Chapter 3
Digital Economy Components

INTRODUCTION

The digital economy consists of various components, key among which include government; policy and regulation; internet, the world wide web (WWW) and electricity infrastructure; telecommunication industry; digital service providers; e-business and e-commerce industry; information and knowledge management systems; intellectual property rights; human capital and knowledge workers; research and development; and emerging technologies.

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Government

Governments are an important component of the digital economy by virtue of their traditional role in providing primary funding for a country’s communications infrastructure. They also have an important role to play in sustaining infrastructure development and improving e-readiness. Through national ICT policies, governments provide a national vision for infrastructure development that is aimed at enhancing digital services within their jurisdictions and beyond. A progressive government in the digital economy supplies businesses, citizens and organisations with a clear roadmap for the adoption of technology. A government’s investment in digital processes also helps to improve its own operations. For example, governments as early adopters of digital practices provide leadership that other organisations and individuals can emulate. They further create demand for technology and digitally enabled services. A government can also leverage the benefits of ICT by, among other actions:

- Investing in a number of ICT related projects within the public sector to improve public service administration
- Developing incentives to attract investments in the ICT sector
- Maintaining a duty free policy on computer hardware to increase usage
- Engaging in a telecom sector reform project to introduce competition and encourage investment.

Policy and Regulation

ICT or telecommunication policies are fundamental in the digital economy. A conducive business environment is necessary for firms to thrive and benefit from ICTs. This requires a transparent, open and competitive business framework; clear, independent rules of law that are applicable to all firms; mechanisms for the easy set up and dissolution of businesses; transparent, simple and accessible corporate regulation; and equal and stable legal treatment for national and cross-border transactions (OECD, 2004). In order for SMEs to transcend online trust barriers and be able to conduct e-business on any scale, regulatory and policy infrastructure support is essential. The complete deregulation of the telecommunications sector, for example, can be instrumental in enhancing uptake rates, as costs are bound to come down enough for even the poor to gain access. The rapid uptake of mobile technology globally is a case in point. In 2007 alone, there were roughly 350m broadband Internet access accounts and 1.5bn mobile subscribers on the world’s networks. Economist Intelligence EIU/ IBM Institute for Business Value (2008) estimated that the world
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