

## THE DIGITAL COMPETITIVENESS – SERBIA VS EU

### DIGITALNA KONKURENTNOST - SRBIJA VS EU

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**Abstract:** *The economic impact of ICT is well known: over the last decade, ICT drove half of all productivity gains in the EU, mainly through efficiency gains in the ICT sector and investment in ICT. In May 2010, the European Commission adopted the Digital Agenda for Europe (DAE) (as a part of overall Europe 2020 strategy), a strategy to take advantage of the potential offered by the rapid progress of digital technologies. According to Strategy Europe 2020, one of Serbia's priorities is development of stable ICT sector. The aim of this paper is to show the competitiveness of Serbia according to main targets of European Digital Agenda.*

**Key words:** *Digital Competitiveness, Digital Agenda for Europe, Serbia*

**Sažetak:** *Ekonomski uticaj IKT u EU dobro je poznat: u poslednjoj deceniji, polovina produktivnosti ostvarena je putem IKT sektora zahvaljujući brzini povrata ulaganja u ovom sektoru. U maju 2010, Evropska komisija usvojila Digitalnu Agendu za Evropu (DAE) (kao deo sveukupne strategije Evropa 2020), strategiju čiji je cilj da iskoristi potencijal koji nudi brz napredak digitalne tehnologije. Saglasno strategiji Evropa 2020, jedan od prioriteta Srbije jeste razvoj stabilnog IKT sektora. Cilj ovog rada je da prikaže konkurentnost Srbije u skladu sa glavnim ciljevima Evropske digitalne agende.*

**Ključne reči:** *Digitalna konkurentnost, Digitalna agenda za Evropu, Srbija*



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## **1. Introduction**

The sovereign debt crises and the ensuing economic turmoil of 2011 are in part due to uncertainty in the market that future growth rates would be sufficient to service debt. This underlines the importance of the EU having a robust growth strategy alongside a regime of prudent fiscal management. The Digital Agenda for Europe (DAE) is a crucial component of such a growth strategy in that it sets out concrete steps whereby Information and Communication Technologies (ICT) can enhance productivity and innovation capacity, as well as generate new business opportunities and jobs. The contribution of ICT is significant as recently ICTs have contributed around half of the growth in EU productivity and they will remain a critical factor in future growth.

Ten years after democratic change, the Serbian economy is still in transition, having a roller coaster ride between years of growth and recovery and economic stagnation. Although Serbian economy grew healthily in the period 2004-2007 with an average GDP growth rate of 6.8% (with peaks of 8.4% in 2004 and 7.5% in 2007), it reached only 70% of the country's 1990 GDP. In the period of on-going economic crisis, (2008-2011) the Serbian economy has been mostly stagnating. According to World Bank estimates, even with solid annual GDP growth, it will take many years before Serbian GDP reaches the previous solid level.

Republic of Serbia is today, candidate country for membership in European Union and is on social and economic turning point which brings new opportunities and challenges. One of Serbia's priorities is development of stable ICT sector, which is one of the most vibrant and fastest growing sectors in Serbia. Aligning its political and regulatory framework for electronic communications with the EU, the digital agenda for Serbia was defined according to the Ministry of Telecommunication and Information Society, with documents Development Strategy for Information Society to 2020, The Broadband strategy of Serbia until 2012 and Development Strategy for e-communications in Serbia from 2010 to 2020 year. The paper will provide insight into achieved level of competitiveness of Serbia according to the main guidelines of national and EU strategies related to the improvement of the ICT sector and digital market.

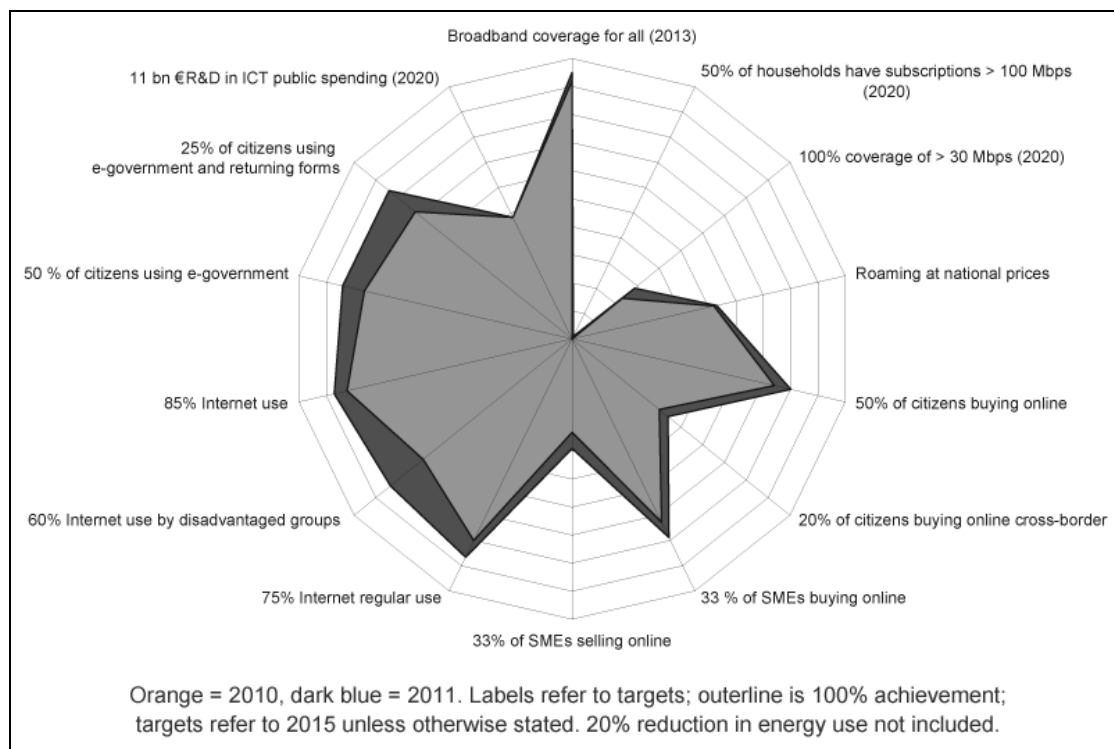
The presented methodology has a descriptive dimension in which the methods of analysis and synthesis are applied. Theoretical research includes scientific description, the scientific classification, and scientific explanation. Secondary data are used; mainly formal strategies and periodic reports available on the Internet.

## **2. Digital Agenda for Europe**

As Europe strives to recover from the financial crisis, information and communication technologies (*ICT*) are set to play a pivotal role in both the return to economic growth and in helping the region address longer-term challenges [3]

Launched by the European Commission in May 2010, the Digital Agenda for Europe is designed to ensure that the region fully harnesses the socio-economic potential of ICT, and to contribute to achieving Europe's 2020 strategy for smart, sustainable and inclusive growth. The overall aim of the Digital Agenda is to deliver sustainable economic and social benefits from a digital single market based on fast and ultra fast internet and interoperable applications [3].

The Digital Agenda for Europe is one of the seven flagship initiatives of the Europe 2020 Strategy, set out to define the key enabling role that the use of Information and Communication Technologies (ICT) will have to play if Europe wants to succeed in its ambitions for 2020. The objective of this Agenda is to chart a course to maximize the social and economic potential of ICT, most notably the internet, a vital medium of economic and societal activity: for doing business, working, playing, communicating and expressing ourselves freely. Successful delivery of this Agenda will spur innovation, economic growth and improvements in daily life for both citizens and businesses. Agenda identifies 13 key performance targets to show whether Europe is making progress in this area (Figure 1) [3].



Source: European Commission [3]

**Figure 1** How the EU scores on the Digital Agenda targets

### 3. Digital Agenda in Serbia (Digital Serbia)

Priorities for the Information Society Strategy until 2020 of the Republic of Serbia are defined in the six key elements: electronic communications, e-government, e-health, e-justice, ICT in education, science and culture, e-commerce and ICT Business Sector. Together with the other strategies ICT sector, this strategy makes Digital Agenda for Serbia [2] [5] [6].

Broadband strategy of Serbia until 2012 is viewed as a continuous broadband access to resources of telecommunication network with data rates of not less than 4 Mb/s or 512 kb/s in the case of mobile broadband approach. With this strategy it is planned that by the end of 2012 broadband penetration to be 20%. On the other hand, the strategy for development Information Society by 2020 was aimed that all citizens of Serbia should be accessible to internet of high quality with the passage of at least 100 Mb/s (EU predicted that for 50% of households) setting the electronic communication on the first place of its priorities (Table 1) [6].

However, Serbia lagging behind in broadband internet access is evident. BB fixed internet access in Serbia has 8% users which is three times less than in EU-27 (24.8%), and mobile BB has 1.3% users which is almost five times less than in EU-27 (6.1%) in 2009. Apart from insufficiently constructed broadband infrastructure, one of the reasons is certainly lagging behind the fact that, for example, a monthly subscription for BB internet access speed 2 Mbps in fixed offer of the Serbian operator expressed is about 50% more expensive compared with the EU-27 average range [8].

Data on the percentage of individuals who regularly use computers show that Serbia is below the EU average, but in a more detailed insight, above the average of individual countries in the region- including EU members Romania, Bulgaria and Greece. A similar situation exists with individuals who regularly use the Internet, Serbia is below the EU-27 average, but at values that are Romania, Bulgaria and Greece. Data for 2011th show that there are 52.1% households with a computer, with a rise of 1.7% compared to the 2010th and a rise of 11.3% compared to the 2008<sup>th</sup> [8].

- The differences are particularly noticeable in relation to urban-rural parts of 60.8% compared to 39.7%
- In urban areas the growth rate in 2011th was 1.9% and 1.4% in rural areas compared with 2010th year.

BB goals	EU-27 Europe	Serbia
Broadband goal (1)	Until 2013: basic BB approach to all (coverage of 100% of EU citizens)	Until 2012: 20% penetration or 1.200.000 citizens with broadband. Basis: 23% households have BB in 2009th year
Broadband goal (2)	Fast BB approach until 2020th: BB coverage of 30 Mb/s or more for 100% EU citizens. Basis: in January 2010th 23% BB subscribers had minimum 10 Mb/s	100 Mb to every user
Broadband goal (3)	Ultra fast BB to 2020th: 50% EU households will have subscribe for speed over 100 Mb/s	Not defined
Investing in rural areas	National and regional level	Declarative

Table 1. Serbia vs. EU

#### 4. Conclusion

The European Commission's Digital Agenda for Europe seeks to harnesses ICT's to contribute to smart, sustainable and inclusive growth. Wider deployment and more effective use of digital technologies will thus enable Europe to address its key challenges and will provide Europeans with a better quality of life through, for example, better health care, safer and more efficient transport solutions, cleaner environment, new media opportunities and easier access to public services and cultural content.

Development of Information Society in Serbia should be directed towards the utilization potential of ICT to increase efficiency, economic growth, higher employment and improving the quality of life for all citizens. However, although the strategies are in line with EU directives, they are not accompanied by appropriate action plans, or if you follow them they are very general and they are not defined how the state intends to achieve the defined strategic objectives. This leads to the fact that resources are not defined in order to achieve these strategic objectives in terms of legal and economic resources, or direct investment.

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