18 June 2019

Informal Meeting of Ministers responsible for Competitiveness (Internal Market and Industry)
Helsinki, 5 July 2019

Background document for break-out group 3

Group 3: Boosting digital business in Europe: What kind of policy measures are needed?

Aim of the discussion

The work in this break-out group has two goals:

Firstly, to provide input for further discussions on how to boost digital business in Europe by promoting the quick adoption of advanced digital technologies by European businesses and by ensuring that investment in digitalisation increase the productivity of businesses while reducing their environmental footprint.
Secondly, to create a well-functioning, data-driven economy for Europe which is built on the European Union framework for data governance and complies with European values.

Background information and aspects relevant to the discussion

Digitalisation, in combination with advanced technologies, artificial intelligence, data and the platform economy are key drivers that accelerate European productivity, growth, prosperity and employment in the global context. An industrial transformation encompassing all elements of digitalisation is crucial for smart, sustainable growth and employment in the long run. Moreover, Europe has a strong industrial base, excellent research capacity and a wealth of industrial data.

This debate is particularly timely for the following reasons:

Firstly, despite the fact that investment in the digital economy and digitalisation have considerably increased over the last few years in Europe, both at EU and Member State-level, it is evident that in Europe investment in digitalisation has boosted value-added growth much less than for example in the US.

Secondly, the low level of value-added growth in digital investment demonstrates that European businesses have not taken up digital technologies as quickly and as effectively as their competitors in many other relevant markets. According to the Digital Economy and Society Index (DESI), this is especially true for cross-border trade, as the amount of digital services offered by companies in one Member State to citizens and businesses in other EU Member States is still quite limited and many sectors are lagging behind as regards digitalization.

Against this background, European businesses need better opportunities to exploit and make use of the opportunities of the digital economy, especially as regards cross-border trade. For this, the emergence of a common European data ecosystem is essential. This ecosystem approach would encourage companies, and in particular smaller businesses, to continue investing in new digital technologies and innovations, which would improve their productivity and make Europe a single market from their perspective as well. Moreover, this would strengthen important European vertical value chains, attract investments from outside Europe and increase the opportunities of European businesses to access and prosper on the global market.

As a data-driven economy is a cornerstone of the EU's future success on the global market, the EU needs a consistent set of policy actions related to the data economy, i.e. data access, data sharing, use of data, business models for trading data, interoperability, cybersecurity and trust. The future data policy could be established on the basis of the European Union framework for data governance and leverage this framework as a driver for novel and powerful types of services that comply with European values. At the same time, the EU should also ensure sufficient incentives to invest in European data businesses.

In practice, the human-centric data economy should be strengthened by ensuring efficient implementation of the General Data Protection Regulation (GDPR), data quality, ethical issues around data and data sharing as well as data portability. Facilitating the sharing of non-personal and personal data (whilst respecting privacy and competition rules) could promote the EU's competitiveness by improving the scope for the efficient and innovative use of resources in meeting sustainability goals, industrial transformation and digital services and technologies.

In addition, it is crucial to take a holistic and coordinated approach, building on strategically managed platforms and ecosystems in various sectors such as manufacturing, transport, agriculture, construction, logistics, energy and health. Developing world-class testing and experimentation facilities for artificial intelligence will provide a common European resource for testing digital technologies before deployment. Strengthening ecosystems for European data means combining European initiatives to pool data and its processing across Europe. The success of European data businesses and the swift adoption of artificial intelligence technologies will ultimately depend on the competitiveness of their services. In this respect, the success of companies from other countries may provide an interesting learning opportunity.

Questions for discussion:

- What is the most important policy measure that could be taken at EU level to ensure that investment in digitalisation increases the productivity and innovation capacity of businesses and promotes the quick adoption of digital technologies by European businesses?
- What should be the key elements of the EU’s future data policy principles and guidelines?