



Resolution 1279 (2002)¹

The “new economy” and Europe

Parliamentary Assembly

Birth and development of the new economy

1. The new economy is defined as the branch of economic activities based primarily on information and communication technologies (ICTs): computers, software, mobile telephones, credit cards, data management, services, and so on.
2. The term “new economy” first appeared some fifteen years ago. With the advent of the Internet boom we have entered the information society which undeniably opens up new opportunities. The late 1990s was a period of exceptional growth. However, from the year 2000 onwards, the situation changed: the stock market bubble burst and the Nasdaq technology shares crashed. For its detractors, the new economy is a grey area, uncharted territory devoid of any institutional control mechanism. Yet developing ICTs is the key to competing on the world market where Europe must assert its assets and its human-oriented aspirations.

Narrowing the gap between Europe and the United States

3. It might appear that Europe was somewhat slow in moving into the ICT field. However, as far as equipment density is concerned, several European countries have today caught up with or even overtaken the United States. Internet penetration rates for households in the countries of the European Union rose from 18% in March 2000 to 38% in 2001, and almost 50% of the population aged over fifteen now use the Internet at home, at work, in university or in places with public access. Penetration in businesses is impressive: almost 90% of companies with more than ten employees are connected and over 60% have their own websites.
4. Some point to the flexibility of the labour market and the dynamic business ethic in the United States as justification for deregulation in the field of labour law in Europe. The spectacular way in which Europe is catching up and the vulnerability of certain American firms are clear evidence that the development of ICTs and the creation of jobs do not in any way necessitate the dismantling of standards which provide a guarantee of social cohesion.
5. In Europe, however, there are large differences in equipment density in households and businesses. These differences call for a proactive policy and a European model combining both sustainable growth and social requirements (democratic rights and solidarity).

A challenge for Europe and opportunities for central and eastern Europe. Closing the “digital divide” between developing and industrialised countries

6. Europe can play a major role in the ICT field. The Assembly welcomes the commitment made at the Lisbon Summit of the European Council in March 2000 to ensure that within a decade the European Union would become the “most competitive and dynamic knowledge-based economy in the world, capable of sustainable growth with more and better jobs and greater social cohesion”. The summit also stressed the importance of setting out a legislative framework for e-commerce and access to the Internet. The Assembly hopes that all the member states of the Council of Europe will be able to benefit from these advances in the near future.

1. Assembly debate on 23 April 2002 (11th Sitting) (see [Doc. 9398](#), report of the Committee on Economic Affairs and Development, rapporteur: Mrs Durrieu). Text adopted by the Assembly on 23 April 2002 (11th Sitting).



7. There are still marked disparities with the countries of central and eastern Europe, both between countries themselves and between rural regions and urban metropolitan areas. However, access to knowledge made possible by the ICTs fits in perfectly with the desire for openness expressed by young people, who are increasingly better trained in these technologies in the information, services, banking and tourism sectors. Such a situation might come as something of a surprise and give an impetus for increased development in these countries.

8. Europe must also assist developing countries in closing the “digital divide” separating them from industrialised countries in the ICT field. Major gains can be made by developing countries from further progress in ICTs – not only as regards economic growth but also in areas such as democratic development, institution-building, human rights, social policies, public health and the protection of the environment.

Tangible prospects coupled with risks

9. Clearly, this is a technological revolution and ICTs are:

a powerful and innovative force fundamentally altering the economy and society;

an undeniable strategic factor in sustainable growth and diversified activities;

a source of added skills capable of multiplying and disseminating knowledge and stimulating innovation;

the source of a new powerful capacity for managing mass data, and of instantly available and incredibly cheap information. The intellectual content of an activity has now become as important as capital.

“Intangible assets” (research and development, added value, etc.) are given greater importance than “tangible fixed assets” (equipment, buildings, machinery, etc.).

10. The new economy is brimming with new ideas and speed is the name of the game: new jobs, new working conditions, new power centres, mobile capital, new forms of capital (pension funds), fundamental changes in the financial sector, on-line brokers for individual investors, and so on, and speculation risks. It is essential to be fully in control of ICTs which have the capacity to fundamentally disrupt the economy and undermine social cohesion.

11. Spontaneous development of ICTs can trigger a number of changes:

increased productivity and new ways of organising production: “just-in-time” procedures, flexible hours, production relocation, teleworking, and so on. Time and space are reduced. Traditional movements of people change;

the contrast between highly-skilled, well-paid jobs and low-skilled, badly-paid jobs;

lack of security in such jobs. Start-ups and “gazelles” sometimes have a very short life-cycle.

Dissemination of knowledge and training

12. It is essential not to allow the gap to widen between those who have the necessary skills and those who do not. It is vital for the education system to be adapted to the requirements of the new economy in order to ensure access to “universal knowledge”. Literacy skills will include the ability not only to read, but to use written information and ICTs in everyday life.

13. The information society is synonymous with the knowledge society. However, alongside the “haves”, the “élite insiders” and the “new business tycoons”, there will still be the “have-nots”, the masses excluded from knowledge, without training leading to qualifications, who are exploited and poorly paid. They are now termed the “working poor”. Inevitably the generation gap will widen, since ICTs are primarily for the young. There is a need for policies to support research and development and the mastering of information technology at school, university, work and in the home.

14. Europe needs a strategy to counteract the feeling of instability, anxiety and social unease resulting from the rapid changes in the structures of employment and income, and the heightened requirements imposed by ICTs. Significant efforts must be made in the education field, particularly with regard to continuing education and vocational training, and at the same time there is a need to improve the protection afforded to workers in cases of intermittent or part-time employment.

Spatial planning and local development

15. ICTs can play a part through new ways of integrating vulnerable groups and in a proactive regional/spatial development policy. They can also help economically disadvantaged countries or rural areas to catch up and build a new economy on real prospects. The Council of Europe member states should take action to facilitate access to such opportunities.

16. Service activities, document processing, virtual geography, on-line shopping, availability on the Internet of travel company offers, "e-training", and so on, are taking off spectacularly. SMI-SMEs (small and medium-sized industries/enterprises) are setting up in these new markets which sometimes have global coverage. They can locate to "vulnerable sites" where there is a ready and stable workforce. However, very quickly, their survival depends on the availability of specific equipment, such as high-speed ADSL (Asymmetric Digital Subscriber Line) connections.

Research and development (R&D), industrial and intellectual property

17. These new activities offer a multitude of markets for products and brand names, and an infinite audience for intellectual works. But counterfeiting and the online availability of copies (of software, designs and models, recorded music, etc.) deprives the inventors, designers or performers of their legitimate and economic rights. Alongside the development of the new economy, there has to be a corresponding review of industrial, commercial, intellectual and artistic property rights.

Improving security and preventing unlawful use

18. ICTs are already being used for unlawful purposes (various forms of trafficking, racist and revisionist messages, paedophilia, etc.). States must draw up a legal framework to counter the danger of a simultaneous development of ICTs and crime.

19. The time has come to draft international standards which not only guarantee the security of transactions (payments and transfers between banks, for example), by means of encryption systems, but also provide for the monitoring and control of unlawful use, by means of information exchange between countries and collaboration between judicial authorities.

20. The new economy in the Council of Europe member states should be pursued within the framework defined in the Council of Europe Convention on Cybercrime of 23 November 2001 and its protocol which is currently being drafted. The United States, Canada, Japan and Mexico, as Observer states, also contributed to the drafting of this international ICT charter.

A new form of participatory democracy

21. The networking of information (food security, environment, culture, education, etc.) is giving rise to more democratic access to knowledge and is thus helping to bring about a new form of citizen participation in the life of the community, with the help of non-governmental organisations (NGOs). Individual and collective choices will henceforth be influenced in a different way. When used appropriately, ICTs can be a factor of freedom. But the Parliamentary Assembly of the Council of Europe has the necessary task of analysing the new relationships being created between ICTs, democracy, freedom and human rights.

Reconciling the new economy and a humanity-oriented approach: a European model

22. ICTs may either prove to be a dream come true or become our worst nightmare. The technical situation is fascinating, but the actual risks involved must be measured and brought under control. In parallel to the ICT boom, many new skilled jobs have to be created, research stepped up, knowledge more widely disseminated and disadvantaged areas promoted more effectively. Humankind should once again be at the centre of the system, served by technological progress. It is for the Council of Europe, which has a political and humanitarian role, to be closely involved in this historic opportunity.