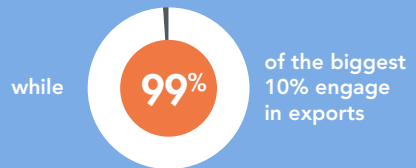
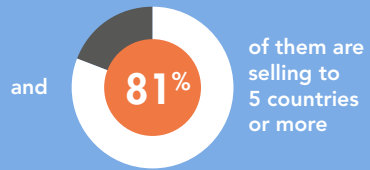
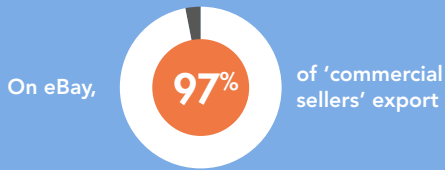
In the 21st century traditional 'offline' commerce and e-commerce have merged. They are complementary to each other forming modern commerce. What is desirable and permissible in the offline world should equally be so in the online world and vice versa. Small businesses stand to gain the most from the consumer reach brought by the Internet. Some commentators identify the 21st century as the age of the micromultinational: small companies that operate globally - something that has traditionally been the preserve of large multinational corporations.

Artificial restrictions or at worst outright discrimination against the online element of commerce should be prohibited. European entrepreneurs, small and large, should be able to fully reap the benefits of modern commerce, providing access to across an integrated EU consumer market.

Online intermediaries are able to function given they benefit from strong and clear liability limitation provisions, which shield them from the wrongdoing of individual users whilst ensuring they take action when alerted to problems.

2. GP Bullhound 'Can Europe Create Billion Dollar Tech Companies', June 2014 — <http://www.gpbullhound.com/en/research/>

How important is the Internet to the micromultinational?



ACTION

For more than a decade the E-Commerce Directive has proved a robust framework. This regime should not only be preserved but actively promoted in the EU's relationships with third countries. The Internet is global - so should be key provisions enabling commerce to thrive. Internally, EU policymakers could provide for more legal certainty by:

- > Clarifying the scope of injunctions issued against intermediaries. Courts in some Member States have issued injunctions which amounted to a general monitoring obligation – this clearly goes against the language in the E-Commerce Directive.
- > Provide clarity and legal certainty regarding the responsibilities of online platforms across the single market.

European and national authorities should also take effective measures against 'online platform bans'. In their relationship with resellers, some brand owners prohibit them to offer and sell their products on online marketplaces. This often constitutes outright discrimination against *specific* online marketplaces which are key to reaching a broader customer base. Action is needed to prevent these practices from undermining consumer choice and commerce in Europe.

Finally, the Internet has enabled new forms of economy activity that supports new jobs. The 'sharing economy' is a good example of citizens exchanging goods and services with each other; policymakers should support such new models.

The European Citizen and the Internet

The empowering of European citizens and consumers should be at the centre of policy formation concerning the Internet. Concretely, the European Commission 2014-2019 should:

- Ensure that the mass surveillance of citizens by the security services of EU member states operate under rigorous, independent judicial oversight with an end to the bulk collection of data.
- Ensure the adoption of an ambitious General Data Protection Regulation that serves the needs of citizens *and* a knowledge and data-intensive economy that can lead the big-data revolution. It should agree common set of standards for data protection across the EU.
- Develop a program of *Internet Literacy* together with academia, civil society, government and the private sector to equip European citizens with a better understanding of how to deal all aspects of life online.

The objective of such a programme should be to ensure that citizens, consumers, employees, children and parents have the ability to participate critically in the Internet opportunity. Prevention is better than cure and an empowered citizen is the best means of ensuring that people get value, are employed and stay safe.

ACTION

Such a programme should address fundamental skills for the Internet era such as:

- > How to stay safe online.
- > Identifying commercial communications.
- > Internet skills and coding.
- > Sharing information and keeping sensitive data private.

Information, Creation and the Internet

European policymakers should ensure that the European citizen-consumer continues to enjoy access to a wide variety of informative and entertaining content in the form of their choosing.

The Internet has delivered a boom in the availability of most forms of content, with a vast catalogue of user generated content, an increase in the revenues of the professional creative sector and reinforced cultural identities and democracies.

As examples:

- In 1995 **327,000** books were published in Germany, France, UK, Italy, Russia and Spain combined. By 2011 this figure has grown to **562,000**.³
- Between 2008 and 2010 book industry revenues in Germany grew **5%** from **USD 6 billion** to **USD 6.3 billion**.⁴
- Overall, the value of the creative sector in EU-27 was **EUR 200 billion** in 2011. This compares to **EUR 170 billion** in 2001; an **increase of EUR 30bn**.⁵
- Domestic musicians have increased their market share from less than **50%** during the 1980s to almost **70%** by 2007⁶

ACTION

- > Media regulation should continue to ensure there is a competitive market for information intervening only where necessary where there are persistent problems. An example of this would be in the premium content market such as the English Premier League football rights where there has been no effective competition to BSkyB since the advent of the Premier League.
- > European audio-visual and media policy should continue to focus on delivering benefit to the European citizen-consumer by allowing 'country of origin' offerings in the single market and preserving the distinction between linear and non-linear offerings.

Intellectual Property and the Internet Era

The Internet has brought new opportunities for all, rights owners, consumers, citizens and entrepreneurs to benefit from and interact with IPRs.

A balanced IPR policy is key to a thriving Internet economy. In copyright, the legal framework must be fit for the digital age. Finding the right balance between exclusive rights and necessary limitations leaving valuable breathing space for innovation is crucial. Trademark policy should ensure that legitimate brand protection measures do not unnecessarily restrict new ways entrepreneurs, consumers and citizens engage with brands.

ACTION

- In copyright policy legislation should strive to ensure appropriate flexibilities to account for the fast-evolving and often dramatic changes brought by technology. Innovation will continue to be unpredictable which necessitates a legal framework capable of accommodating fast and disruptive change. Two measures would immediately help European innovators:
- > Ensuring that Member States correctly implement exceptions and limitations, particularly those with a strong internal market



and fundamental right imperative. In tune with CJEU decisions, the scope of exceptions should not be limited through national law.

- > The provision of an open-ended norm to ensure breathing space for future legitimate uses without prejudice to the three-step-test.
- > With regard to trademarks ensure that what is permissible offline is permissible online for the benefit of citizens, consumers and innovators.

Trademark policy must provide both: a sufficient level of brand protection for the benefit of consumers and enough room for businesses, consumers and citizens online. A simple guiding principle should be: what is permissible and tolerated in the offline world should also be so in the online world. When modernizing trademark law, the 'digital perspective' must be taken into account when deciding which uses of a trademark we, as a fully connected society, deem acceptable.

An open, global Internet for an open and democratic society

European policy should encourage investment in high capacity networks to meet consumer and business demand for content and application available online. Networks should be open so that all parties can innovate by delivering new

services: this applies to 'online' services, telecoms firms and non-professional content creators. An open Internet is also a global Internet allowing consumers and businesses to access content and services from all over the world.

An open, global Internet allows Europe to extract the maximum social, economic and political benefit from the Internet. A free Internet means that:

- Citizens have maximum access to information and a vast range of sources of information,
- Business can benefit from the permission-free innovation that the internet allows, and
- Our social system is best able to continue delivering high quality public services to our ageing populations.

ACTION

Keeping the Internet free and open means policymakers need to:

- > Ensure balanced open Internet provisions are adopted in telecoms legislation that allow all parties to innovate online.
- > Ensure that Internet Governance continues to be managed in a multi-stakeholder fashion as certain elements are moved away from control of the US government.

- > Avoid mandating that data be stored or processed in a particular location, or that routing be done within a particular region. Such approaches will deprive consumers and businesses of the option to use services they choose and are uneconomic.
- > Ensure competitive provision of communications networks to consumers and businesses by ensuring provision of wholesale access to dominant telecoms networks across the European Union and in North America.
- > As the trading platform of the 21st century trade agreements should seek to preserve the open character of the Internet so the knowledge intensive EU economy remains open to exposure new markets and ideas. The Internet also provides export opportunity to small businesses.

The EU should ensure that provisions that sustain the open Internet and foster Internet services are key features of its trade deals. These include ensuring that:

- Internet intermediaries are protected from liability for infringements by their users,
- intellectual property rules are balanced,
- the EU should support the transition to a multi-stakeholder model of Internet governance,
- the EU pushes trading partners, such as the United States in TTIP, to ensure wholesale access to telecoms networks allows European firms to compete for global business contracts.

Making Good Policy for the Internet

European policymakers should develop a new balance in terms of how they regulate the behaviour of companies, citizen-consumers and governments. Successful public policy for the Internet must also be innovative. Regulation requires a number of complementary instruments, used in different proportions to the past.

The pace of change in consumer and business adoption of new Internet technologies and services means that existing modes of how and when we regulate need to adapt to a rapidly changing environment.

In future, voluntary approaches should enjoy greater prominence. They allow policymakers, sectors and companies to remedy problems more rapidly. They should not replace, but complement, democratic processes. They also need transparent oversight.

Competition enforcement remains a vital tool. In Internet markets, and other markets influenced by technology, this will mean not only being able to identify abuses, but being able to resolve them rapidly.

The European Union legislation should be used in targeted manner to bind the single market, address persistent economic or public policy bottlenecks and set a general framework. However, a five-year process for such instruments means that the world you are regulating for has moved on by the time law is enforced. Given this relative inflexibility these methods should be used sparingly.

Lastly, the EU should introduce an 'Internet first' approach to decision making in all areas of policy to ensure that the Internet is integrated into all relevant areas of policy.

Conclusion

Embracing the Internet will be key to preserving the industrial, social and democratic fabric of Europe. Policymakers need to ensure policy facilitates this and that people, whether as citizen, consumer or employee, have the necessary understanding, skills and opportunities to extract maximum benefit. Technological change brings with it social change and such skills and support ensure society can successfully adapt and prosper.

As more and more elements of our economy become connected it is vital that companies, and the public sector embrace the Internet to make their operations more efficient, but also to deliver the experiences that consumers will demand. This will ensure the future of our long-established industries, but also that entrepreneurs have a climate in which they can thrive. It will also secure the future of our social model as the Internet will allow for the continued provision high quality services to an ageing population.

Embracing the Internet will be key to preserving the industrial, social and democratic fabric of Europe.

3. Books UNESCO
4. Germany PWC
5. Creative sector overall Booz & Co;
6. Domestic Musicians Ferreira and Waldfoegel

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