



Panel 2

Keynote Address by

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Ladies and Gentlemen,

It is about competitiveness. It is a question of whether our products and services stimulate demand in the global marketplace, find buyers and create jobs, tax revenues, value creation, prosperity and an affordable quality of life. But it is not just about jobs and tax revenue. Why are Chancellor Merkel and Minister Steinmeier so well regarded in the world? Surely it is because of their experience, their diligence and their competence. But I would add that the reputation, the authority of the Chancellor or the Foreign Minister depends crucially on the knowledge that behind them is a strong German and European economy: BMW, Audi, VW, Daimler, Deutsche Bank, SAP, Bayer, BASF and others, as well as strong medium-sized enterprises. That means that since we rightly give low priority to military considerations, we can only have the authority to shape the world of tomorrow if we have a strong, innovative, engineering-based economy, such as our own.

What adjustments need to be made so that competitiveness is maintained where it exists, and is created, or brought back, where it does not exist? This holds true sectorally, but it also applies regionally since competitiveness varies greatly throughout Europe.

Research and the willingness to invest in future developments is of prime interest. The EU has been pursuing a three percent R&D spending target in relation to GDP, but spending remains stable at two percent. Germany has achieved 2.8 percent – although this is not completely convincing either. It is clear that we must invest more in research and development in

Germany, and in Europe in particular. With only two percent of R&D spending, we will not be able to keep up in the race to innovate and produce the creative products and services of tomorrow.

The future demands that we invest more and consume less. Special pension benefits for mothers, retirement at 63, child-care benefits and guaranteed minimum pensions were on the initial agenda of the German grand coalition in its first year. But this agenda must be put aside. The agenda for the future of Europe and for the German federal and state governments must consist of infrastructure investments, innovation as well as challenging research investments. We all agree that quality of life is important. And we also know what we do not want – no Olympic Games in Upper Bavaria, no Stuttgart-Ulm fast train connection, no night flights in Munich or Frankfurt, no new runways, we reject fracking, and we are opposed to genetically-modified food, even although we will never feed the people of world with organic products from the Allgäu. In short, the ‘rejection agenda’ is clear, but the ‘challenge agenda’ is largely absent because Germany is not only well off, but too well off. We are at the peak of our economic power. We have never been stronger, although 13 years ago we were considered the sick man of Europe. The question is how do we stay strong? How do we remain competitive in the European context. This is a matter of a skilled workforce, infrastructure, it has to do with labour and energy costs, but it also has to do with the driving factors of tomorrow’s economy, especially the all-important digital revolution.

We are familiar with revolutions in the economy. The revolution in printing spread education to rural areas, High German asserted itself over the dialects and learning disseminated from the courts to the peasants. This was followed by the advent of the steam engine, which supplemented muscle with mechanical power. Then came electricity, large-scale automation, computers and now we are in the midst of the digital revolution. In the IT realm we have largely lost out, even although we are not performing badly in some areas – SAP in software and Erikson in technological equipment, Nokia, Alcatel and Lucent and a few others.

But on the whole, we have experienced defeat in IT. Only 15 years ago, Bosch produced mobile telephones, but this was halted. Siemens did the same 10 years ago but left the market. Five years ago, Nokia had a fifty-percent world-market share in mobile phones, only to sell the business to Microsoft for a few dollars. Why single out mobile phones? Because today's smart phones evolved from these simple mobile phone devices. We now import iPhones from Apple, from Samsung and others. Apple had a simple strategy: the development of the iPhone is carried out in California, production takes place in Asia and the profits return to Silicon Valley and are used there. This is an ingenious system, but the jobs, apart from low-paid ones in telecom shops, are no longer here in Europe.

By way of comparison, my Christmas list as a boy consisted of Märklin, Steif (with the button in the ear) and steam engines – all made in Germany. My son wants apps, the iPhone 6, internet platforms, flat rate – the value-added of his wish-list is all outside of Europe. And when Mr. Milberg presents a new BMW series, unlike 7 years ago, 60 percent of his innovations are now digital, and those digital innovations increasingly come from creative clusters outside of Europe.

For this reason we need a clear strategy. Despite their political differences, the Americans have a clear strategy in two areas. Firstly, they have domestic energy resources, cheap gas and electricity production, and this is leading to a re-industrialising process. And since the price of electricity in Germany is three times higher than in the United States and the gas price twice as high, the process of deindustrialisation is in full swing in Germany. The second element is digital superiority. The Americans are ahead of us digitally, and when someone is superior others have to be inferior. The question is how do we regain our own digital sovereignty? This is the decisive challenge for global competitiveness.

What we need is a Europeanisation of the digital realm because only then will we have a chance. We have a European Single Market of 510 million people, an exciting market in which everyone wants to participate – GE, GM, Toyota, Samsung, Sony, LG and others. Whoever wishes to engage in this market must abide by our competition laws and respect our culture, our standards and our legal system. In the European Single Market, those who comply with our competition authority and our European data protection law

are welcome. Those who do not will be warned, fined or excluded.

A second aspect is copyright protection. Last autumn I proposed a European digital copyright law. The objective is to protect intellectual property, to set up collecting facilities and to stabilise the market. Currently, with digital service platforms such as Netflix, Amazon and YouTube, the market is not secure and GEMA fees are not standard. To think that copyright law can be regulated nationally is illusory. It is a matter of the survival of journalists, of composers, music publishers, musicians, authors, script writers, film directions – the whole creative economy. In this area we have a fabulous culture. If we fail to implement a European digital copyright law that has to be respected by everyone, we will be depending on the artists of the past in 50 year time. They were not bad, but we also need the next generation that will only enter the market if it offers career opportunities and income and if there is a collection system with copyright protection. We need a solution here so that creative individuals can continue to function in Europe in the years ahead.

Another point is infrastructure. It is wrong to believe that we can build up the digital infrastructure locally and regionally, without coordination with others. Economic regions go beyond borders. We need a pan-European expansion plan for the digital infrastructure. The fourth infrastructure, alongside water, roads and electricity, must be a powerful, pan-European digital infrastructure. Satellites, wireless, broadband, fibre optics – billions in investment will be necessary in the years ahead. But we have kept the telecom economy weak with our consumer-protection policies. Since the stock market price of Deutsche Telekom is relatively low, its ability to invest is limited. We urgently need to channel the investments of the telco and the finance industry into the area of broadband and digital infrastructure. This will only be possible if profits from the investments in a modern infrastructure can be realised more quickly.

Let us consider another example. In Germany we still largely have 3G mobile network coverage. The fourth generation is more widespread in other countries, and Korea will introduce 5G in 2019. We have a European research project supported by the European Commission and by industry to help us in the catching-up process to introduce 5G at the same time. This is much more important than retirement at 63 and other programmes – the German debate is wrongly positioned.

We have concrete forecasts for transport infrastructure, but little idea of how the need for data transport will develop, and the development will surely not be linear. What does data transportation need? By how much will capacity need to be expanded? What kind of infrastructure will be required to meet future data transport needs? It is not necessary that everything be Europeanised, but we need a European digital union and a pan-European strategy – the digital development must go beyond national borders.

Let us move on to my last point. When you invest in digital services, you have enormous basic costs in R&D before the services are ready for the market. For this reason the size of the market is important, which is why a digital market in Europe is needed, instead of 28 individual markets with their own standards and regulations. We require a clear strategy because if we do not catch up in the digital sector, then the existence of our industry is threatened. Data are the raw material of tomorrow, and for this reason a more perfect, maximised data protection must not be allowed to stand in the foreground – data protection relativises data use.

Thank you very much.