

Priorities for a Digital Single Market

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AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled €2 trillion in 2014 and directly supports more than 4.3 million jobs in Europe.

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Introduction

Technologies such as cloud, mobile computing, big data, the internet of things, social media, connected devices and the data driven innovation around it, are changing the way we manage our lives, connect with others and operate our businesses. They are accelerating commerce, creating new growth opportunities and business models. A digital re-industrialisation is taking place and Europe is in a good position to benefit from this. The adoption of digital technologies by businesses and consumers, coupled with Europe's strong focus on innovation, investment, content and its education system provide a great context to succeed.

The European Commission, Parliament, Council and various Member States have made digital a top priority. **AmCham EU supports and is committed to completing the Single Market and recognise how digital is transforming the economy.** With aggregate US investment in Europe totalling € 2 trillion in 2014, supporting 4.3 million jobs, we are net beneficiaries and contributors to the Single Market. Therefore, we consider the completion of the Single Market as a core objective for future European growth. To that extent and for the digital transformation of the economy to continue taking hold there are a couple of essential elements that need to be in place at various levels: **technologies and data, trust, infrastructure, human/skills level, and an enabling environment.**

In addition, there needs to be a strong recognition of the global nature and interconnection of the digital economy. Fragmenting the global market and the single market by introducing localisation requirements for data and or/infrastructure will damage the vast potential of the global digital economy as we know it today. The goal should be to remove obstacles while avoiding creating new ones. Any industrial strategy should aim at further aiding the digital transformation and avoid fragmentation.

We should also continue to recognise the multi-stakeholder model that makes it possible for the Internet to thrive. This creates an environment that stimulates rapid growth and innovation without centralised control or global regulation. The multi-stakeholder model has ensured that the Internet is flexible and allows networking and communications to flourish.

It is crucial that before deciding on policies, legislation or regulation, policy-makers evaluate all existing tools and new market realities. Analysis should be made of how these could impact digital innovation and transformation. Any policy actions – if needed – should be targeted, flexible, and future-proof. Policy actions must be focused on synergies and measured against the impact on the digital transformation of the European economy and its main industry sectors. Technology neutrality should be the cornerstone of policy-making.

Finally, we believe that government can be a driver for this transformation by leading by example. A commitment should be made at European level to strengthen the modernisation of public services. A **'digital by default' principle** should become a core part of government actions.

PRIORITIES FOR A DIGITAL SINGLE MARKET

1. TECHNOLOGIES AND DATA

Cloud computing, big data, internet of things and digital services as connected continuum

2. TRUST TO BOOST THE SINGLE MARKET

Strong focus on privacy/data protection and security to ensure trust of customers, consumers and citizens

3. INFRASTRUCTURE

Comprehensive and consistent policy approach to yield high investment in fixed and mobile Next Generation Access infrastructures

4. THE HUMAN FACTOR

Shortage of digitally skilled workers, upskilling and reskilling of workers and attracting more women in IT

5. CREATING AN ENABLING ENVIRONMENT

Focusing on supporting startups and entrepreneurship as well as targeted investment in R&D

Technologies and data

Fuelling a big part of the digital transformation are various technologies such as cloud computing, big data and the internet of things. Together these data-centric technologies can drive innovative solutions for all parts of society from more efficient and tailor-made manufacturing to better and more individualised healthcare services. As part of this transformation, data-driven innovation is a key factor for growth in the EU as more data is generated today than ever before. It is estimated that data-driven innovation generates around €250 billion annually for the EU. We believe that the completion of the Digital Single Market is a pre-condition for a flourishing data economy in Europe.

Today's emerging technologies are global, interconnected and reliant on a broad variety of information sources, both directly collected and indirectly observed as well as highly variable data such as real-time sensor inputs. All of this data being generated and collected is subject to new forms of analytics which can not only derive more fine grained conclusions from all of this data; but can also find correlations among the data which are otherwise not obvious.

This data-driven economy benefits all – from consumers to small and large businesses across all sectors. Data-driven innovation helps connect the consumer with the products, services, and content relevant to their interests and creates consumer-driven businesses. This interaction maximises and diffuses economic and welfare benefits for consumers and entrepreneurs.

In addition, emerging data-driven technologies help billions of users globally every day to stay safe online, from notifying users of malicious websites to keeping children safe from illegal and harmful content.

In this data-driven world, traditional regulatory approaches are being challenged. More than ever before the evolution of technology outpaces the legislative process. We therefore recommend the following guiding principles:

Recommendations:

- **Consistency:** We need globally consistent, forward-looking principles to ensure technology and data-driven innovation to flourish.
- **Forward looking:** EU policy-makers and stakeholders need to debate how to reshape the existing policy frameworks to be forward-looking and respond to the rapid pace of technological change whilst maintaining values and principles that are core to our society.
- **Coordinated:** All policies affecting data must be streamlined and coordinated
- **Technology neutral policies:** When developing principles, policy-makers should ensure technology neutrality being at the core.
- Finally, as these technologies are revolutionising many sectors that have not been traditional leaders in leveraging information and communications technologies, policy-makers increasingly need to **integrate ICT skills into education and vocational training across sectors.**

Cloud Computing

Cloud computing represents an evolution of existing technology and business models to provide more globally-accessible products and services that can dramatically increase efficiency and economies of scale and scope related to access to services and processing of data. Cloud enables individuals, SMEs, business, academia and government to access equipment and services at significantly lower cost without needing the required technical sophistication of a dedicated IT department. Cloud further has the ability to allow users to consume only what they use, providing the elasticity to meet spikes in demand as well as the ability to turn capital expense into operating expense. Finally these lowered barriers to access create lower entry thresholds for SMEs to enter new markets, access a much broader ranges of services and address niche community needs which they may specialise in servicing and in which they do not compete with larger enterprises, at affordable rates.

For cloud to fulfil its potential, it needs to be supported by **globally accepted, industry-driven, voluntary standards** that enable the appropriate interaction between services and facilitate the portability of data.

Cloud is not unitary and **cannot be subject to a one-size-fits-all approach**. Cloud encompasses Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS), which can be delivered through public, private and hybrid clouds. Cloud may be a consumer, business or government solution, each raising different considerations, creating different risks and provide different opportunities for economic or societal benefit. Consideration must be given to finding solutions that maximise the opportunity and minimise the risk. Any risk benefit analysis must first assess both the benefit and the risk before appropriate risk management, mitigation and determination of acceptable risk is possible.

The benefits of Cloud **require a flexible approach to the location of information and processing**. Methods of assuring the safeguards, policies, practices and controls of Cloud need to be considered in ways that are not geographically dependent. A focus on these issues on a global scale is the only logical and effective way to address risks, appropriately secure the information, and provide the needed coherence to limit needless cost, complexity and confusion.

Cloud represents the natural evolution of hosted IT services and outsourcing and related business models. We need to build on our existing experience of applying current policy and regulation to Cloud. Thus **our focus needs to be on the implementation and application of policy and regulation, not their creation**.

Big Data

We live in the Big Data era. Data and data-driven innovation has already power our economy, but like the web, its effects are not immediately and easily measured because the return on investment is visible downstream and often not directly attributed to data use.

In particular, AmCham EU members believe that it is critical that **data analysis is not unnecessarily restricted**, directly or indirectly, intentionally or more often unintentionally, through legal provisions that may be misinformed or not adequately considered in terms of their effects in practice. The negative impact of potential data protection provisions such as relating to profiling is one example.

The **value of Big data lies within its analysis** which enables the extraction of meaningful and actionable information. It is important to differentiate between the analysis stage to understand whether the data has value and the application stage where what you have learned is applied in practice and has the potential to impact individuals.

Internet of Things

In the next wave of the Internet revolution, we will be connecting anything that can have a sensor attached to it – providing us with a wealth of information and increasing productivity. It's about connecting machines and people in more relevant ways and enabling the right information to reach the right person or machine at the right time. It is also about converting data into usable intelligence and connecting devices to the internet and each other. The Internet of Things (IoT) will impact nearly every industry. Education, healthcare, retail, shipping, automotive, utilities and more will be transformed.

For the connected world to fully develop, the connectivity between places, devices and things must work seamlessly. For example, to monitor a shipment as it travels around the globe, it requires economies of scale for devices and regulatory frameworks that are interoperable across borders.

As we connect more and more objects, it is important that policymakers consider the impact of regulation. It is easy to take the Internet and the complex technologies behind it for granted. Small decisions can have unintended and significant consequences in such a dynamic industry. How regulators handle issues such as enabling international roaming and efficient numbering resources will have a significant impact.

Recommendations:

- Employ measures to encourage deployment of IPv6 to resolve address exhaustion.
- Take better account of inherent IoT characteristics to optimise security and privacy policies to benefit from cross-border technology.
- Enable a regulatory framework for broadband, fixed and mobile that allows for innovation and does not adversely impact the development of IoT. The increasing traffic will require more robust and higher speed networks.
- Dismantle silos between different technologies and develop market-driven standards to ensure interoperability and economies of scale across countries and sectors.

eHealth/mHealth

Developing and promoting innovative health solutions is one of the priorities of AmCham EU members. In our 2014 report *Forever Healthy: The 2020 Healthcare Consumer*, we recommended that ‘developing technology, including eHealth and mHealth, needs to be prioritised’ to support a new healthcare paradigm that is capable of responding to the upcoming challenges.¹

We encourage the Commission to work closely with Member States to ensure that laws governing the processing of health data are harmonised to the fullest extent possible in order to generate the expected economies of scale and benefits for citizens and healthcare systems. In order for the framework to be most effective, we encourage the Commission to promote the adoption of internationally recognised standards for interoperable electronic health records (EHRs) across Member States.

Similarly, AmCham EU believes that actions to foster the adoption of market driven and global standards and specifications – provided by organisations such as IHE and Continua – remain critical to increase the adoption of interoperable mHealth products and services where information can be pushed and pulled seamlessly and securely between systems thanks to end-to-end, plug-and-play connectivity.

Finally, the existing EU regulatory framework for medical devices has supplied a sound and solid foundation against which technological innovations – including mobile medical apps – can be assessed.² The new regulation³ and the ensuing guidance should build on the many merits of the existing regulatory approach, which enables both a high level of safety and cost-efficient market access for innovative products.

Trust to boost the Single Market

For the Single Market to reach its full potential, trust by customers, consumers and citizens will be crucial. Trust has many aspects: providing information that enables consumers to engage online in a confident manner is one example. Protecting data and ensuring a strong level of security another.

In the areas of data protection and security, AmCham EU supports a principles based, fully harmonised data protection legal framework and a high common level of network and information security across the European Union. Such a principles based approach will allow consumers to be at the same time properly informed and can exercise meaningful control over their own personal data. Industry must have the flexibility to continue to create innovative solutions.

Legislation should aim to achieve the objectives of a strong data protection and security legal framework while ensuring business across borders is made easier. Therefore, the focus should be on

¹AmCham EU (2014), *Forever Healthy: The 2020 Healthcare Consumer*, available at <http://www.amchameu.eu/Portals/0/2014/ebooks/Forever-Healthy/hcc2020/index.html>

²Directive 93/42/EEC, as revised by Directive 2007/47/EC, and MEDDEV 2.1/6, Guidelines on the qualification and classification of stand-alone software used in healthcare within the regulatory framework of medical devices

³COM(2012) 542, Proposal for a Regulation of the European Parliament and of the Council on medical devices, and amending Directive 2001/83/EC, Regulation (EC) No 178/2002 and Regulation (EC) No 1223/2009

setting objectives which are capable of removing as much as possible legal and business uncertainty for companies operating under different national regimes.

The technology neutrality principle should be explicitly recognised as a central principle and followed. Horizontal legislation should be forward looking to address current and future new technologies. Tailoring specific legislation to technologies not only runs the risk of becoming obsolete soon but also stifling innovation.

Data Protection

It is generally recognised in current legal instruments (at EU level, OECD and others) that it is critical for data to flow across national and international borders and for future innovation. To that extent, we continue to call for the need to adopt privacy laws that are globally consistent and clear to enable businesses, consumers and citizens to fully leverage new and innovative technologies and services. The legibility and user friendliness of the legal texts to be adopted are critical for their smooth application and to guarantee compliance.

International data transfer solutions (such as Binding Corporate Rules) should continue to be streamlined and made more efficient. Decisions to change or remove instruments should be made with proper consultation and assessing the impact on the wider economy. AmCham EU welcomes the efforts that both the EU and the US have put in the current discussions on the EU-US Safe Harbour mechanism. AmCham EU fully supports a prompt conclusion of the discussions to restore trust and legal certainty in relation to this important legal instrument.

AmCham EU encourages both the EU and the US to reach an agreement on the Umbrella Agreement. It is essential that law enforcement cooperation across the Atlantic respect fundamental rights, while resolving the conflict of legislation currently faced by private companies.

Legal Instruments that are overlapping should be thoroughly evaluated on their merits. Considering that the draft General Data Protection Regulation (GDPR) aims at addressing the evolution of the online world with a technology neutral approach, we believe that the ePrivacy Directive may no longer be necessary. Not only does a dual regime add further complexity and administrative burden but a directive, as opposed to a regulation, gives Member States considerable leeway in implementing its rules into law that can lead to unnecessary disparity.

Security

AmCham EU has been supportive of the EU's efforts to this end, and specifically urges the co-legislators to conclude the negotiations on the Network and Information Security Directive in a way that will ensure a consistent level of cybersecurity across the essential economic foundations of the Single Market, focusing on the most critical areas of priority.

It is positive that Member States are prioritising this issue while developing their own legislative frameworks. We are concerned however that if these national efforts are uncoordinated, the result will be a patchwork of divergent requirements across the Single Market. We call for strong coordination

amongst Member States to avoid confusion and legal uncertainty which could significantly hamper the growth potential of the Digital Single Market.

At the same time, AmCham EU believes that cybersecurity is a responsibility of government and industry alike and the most effective way of advancing it is through public-private partnerships involving open dialogue and trusted collaboration. In particular we support the continued work of the European Network and Information Security Platform. Commission and Member States should work with this platform to develop strong incentives for businesses of all sectors to mitigate cyber risk. This includes encouraging cyber insurance, incentivising voluntary auditing of cyber risk, promoting the adherence to existing cyber risk management and information security frameworks and conducting education campaigns and other awareness raising efforts. We also believe a collaborative approach is required to facilitate the mutual sharing of cyber threat information between governments, industry and other relevant stakeholders. For such sharing to work in practice, reasonable and meaningful liability safeguards need to be put in place, in particular regarding personal data privacy and business confidentiality.

We are concerned that security in general and cybersecurity in particular are increasingly invoked to justify maintaining or raising legal and technical market barriers in the EU. This is conserving or even worsening unhelpful market fragmentation. Cyber threats being global in their origin and cross-border by nature, they cannot be addressed through national or even regional protectionism. Successfully facing these threats requires not only EU-wide collaboration and harmonisation but also strengthened trust, partnership and cooperation between the public and private sectors, as well as with Europe's international allies and partners.

Certain measures needed are of intergovernmental nature, in particular when they concern norms of state behaviour in cyberspace, including for law enforcement activities and cooperation across borders. In these areas, it is of utmost importance to avoid imposing conflicting or incompatible requirements on the business operators of the Single Market, and to devise policy solutions which can realistically be implemented without undermining the trust in digital technologies.

Infrastructure

Connectivity is at the centre of Europe's economic performance as fixed and increasingly, mobile usage of applications and services like big data, cloud computing, the Internet of Things (IoT), eHealth/mHealth, intelligent transport systems, digital education and mobile learning, eGovernment and many more grows and affects the competitiveness of many key industrial sectors.

However, broadband does not just happen. Rather, a variety of factors – which often vary by country – contribute to broadband deployment and use. Crucially, huge investments will be needed over time to build and upgrade the telecommunications networks the European economy relies on. AmCham EU applauds the recently announced Investment Plan for Europe. We believe however that a more durable set of incentives for much-needed and irreplaceable private investment will come from a regulatory environment that allows market players to receive a good return on their investment and, in turn, to have the resources to continue to invest in next-generation telecoms networks. AmCham EU believes that protecting and stimulating investment and competition in networks should be the primary goal of any review of the EU telecoms package.

Spectrum

In a world where everything will increasingly be connected wirelessly, investment in mobile broadband networks is particularly crucial. The objectives that were set out in the 2012 Radio Spectrum Policy Programme – identifying and allocating at least 1,200 MHz of spectrum for wireless broadband – remain fully valid and will put Europe at the forefront of tackling the growth in wireless data traffic. AmCham EU urges policymakers to continue to deliver on those objectives through a coherent and predictable spectrum framework combining licensed, license-exempt and licensed shared spectrum bands.

Licensed spectrum will be crucial to generate investment and quality of service for Europe's consumers and businesses. Spectrum already identified as suitable for 3G/4G use globally or regionally should be made available as a priority, while allowing operators to deploy services, technologies and business models without undue regulatory impediments. This applies, for instance, to: the 700 MHz band, for which countries such as France and Germany are already initiating auctions; the use of the L-band (1452-1492 MHz) for supplemental downlink (SDL), which will soon happen through a licence variation in the UK and through auctions in Italy and Germany; and the 2.3 GHz band, which is allocated to the mobile service worldwide and could be made available in a number of EU Member States using a Licensed Shared Access (LSA) regime. The future utilisation of the 3400-4200 MHz range on a global scale is being discussed within the preparation of the World Radio Communication Conference 2015 (WRC-15), targeting smooth coexistence between mobile networks and satellite use. In Europe, CEPT has finalised a report providing updated harmonised technical conditions for the utilisation of the 3400-3800 MHz range with the latest LTE standards.⁴ The possible European harmonisation of 2x3 MHz at 700 MHz, which could be used for M2M/IoT, will assist in supporting optimised technologies for many machine-to-machine use cases.

License-exempt spectrum also plays a key role in enabling wide channel, video-rich experience on devices with larger screens and in offloading traffic from congested mobile networks. Current and next generation Wi-Fi should be fostered by making additional internationally harmonised spectrum bands (such as an extended band at 5 GHz [5150 – 5925MHz] and 60 GHz) available on a license-exempt basis. In addition, Licensed Assisted Access (LAA) in 3GPP Release 13 will allow the European deployment of LTE Advanced in coexistence with Wi-Fi in the license-exempt 5 GHz band.

Consideration should be given to reducing or removing unnecessary or outdated regulatory requirements to enable increased innovation; this could include, amongst other options, allowing outdoor use and increasing transmit powers.

The development of 5G will require access to frequencies both below and above 6 GHz. Europe needs to maintain its leading role in the CEPT and ITU process by securing a new agenda item at WRC-15 for WRC-19 to identify new bands for IMT suitable for 5G above 6 GHz and for a new allocation for RLANs (Wi-Fi) in the 5350-5470 MHz band. It is also likely that 5G technologies at some point in time will utilise spectrum below 6 GHz, which can be addressed via liberalisation of existing licenses and/or new spectrum releases. In the meantime and in parallel, 4G will continue to evolve to its full potential. Simultaneous 5G, 4G, 3G and Wi-Fi connectivity may form part of the 5G vision fully leveraging 4G and Wi-Fi investments.

As we move beyond WRC-15 there need to be a realisation that spectrum sharing and appropriate mitigation techniques will be necessary to allow greater access to spectrum to meet the demands of

⁴ CEPT Report 49

society and business. Close collaboration between policymakers, industry and incumbent spectrum users will be needed to maximise the use of the ever increasingly scarce resource that is spectrum.

The human factor

Having the skills to compete in a digital world is a must for the European economy to grow. Investing in skills development, education and fostering a true entrepreneurial environment will ensure a dynamic and adaptable workforce.

Recommendations:

- EU member states must bolster their educational systems to be better aligned with industry to improve supply and demand of talent.
- There needs to be strong focus on how to attract more people to Science, Technology, Engineering and Mathematics (STEM) and to create more diversity.
- We need a continuous focus on re/up-skilling of people that are at risk of losing their jobs.
- We call for EU guiding principles relating to digital entrepreneurship to be put in place, acting as a benchmark for national and local policymakers.

EU Member States must bolster their educational systems to respond to the need for scientists, graduates skilled in information and communications technology, and a more digitally literate general population. This requires educational systems being better aligned with industry to improve the supply and demand of talent. Improving the digital skills of the workforce and including coding to school curricula will lay the foundations for qualified and successful EU entrepreneurs. Estonia's 2012 project of teaching coding to students starting at age 7 could be used as a benchmark for similar policies (education, training) which will address Europe's lack in digital skills and contribute to a competitive workforce, able to harness the potential of big data. Besides coding, digital skills can include data driven analysis, statistics, computer science and similar topics.

In addition, we need a strong focus on how to attract more people to science, technology, engineering and mathematics (STEM) as well as the creative industries. Strong efforts are needed specifically to attract more women to work in IT and science. Strong support from government is required for business-academia collaboration to develop new curricula addressing innovation skills gaps in addition to business – academia apprenticeships.

There should be joint development of innovative educational partnerships among governments, businesses and educational institutions, aimed at increasing the employability of non-STEM students through the development of courses and apprenticeships that help students develop and use digital skills in a professional environment.

Governments could do more in promoting an entrepreneurial mind-set and highlighting entrepreneurs as role models, to overcome fear of failure and risk aversion of the young and the unemployed.

There also needs to be a focus on reskilling people that are unemployed or in danger of losing their jobs to gain or maintain employment. To accelerate access to the right skills, relevant technical and vocational training and the use of digital platforms and tools will be needed and stimulated.

Creating an enabling environment

Regulatory modernisation

Given the realities of today's digital market dynamics, the DSM strategy should aim to allow all businesses to compete effectively and be innovative in a highly competitive market, characterised by a vibrant and dynamic ecosystem and consumer choice. The transformative technological evolution and its related innovation would not benefit from simply incrementally imposing existing sector specific regulation on new services.

New realities need fresh thinking, not a reapplication of legacy rules. Indeed, we believe that the "Smart Regulation" principles, present an opportunity to look at the broader new market realities where competition is dynamic and comes from services that are not always 'like-for-like.' This should be recognised when calling for proportionate regulation to further encourage competition and innovation. This means shifting from sector specific view towards a generic horizontal approach and where regulations are only applied, where market failures cannot be dealt with by normal regulatory oversight or competition law.

Any regulatory reform/modernisation should be evidence based and find a balance between the interests of all the industry stakeholders. For innovative and evolving services to emerge and thrive in Europe it is key to avoid imposing strict ex ante regulation. And in those cases where regulation is deemed necessary, it should be proportionate to risk.

Start-ups/entrepreneurship

Entrepreneurs are critical to driving a strong global economy. EU leaders have a role to play in creating a stable, predictable, and supportive regulatory environment for entrepreneurs and investors.

As the policy and regulatory environment increasingly define the scope for new innovations, the way regulations are designed can have a significant influence on how investors think about the location of innovators and the destination of their investments. We believe an EU set of guiding principles favourable to digital entrepreneurship would act as reference and benchmark for national and local policymakers, when considering new rules affecting the digital economy. Therefore, we want to suggest some recommendations to EU policymakers to foster successful startup ecosystems.

Recommendations:

- Need to focus on a favourable tax regime for start-ups and tax incentives for experienced investors: Member States need to consider options which would make it easier for digital entrepreneurs to develop in the fiscal environment, such as introducing tax breaks for hiring

and tax rebates for initial investments in start-ups, re-establishing lower capital gains tax rates for capital that is reinvested in new businesses.

- Ensure access to capital at all stages of business life: Europe should move towards a true union of capital markets which will facilitate private investment (seed/angel funding and venture capital) with significant upside potential on start-ups and gifted entrepreneurs.
- EU policymakers need to strengthen academia-business links, focusing particularly on SMEs. SMEs form the backbone of EU's economy and lacking access to innovation and new technologies (many even lack simple digital skills) puts them in a competitive disadvantage compared to established or global players.
- Intellectual property rights lie at the heart of any debate regarding innovation and competitiveness and improved protection of IPRs is crucial to encouraging innovation and investment in Europe. There is a need to ensure progress towards a cost-effective, high-quality, flexible, rapid and predictable patent litigation system in Europe alongside a unitary patent protection. We are committed to working with all stakeholders to encourage a strong, cost effective system for obtaining, licensing and enforcing intellectual property rights for all parties involved.
- Europe needs to introduce flexible yet pragmatic reforms to increase labour mobility within the Union and attract skilled talent from abroad (immigration reform) helping it gain a competitive advantage in global markets.

Research and Innovation

Research and innovation are central to achieving sustainable and smart growth. Despite the EU being home to some of the most competitive knowledge-based economies in the world, it currently lags behind other global regions in research and development, and developing a culture of entrepreneurship and innovation.

Europe must put in place policies that encourage entrepreneurs, increase investment and cooperation in R&D through the value chain, reduce discrepancies among EU countries and sub-regions, and develop innovation clusters.

We support continued strong investment in research programs such as the Horizon 2020 R&D budget and in particular emphasize the need to build private-public partnerships. More funding towards ICT research and innovation will ensure that Europe fully exploits new opportunities from new technologies. Increasing R&D investment in Europe to three percent of GDP could create close to four million new jobs and increase European GDP by almost €800 billion.

The EU can help foster innovation by investing in Europe's digital and physical infrastructure and creating regional business and sectoral networks. Europe should support the establishment of innovation 'super clusters' that bring together a broad and diverse mix of skills, venture capital, marketing and development expertise, universities, industry and corporate spin-outs.

Taxation of the digital economy

As the whole economy is digital, any sectoral solutions for digital taxation, would affect companies across the board. The EU should engage with other tax jurisdictions. The current discussion on whether multinational companies are paying their ‘fair share’ of taxes raises difficult questions about residence-source approaches to taxation. Multinationals, either European or American, pay significant amounts of corporate and other taxes, particularly in their home countries (where they are resident), so changes to the apportionment of taxation that increase tax revenue in some countries may well have a commensurate impact in other states. A unilateral EU or member state approach to the direct taxation of multinational companies could create double-taxation problems and provoke concerns about protectionism – if not coordinated with the ongoing multilateral tax discussion at the OECD level. The OECD is the best venue for discussions about international tax policy. The OECD is currently analysing Base Erosion and Profit Shifting (BEPS) concerns at the request of the G20, including residence-source issues associated with the taxation of multinational companies. The need for a multilateral approach to international tax-policy changes makes the OECD the best venue for coordinated and coherent approach to taxation of multinational companies.

Conclusion

AmCham EU strongly supports a strategy that aims to complete the Single Market, recognising the transformative power of digital technologies. The data driven economy is a reality. For Europe to reap its benefits, the focus should be on removing obstacles while avoiding new ones to be created. This includes policies that aim to carve up the single market with localisation policies.

We should strive to complete a Digital Single Market, not several Digital markets. We have a great opportunity ahead of us with strong political support and growing understanding of the changing dynamics and opportunities in the European market. AmCham EU and its members look forward to working with all stakeholders in making this a reality.