

Enabling a digitally-powered Single Market and prioritising Innovation

Brussels, 24 April 2015

Accomplishing the Single Market and leveraging the innovation potential of Europe will strongly contribute to economic and social growth over the next 5 years. Across all sectors, key elements of such developments will be ICT and data-centric technology. Through the ever more innovative products and services they provide and their related investments in research and innovation, DIGITALEUROPE members contribute to enhancing the competitiveness of the continent.

Horizon 2020 & beyond

The participation of the ICT industry in Horizon 2020 is bringing a number of important benefits to the economy and society as a whole as well as to our industry.

However, despite these benefits, current mechanisms are not fully achieving the objective of encouraging and leveraging European R&D and innovation at an industrial/commercial level. Moreover, boosting the EU's performance in innovation is not only about EU funding.

Indeed, if one compares data both between EU Member States and between the EU and its major global competitors, many elements can be identified that hold back the EU's innovation potential. Within the EU, the fragmentation of the European market and the large differences between Member States in terms of cost of capital, regulatory framework for and cost of starting a new business, to name just a few, all create regulatory uncertainty for investors and block economies of scale.

In a global comparison, EU's competitors such as the US provide significantly more access to venture capital, spend more in terms of public procurement of innovation and their population is more eager to take risks and compete. The combined effect of these findings lead to a situation where today, a firm in other markets has good reasons to expect a much higher return on its R&D investments than a company in Europe.

Against this framework, a whole range of policies beyond Horizon 2020 need to converge in fostering the development of a specific European innovation ecosystem in order to fully reap the potential benefits of innovation on growth and jobs. The below recommendations are designed to help policy makers set the right framework in order to let innovation fully unfold its potential.

Our Recommendations

1. Streamlining innovation in policy-making

Enhancing Europe's competitiveness requires a truly Digital Single Market enabling economies of scale and thus unlocking investment in innovation. This can be achieved through a more balanced approach in managing risks (rather than merely avoiding them) and less prescriptive regulation. In order to achieve these objectives, EU policy-making should embed an 'Innovation Principle' in its legislative process to complement the precautionary principle, so that the potential impact on innovation for any policy proposal is properly analyzed and addressed.

DIGITALEUROPE defines the principle in simple terms - whenever a policy or regulatory decision is under consideration, the impact on innovation should be fully assessed. Such an approach would boost investor confidence and significantly contribute to economic growth and job creation in Europe.

2. Invest in R&D to enable innovation

President Juncker's Commission has put a strong focus on leveraging investments in innovative products and services: Its 'Investment Plan' is an ambitious package, and we look forward to further steps in its execution.

A 21st century plan of investment must include a solid digital component, as it is in ICT and ICT infrastructure that Europe will be able to leverage more strongly its innovation capacity in the years to come. We therefore call on EU institutions and Member States to ensure that digital innovation will represent an important percentage of the total projects to be funded with a focus on investment in state-of-the-art digital networks and other areas such as Smart Cities projects, Industry 4.0 initiatives, etc.

While we strongly hope the full potential of the 'Investment Plan' will be leveraged across EU countries, our members have been concerned by the resources to be subtracted from the Horizon 2020 Programme in favour of the plan. DIGITALEUROPE would like to stress that EU funded R&D has always been a strong asset for leveraging innovation in Europe and therefore grant-type funding should not be undermined by budget cuts. The ambitious Horizon 2020 budget should not be put in danger by the 'Investment Plan'.

3. Improve EU R&D funding rules

The rules governing Horizon 2020 could however be further improved in order to strengthen its innovation potential:

(a) An intellectual property regime that encourages the commercialization of projects results

The rules currently set out in Horizon 2020 for the exploitation of intellectual property do not sufficiently take into consideration the conditions needed for successful commercialization of project results and thus tend to discourage industry from participation. This is the case for the implications of the *by default* joint ownership regime, as well as for certain Grant Agreement's clauses.

For instance, the existence of an affiliates' clause does not take into consideration the international nature of ICT industry, as much as any other clause reflecting protectionist tendencies, e.g. 'Europe First' IP type of policies. This latter would damage the technological leadership of ICT industry established in the EU.

Moreover, first experiences with Horizon 2020 projects have shown a lack of certainty with regard to the rules applying to the project (optional clauses of the Grant Agreement) and an unclear approach to the use and application of specific clauses.¹

(b) Open access to research data

The increase of forms of collaborative research – most often enabled by ICT – has raised questions with regard to the need for governments to foster policies of open access to research data. Within the framework of EU research funding – i.e. Horizon 2020 – we strongly believe there is no need for additional policy proposals for making open access to research data mandatory². It is paramount that any policy reflection on provisions around open access considers the potential detrimental effect this could have on the commercial value of projects' results.

1 See [Horizon 2020 in practice: DIGITALEUROPE observations and recommendations for next Work Programmes](#)

2 See [DIGITALEUROPE response to the European Commission Public Consultation on Science 2.0](#)

4. Foster digital transformation

One of the biggest opportunities lying ahead of Europe is the digital transformation of European enterprises, i.e. taking full benefit of the enabling effect of digital innovation, be it to improve efficiencies, reduce costs, increase access to market or provide disruptive new services. However, embracing digital technologies is not an obvious process and requires a change of mindset at both political and business level.

Political leaders at European, national, regional and local levels should inspire confidence in others by making digital transformation a political, economic and social priority and by making the systematic measure of digital transformation in all sectors one of their key economic indicators.

Measures fostering cross-fertilization and sharing of experience should be designed in order to bring together leaders of dynamic new companies with more traditional transformation-wary industry leaders.

Furthermore, specific policy attention should also be brought on growing new high-tech businesses in Europe and reinforce digital transformation by providing the necessary ICT skills. This includes actions starting at the educational level aiming at systematically including entrepreneurship and business courses in teaching curricula (reinforcing the knowledge triangle in Europe).

Further information

- [Horizon 2020 in practice: DIGITALEUROPE observations and recommendations for next Work Programmes](#)
- [DIGITALEUROPE Position Paper on Science 2.0 Consultation](#)
- [DIGITALEUROPE Statement of Principles on the European ICT Industry on Collaboration in Horizon 2020-funded projects](#)

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ABOUT DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies.

DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. DIGITALEUROPE's members include 58 corporate members and 37 national trade associations from across Europe. Our website provides further information on our recent news and activities: <http://www.digitaleurope.org>

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