



## THE DIGITAL ECONOMY IS CRUCIAL FOR GROWTH

- Industry is witnessing a massive change through ICT. In the digital area, Europe has dropped from world leader to second tier player in only a few years. Technology will offer EU businesses new opportunities to close the gap with their competitors at global level. Innovations such as cloud services, data analytics improving efficiency in industrial processes and intelligent connected machines could add more than €2000 billion to Europe's GDP by 2030. This will affect all companies in all sectors, including SMEs. These innovations can deliver huge economic and social benefits to Europe, improving productivity, social cohesion, savings in public spending, efficiency for public administration and consumers' and welfare.
- The digital economy is crucial for Europe's global competitiveness. ICT must not only be seen as a sector in itself, but mostly as an enabler of business growth in all sectors of the economy.

### KEY ELEMENTS FOR EU COMPETITIVENESS

- 1 Digital single market** which, if completed, will enable Europe to gain 4% GDP by 2020. A fully-functioning digital single market would lead to significantly higher productivity and efficiency across the economy, including in traditional, non-digital sectors.
- 2 Networks** are the backbone of digital economy. An increase in the broadband penetration rate by 10 percentage points is expected to increase annual per-capita GDP growth by 0.9 to 1.5 percentage points. Investments in infrastructure that enables fast and reliable connectivity provided at competitive prices will be the foundation of future EU growth and job creation.
- 3 Big data** will increase industrial productivity, improve healthcare through more accurate diagnosis and treatments, enhance workforce skills and enable businesses to understand and reach new consumers more effectively. Data-based innovation is expected to leverage €330 billion a year in the EU by 2020.
- 4 Digital entrepreneurship** is critical to create new jobs and innovative ideas, creating clusters and accelerate thereby the pace of innovation. For example, the app economy is expected to triple its revenue from 2013 to 2018, creating 3 million jobs in the same period.
- 5 Innovation** must be a political priority for the next term, as Europe needs to catch up with its global competitors who are investing and innovating to boost their industries. Research, development and innovation in the digital economy will ensure that Europe remains competitive in the mid to longer term.



## RECOMMENDATIONS

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- 1. Streamline *digital* in all policy areas at EU level.** Policy makers in all policy areas should acknowledge the cross-sectoral impact of *digital*. Any legislation should take into account its impact on digital development. At the same time, digital must shape new legislation.
- 2. Remove remaining barriers in the digital single market.** Fragmentation in the EU concerning VAT, consumer and data protection rules must be addressed. This does not necessarily require new legislation, but in some cases only better and more uniform application of the existing rules.
- 3. Create a framework which enables big data use and innovation.** Companies need uniform rules on data protection, striking the right balance between the need to protect privacy enhancing consumers' trust and to enable free flow and legitimate use of data in the digital single market.
- 4. Foster investment in networks.** The private sector should pave the way for new investments. Business needs a stable and innovative regulatory environment which sets the right incentives for investments, including fix and mobile broadband. Sufficient spectrum resources must be made available in order to accommodate the exponential growth in mobile data and to meet the growing demand.
- 5. Stimulate digital entrepreneurship.** Europe needs to establish a more entrepreneurial culture, develop clusters, improve access to finance for new digital entrepreneurs (for instance through crowdsourcing) and encourage second chance for failed entrepreneurs, as well as to improve cooperation between public academic research and market players.
- 6. Promote digital skills.** The EU must continuously develop a policy framework that will promote ICT skills and encourage Member States to learn from each other on how to increase the number and improve the quality of ICT-skilled graduates in conjunction with companies' needs.
- 7. Encourage innovation** Compared to other countries, Europe's scientific leadership is not sufficiently translated into market opportunities. The EU should favour innovation that brings commercial results and better funding of research in the technology sector. Furthermore, as innovation increasingly relies on cooperation among businesses, dynamic clusters and networks for innovation need to be encouraged. All EU institutions should lead the way in digitalising public services and thus generate significant productivity gains in the public sector and efficiency gains for public services' users.

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