POLITICAL, ORGANISATIONAL AND INFRASTRUCTURAL CONDITIONS OF INTEGRATING OF UKRAINE TO EU DIGITAL SINGLE MARKET

The paper is dedicated to taking on the very topical challenges that the Ukrainian government is facing today - a process of integration of the country into the EU and, in particular, to the integrating Ukraine to EU digital Single Market. To investigate this topic a system of general scientific and specially scientific methods were applied. This provided a credible and objective analysis of the current implementation and harmonization state and make specific recommendations for both parties.

Keywords: digital single market, integration, infrastructure, harmonization.

Statement of the problem. The global economy is rapidly becoming digital. Information and Communications Technology (ICT) is no longer a specific sector but the foundation of all modern innovative economic systems. The Internet and digital technologies are transforming the lives we lead, the way we work – as individuals, in business, and in our communities as they become more integrated across all sectors of our economy and society.

These changes are happening at a scale and speed that bring immense opportunities for innovation, growth and jobs. They also raise challenging policy issues for public authorities which require coordinated EU action. All Member States are wrestling with similar problems but on a national basis which is too limited to allow them to seize all the opportunities and deal with all the challenges of this transformational change. For many issues the European level offers the right framework. That is why the European Commission has set the creation of a Digital Single Market as one of its key priorities. [6, p. 11–12].

Analysis of recent studies and publications. A considerable amount of scientific, analytical and statistical information was used in the preparation of the qualification work, in particular the legal framework of the European Union, the Association Agreement between Ukraine and the European Union, the results of sociological research and comparisons. Basic sources of information in the writing of qualification work were the experience Alleweldt F.; Aussilloux V.; Badinger H.; Barbero; Bellocc M.; Böhmer M.; Bodea G.; Boltho F.; Buchan D.; Cambini A.; Decreux C.; Duch-Brown Y.; Godel B.; Harms A.; Hillebrand A.; Jones S.; Klaver M.; Lorenzani D.; Mantovani I.; Marcus J.S.; Monti I.; Monteagudo M.; Petersen T.; Rutkowski A.; Weisser J. and others.

Statement of the objectives of the article. The objective of the article is to deeply investigate political, organizational and infrastructural conditions of integrating of Ukraine to EU digital single market, thus having considered Digital Single Market as factor of development of system of public administration. The methods of study were: detailed examination of the text of the agreement on the association of Ukraine and the EU, grouping and generalization of expert
analyzes, elaboration of statistical data on quantitative and qualitative indicators of integration in the EU.

**The practical significance of this work** lies in the fact that the recommendations made in the third section detail the roadmap, following which both Ukraine and the EU can take the processes of association, integration and cooperation to a qualitatively new level, as well as significantly accelerate them, avoiding any delay.

**Presentation of the basic material.** A Digital Single Market is one in which the free movement of goods, persons, services and capital is ensured and where individuals and businesses can seamlessly access and exercise online activities under conditions of fair competition, and a high level of consumer and personal data protection, irrespective of their nationality or place of residence. Achieving a Digital Single Market will ensure that Europe maintains its position as a world leader in the digital economy, helping European companies to grow globally.

Europe has the capabilities to lead in the global digital economy but we are currently not making the most of them. Fragmentation and barriers that do not exist in the physical Single Market are holding the EU back. Bringing down these barriers within Europe could contribute an additional EUR 415 billion to European GDP 1. The digital economy can expand markets and foster better services at better prices, offer more choice and create new sources of employment. A Digital Single Market can create opportunities for new start-ups and allow existing companies to grow and profit from the scale of a market of over 500 million people [14].

The Digital Single Market Strategy has benefitted from input and dialogue with Member States, the European Parliament and stakeholders. It has a multi-annual scope and is focused on key interdependent actions that can only be taken at EU level. They have been chosen to have maximum impact, can be delivered during this Commission’s mandate, and will be taken forward in line with Better Regulation principles. Each action will be subject to appropriate consultation and impact assessment. The Digital Single Market Strategy will be built on three pillars:

- better access for consumers and businesses to online goods and services across Europe – this requires the rapid removal of key differences between the online and offline worlds to break down barriers to cross-border online activity;
- creating the right conditions for digital networks and services to flourish – this requires high-speed, secure and trustworthy infrastructures and content services, supported by the right regulatory conditions for innovation, investment, fair competition and a level playing field;
- maximizing the growth potential of our European Digital Economy – this requires investment in ICT infrastructures and technologies such as Cloud computing and Big Data, and research and innovation to boost industrial competitiveness as well as better public services, inclusiveness and skills [7, p. 24].

**Better online access for consumers and businesses across Europe.** The Digital Single Market will provide businesses, particularly entrepreneurs, with new opportunities to scale up across Europe. Immediate action is therefore required to break down barriers to cross-border online activity including differences in contract and copyright law between Member States and reducing VAT related burden. Part of building consumer trust in cross-border online sales requires affordable and high-quality cross-border parcel delivery services,
which do not exist today. The Strategy is also about defining an appropriate
e-commerce framework and preventing unfair discrimination against consumers
and businesses when they try to access content or buy goods and services online
within the EU. Discrimination can come in the form of nationality, residence or
geographical location restrictions which run counter to the basic principles of
the EU.

**Cross-border e-commerce rules that consumers and business can trust.**

One of the reasons why consumers and smaller companies do not engage more
in cross-border e-commerce is because the rules that apply to these transactions
can be complex, unclear and may differ between Member States. Having 28
different national consumer protection and contract laws discourages companies
from cross-border trading and prevents consumers from benefitting from the
most competitive offers and from the full range of online offers: EU consumers
could save EUR 11.7 billion each year if they could choose from a full range of EU
goods and services when shopping online; 61% of EU consumers feel confident
about purchasing via the Internet from a retailer located in their own Member
State while only 38% feel confident about purchasing from another EU Member
State; only 7% of SMEs in the EU sell cross-border [6].

In a Single Market, companies should be able to manage their sales under a
common set of rules. Some aspects of consumer and contract law have already
been fully harmonized for online sales (such as the information that should be
provided to consumers before they enter into a contract or the rules governing
their right to withdraw from the deal if they have second thoughts). However,
other aspects of the contract (such as what remedies are available if tangible
goods are not in conformity with the contract of sale) are only subject to EU rules
providing minimum harmonization, with the possibility for Member States to go
further. When it comes to remedies for defective digital content purchased online
(such as e-books) no specific EU rules exist at all, and only few national ones.

Simplified and modern rules for online and digital cross-border purchases will
encourage more businesses to sell online across borders and increase consumer
confidence in cross-border e-commerce. If the same rules for e-commerce were
applied in all EU Member States, 57% of companies say they would either start
or increase their online sales to other EU Member States.

To deliver the right conditions to enable cross-border e-commerce to flourish,
the Commission, as announced in its Work Programme for 2015, will make an
amended legislative proposal 2 to allow sellers to rely on their national laws,
further harmonizing the main rights and obligations of the parties to a sales
contract. This will be done notably by providing remedies for non-performance
and the appropriate periods for the right to a legal guarantee. The purpose is to
ensure that traders in the internal market are not deterred from cross-border
trading by differences in mandatory national consumer contract laws, or to
differences arising from product specific rules such as labeling [16, p. 146].

However, just having a common set of rules is not enough. There is also
a need for more rapid, agile and consistent enforcement of consumer rules for
online and digital purchases to make them fully effective. The Commission will
submit a proposal to review the Regulation on Consumer Protection Cooperation
3 that will clarify and develop the powers of enforcement authorities and improve
the coordination of their market monitoring activities and alert mechanisms to
detect infringements faster. Furthermore, the Commission will establish in 2016
an EU-wide online dispute resolution platform.
The Commission will make an amended proposal before the end of 2015 covering harmonized EU rules for online purchases of digital content, and allowing traders to rely on their national laws based on a focused set of key mandatory EU contractual rights for domestic and cross-border online sales of tangible goods.

The Commission will submit a proposal for a review of the Regulation on Consumer Protection Cooperation in order to develop more efficient cooperation mechanisms.

**Affordable high-quality cross-border parcel delivery.** Affordable, high-quality cross-border delivery services can build consumer trust in cross-border online sales. Stakeholders complain about a lack of transparency, the excessive costs of small shipments and the lack of inter-operability between the different operators typically involved in a cross-border shipment and the resulting lack of convenience for the final consumer.

For companies that currently do not sell online but are trying to do so, 62% say the fact that delivery costs are too high is a problem. Listed tariffs for cross-border parcel delivery charged by national postal operators are estimated to be two to five times higher than domestic prices.

The high prices and inefficiency of parcel delivery should not be an obstacle to cross-border online commerce. A self-regulation exercise by industry will report to the Commission in June 2015. This exercise is concentrated on quality and interoperability aspects like “track and trace” and faster delivery of parcels but does not cover the price dimension or regulatory oversight. The Commission will assess action taken by industry and launch complementary measures to improve price transparency for European deliveries, including for prices of small shipments, and to enhance regulatory oversight of the cross-border parcel markets to ensure well-functioning cross-border delivery. The Commission will assess the need for additional measures after a period of two years from adoption of these measures, taking due account of progress made.

The Commission will launch measures in the first half of 2016 to improve price transparency and enhance regulatory oversight of parcel delivery [11].

**Preventing unjustified geo-blocking.** Geo-blocking refers to practices used for commercial reasons by online sellers that result in the denial of access to websites based in other Member States. Sometimes consumers are able to access the website, but still cannot purchase products or services from it. The consumer may also be re-routed to a local website of the same company with different prices or a different product or service. In other cases, where the sale is not denied, geo-localizing practices are used as a result of which different prices are automatically applied on the basis of geographic location, for example when online car rental customers in one Member State pay more for the identical car rental in a given destination than online customers in another Member State. Geo-blocking is one of several tools used by companies to segment markets along national borders (territorial restrictions). By limiting consumer opportunities and choice, geo-blocking is a significant cause of consumer dissatisfaction and of fragmentation of the Internal Market. 74% of the complaints received by the European Consumer Centres Network regarding price differences or other geographical discrimination faced by consumers relate to online cross-border purchases. Geo-blocking practices may be the result of a unilateral decision...
by market players, of agreements among competitors to share the market, or of vertical agreements (for distribution rights on a territory). Sometimes these restrictions on supply and ensuing price differentiation can be justified, for instance where the seller needs to comply with specific legal obligations. However, in many cases online geo-blocking is not justified. These unjustified practices should be expressly prohibited so that EU consumers and businesses can take full advantage of the single market in terms of choice and lower prices [9, p. 8].

**Better access to digital content – A modern, more European copyright framework.** Copyright underpins creativity and the cultural industry in Europe. The EU strongly relies on creativity to compete globally and is a world leader in certain copyright-intensive sectors. Digital content is one of the main drivers of the growth of the digital economy. 56% of Europeans use the internet for cultural purposes and spending on digital entertainment and media is predicted to see double digit growth rates (around 12%) for the next five years. Behavior is changing as consumers increasingly view content on mobile devices and expect to be able to access content from everywhere and wherever they are.

Barriers to cross-border access to copyright-protected content services and their portability are still common, particularly for audiovisual programs. As regards portability, when consumers cross an internal EU border they are often prevented, on grounds of copyright, from using the content services (e.g. video services) which they have acquired in their home country: 45% of companies considering selling digital services online to individuals stated that copyright restrictions preventing them from selling abroad are a problem; less than 4% of all video on demand content in the EU is accessible cross-border [36].

In addition, when trying to access or purchase online copyright-protected content from another Member State, consumers are sometimes told that it is unavailable or cannot be accessed from their own country. This situation is partly linked to the territoriality of copyright and difficulties associated with the clearing of rights. In other cases, the lack of availability and/or access may result from contractual restrictions between rights holders and distributors, or from business decisions taken by distributors. This may sometimes be due to the role territorial exclusivity plays in the financing of certain types of (audiovisual) works.

Innovation in research for both non-commercial and commercial purposes, based on the use of text and data mining (e.g. copying of text and datasets in search of significant correlations or occurrences) may be hampered because of an unclear legal framework and divergent approaches at national level. The need for greater legal certainty to enable researchers and educational institutions to make wider use of copyright-protected material, including across borders, so that they can benefit from the potential of these technologies and from cross-border collaboration will be assessed, as with all parts of the copyright proposals in the light of its impact on all interested parties.

An effective and balanced civil enforcement system against commercial scale infringements of copyright is central to investment in innovation and job creation. In addition the rules applicable to activities of online intermediaries in relation to copyright protected works require clarification, given in particular the growing involvement of these intermediaries in content distribution. Measures to safeguard fair remuneration of creators also need to be considered in order to encourage the future generation of content.
Europe needs a more harmonized copyright regime which provides incentives to create and invest while allowing transmission and consumption of content across borders, building on our rich cultural diversity. To this end, the Commission will propose solutions which maximize the offers available to users and open up new opportunities for content creators, while preserving the financing of EU media and innovative content. Furthermore, the Commission will review the satellite and cable directive 6 to assess the need to enlarge its scope to broadcasters’ online transmissions and the need to tackle further measures to ensure enhanced cross-border access to broadcasters’ services in Europe.

The Commission will make legislative proposals before the end of 2015 to reduce the differences between national copyright regimes and allow for wider online access to works by users across the EU, including through further harmonization measures. The proposals will include: portability of legally acquired content; ensuring cross-border access to legally purchased online services while respecting the value of rights in the audiovisual sector; greater legal certainty for the cross-border use of content for specific purposes (e.g. research, education, text and data mining, etc.) through harmonized exceptions; clarifying the rules on the activities of intermediaries in relation to copyright-protected content and, in 2016; modernizing enforcement of intellectual property rights, focusing on commercial-scale infringements (the ‘follow the money’ approach) as well as its cross-border applicability [14].

Reducing VAT related burdens and obstacles when selling across borders. The complications of having to deal with many different national systems represent a real obstacle for companies trying to trade cross-border both on and offline. Since 1 January 2015, with the entry into force of new “place of supply” rules (backed unanimously by 28 Member States), VAT on all telecommunications, broadcasting and electronic services is levied where the customer is based, rather than where the supplier is located.

In parallel, an electronic registration and payment system has been implemented to reduce the costs and administrative burdens for businesses concerned. This should be extended to tangible goods ordered online both within and outside the EU. Instead of having to declare and pay VAT to each individual Member State where their customers are based, businesses would be able to make a single declaration and payment in their own Member State.

Currently goods ordered online from third country suppliers can benefit from the small consignment import exemption allowing shipment free of VAT to EU private customers. This gives them a competitive advantage over EU suppliers and market distortions have already been signaled in various Member States. Such an exception would no longer be needed if VAT were to be collected through a single and simplified electronic registration and payment mechanism [6, p. 24].

An EU business wishing to make cross-border sales faces a VAT compliance cost of at least EUR 5,000 annually for each targeted Member State.

EU businesses face significant distortions from VAT free goods supplied by non-EU business. These distortions cost EU business turnover of up to EUR 4.5 billion annually.

The Commission is working to minimize burdens attached to cross-border e-commerce arising from different VAT regimes, provide a level playing field for EU business and ensure that VAT revenues accrue to the Member State of the consumer. The Commission will also explore how to address the tax treatment of
certain e-services, such as digital books and online publications, in the context of the general VAT reform.

In addition, as regards direct taxation, the Commission will shortly present an Action Plan on a renewed approach for corporate taxation in the Single Market, under which profits should be taxed where the value is generated, including in the digital economy [8, p. 9].

Creating the right conditions and a level playing field for advanced digital networks and innovative services. The Digital Single Market must be built on reliable, trustworthy, high-speed, affordable networks and services that safeguard consumers’ fundamental rights to privacy and personal data protection while also encouraging innovation. This requires a strong, competitive and dynamic telecoms sector to carry out the necessary investments, to exploit innovations such as Cloud computing, Big Data tools or the Internet of Things. The market power of some online platforms potentially raises concerns, particularly in relation to the most powerful platforms whose importance for other market participants is becoming increasingly critical.

A media framework for the 21st century. The audiovisual landscape is affected by rapid technological changes and by the development of new business models for content distribution. Viewers access audiovisual content via the Internet in an increasing variety of ways, and portable devices (such as smart phones) are changing viewing patterns. The Audiovisual Media Services Directive 8 has facilitated the circulation of audiovisual programs and media services across the EU. The scope of the Directive already covers both traditional television broadcasts and on-demand audiovisual media services, and imposes a set of minimum rules on both types of services. In some respects, however, on-demand services are subject to lower obligations, since users have a higher degree of choice and control over the content and the time of viewing.

This regulatory framework has facilitated the emergence of a vibrant market and it is important to ensure that it fully keeps up with market and technological developments. The Commission will examine whether the current system of rules applying to broadcast and to on-demand services should be adapted. It will also consider whether the current scope or the rules should be broadened to encompass new services and players that are currently not considered as audiovisual media services under the Directive and/or providers that fall outside its current geographical scope. The Commission will also work on measures to promote catalogues of European works on Video on Demand platforms.

The Commission will review the Audiovisual Media Services Directive with a focus on its scope and on the nature of the rules applicable to all market players, in particular measures for the promotion of European works, and the rules on protection of minors and advertising rules [4, p. 11–12].

References


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ПОЛІТИЧНІ, ОРГАНІЗАЦІЙНІ ТА ІНФРАСТРУКТУРНІ УМОВИ ІНТЕГРАЦІЇ УКРАЇНИ ДО ЄДИНОГО ЦИФРОВОГО РИНКУ ЄС

Статтю присвячено вирішенню дуже актуальних викликів, з якими стикається український уряд сьогодні, – процесу інтеграції країни до ЄС, зокрема інтеграції України до Єдиного цифрового ринку ЄС. Для дослідження цієї теми було застосовано систему загальнонаукових та спеціальнонаукових методів. Це дало достовірний та об’єктивний аналіз поточного стану реалізації та гармонізації та уможливило надання конкретних рекомендацій для обох сторін. Термін “диджиталізація” все більше закріплюється в лексиціоні як пересічних громадян, так і представників національного політикуму. Однак оголошення цього процесу або статусу – це одне, але реальна відповідь до цифрових стандартів – це інше. Становлення України як європейської держави та постійно зростаючі темпи зближення з європейським соціальним, політичним, економічним та, як це було нещодавно заявлено, цифровим простором, потребує терміновості та актуальності реформ державного управління. Це дозволить гармонізувати нашу та європейські системи, підвищити соціальну ефективність вітчизняної системи державного управління. Саме з таких реформ треба починати шляхи до всеохолонної диджиталізації, ефективність якої доводить європейський досвід. Більше того, ці положення закріплено в
політичних главах Угоди про асоціацію Україна – ЄС, які було підписано 21.03.2014 р., та в інших розділах, які було підписано 27.06.2014 р. Виконання зобов’язань, взяті за цією Угодою для України, є надзвичайно важливою умовою якнайшвидшої, найефективнішої та найкіснішої інтеграції до всіх сфер Європейського Союзу: економіки, державного управління, митних процедур тощо. Незважаючи на вагомий внесок вчених у розроблення вищезазначених тем, питання особливостей економічних, соціальних, інфраструктурних та інформаційних можливостей України у процесі інтеграції в європейський цифровий ринок залишаються невирішеними. Саме це вплинуло на вибір теми, визначення мети та визначення цілей дослідження.

Ключові слова: единий цифровий ринок, інтеграція, інфраструктура, гармонізація.

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