



Erkki Liikanen, EU Commissioner for Enterprise and the Information Society

A wake-up call

If Europe is to realize its potential and take the lead in the evolving Internet world, says the EU's dot.commissioner, it must change its attitude about everything from venture capital to education.

Europe might lag behind the United States in many new technology sectors, but it does hold one coveted trump card—leadership in the field of mobile telephony. The number of mobile phones in Europe is growing so rapidly that mobiles, rather than PCs, are likely to be the key terminals of the future, according to Erkki Liikanen, the 49-year-old Finn who is the European Union's commissioner for enterprise and the information society.

Indeed, says Europe's so-called dot.commissioner, "By combining digital literacy with strength in mobile communications, Europe can lead the next great leap to a wireless Internet world."

Closing the gap with the United States and realizing this ambitious goal will not be easy, however. Roughly half of all US homes are online, compared with just 12 percent in Europe. Amer-

Liikanen: "I want to see an information society which encourages innovation."

ica's well-established lead in computer and software technology has made Internet access both widely accessible and relatively affordable. Its entrepreneurial and risk-taking spirit is fed by a remarkably energetic capital market.

In Europe, by contrast, the price of Internet access remains high. And compared with the United States, venture capital, the lifeblood of new-technology enterprise, is still in its infancy.

Yet this is sink-or-swim time for Europe. According to the commission's own estimates, by 2010 half of all jobs in the 15 member nations of the EU will be in industries that either produce or use information technology. There's an urgent need for investment in the right sort of education and training to underpin new skills and new jobs. Governments must also do much more to give tax breaks and other incentives to companies that foster the use of new technologies.

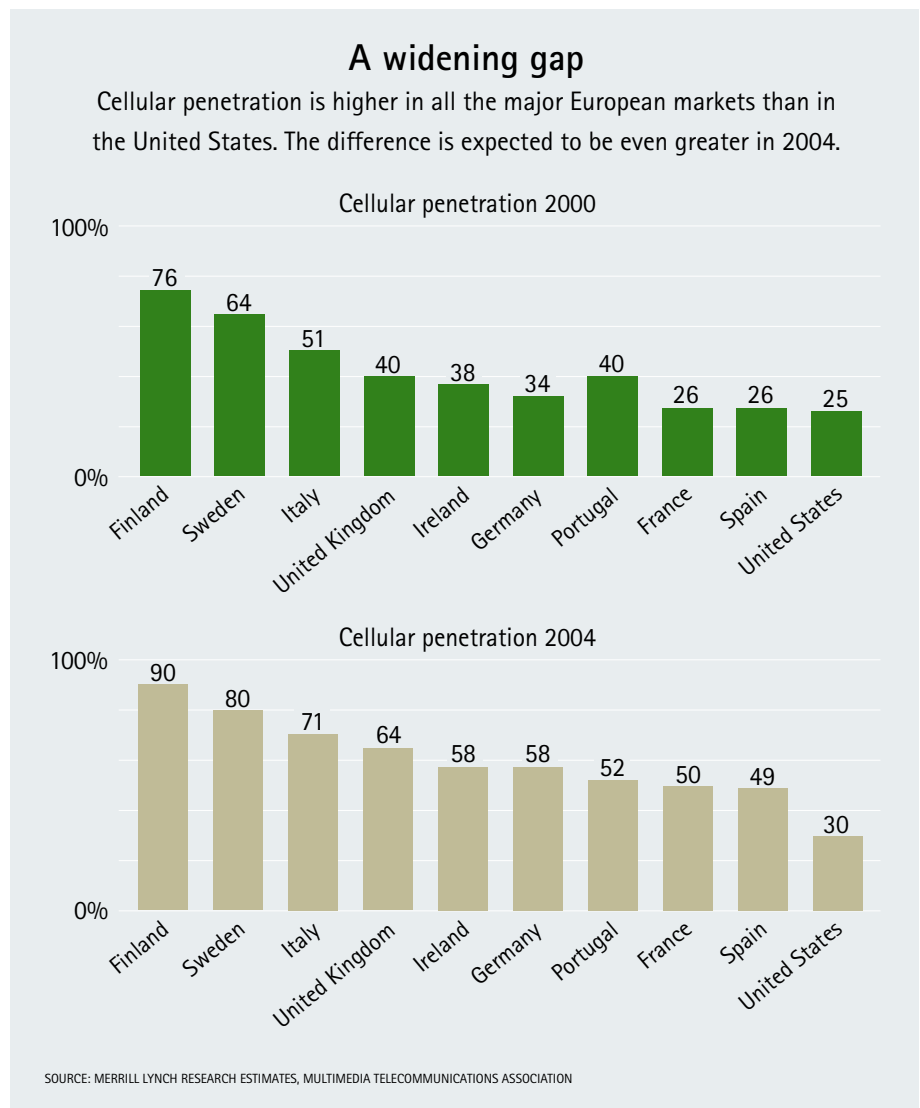
In the longer term, changes in social legislation and social attitudes are crucially important. Labor market rigidities, caused in large part by inflexible attitudes toward job security and social welfare, have contributed to double-digit unemployment in some European countries. Yet the information industry suffers from an acute labor shortage.

Working overtime

No one is more aware of Europe’s urgent need to act—and how painfully slowly the wheels of bureaucracy often turn—than Liikanen. A former minister of finance in Finland and head of his country’s mission to the EU, Liikanen has been working flat

out since last September, when he assumed his current job, to convince European politicians that there is no time to lose.

He has called for a “wake-up and shake-up” to prepare the EU for a position of global leadership in eCommerce. And although he firmly believes that regulation should be used in moderation and largely as a last resort, he has not flinched from using his influence to help achieve his vision. In April the commission launched legal action against Germany, Italy and Spain for telecommunications pricing policies that it says effectively keep new entrants out of their markets.



At the same time, the commission approved plans for a more competitive regulatory regime that would cut charges for Internet access by forcing incumbent telecom operators to open up the “last mile” of networks, the final preserves of former state monopolies, and to make it easier for new telecom companies to obtain licenses.

Liikanen also wants to see all European schools connected to the Internet by the end of 2001 and an EU commitment to take action on a whole raft of pending eCommerce legislation by the end of 2000. Speeding up completion of the internal European market to accelerate the development of eCommerce is a top priority.

It’s an awesome agenda, but the commissioner is much encouraged by the support he has received from European governments. At their Lisbon summit in March, the heads of the EU governments identified telecommunications reform as a major part of their drive to modernize the European economy and enable it to compete effectively with the United States.

So it was an optimistic Liikanen who sat down in his Brussels office in late April to talk with *Outlook* contributing editor Wendy Cooper. He explained why telecommunications reform is so important, not only for European consumers but also for the small and medium-sized enterprises that form the backbone of the EU’s economy.

But he was also keen to look further ahead—to explain what he thinks Europe can learn from America, why he is convinced that the Europeans finally are beginning to adopt an entrepreneurial spirit, and why he believes eCommerce and B2B in particular are key to making his vision of Europe as a leading information society a reality.

Outlook: How would you define an “information society” in European terms?

Liikanen: I would like Europe to be a fully connected continent where businesses create opportunities for a new entrepreneurialism—a Europe where public administrations [set] a strong example of open government and open governance, and where they actually create an inclusive society in which populations have access to the Internet and have the literacy to use these new tools. I want to see an information society which encourages innovation.

Your stated policy is minimal regulation but a “firm hand.” What will this mean for business in Europe?

We need regulation to create the internal market rules—but otherwise only when necessary. B2B is the most urgent thing for business. It’s key because the cost benefits it brings are very important for competitiveness. I hope that European business [is] ready to move into the B2B area very fast.

As you know, the Americans are very advanced in this area.

They are not as advanced as you think. It is moving, but even in America it’s an ongoing process. But yes, B2B is the issue of the year in the US. And our idea is to make it the same in Europe. We want to encourage business to go online and take advantage of new ways of doing business. I’m sure that in Europe the gains in productivity can be at least as high as they are in the US.

What can Europe learn from the Americans?

In those areas where the Americans are more advanced, it’s important to learn from their experiences. Internet penetration is higher, and eCommerce

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"The political recognition of the importance of risk taking will help make cultural change happen."

has developed more quickly. In innovation and venture capital, they are also very strong. But it's not just a one-way street: There are areas where Europe is strong.

For example?

We are strong in mobile communications and digital TV, and the Internet will go mobile. In the B2C area, too, there are fields where the US is clearly more advanced, and there are areas where Europe has strong experiences. In America, [online] health [care services are] very important, which is not the case here. In Europe, on the other hand, we have some examples, notably in retail banking, which have progressed very far. (For a related story, see "Online banking's new Spanish accent," page 70.)

Right now, it's estimated that Europe accounts for just 20 percent of global B2B eCommerce, but this could rise to one-third by 2004. Do you agree? These figures are not the issue. We should aim to ensure that all European businesses are fully able to go online. It's important because in B2B, decisions are made by businesses and management. When they decide to go online for their procurement and sales, their partners and subcontractors must also go online. B2B is a revolution. The B2C area is more evolutionary because consumer habits are slower to change.

What are the biggest obstacles to the development of B2B in Europe?

The biggest companies know that they must move. But the small and medium-sized enterprises have not yet concluded that when the biggest companies go online, so must they. The sense of urgency is not there. They must recognize that B2B is not only a threat but also an opportunity. When you're online you have a growth market throughout the world.

What else needs to be done to ensure that European eCommerce realizes its full potential?

We have to get Internet costs down. That's especially important for smaller and medium-sized businesses. Secondly, especially for B2C, the legal framework is important. The minimum legislation we need—legislation relating to electronic signatures, the responsibilities of providers and copyright—must be in place. We'll try to clear it this year. Thirdly, we must improve Internet literacy. And fourthly, we have to create an entrepreneurial spirit.

But how realistic is it to expect Europe to shed what you have called "old behaviors" and "old reflexes"?

In Europe, creating an enterprise takes too much time and is too expensive. We don't have enough experience [in] risk taking. If you succeed, you must be rewarded. If you fail, it cannot be the end of your life. It must be part of your learning curve. There must be a second chance. Europe has a lot to learn here from the US. But we are not weak everywhere. There have been some first signs. The venture capital markets are starting to develop.

The second issue we must tackle is cultural change. We need changes in education [and] attitudes. That's always slower. But I'm sure that as the venture capital market develops, the political recognition of the importance of risk taking will help make this cultural change happen.

What about the vast differences between European countries? It's not a homogeneous continent like the United States.

The picture in Europe is always very diverse. If you look at mobile telephony, the Nordic countries are on a level with the US and even ahead. But if you look at entrepreneurship,

the UK and Italy are very strong. And if you look at B2B, Germany could be stronger than people expect, once it gets started. There are strong software companies there as well as traditional industries. The picture is mixed, but we must try to learn from the achievements of the others. That's why benchmarking is so important.

How does benchmarking work?

The idea is to try to define the indicators which measure in the best way those factors essential for our enterprise policy to succeed. We've started a benchmarking exercise this year to create ways to learn from the experience of others.

Why are the Nordic countries so advanced in the technology area?

In Scandinavia, markets were liberalized very early. There was also heavy investment in high tech. But situations move all the time. They are strong, but they must also work hard to remain strong. Other countries are also moving very fast.

Is there a danger that Europe might fail to realize all this potential?

The Lisbon summit back in March was a very good sign. At the level of prime ministers, there is a clear sense of urgency. It's a very encouraging message. We've agreed on our aims to liberalize markets in all countries. And we will legislate on this together with member states. Literacy and skills issues are more for the member countries themselves to decide and act on.

There's a serious IT labor shortage in Europe. Won't that require massive investment in education and training? Also in America. They're talking about it there too. It's a global challenge. But yes, in Europe we must invest very heavily in education.

What about the issues of privacy and data protection?

We recently signed a data-privacy agreement with the US, which employs the safe-harbor concept to give US companies the right to do business with European companies.

Where might Europe go wrong? What could derail progress?

If we're too slow to act. It doesn't mean you should act without consideration. But you mustn't miss opportunities. We may go wrong in some details. But we can adjust them later. The key issue is not to be too slow.

You've been in this job since September, and you have a five-year term. What would you like your legacy to be?

In this area, things move so fast I hope it can all come to pass in two years! There will be many new challenges and many other technological revolutions. But essentially, I would hope that in the field of innovation and enterprise, the European atmosphere, the European spirit, will change. It's a slow process, but we can help. ■

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