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ROUNDTABLE OF LEADERS OF EUROPEAN INITIATIVES ON "DIGITISING EUROPEAN INDUSTRY"

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ADDRESS BY MARKUS J. BEYRER, DIRECTOR GENERAL OF BUSINESSEUROPE

Ladies and Gentlemen, Commissioner,

I am very glad to be here today. I would like to warmly thank Commissioner Oettinger for launching such an important initiative. BUSINESSEUROPE strongly supports this exercise. We expect this group not only to exchange information. It is fundamental to define a set of recommendations for policy makers – both at national and EU level - in order to foster digitalisation of EU industry.

- **Digital transformation is a game changer.** And this is true not only for industry, but for the society as a whole. It has been more than a century that the world does not experience such a profound transformation. The effects are disruptive. Traditional boundaries between economic sectors are blurring. Services and industrial production are more and more integrated in the value chain – the so-called "servicification". Already today, services are the most important "raw material" for manufacturing. (15% to 30% of manufacturing input comes from services). There will be new players and the balance of power will shift.
- **European industry can immensely benefit from the digital transformation.** By 2025, Europe could see its manufacturing industry add a gross value worth 1.25 trillion euros thanks to digitalisation. If we fail to embrace this transformation, the potential losses can be up to 600 billion euros by 2025.
- **We need to act now.** There will be winners and losers. Europe needs to leverage on its strengths to be a winner. This is not about falling behind; this is about missing the boat.
- **Europe has specific advantages,** such as an innovative industrial base, industrial know-how, and a qualified workforce. We need to allow (the best) manufacturers to create synergies with the best tech companies, whether they are or not European, **but keeping an eye on preserving European opportunities.** The EU can contribute to ensuring that Europe is able to lead the digital transformation through:
 1. ***Fostering (digital) entrepreneurship.*** It is not about establishing a European Silicon Valley, but getting inspiration from where the US are successful. World class universities, flexible venture capital, ability to



attract the best brains, a true digital single market, entrepreneurial spirit. We need to improve all of these aspects in Europe too.

2. **An open approach to standards.** The digital economy has no borders. We need to develop uniform products for global markets. European standards must be aligned to international ones. Standards also have to be market relevant, or industry will look elsewhere to develop the standards they need.

3. **An innovation-friendly framework for data.** Industrial digitalisation is mostly built on data collection and analysis. Not only personal data, but especially non-personal data produced by machines. Companies need clarity on access, ownership and usability of (non-personal) data related to industrial processes (*Michelin example*). The announced Free Flow of Data initiative and the European cybersecurity strategy will need to address this.

- **This should be matched by appropriate personal data protection rules** which do not create excessive burdens.

4. **An adequately skilled workforce.** Digitalisation will radically transform employment. New needs will emerge in the market. An electrician will have to be equipped with ICT/engineering skills. Education and training systems in the Member States need to be reformed to meet the new needs. The EU Commission has a role to play there.

- Everybody looks at Europe for regulation (not so many look at us for innovation. This is an opportunity to change). Europe's traditional approach should change. **We need to avoid the perversion of precautionary principle which stifles innovation.**
- **Take up of digitalisation from companies is a missing piece of the puzzle.** The EU also has a role in developing incentives on the demand side. We must encourage companies' **take up of digital, especially SMEs and non-tech business**. Investment and **funding** are crucial in this context, together with awareness-raising. EU structural funds could be a good instrument, but we need some clarifications in this direction.
 - For example, the current rules don't explicitly prohibit using EU funds for purchasing cloud services - but Member States in practice generally only allow for hardware purchases.
- One word of conclusion. The digital economy is changing from one day to the other. It is doubling its size every two years. It is not possible to foresee every possible development. For this reason, sometimes **regulatory humility is the wisest policy approach**, which means avoid regulating unless there is a clear need to do so.

- Thank you for your attention.