DIGITALEUROPE

THE DOWNLOAD

DIGITALEUROPE's concise policy brief on the hottest tech topics.

In this edition:

THE EU'S ECONOMIC SECURITY STRATEGY

What does DIGITALEUROPE think?

Europe must have access to **and be a creator of critical technologies. To promote European economic security, we need successful European companies, scalable markets and partnering with like-minded third countries.** Right now, Europe has very few standard-setting tech companies left:

11% of global tech companies

8% of global Unicorns

We therefore need an approach to economic security founded on the competitiveness of Europe's digital industries, working with likeminded international partners as much as possible. **Europe should avoid the temptation to reach for too many protective tools and look instead to strengthen our greatest assets – our people and our single market. Innovation and incentives are needed to ensure technology companies stay and scale in Europe.**

Each critical technology needs a **tailored analysis on EU strengths and weaknesses.** A **one-size-fits-all approach cannot be the solution** when addressing technologies with different opportunities & risks, and at different stages of development. The **private sector must play an important role:** industry leaders have the know-how and innovation potential.

What is economic security?

Against a backdrop of 'derisking' put forward by President Von Der Leyen and the G7, the Commission released its European Economic Security Strategy (EESS). It identified four technology areas –

Artificial Intelligence

Quantum

Advanced semiconductors

Biotechnology

– that are critical to our security.

According to the European Commission, economic security "*focuses on minimising risks … in the context of increased geopolitical tensions and accelerated technological shifts , while preserving maximum levels of economic openness and dynamism*".

The Commission proposed a 3-P approach:

- **Promoting** the EU's economic base and competitiveness;
- **Protecting** against risks; and
- **Partnering** with the broadest possible range of countries to address shared concerns and interests.

[1] Other relevant contributions include Resilient EU2030, from the Spanish Presidency.

Common market

As we outlined in our recent manifesto, we should **prioritise removing barriers to help companies scale in Europe.** Regulation must play a role, but overregulation will harm our chances at developing technology here – innovators will simply move elsewhere. For the future, we caution against **pre-emptive regulation of technologies** whose potential is not yet fully understood, and highlight the need to tackle **the overlap with other sectoral regulations.** We should lean on existing tools such as the **'Threat of Injury'** and **'Semiconductor Early-Warning Mechanisms'** alongside the EU's Single Market Emergency Instrument.

Competences

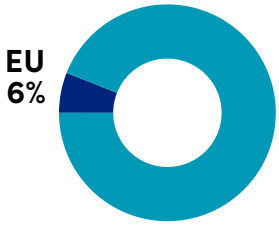
Address the shortage of cyber experts with public-private cyber campuses and upskilling programmes. **Education on technology must begin at an early age** and we must make it **attractive for highly skilled tech workers to come and work (or stay) in the EU.**

291000 cybersecurity professionals are missing in the EU
(Enisa, 2020)

Capital

Given the private investment gap in many critical technology areas, **targeted funding for critical technologies must be a central pillar of the Strategy.** US investors injected $170 bn into start-ups in 2023, yet only 6% of venture capital in AI went to Europe[3]. **We call for a 25% target across all EU funds** to be spent on digital, aligned with the critical technologies identified.

Global Venture Capital in AI



Partnerships

Foster digital partnerships starting with the US, India, Japan, South Korea, Singapore and Canada, focusing on **standards for AI, security of connected devices, data interoperability, and carbon footprint measurement.**

Another "P" – Public and Private Partnerships

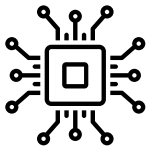
We need **platforms where senior industry experts can work with governments** to develop tailored critical technology strategies. **Economic diplomacy is a part of economic security** – European diplomats should be actively supporting companies in key markets.

Protect

Recent measures on inbound and outbound investments and export controls should be used cautiously. **These tools can play a role, but they should not be the centre of the approach. When applied, we must make sure they are aligned with likeminded partners** to avoid adding unnecessary complications for companies.

[2] Pitchbook (2024)

[3] CEPs (2023) Forge Ahead or Fall Behind



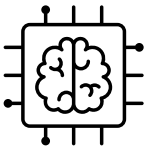
Semiconductors

The global semiconductor shortage during and after the COVID crisis exposed our overreliance on certain countries and the dangers of complacency when it comes to critical technologies.

This had an economic impact - costing EU carmakers around €100 billion in 2021/22, but also an impact on people's lives: 50% of lifesaving medical devices contain semiconductors[4].

However, research has shown that bringing production back to Europe would cost one trillion dollars[5]. The EU also has a strong place in the supply chain – e.g., lithographic machines and research.

For semiconductors, as we advocated in the EU's Chips Act, the strategy should certainly promote European production, but – in the absence of large amounts of EU money – ensure that it has a diverse and like-minded group of partners in the supply chain.



Artificial Intelligence

It is estimated that AI has the potential to deliver additional total economic activity of approximately $13 trillion by 2030[6].

However, only 3% of global AI unicorns are based in the EU. Compared to semiconductors, AI technology is young and many use cases are yet to be discovered.

Europe has the potential to lead on AI, and it cannot afford to miss out on the economic growth and job prospects it offers.

The EU has led the way with the AI Act.

However, this comes with costs that could damage our economic potential – one estimate in the EU's impact assessment put compliance for an SME of 50 people at €300,000.

With regards to AI, the Economic Security Strategy should focus largely on the promote pillar. Europe is lagging behind on AI investments compared to the US and China. After the AI Act comes into force, companies in those countries will also face less red tape. Therefore, EU AI innovators will need significant financial and other support.

[4] https://www2.deloitte.com/us/en/blog/health-care-blog/2022/how-is-the-semiconductor-shortage-affecting-medtech.html

[5] https://www.semiconductors.org/strengthening-the-global-semiconductor-supply-chain-in-an-uncertain-era/

[6] https://www.mckinsey.com/industries/metals-and-mining/our-insights/ai-the-next-frontier-of-performance-in-industrial-processing-plants

Read more

- Europe 2030: A Digital Powerhouse
- The Digital Frontline: 15 actions to boost Europe's Digital Resilience
- Becoming Tech Allies: 24 Targets for the EU-US Trade & Technology Council by 2024

DIGITALEUROPE

DIGITALEUROPE represents the voice of digitally transforming industries in Europe. We stand for a regulatory environment that enables businesses to grow and citizens to prosper from the use of digital technologies.

We wish Europe to develop, attract and sustain the world's best digital talents and technology companies.

DIGITALEUROPE's membership represents over 45,000 businesses who operate and invest in Europe. It includes 108 corporations which are global leaders in their field of activity, as well as 41 national trade associations from across Europe.

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