

**The 6th NorthEast Asia Open Source SW Promotion Forum
Seoul, South Korea
12 September 2007**

**"Interoperability, IPR and standards in the Web 2.0 economy :
the EU approach"**

Honourable representatives from Korea, China and Japan,

The invitation from representatives of Korea, Japan and China to Europe to participate in this important international meeting offers me, representing the EU Telecom and Media Commissioner Viviane Reding, the opportunity to stress our willingness to reinforce cooperation with North East Asia on ICT and media policies in order to improve investment climate and mutual understanding. We are grateful that you extended this invitation to the EU and believe that the exchange of experience and best practices on media and telecom regulation, as well as the reciprocal participation in research programmes devoted to ICT research related to convergence of networks and creative content and cooperation on intellectual property issues, are profitable to all of us.

Although the issue of open source itself doesn't currently give rise to a controversial debate in Europe, the wider question of intellectual

property in the digital age is high on the agenda of the European Commission and of national governments in Europe. Two main questions are currently being debated : should the framework of European and national copyright be adapted to challenges related to online distribution of creative content and to the development of consumer generated content ? And should interoperability between media devices / digital content be fostered ?

In addition, the empowerment of the user which is gaining momentum, leads to new needs such as ubiquitous access, personalisation and secured transactional capabilities on all types of platforms, fostering opportunities for the ICT market place, but also nourishing the demand for free or low cost software, easy to use and trusted.

Finally, the European Union sees as a priority a proactive policy to reduce the digital divide inside the developed countries and in developing countries.

I would like to comment on these three issues :

- let me start with Europe's view on market developments in the Web 2.0 economy. The worldwide digital market, defined as the addition of telecom services and equipment, computer hardware and software, media services and consumer electronics reached some 2,600 billion euros in 2006, with Europe, Asia-Pacific and North America each accounting for about 30 % of this market. The world's

broadband user base will reach over 300 million this year, with a penetration rate above 20 % in Asian industrialized countries and even above 30 % in leading European countries. While fiber is already largely deployed in Japan and Korea, Europe is starting with it. Moreover, 3G handsets increasingly find their market in Japan, Korea and Europe, while China shows very impressive figures regarding mobile take-up. Broadband and mobility respond to an unprecedented demand of customers, be they individuals companies or administrations for new applications such as entertainment, commerce, public services, information, etc. At the same time, services such as healthcare, transport, banking and insurance are being liberalized on a global scale and the Internet is evolving towards an ecosystem of worldwide networking for all kinds of services. This implies not only an increased number of users, but new needs to be fulfilled by the digital industry.

In the Web 2.0 economy, users expect to enjoy a permanent link between them and the rest of the world, ubiquitous and invisible while being at the heart of everyday life. For the digital industry, it means focusing on functionality of solutions and introducing more flexibility into its business model. In this scenario, software and IT services have huge market ahead, with worldwide revenues having already grown by 100 billion euros between 2002 and 2007, reaching 650 billion euros this year.

As open source has emerged as a viable model for developing high quality software and as it fosters competition that benefits end-users through the decrease of costs, it will inevitably benefit from the Web 2.0 economy. Moreover, open source is by nature in synergy with the new trends as it leverages community based collaborative work, flexible and reconfigurable solutions, fast feedback cycle and economies of scale. Therefore, open source is an effective approach in our view to developing and consolidating investments and take-up within the Web 2.0 economy.

The European Union, notably through its IST research programme, has been supporting open source for many years with projects in areas as diverse as eHealth, digital libraries, Grid infrastructures, the GEANT research network backbone, eGovernment, multimedia, embedded system applications, software and middleware development. But there is room to do more and to work more closely with Asia on software, and notably open source software, related research and deployment. Indeed, for the time being, whereas anybody can contribute to an open source development – our citizens and companies actively do it – most of the management and the marketing business on open source is done by US companies. These are issues that should be addressed by the European and Asian software and IT communities and by governments in a more proactive way.

- Answering rapidly and efficiently to the needs of the Web 2.0 economy is in our view a challenge that can be best addressed through the joint development and adoption of open standards. The European Union is willing to work with North-East Asia to push industry developed open standards responding to the current interoperability problems that generate growing frustration in worldwide networked economies and societies. The development and adoption of common open standards would also, in our view, foster our mutual commitment to the respect of intellectual property. Illegal copying is undermining the capabilities of our digital industries to create new services and contents for the Web 2.0 economy, which means in no way an "everything for free" economy. A recent report by the Business Software Alliance concludes that 71 % of all softwares used in personal computers are pirated, with figures of 90 % in countries such as Vietnam and Indonesia. Everywhere in the world, but especially in parts of Asia, the protection and enforcement of IT rights is inadequate, with little being done to deter illicit factory production. This is damaging for everybody, including the local content and software creators and the pirating countries themselves, that suffer from punitive trade tariffs, a stunted IT industry and delayed expansion of Internet networks.

While the importance of intellectual property remains intangible in the EU view, the digital economy leads to a vibrant debate in Europe on copyright and interoperability, in particular related to creative content.

Whereas consumer acceptance is widely seen as a precondition for the take-up of digital devices and services, many stakeholders in Europe think that lack of the interoperability of devices, services and platforms prevents the existence of a climate of trust and that not only affordability and user friendliness are keys but also interoperability. In addition, some stakeholders argue that current licensing regimes are too complicated.

The interoperability debate often takes the form of easy criticism against the use of Digital Rights Management Systems, DRM, seen as preventing customers from exercising fair use exceptions. The European Commission will launch later this year an initiative on creative content on line. Our approach is that, while technologies allowing management of rights in the online environment are useful with regard to high value creative content, users should be better informed about restriction and ability to copy, and that licensing procedures should be made easier, for instance by expanding multi-territory licenses. As long standing discussions among stakeholders did not lead to the deployment of interoperable DRM solutions, the European Union considers setting a framework for DRM transparency, providing users with an accurate and easily understood labelling system on interoperability. Moreover, this debate raises the question of the lack of both IP rights and IT literacy in our societies, an issue where public authorities and the industry could efficiently work together in order to explain what is the value chain of the digital

economy as well as the difference between free speech and creativity on one side and "everything for free" on the other side.

A further determinant of consumer acceptance is trust regarding dependability and privacy. Concerns over security are indeed a significant barrier to a larger take-up, and a huge challenge for all of us as the empowerment of end users means that everyone of us is an actor in the security chain. Problems such as loss of private data, ID theft and unauthorized use of data in relation to the Internet and RFID, will have to be managed as priorities in the coming years. As regards dependability, open source probably has a good case as it integrates tools that help to improve software and notably to increase reliability.

- Let me now come to my final point which is about the digital divide. The digital markets in Latin America and Africa / Middle East currently accounts for 10 % of the global market but is enjoying a steady growth, supported by public policies, notably through the development of eGovernment services. Even in less developed countries market perspectives are good. This explains the competition in low-cost laptops and computers and the competition in the software market even in the poorest countries.

While the European Union makes funds available for IT infrastructure projects and is closely following up on the conclusions of the World Summit on Information Society, advocating for instance for instance

more inclusive Internet governance and the use of ICT as an instrument for development, we attach great importance that the choice of development priorities remain in the hands of the developing countries themselves. In Asia, the gap between countries as regards digital integration is huge. The European Union wishes to work with countries of the region and regional organisations to support technology and human resources development in a cooperative way.

The Web 2.0 economy looks very much like the "bazaar model" well known by the open source movement : roles change frequently between producers and users but certain rules remain valid : respect for creators of content and services, open standards and importance of user friendliness. These convergent principles explain the clear emergence of open source software in today's digital world. For European and Asian software and IT companies, it offers opportunities that should be better seized from a commercial perspective.

My message to you today is : let us work together within public-private partnerships between Europe and North-East Asia to reach this goal.

Thank you for your attention.
