

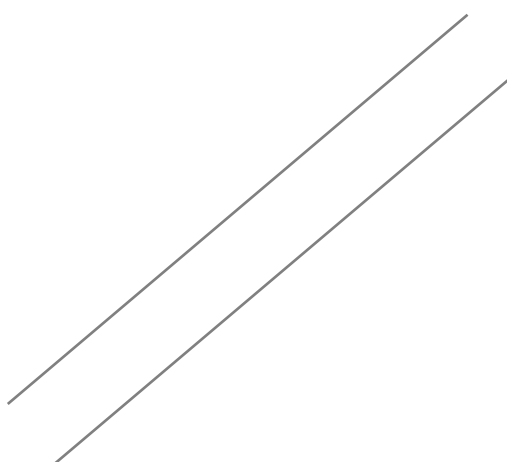
**Viviane Reding**

Member of the European Commission responsible for Information Society and Media

## **Growth and ICT: an opportunity for Greece**

### **Open Forum for Competitiveness and Growth**

**Athens, 5 December 2005**



Ladies and Gentlemen,

It is a great pleasure for me to speak to you today at this Open Forum on Competitiveness. The forum aims at contributing to the efforts needed to transform Greece into a modern, competitive economy, able to attract and stimulate business initiatives and investments. I can only welcome this initiative. And I also welcome the fact that the Greek government has declared “2005” a “Competitiveness Year”.

This is excellent and it is precisely the focus on my speech today. Competitiveness and ICT and where Greece could be.

My argument is that Greece has so much to gain from ICT. You have so much talent and energy. The main thing that is stopping you is yourselves.

I am going to look at the issue through the perspective my new strategic framework – i2010: a European Information Society for Growth and Employment.

### **Lisbon & i2010**

First some background. In February this year the Barroso Commission relaunched the new Lisbon Strategy. Our aim was to focus on growth and jobs, because up until then there had been many priorities. And too many priorities means there are no priorities. In addition, we made it clear that the Commission cannot make growth and jobs happen on its own. We gave the responsibility back to the people with the power to act, especially the Member States and Industry. The Member States have been charged with preparing their own national reform programmes. Industry, is called upon to invest and innovate – and I repeat that call today.

In meeting these priorities – growth, jobs, investment and innovation - ICT is key. If we want growth and jobs, we cannot do it without ICT. The latest EU25 data show that although ICT represents only 5% of the GDP, it drives 25% of overall growth and 40% of labour productivity growth. This sounds good but we could do better the much higher US productivity growth was 60% derived from ICT.

Why is this?

- ⇒ In Europe we specialise on low and medium-tech industries, the US leads in the high productivity ICT sector
- ⇒ We have invested less and late in ICT as a tool for industrial performance
- ⇒ We are less efficient in using ICT in firms and in public administrations.

A stronger ICT sector together with a wider and efficient use of ICT throughout the economy is a clear opportunity to help the EU to reinforce its global competitive position.

It is for these reasons that I brought forward my new i2010 initiative – a European Information Society for growth and employment. Adopted by the Commission in June, i2010 was the first concrete action of the renewed Lisbon Strategy.

Now I will try to put Greece in the picture of ICT and growth through the perspective of the three main pillars of my i2010 initiative. These pillars are:

- **First:** to create a “common information space”, offering affordable and secure broadband communications, rich and diverse content and digital services;
- **Second:** to ensure European technological leadership by encouraging private and public research and innovation in ICT, closing the gap with Europe’s leading competitors;
- **Third:** to promote a more inclusive information society in Europe, by better exploiting ICT to provide high quality public services and to improve our quality of life.

But I have to warn you: putting Greece in the picture will be painful! I am afraid that you already know that.

**On the first priority:** A common information space, based on the strengthening of an open and competitive single market for communications and services?

Why a common information space? Because, digital convergence is finally becoming a reality. We can see it all around, video on demand, internet TV, music and film downloads, voice over the internet (VOIP), mobile broadcasting. Many new services are being launched on a wide range of platforms. Telecom providers are become content distributors and cable companies are offering communications and internet.

This convergence is generating growth. The majority of which will be in new services. There will be services for consumers: such as on-line content, games, personalised and peer-to-peer services. Forecasts for online content revenues foresee a three-fold increase by 2008. Businesses will also be heavy users of converged – VOIP a business success, the lead users of 3G networks are business giving high speed access to data and web resources to workers on the move.

To get convergence we need fast and efficient communication services, because broadband is the arterial system of information economy. And we all know what happens if our arteries get blocked.

Speaking about arteries:

I cannot say that Greece is in a strong position on this count. The EU25 penetration rate for broadband is 11% in the Greece it is 1%, putting Greece in 24<sup>th</sup> place out of 25. In terms of population covered by DSL (broadband), Greece is trailing seriously behind. At least four countries (BE, DK, LU, ND) have 100% coverage, the average for EU15 is 85%, Ireland at 14<sup>th</sup> place has 65%... Greece stands at a little over 10% of population with coverage! Greece meanwhile has the highest prices and one of the lowest levels of competition.

It is not surprising then that, only 22% of Greek households have access to the internet, the EU average is 49%.

It won’t surprise you then to hear my disappointment on Greece’s failure to transpose the current regulatory framework for electronic communications. This is the only EU country that has not yet transposed it. OK, there is a draft law submitted to Parliament. When will it be adopted?

This delay is hurting you, the Greek business community. Greece has to move if it wants the business opportunities and the enhanced performance that integrated web services, based on broadband, can give to all firms, both small and large.

## **Let's now move to the second priority – research and innovation.**

Ancient Greek civilisation is a source of continuous inspiration and its values are timeless and global. Athena, goddess of war and (by the way) goddess of wisdom, invented the bridle so that horses could be used in the service of mankind. Today, we have ICT to help us harness knowledge for growth and development and jobs.

To harness knowledge we need research and innovation. Europeans, and I have to say Greeks, are known for their inventiveness and creativity. We need to exploit much more intensively this innovative spirit!

We need, but we don't! . The Innovation scoreboard shows that **Greece** is near the bottom of the EU ranking – in 22<sup>nd</sup> place out of 25. Meanwhile, as regards the share of ICT expenditures as a % of GDP, Greece is at rank 20 of the EU25.

It is true that the trend is positive. Greece is slowly catching-up, particularly in terms of high-tech patent applications and business expenditure on R&D. But, when comes to put high-tech innovation into practice, the share of manufacturing value-added in high-tech sectors is falling.

My priority overall is to increase R&D and innovation support spending substantially. Because, the European figures are an embarrassment. Europe spends 80€ per capital on R&D into ICT, the US puts in 350€. And we should watch out for the emerging economies. By 2010, China will have caught up with Europe on R&D expenditure.

The Commission has proposed an increase of 80% by 2010 and invited the member states to do the same. It seems that I will be disappointed; we will not what we needed. Far from it, make the best use of what we get.

But the EU Framework Programme is only a tiny proportion of total R&D in Europe. Reinforced R&D investment by Member States and Industry is essential for growth through ICT.

What is necessary for business?

You are all aware that secure, information systems for businesses that operate on both fixed and mobile networks are now essential for business competitiveness. Many new systems are emerging: service oriented architectures, secure server networks, data warehouses, regulatory compliance tools (e.g. to meet new accounting standards), outsourcing management services. All these new systems will join the ranks of more traditional systems such as customer databases, resource flow management, logistical and financial systems.

As these “solutions” accumulate, this is much, too much! Investors have to concentrate on the core of their businesses. I therefore expect to see many opportunities for services that help both large and, especially, small firms to navigate this information minefield.

Greek firms seem particularly in need of support, because they are already behind on the take-up of e-business. Between 2004 and 2005, 12% of European business

received orders online, only 7% of Greek firms received such orders. Whereas 24% of EU25 firms ordered online the figure for Greece is 14%.

This is of concern because the services I am speaking about generate jobs and growth. And these are areas of opportunity for Europe and for Greece. For example, IT services and software are already growing at around 5% per year, well above the average for the sector, but we are only scratching the surface of what is possible. In Member States where such e-services are actively encouraged we see much higher rates of 10 or 11%.

Overall Europe is relatively weak in software and – as so often –our services markets are fragmented into 25 or more different regimes.

This is a problem for the future, because, when we look at the previous round of growth from the internet, we see it took place mainly in the USA. Let's mention the household names: eBay, Google, Yahoo. As the new phase of growth develops based on convergence and web-services, can we make sure that Europe – and Greece - this time get their fair share of the new business opportunities, both as service providers and business users?

Its not that Europe lacks talent or qualified software and services people in Europe. Rather the reverse, key inventions such as the World Wide Web, the MPEG3 audio compression technology and Linux are all European creations.

And, as is well known, Greeks are in the leading ranks of scientists and technologist not just in Europe but worldwide. I see this in my own IST research programme – Greece receives over 4% of the IST total budget, much more than you would expect for its size. You get some very important public research centres (the Institute for Communication and Computers Systems and the Centre for Research and technology are examples). Firms such as Intracom and Singular Software are strong players in the FP6. If we look at the eTen programme – 38% of all projects have Greek participants and they account for 5% of the total budget – which is 3 times Greece's contribution to the programme!

That are good figures. Add those to the fact that Greece is well placed economically. Following the Olympics there was a strong growth. But, if Greece wants want to build on its potential to be the gateway between SE Europe and the Middle East, it will have to make sure to invest in the future. In ICT R&D, establishing world class information infrastructures and growing innovative business services. This means creating the conditions for growth for start-ups and for attracting the many highly talented Greeks both at home and abroad to take up the challenge of the new wave of the information economy. It means taking up the challenge of eBusiness.

### **Finally, the third pillar**

The third pillar of the i2010 concerns inclusion. Technology not for the sake of technology, not for the sake of stakeholder's value. I want everybody to participate in the information society and share in its benefits. Of course it raises another

issue for business, how does eGovernment bring services to citizens and businesses. The issue is the efficiency of public administration. You will have noted that the countries in Europe which have the most efficient administrations – not by chance – also leading the world ranking of competitiveness.

Public services are going through the same revolution as businesses. They are developing large applications and data infrastructures to deal with massive data on health, education, national security, taxes and other public services. They have the same concerns as you on security, storage, archiving, interoperability and privacy. They are struggling with similar problems with the re-organisation of internal processes.

But, Greece is also lagging behind in terms of getting the benefits of e-government to its people and businesses. There is still too much time spent waiting in-line instead of having a government that is on-line. Today, 30% of Greek government services are fully on-line against the EU15 average of 46%.

This is costing you money. For example, we have calculated that the potential savings from online VAT declaration are about 10 € are saved per transaction. If we scale this up to the EU25 we reach a potential for savings of more than €500 million each year. This is just one example.

Two weeks ago the EU ministers agreed a declaration in which they set themselves concrete targets for open and on-line government in areas such as inclusion, efficiency and cutting red-tape, moving to e-procurement and adopting electronic IDs. Next year, as part of i2010, I will launch an Action Plan on e-Government and you will see that I am driving this agenda, because it is important both for you - the businesses - and all of us - the citizens.

## **Conclusions**

Today I had the difficult task to remind you of some areas where the performance of Greece is far from outstanding.

But this is not a gloomy message. Because, Greeks are smart people. They are in the leading ranks of scientists and technologists. They are outstanding business people and entrepreneurs. The Greek economy is growing faster than many other parts of Europe. Greece could be a hub for business in its region, a crossroads in the information age, just as it was for trade in classical times.

Let me conclude with one of your wonderful myths. Daedalus, by all accounts, was a master of innovation. He fashioned wings out of feathers and wax so that he and his son Icarus could escape from the labyrinth that he himself had constructed for King Minos and where the king later imprisoned him. Daedalus warned Icarus to fly “the middle way” – not too high, for the sun would melt the wax in his wings, but not too low, for the tides of the sea would catch him.

The end of that story is well known. The end of my story is quite different. My message to you is fly as high as you can! Times have changed, Technology has grown

Greece has the strength and the capacity to foster innovation, to make wider and better use of ICT, to increase its competitiveness and to create new and better jobs. The whole of Europe has to fly higher, and I am convinced that Greece will be flying alongside.

Thank you for your attention.