SPECIAL ANALYSIS

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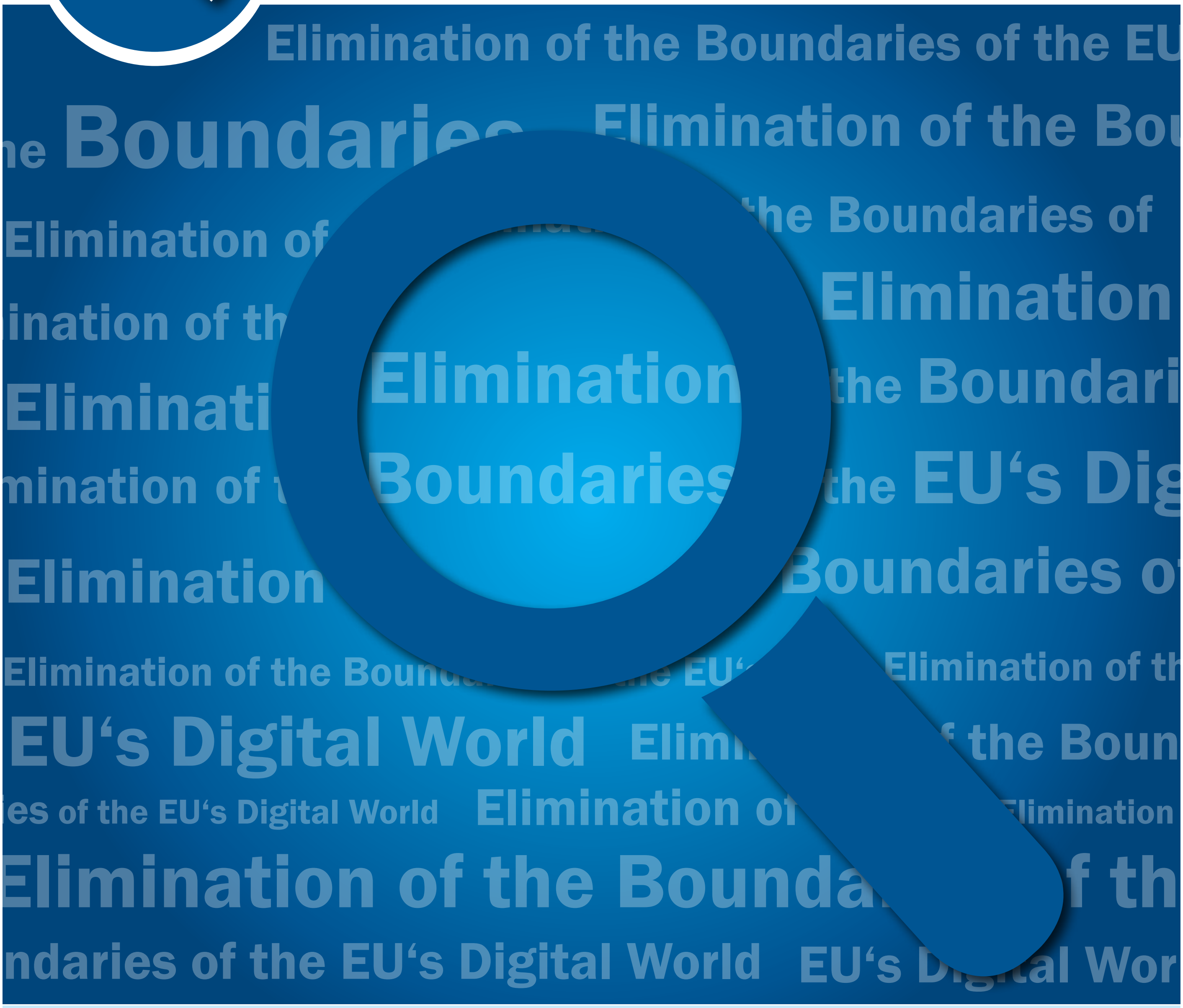

Elimination of the Boundaries of the EU‘s Digital World

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Introduction

Digitalisation of the environment around us is occurring constantly, and nearly every one of us is encountering the option of using the newest digital technology and online services. The number of internet users is also increasing (more about this can be found in issue 140 of the monthly), along with online shopping, use of the internet as a form of entertainment, whether this involves watching films or listening to music, as well as for communication with state administrative bodies or physicians. However, this area is meeting obstacles and boundaries also. In fact, it often is literally, since many online services are limited by the territory of a particular state, since the access by citizens or companies in another EU state often is subject to obstacles and blocking based on geography.

The single digital market is one of the European Commission‘s main priorities, and one of the reasons for it is the desire for improvement of access by consumers and businesses to digital services. The single digital market should ensure free movement of goods, persons, services and capital for citizens and businesses, so that there are no obstacles to free access to legal online activities and to their implementation under the conditions of fair economic competition.

There will also be a focus on extensive protection of consumers and personal data, regardless of nationality or place of residence. However, there is also the economic perspective. The creation of a single digital market should help ensure that European companies can continue to develop and improve their competitiveness among other worldwide economies.

In order to remain at the topic in the field of digital economy, Europe will have to overcome obstacles that hinder it both in development and in utilisation of the entire potential of the digital environment. The elimination of the mentioned obstacles on Europe‘s territory according „A Digital Single Market Strategy for Europe – Analysis and Evidence“ could bring European GDP and additional EUR 415 billion. Something else positive will be not only improvement of services and opportunities, but also support for business activity, which will enable not only sufficient profits, but also improvement of the situation on the labour market through new job creation.

One of the Commission‘s main priorities, the „single digital market“, is overseen by a 14-member team of European Commissioners around Commission Deputy Chairmen Andrus Ansip and Günther H. Oettinger. The Czech Republic has an imaginary iron in the fire in the team, since it includes European Commissioner for Justice, Consumers and Gender Equality Věra Jourová

The strategy itself for the digital single market is based on three pillars, which consist of individual **key measures:**

1. *Improvement of consumers‘ and businesses‘ access to digital goods and services in all of Europe*
2. *Formation of an ideal environment for development of digital networks and services*
3. *Maximisation of the growth potential of our European digital economy*

1. Improvement of consumers‘ and businesses‘ access to digital goods and services in all of Europe

A benefit of the single digital market will be new opportunities for businesses and entrepreneurs for expansion across Europe, as soon as the obstacles for cross-border online activities are eliminated, which include differences in contract and copyright legislation in member states and burdens related to VAT.

One of the important requirements for creating an ideal environment for cross-border online sales will also be the currently lacking affordable and high quality cross-border package delivery services. Another step will be definition of a suitable framework for e-commerce and prevention of unfair discrimination against consumers and businesses when they try to gain access to content or purchase goods and services online within the EU, whether these are restrictions due to nationality, residence or geographic location.

Although the share of persons between the ages of 16 and 74 purchasing and ordering services and goods online has been increasing in recent years, there are still huge differences among EU member states. Online purchase are mostly made by Western and Scandinavian states, led by the UK, Denmark and Sweden, where in 2014 approximately three quarters of individuals between the ages of 16 and 74 ordered products online. The countries with the worst statistics are Romania, Bulgaria and also Italy and Greece.

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Another interesting indicator is the one regarding ordering of goods and services via the internet from other EU member states. While the Czech Republic is among average states in terms of overall online ordering among individuals, in the case of goods and services from other member states we are among the worst with 7%. Luxembourg dominates in this case with 65%, followed far behind by Malta and Austria with nearly 40% each.

Share of individuals ordering goods or services online

	Total	From other EU countries		Total	From other EU countries
	2014 (in %)	2014 (in %)		2014 (in %)	2014 (in %)
United Kingdom	78.7	18.2	**Czech Republic**	42.5	7.4
Denmark	77.7	35.7	**Spain**	37.4	14.6
Sweden	74.8	22.3	**Slovenia**	37.0	17.5
Luxembourg	74.0	65.4	**Poland**	34.2	3.9
Netherlands	70.8	21.0	**Latvia**	33.5	16.4
Germany	70.4	12.0	**Hungary**	32.4	7.8
Finland	68.4	36.1	**Croatia**	27.7	8.4
France	62.2	20.9	**Cyprus**	26.9	23.7
Belgium	54.2	33.9	**Portugal**	26.3	12.3
Austria	53.3	39.6	**Lithuania**	26.0	10.9
Ireland	50.5	27.5	**Greece**	25.7	10.3
Estonia	48.6	21.9	**Italy**	22.3	8.6
Slovakia	48.1	19.6	**Bulgaria**	16.6	7.4
Malta	47.0	39.0	**Romania**	10.1	1.2
EU	**50.2**	**14.6**			

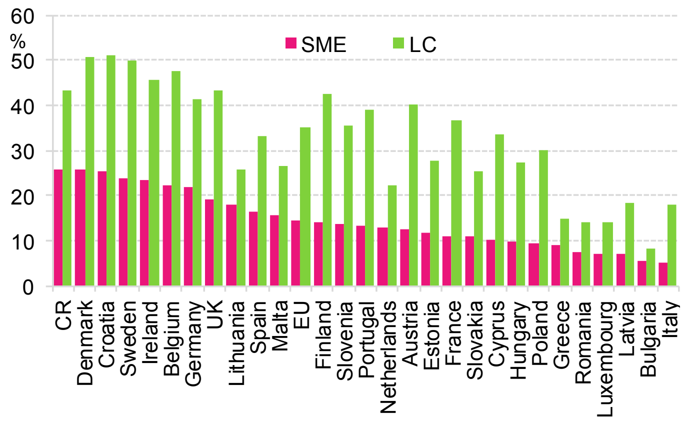
Source: European Commission

The Czech Republic holds first place with 26% in the share of small and mid-sized enterprises (with 10 to 249 employees) selling via the internet. Italy and Bulgaria ended up at the bottom of the comparison with just under 6% each.

However, cross-border trade is focused on in the European Union only by around 7% of small and mid-sized enterprises. According to data from the European Commission, online businesses that want to carry out their activities in another member state face additional costs of approximately EUR 9,000 due to the need to adapt to the legislation of the particular country. The best member states in the share of large companies selling online are Croatia and Denmark (50%).

The Czech Republic lags behind in this comparison with 43% among above-average EU member states for the particular indicator.

Share of SMEs and LCs using Internet for sales (2014)



Source: European Commission; SME (10-49 persons employed); LC (250 persons employed or more)

Rules for simplifying cross-border e-commerce

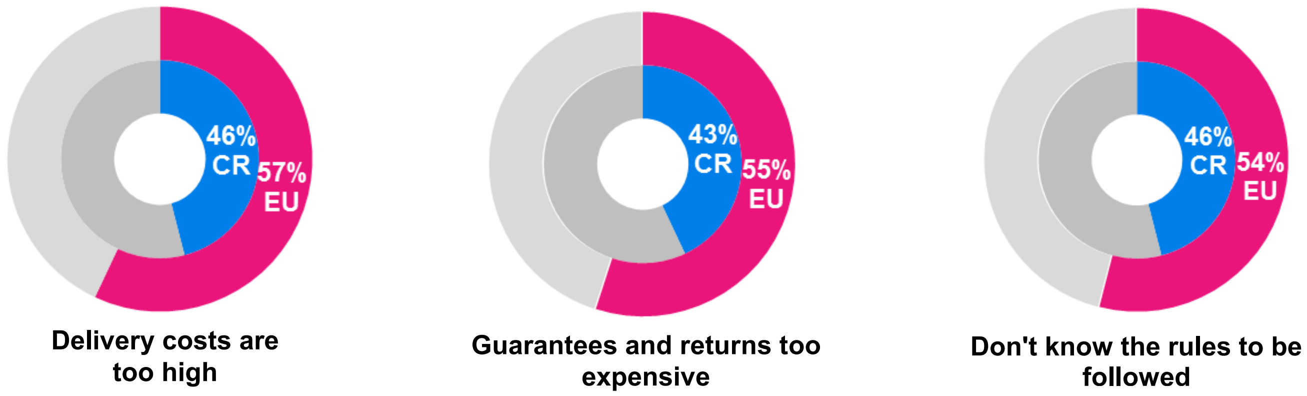
Another of the key measures for the 1st pillar is the effort to set up rules and simplify cross-border electronic trade. The complex and often even unclear rules (differing from state to state) are often the reason why individual consumers and businesses are so little involved in cross-border e-commerce. Simplified and modern rules for cross-border digital purchases and online shopping (whether they involve physical goods such as furniture or shoes or digital content such as e-books and applications) will motivate more businesses to engage in cross-border sales online. Fulfilment of this rule will also boost consumer confidence in shopping and sales without borders.

Effort for quality and affordable cross-border package delivery services

An important aspect of online services and trade is comparable, quality and affordable cross-border package delivery services.

Individual parties also complain about a lack of transparency, high costs for small parcels and often unsatisfactory conditions for the end consumers.

Problems for selling online



Source: European Commission

Prevention of Geoblocking

Geoblocking is understood as often discriminatory approaches used for commercial purchases by online sellers, which prevent consumers from accessing internet sites in other member states or redirect them to local e-commerce websites with different prices or different products and services.

Geoblocking is one of many tools that companies use to segment the markets based on state borders.

Better access to digital content – a modern more European framework for copyrights

By the end of this year, the European Commission wants to submit legislative proposals, which should serve for reduction of differences between intra-state copyright systems. Copyright law is one of the bases of creativity and the cultural sector. Creativity is one of the EU's strengths in worldwide competition.

The European Commission will also focus on promoting regulations related to breaches of intellectual property rights on a commercial scale.

Reduction of burdens related to VAT and elimination of obstacles during cross-border sales

In its additional proposals, the Commission also wants to reduce administrative burden for companies engaged in e-commerce activities, which stems from different VAT systems and requirements. The need to comply with many different national systems represents a significant obstacle for these businesses.

Among other things, a joint limit value of VAT will be proposed, which will help smaller starting businesses selling online.

2. Formation of an ideal environment for development of digital networks and services

The second pillar of the single digital market will be focused on development of digital networks and services, which must be based on reliable, trustworthy and affordable high-speed networks and services, which will ensure consumer's basic privacy protection rights and personal data protection as well as support innovation. The following measures should help with this.

Adaptation of telecommunications regulations to the particular purpose

The network of information and communication technology will form a basis for digital products and services, which represent certain potential to become a driving force for economic recovery in Europe.

Therefore, the European Commission will present proposals for reworking of EU regulations related to telecommunications. These proposals will focus on:

- *a consistent approach to policy and administration of the radio spectrum established on the single market;*
- *ensuring conditions for a truly single market, with elimination of the fragmentation of regulations, which will enable network operators and service providers to achieve savings and ensure effective protection for consumers;*
- *ensuring of equal conditions for market participants and harmonised application of rules;*
- *stimulation of investments into high-speed broadband networks (including examination of the universal service directive)*
- *a more effective regulatory institutional framework.*

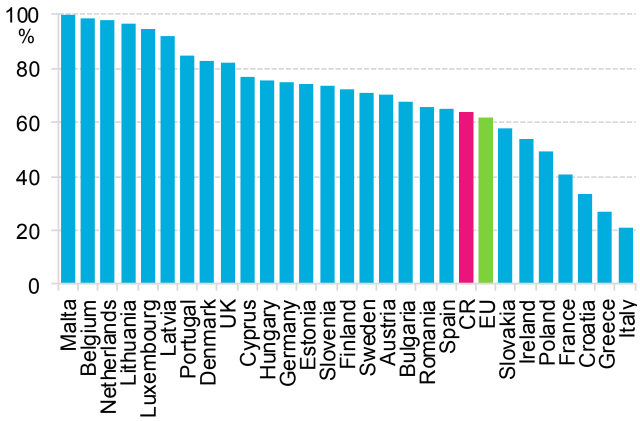
The options for broadband coverage remain very different among EU member states. If we compare, Malta, where just under 100% of households have high-speed broadband access, and Italy, then the difference is an unbelievable 70 percentage points.

Italy is followed by another „stalwart" with a problematic outlook in competitiveness, which is Greece. The Czech Republic holds just under 64%.

Media framework for the 21st century

Another area, which is very much influenced by technological changes, is the audio-visual environment. The European Commission plans to examine the audio-visual media framework, so that it corresponds to the level required in the 21st century, which a focus on the roles of different market players during promotion of European works (television station, providers of on-demand audio-visual services, etc.).

NGA broadband coverage (% of households, 2013)



Source: European Commission; NGA (Next Generation Access)

Regulatory environment for platforms and mediators adopted to the particular purpose

The role of online platforms (for e-commerce, search engines, comparative websites, social media, etc.) is increasing constantly. The amounts of information that can be searched for are constantly growing as well, along with demands for platforms.

Therefore, the Commission is carefully analysing this platform in terms of transparency of search results, price policies, how platforms use information that they receive, relationships between platforms and suppliers, promotion of their own services to the detriment of competitors, etc.

Boosting of trust in and security of digital services and personal data processing

Another of the key measures of the 2nd pillar relates to cyber security. The European Commission has set a goal to boost security and trust in digital services, particularly as far as personal data processing is concerned. (According to the European Commission's data, 43% of EU citizens, including Czechs, are concerned about misuse of personal data). Based on the EU's new rules for data protection, which should be adopted by the end of 2015, the Commission will carry out an examination of the directive on privacy and electronic communications.

3. Maximisation of the growth potential of our European digital economy

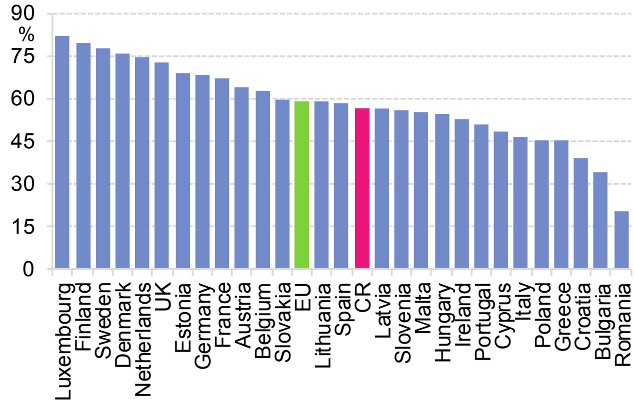
In the years to come, it will be necessary to increase the integration of digital technologies and digitalisation of individual sectors, so that their competitiveness can be preserved and grow and hand in hand digital skills will also grow.

Building of a data economy

Large volume data, cloud computing services and the internet are of major importance for the EU's competitiveness. Therefore, the commission is proposing steps that will support free movement of data in the EU.

Other measures include support for competitiveness through interoperability and normalisation and inclusive information society, in which the Commission will support digital and professional knowledge. Another area on which the Commission will focus is e-government.

Individuals with basic digital skills (2014)



Source: European Commission; Share of individuals aged 16-74

Implementation of the single digital market

The creation of the single digital market is one of the European Commission's main priorities and is a key part of the EU's strategy, with the help of which the EU is preparing for the future and will continue to ensure a high standard of living for its population.

However, the creation itself requires several partial steps, both in the form of political will and steps involving mobilisation of necessary finances and establishment of a structure of administration among key actors, so that true implementation can be ensured via European bodies, member states and the parties involved.

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