

ELEC High Level Conference

What digital strategy for Europe?

Europe's Big Tech model, a third way?

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Conference takeaways

The fourth industrial revolution is bringing about numerous challenges and opportunities. ELEC's recent annual conference, which featured several leading experts from academia, public institutions and the private sector, focused on 'what digital strategy for Europe?'. ELEC's view is that digitalization is a paradigm shift that affects the whole society. Simultaneously, it is at the core of not only safeguarding Europe's industrial future but more broadly of intending to confirm its economic sovereignty in an increasingly bi-polar global landscape as well as of upholding its social model.

Digital transformation is in full swing

The world economy is on the eve of a digital-driven, all-encompassing transformative change. This transformation is characterised by two key features:

- **The 'platform or data economy'** – In a technology-driven digital world, many of the largest and most successful businesses operate and organize as open and inclusive platforms connecting networks of people, buyers and sellers benefiting from network and platform effects (with exponential generation of data) on two-sided markets. Traditional corporate governance is not adapted to a platform economy where data is at the centre of the value creation while all the created value is captured by a limited number of market participants, those who own the data. Data becomes a strategic asset. Sector boundaries get blurred. The overwhelming development is characterised by new business models, new services, new processing as well as by new providers, making use of a new infrastructure. In a digitalized world, where AI is embedded in hardware, software and platforms, competitive advantage rely on the ability to scale and the ownership of data.
- **Symbiosis of economic and political sovereignty** – As connectivity and data generation increase, data integrity and Information systems security become key components. When it comes to the matter of security, the world has also changed. Since the end of World War II, Europe focused on economic development and integration while it benefited from stability and safety ensured under the American umbrella. This luxurious position is definitely over. Globalization got fragmented as US and China battle for economic and technological superiority. We have entered into a new era where economic and security matters are intimately intertwined.

There is widespread recognition and growing concern that Europe is falling behind in the digital transformation. Whilst their relative contribution is a matter of debate, the following factors are judged to play a key role in this worrying state of affairs: heavy regulation, high market fragmentation, lack of venture capital and funding for scaling up, skill shortages, absence of an industrial policy, inadequacy of competition policy and lack of trust amongst member states and firms.

The digital revolution is an historic opportunity that the EU cannot afford to miss. Not seizing this opportunity would condemn the EU to become increasingly dependent and to fall into irrelevance and some sort of second class status, which would also make our social model unaffordable. Facing all sorts of internal (demographic, erosion of the rule of law, loss of values, populism, Brexit) and external (trade conflicts, geopolitical tensions, climate change, migration, etc.) challenges, Europe is condemned to succeed.

Fostering an Europe's Big-tech model without delay

The US and China favour the emergence of strong global digital champions with strong state support and high public spending on which private firms and venture capitalists can leverage. The EU response has been essentially focusing on strengthening its regulatory framework. Experts conjecture that there is only a short (2 to 5 years) window of opportunity before the EU definitely loses the capacity to stay competitive. The EU therefore urgently needs to mount its sovereignty regarding the three key digital pillars: preserving infrastructure, developing services and ensuring proper data governance.

The EU should adopt a « third way » in comparison to the US and China's models, developing deep tech for the benefit of citizens, preserving democratic values and implementing smart regulation. The following measures are indispensable.

Increase financing capacity to allow the scaling up of companies and high-risk investments

- Strengthening long-term investment capacity with a particular focus on equity in order to provide a better framework to allow more late-stage financing (in the range €50mn-100mn). Completing Capital Markets Union is therefore a top priority.
- Supporting true pan-European public government VC and private VC investment funds (by tax incentives) to allow (fundamental) research and innovation from the lab to the market.

Build a digital policy adapted to EU values and the need to preserve sovereignty

- Adopting a true data and platform strategy, based on the huge stocks of available data on the continent, with a data-user centric policy and the promotion of an appropriate data governance fostering data portability and free trans-border flow of data across the EU.
- Defining an ecosystem for Artificial Intelligence and data pooling via pan-European regulatory sandbox and cross-border openness among Member States.
- Ensuring European standardisation in order to establish global standards and norms (amongst others promoting a human-centric data economy with highest standards of ethics and governance).
- Adjusting European competition policy that allows sophisticated and competitive connectivity systems within the EU, taking into account the specific features of current developments.

Adopt a more holistic view between digital and non-digital aspects of the Single Market

- Encouraging closer cooperation and integrated approaches within and across EU networks and Commission General Directorates as well as Member States in order to embrace the complexity of a digitized economy where traditional economic sector boundaries get blurred.
- Defining a common vision, common ownership and commitment of Member States, Competitiveness Council, Commission and EU Agencies concerning an industrial strategy in key strategic areas. Based on a strong R&D infrastructure as well as on a well-functioning level playing field, the European continent should be made a real home market for European entrepreneurs.
- Adapting education – to start in primary and secondary schools - to the digital reality, offering multi-disciplinary teaching to develop creativity and skills that are needed to thrive in the digital age: STEM, risk management, new economic dynamics, and life-long learning.

Reinforce leveraging effect on EU budget

- Pooling military, research, technical and financial efforts in a pan-European institution in order to maximise the benefit of a limited EU budget (14% of 1% of GDP – 2021-2027 MFF).

Individual countries within the EU, even the largest ones, do not have the critical mass to achieve tech leadership alone. **Member States need to work together and pool national and international financial instruments.** Smaller countries should also be involved to favour economic inclusion and integration.