Digital Agenda:
The Engine of European Economic Growth

Summary and recommendations to the Government of the Czech Republic from the round table of the National Convention on the EU on Digital Single Market which took place on 24 April 2015

Introduction

The Juncker Commission has made the digital agenda a priority policy for the European Union. It integrates several hitherto separate policies from the fields of information and communication technologies (ICT), internal market, research and development, education, industry, data protection, consumer protection, copyright and cyber security. Both the Commission and EU member states perceive this agenda to be a route towards increased competitiveness and employment while respecting adequate level of data protection and privacy of users.

For the Czech Republic - where industrial production represents 33% of GDP - the digital economy challenge is of utmost importance. The traditionally high level of technical education and openness of the Czech economy provide firm foundations implementation of the digital agenda in the Czech Republic and to support development of the digital single market (DSM) as priorities of Czech Republic within the EU.

The authors posed themselves three questions that served as a basis for the round table discussion:

What priorities should the Czech Republic advance at the European level towards eliminating barriers to the digital single market?

What role could regional/V4 cooperation play in advancing the completion of the Digital Single Market?

What barriers should be removed in order to ensure improvement in cross-border online trading (e-commerce)?

The Scope of the Round Table Discussion

The Round Table of the National Convention on the EU on the Digital Single Market was commenced by **Lucie Šestáková**, director of the Economic Growth and Development Policies Coordination Department of the Office of the Government of the Czech Republic. After **Petr Ryvola** presented discussion paper authored by an expert group of the Centre for Economic and Market Analyses, **Ondřej Filip** from CZ.NIC and **Josef Donát** from the National Centre for the Digital Economy presented their positions. This was followed by a presentation of best practices from Great Britain, by **Peter Stephens** from the *Department for Business, Innovation & Skills* and **Jo Power** from the *Prime Minister's Office and Cabinet Office Communications*.

A number of additional guests participated in the subsequent discussion. During the introductory, more general part, these were **Ivan Pilný**, a deputy of the Parliament of the CR, **Tereza Šamanová** from the Confederation of Industry, **Dušan Navrátil,** director of the National Security Authority, **Kateřina Hrubešová**, director of the Association for Internet Development, **Milena Jabůrková** from IBM Česká republika, **Václav Mach** from Microsoft Česká republika, **Lenka Šolcová** from the Czech-German Chamber of Industry and Trade ,

Bohumír Dufek from the Association of Independent Unions, **Daniela Růžičková** from the National Education Institute , **Vladimír Schmalz** from the National Centre for the Digital Economy, **Aleš Rod** from the Centre for Economic and Market Analyses, **Gabriella Cseh** from Facebook, **Lukáš Kovanda** from the Platform for the Internet Economy , and **Dagmar Kotová** from the Allegro Group. In the second part of the discussion, focused on cross-border eCommerce, they were joined by **Martin Svoboda** from the eCommece Association, **David Špinar** from Google, **Ludvík Jírovec** from the European Economic and Social Committee, **Pavlína Žáková** from the European Commission Representation in the Czech Republic, **Simona Kijonková** from Zasilkovna.cz, and an independent publicist **Jiří Peterka**.

Round Table participants emphasized several basic points:

1) For the Czech Republic, the digital agenda provides significant opportunities for economic growth, maintaining competitiveness, and in many aspects also improved quality of life. It is necessary to strive to develop the digital agenda in all areas (i.e. the digital economy, digital public administration, infrastructure development, and development of education and skills for a digital world), and to ensure that none of these aspects lags significantly behind the others.

2) The Czech Republic lacks clear leadership in coordinating the digital agenda's development. It would be suitable to have one authority with a clearly defined coordinative function.

3) In the Czech Republic, there are many individual departmental policies and strategies for development in the area of the digital agenda. In practice, however, these are not always actively promoted, and their mutual relationships and linkages to policies and programmes on the EU level are often unclear. The resultant large number of individual departmental policies is given precisely by the absence of the coordinator for the Czech digital agenda, the result being that individual interest groups still have a tendency to promote measures at various horizontal as well as vertical levels of the state administration.

4) Digital agenda development is often limited by legislation that has not yet been adapted to new digital technologies and corresponds to conditions that existed prior to the digital technology revolution. It will thus be necessary to review legislation in areas such as protection of personal information, consumer protection, or copyright protection on both the national and EU level to take into account digital technologies so that it is still possible to provide protection for relevant public interests, while simultaneously not making it too difficult to implement these technologies in the real world.

Recommendations

The discussion resulted in three main areas of recommendations: coordination of the digital agenda's development, the digital agenda's legal environment, and in the area of eCommerce on the EU's digital single market.

Coordination of the Digital Agenda's Development

Round table discussions often involved the fact that the Czech Republic lacks clear leadership in digital agenda coordination. It thus seems of the utmost importance to formally establish the competence and responsibility of one central state administration authority for the digital agenda area. This authority should have a clearly defined coordinative function for the entire digital agenda, which falls under the scope of authority of several ministries and authorities.

Currently, the Czech Republic has two advisory bodies for the area of the digital agenda - the Government Council for an Information Society, and the Government Council for Competiveness and Economic Growth. In reaction to this state of affairs, there were calls at the round table for a review of overlapping competencies of both Councils, and especially for integration of their management. The need was also mentioned for comments from industry and other special interest organizations to be addressed in a real manner, and not just formally. A truly functional dialogue should take place on the subject of the digital agenda, especially in the area of digitalization, where new technologies are logically born in the private sector, not the public one. It is impossible to limit private subjects only to the ability to submit comments and objections, which are then rejected by state institutions in a formal manner without truly addressing the issue on its merits. When addressing comments, it is good to also consider alternative paths to the given objective while respecting the relevant interests that the comments concern.

The round table discussion also featured information regarding experience with coordinative mechanisms from civil service representatives from the United Kingdom. In the British system, the coordinator's activity is also ensured by participation of the Cabinet, which acts as a "challenger", and is responsible for pointing out insufficient or insufficiently ambitious steps by the coordinator, the ministry, in promoting the digital agenda.

One of the coordinator's tasks should also be finding a way to integrate individual departmental development policies and strategies, to actively assess their fulfilment (including the ability to monitor fulfilment of pre-agreed deadlines for achieving specific tasks) and to ensure national policies are linked with policies and programmes on the EU level.

The most frequently mentioned authority that could take on the role of coordinator is the Office of the Government of the Czech Republic, European Affairs Section, especially given the need to link the digital agenda with the European debate on the single digital market.

The Digital Agenda's Legal Environment

Within the scope of fulfilling its main priorities, on 6 May 2015 the European Commission presented its development strategy for the digital single market. One can expect that this strategy and related legislation that is gradually adopted at the EU level will play a leading role in forming the digital environment in the Czech Republic as well. In connection with this strategy, it will also be suitable to update the current national strategy, Digital Czech v2.0, especially in the interests of easier access to European funds. The Czech Republic's positions on the EU level should then be represented or at least coordinated by a national digital agenda coordinator, who should thus be able to not only coordinate the digital agenda within the Czech Republic, but based on his knowledge of the issues, also present the Czech Republic's interests on an international (primarily EU) level.

Development of the digital agenda is a trend that is generally supported by the majority of the EU's Member States. However, as the Round Table's guests noted, while there is general agreement on general support for the digital agenda, individual states differ in important details concerning how to modify the legal environment to match the digital agenda's developmental needs. It is therefore necessary for the Czech Republic, assisted by its national coordinator and accompanied by dialogue with social partners and special-interest organizations, to be able to clearly state its priorities and to seek broader support for these within the EU then. The countries of the Visegrad Group can be considered as potential allies (the Czech presidency of this group, which begins on 1 July 2015, can also be utilized for this purpose), as can states in the *like-minded group*, a group of EU states that along with the Czech Republic are for greater integration of the internal market.

In the interest of the digital agenda's development it would be very fitting for the Czech Republic to adopt the principle of ***digital by default***, which requires any newly implemented public service being developed with an online version, and failing to provide online access to such a service always requires due justification. This principle should then include an emphasis on new public services being **user friendly**. Following Great Britain's best practices, it is also fitting to implement testing of public administration forms during pilot projects whose objective is to obtain comments from future users on their functionality, practicality, and clarity. Each form should only be released once user comments had been taken into account. This would contribute not only to user comfort, but also to reducing the burden on public administration in having to answer repeated queries. Checking the user-friendliness of the public digital services environment should also become a priority for the Public Defender of Rights, and when experiencing problems with the use of digital public services, citizens should for example also be able to ask for help from a "digital assistance" centre set up for these purposes. Round Table participants also proposed that as is the case in the USA, all software developed for the public administration should be made accessible as **open-source**, so that the public administration is not always forced to award contracts for software updates to the supplier of the original system exclusively. This barrier to the entry of third parties to existing systems is a significant limiting element, especially during the digitization of the state administration.

There were repeated calls for balancing necessary regulation of the digital economy (for example in the area of the protection of personal information, cyber-security, or copyright

protection) with the need to maintain a sufficient degree of competitiveness. Aside from protecting relevant interests, regulatory solutions should also take into account the specifics of digital technologies and the fact that in the digital economy, service providers are often exposed to competition from Asia or South America, where the degree of regulation is not as high as in the EU or USA.

A number of Round Table guests expressed fears that excessive emphasis on the **protection of personal information** will prevent development of the digital single market within the EU. In a digital environment, the protection of personal information must be sufficiently high so that users are not discouraged from using services due to fears that their sensitive information may be misused. However, it is also necessary to take into account the technical feasibility of protection of personal information and to ensure that insurmountable barriers are not placed in the way of development of innovative solutions, including, for example, the use of *"big data"*. The Office for the Protection of Personal Information was then criticized by Round Table participants for its long history of an unreasonable and unbalanced approach, where it elevates the issue of the protection of personal information above other socially significant interests (for example disproportionate interference by authorities with camera systems for the protection of safety and property in citizen's homes).

It is thus in the interests of the Czech Republic, as a country with a high proportion of its GDP coming from industry, to strive to eliminate barriers to the **digitalization of industry** and its support in order to increase competitiveness. This can be achieved through support for projects implementing smart systems and an emphasis on creating an educational system (both scholastic and continuing education) that would produce graduates with not only specialized technical skills, and but also those with required and up-to-date skills in the area of IT – according to comments by several participants representing the processing industry, an increase in IT literacy of the workforce would significantly boost the Czech Republic's ability to compete on the international production factor market. Given the strength of the Czech auto industry, it would be fitting to entice technological projects focused on the development of intelligent cars to the Czech Republic.

eCommerce on the EU's Digital Single Market

Most Round Table guests agreed that it is in the interests of the Czech Republic to strive to eliminate barriers to cross-border eCommerce within the EU as quickly and completely as possible. As a mid-size to small market, the Czech Republic could benefit significantly from the elimination barriers to the EU's digital single market, both in the case of businesses as in well as in the case of consumers.

For vendors and their motivation to offer their goods across borders, further significant harmonization of consumer rights is important (and at least for the sale of digital content, to achieve complete unification of consumer rights), to on the one hand eliminate customers' fears of shopping online in another state, and on the other hand to increase the willingness of vendors to offer their goods online outside of their home state. This is especially important for small or mid-size businesses that cannot spread legal costs over such large

revenues as large companies. Proposals included a request to expand the Mini One-Stop Shop system (MOSS) for VAT collection, available to electronic content vendors as of 1 January 2015, to also include vendors who sell physical goods online. There were also requests for further harmonization of VAT to facilitate cross-border eCommerce. Vendors are also discouraged by non-transparent and often excessing cross-border shipping costs, which increase the price of goods, including the need to take into account the need for a return shipment from the consumer if he or she takes advantage of the ability to return an online purchase within 14 days. There was also support for proposals to introduce online resolution of disputes stemming from electronic sales. Broad introduction of electronic identification would eliminate a number of problems with the sale of goods where consumer age restrictions exist (i.e. alcohol and tobacco products), which could also help reduce vendors' losses caused by delivery of goods to nonexistent addresses.

For the Czech consumer, regulation of unreasonable territorial restrictions for vendors or different prices based on the consumer's home state, so-called *geo-blocking*, is also especially important. In the case of restrictions on broadcast rights, where for example Czech consumers are prevented from using their prepaid services abroad, a review of current copyright law and its principles is necessary.

In some EU member states (Hungary, Romania), Czech online vendors face discrimination from internet price comparators, where goods from their shops are accompanied by false notifications, such as that if consumers purchase goods from a vendor in the Czech Republic, they will be forced to pay customs duty.

Recommendations on the National Convention on the EU:

1. The Czech Republic should strive to fulfil the digital agenda's entire scope (digital economy, digital public administration, development of infrastructure, education, and skills).

2. Within the scope of the Czech Republic's public administration, it is fitting to assign development of the digital agenda to one authority with a clearly defined coordinative function that would ensure the Czech Republic's interests in this area are represented on the EU level.

3. One of the coordinator's tasks should be to find a way to integrate individual departmental digital agenda development policies and strategies.

4. The current Digital Czech v2.0 national strategy should be updated, especially in connection with the European Commission's development strategy for the internal digital market (from May 2015).

5. It is in the Czech Republic's interest to strive for as quick and thorough as possible elimination of barriers to cross-border eCommerce within the EU.

6. Within the scope general regulatory impact assessment (RIA) principles, the impact of regulations on the Czech Republic's digital market should also be assessed. Given the close interconnection of this sector with the business environment, consumer protection, or the Czech Republic's competitiveness, which an RIA already currently includes, it seems logical for the digital market to also be included among areas where the impact of new regulatory measures are assessed within the scope of an RIA.

7. The Czech Republic should adopt the *digital by default* principle, which requires any newly implemented public service to be developed including an online version, and for it to also be tested from a user-friendliness perspective.

8. State administration digitization should feature an open-source software requirement as a standard component of tenders, to prevent "hung-up" costs in the form of expenditures on systems that cannot be developed efficiently.

The above topics are an excerpt from recommendations in the Recommendations chapter of this document. Correct interpretation of these topics and their acceptance or rejection for the creation of policies and specific measures is highly important.

This text is not a simple recording of individual contributions to the discussion. It thus does not contain all what was said during the discussion and does not express the opinion of all participants on all topics discussed. It is a summary of the most important points and a formulation of recommendations based on the discussion that took place, drawn up by Kryštof Kruliš of the Research Centre of the Association for International Affairs (AMO) as a member of CETA - Centre for Economic and Market.

The National Convention on the European Union is a discussion platform that is a permanent place for debating European issues in the Czech Republic.

The project, coordinated within the Office of the Government of the Czech Republic, interconnects representatives of the government, both chambers of the Parliament of the Czech Republic and the European Parliament, the professional community, the non-profit sector, social partners, and other stakeholders.

More on the National Convention is available on the web
at **www.narodnikonvent.eu** and on Twitter **@KonventEU**.