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Need for a New Growth Agenda for the EU

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A Framework for Analysis

1. Digital Endowments
2. Digital Intensities
3. Digital Restrictions
Digital Endowments

- Europe has strong endowments when measured with other parts of the world (e.g. Internet use, educated labour, digital skills).

- Europe is converging – gradually declining differences between EU countries.
Endowments: Europe is converging

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Digital Intensities: A Laggard Europe

- Digital Intensities measure how much value-added is generated by investments in Digital Endowments.
- Strong and positive relation between Digital Endowments and Digital Intensities.
- Surprisingly weak growth in Digital Intensities in the past 10 years.
- Europe’s is trailing comparable economies.
Contribution of ICT services to value-added growth (% points)

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Who is lagging – firms or consumers?
Firm-level Technology Absorption

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Digital Consumer Absorptions Gap

- Retired or other inactive using the internet
- Individuals with a no or low level of educational attainment using the internet
- Unemployed using the internet
- Individuals with a middle level of educational attainment using the internet
- Households internet access at home, rural area
- Households computer access at home, rural area
- Individuals with a high level of educational attainment using the internet
- Employees, self-employed and family workers using the internet
- Females students using the internet

EU frontier
- Gap between leading EU economy and EU frontier

OECD frontier
- Gap between EU and OECD

Leading EU economy
Digital Business Absorption Gap

- Businesses purchasing cloud computing services
- Businesses with formal policy to manage ICT privacy risks
- Businesses with a website allowing for online ordering or reservation
- Persons employed using a computer with Internet access
- Businesses receiving orders over computer networks
- Persons employed regularly using a computer in their work
- Businesses with a website or homepage
- Businesses using CRM (Customer Relationship Management) software
- Businesses with a broadband connection - includes both fixed and mobile
Digital Restrictions

Problem 1: Comparably restrictive environment

Problem 2: Regulatory heterogeneity
Digital Restrictions in EU (DTRI)

DTRI Across EU members

France, Germany, Romania, Spain, Italy, Greece, Slovakia, Hungary, Poland, Finland, Denmark, Belgium, Lithuania, Sweden, Bulgaria, Portugal, Croatia, Austria, Slovenia, Estonia, Cyprus, Czech Republic, Netherlands, Luxembourg, Latvia, Malta, Ireland

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Heterogeneity in Digital Regulation

- Competition policy
- Business mobility
- Online sales and transactions
- Quantitative Trade Restrictions
- Content access
- Intermediary liability
- Data policies
- IPR
- Foreign investment
- Taxation & Subsidies
- Public procurement
- Standards
- Tariffs and Trade Defence

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Heterogeneity in Market Regulation

Horizonatal Indicators:
- Explicit barriers to trade and investment: 0.62
- Licence and permits system: 0.47
- Complexity of regulatory procedures: 0.42
- Command & control regulation: 0.35
- Barriers in services sectors: 0.24
- Regulatory protection of incumbents: 0.21
- Barriers to Entrepreneurship: 0.17
- State Control: 0.15
- PMR Aggregate: 0.14

Sectoral Indicators:
- Professional Services: 0.47
- Retail Services: 0.41
- Legal Services: 0.37
- Road Transport: 0.37
- Postal Services: 0.28
- Accounting Services: 0.28

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Conclusion for Policy

- A new agenda for (digital) competitiveness is needed in the EU.
- Reduce the level of restrictiveness.
- Reduce heterogeneity in digital and market regulations.

**Result 1**: Improving absorption capacities – creating faster diffusion of technology.

**Result 2**: Improving the environment for digital entrepreneurship.