

Europe fit for the Digital Age

Blog post by Senior Associate Franck Thomas, 25 October 2019

The geopolitical Commission will give practical expression to calls from Paris and Berlin for ‘strategic autonomy’ for technology. This means addressing longstanding anxiety in Paris and Berlin about falling behind the US and China in key technologies such as cloud computing and AI. This has even greater salience as evidence grows of European firms being locked in to dependency on hardware and software controlled elsewhere, with implications for European industries in sectors of traditional European strength.

What should we expect in concrete terms? First, incentives to this Commission will need concrete responses. These could include initiatives to maximise investment in strategic EU-wide digital infrastructure, including connectivity, cloud computing and artificial intelligence. There will be a push to jointly define standards for future technologies, including 5G. These proposals are high on ambition but constrained by financial firepower at EU and national levels. The Commission will therefore focus on using regulatory first-mover advantage. This will mean a delicate balance between decisive action to shape the landscape and preserving the competitiveness of its domestic tech industry.

The same concerns will also play out in approaches to inward investment, especially from China. Chinese technology acquisition and the market strength of China’s state-backed tech companies have raised concerns in both Germany and France. They have encouraged the Commission to pivot towards a more assertive approach to Chinese investments and a more assertive EU industrial strategy. This could include investment incentives, new checks on inward investment, changes to competition rules, greater use of trade defence instruments and measures to ensure greater reciprocity in public procurement. These approaches will mean frictions between and within the EU institutions, where there is limited consensus on the merits of a more interventionist approach or the best strategic approach to China.

Despite these new agendas, we can expect continuity on the Juncker Commission’s digital single market programme. The Commission’s executive vice president for a ‘Europe fit for the Digital Age, Margrethe Vestager, will be keen to leverage her enhanced influence. This will include promoting a more interventionist approach to blunt the dominance of US tech and to ensure more competition in online markets. This will include a review of competition policy to address data monopolies and specific legislation targeting gaps in anti-trust frameworks. There will also be a return to platform content regulation or digital taxation, where the previous Commission fell short.

Global regulator or a global competitor? The EU stake in technology value chains

