



Bundesministerium
für Wirtschaft
und Energie



MINISTÈRE DE L'ÉCONOMIE, DE L'INDUSTRIE ET DU NUMÉRIQUE

Dear Vice-President A. Ansip,

As everybody is aware of, digital technology is profoundly affecting every area of our European society and every economic sector. What is at stake for Europe is to meet the challenge of the digital transition, whether in economic, industrial or social aspects to position the European continent at the forefront of the economic battle of the 21st century. The European Commission is therefore rightfully preparing a Digital Single Market (DSM) Strategy for Europe to seize the opportunities and address the challenges brought by the digital revolution. The German and the French Governments have made proposals, which we hope the European Commission will integrate into an ambitious DSM Strategy.

In our joint view, two pillars are of particular importance in order to make the digital transition a factor of growth and competitiveness and to work together on the basis of an ambitious DSM Strategy: (i) the digitization of the European economy and (ii) the setting up of a coherent framework for new digital challenges.

The digitization of the European economy

a) Promoting the digital transformation of businesses

The European Union must accompany traditional businesses in their digital transformation, both in their business models, in their production processes and employee training. Connection with fastgrowing digital companies is key to follow the global competition on innovation and to develop enduring capabilities to manage disruption and shifts in traditional markets.

Germany and France with their respective programmes called “Industrie 4.0” and “Industrie du futur”, and the European Commission with its Horizon 2020 programme “Factories of the future” have already launched instrumental action on this issue.

There is a need to develop a European offer for the industry of the future, supporting progress in areas such as robotics, virtualization, contactless services, augmented reality, connected objects, additive manufacturing processes, strengthening the link between national ecosystems in these areas. We see a need for greater support, particularly for innovation and technology which can provide a foundation for new big data applications and which at the same time make us less and less dependent on the collection of individualized personal data.

An integrated and strategic standardization strategy should also be established. Dissemination and adoption of the best tools, solutions and digital processes in European companies could be accelerated through the establishment of common standards at European level and most preferably through European standards at the international level. It will increase interoperability and should focus on a few key priorities (such as the fifth generation for mobile telephony [5G], the Internet of Things, cloud computing, big Data and cybersecurity). The EU should also keep control of the standards applied in its own market: it should not hesitate to issue mandates to the European standardization organizations (ESO) to establish European standards, especially but not only in areas where there are no international standards yet.

The Investment Plan for Europe should also play its part to implement SME loans so that small industrial companies can fully benefit from the digital transformation in their production process, including robotics.

b) Building a friendly European digital ecosystem

The European Union should explore the way to link and scale up the different European digital ecosystems and to promote the diversity of European resources and competences in this area. The European strategy should also focus on identifying the best leverage to create, grow and expand European start-ups from a local to a national, European and global level. The plain use of the potential of Horizon 2020 in terms of business creation and innovation is also necessary and must be evaluated on a continuous basis.

c) Developing venture capital

Start-ups need to have access to financing at each stage of their growth in order to keep their decision centers and ecosystems in Europe. The lack of large-scale venture capital funds hampers the growth of major European digital firms. Fostering the emergence of venture capital funds in capacity to reach a critical size and lead an investment strategy in several European countries should be a key priority in Europe's economic strategy, particularly when it comes to supporting firms in their growth phase. The Investment Plan for Europe should support the creation of large venture capital funds.

A coherent framework for new digital challenges

a) A regulatory framework ensuring a fair competition between all digital players

The EU must ensure an open and transparent competitive environment for all economic actors in Europe. This involves in particular the regulation of business practices of essential platforms in the digital economy.

The need to regulate essential digital platforms

In every sector (for example music, car rental, tourism, social networks), international service suppliers including digital platforms have open access to infrastructure and markets in Europe. At the same time, digital platforms can capture a significant part of the value from services and content created by third party edge providers, while they may as well, if vertically integrated, promote their own products. This results in a shift of the value of in all sectors, including non-digital sectors. We very much welcome the acceleration of a part of the Google antitrust investigation. At the same time, we believe that the growing power of some digital platforms is a wider challenge that warrants a policy consultation with the aim of establishing an appropriate general regulatory framework for “essential digital platforms”. The launch of this consultation should be independent of the Google antitrust proceedings. In our view, first, the regulatory framework for essential digital platforms should ensure that edge providers have open access to all end-users. Second, it should ensure that end-users (i) have access to information and content of their choice and the ability to disseminate them and (ii) have the possibility to run applications and services of their choice on essential platforms. Third, transparency requirements on the internet need to be broadened, including clearer labelling of a company’s own services on dominant platforms in the context of search result lists, and the labelling of sponsored search results. Such

framework is conceivable (i) either as part of the existing electronic communications framework, considering the possibility of a revised scope, (ii) as a stand-alone regulation with new market control tools (*ex ante*) or (iii) by developing new antitrust tools. Another area where we see the need for a consultation is the liability for content on the Internet.

A level playing field on taxation

Companies providing goods and digital services to European citizens must be treated equally, whether they are established in a Member State or not. This tax fairness principle should lead to seek ways of taxing digital corporate profits in countries where they are actually generated.

Fiscal neutrality should be a key principle: therefore, the indirect taxation applied to e-books and online press media must be identical to that applied to the corresponding physical products.

b) The security and protection of personal data

The EU has a crucial role to play in ensuring security and protection of personal data, by reinforcing cooperation and information exchange among Member States and promoting the principle of a high level of protection. These actions are essential for building the European citizens' confidence in the digital economy and setting up the right framework for innovation in a data-driven economy.

In view of the different data protection standards in Europe and the U.S., the current insufficient "Safe Harbour" mechanism must be improved. Moreover, future trade agreements should not undermine the European Data Protection Regulation. The market-place principle must consistently apply. Lastly, it is imperative to preserve the right of Member states to regulate the location of certain types of sensitive data in Europe.

Additionally, following the adoption of the Network and Information Security Directive, Europe should maintain its leadership in terms of cybersecurity by fostering norms and best practices throughout the continent.

These elements should contribute to set up an ambitious digital strategy for Europe, based on the Single Market and going beyond in order to create an effective digital policy for our continent.

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