

A MODERN INDUSTRIAL POLICY FOR THE DIGITAL TRANSFORMATION

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Digital technology is radically transforming our economies and societies with huge potential benefits for all, including in the way which companies and public administrations operate and the kind of products and services they can provide to consumers and citizens. At the same time, it raises serious social challenges to which answers must be provided. For example, in 2016, 37% of the EU labour force had insufficient levels of digital skills. However, strategies to reskill the workforce and adapt the education system to close this gap continue to lag behind. We must avoid the mistakes that we have made in the past due to a super-optimistic approach to globalization.

The paramount prerequisite for an effective exploitation of new technology is, of course, an open and competitive economic environment in the internal market. This is especially important in the domain of network utilities and digital platforms but, also, more generally, in the entire service sector that remains segmented along national lines.

Moreover, we should invest more in not only digital infrastructure but also other infrastructural sectors since new technologies offer gigantic opportunities for innovation in a range of areas, from energy to transport. To relaunch long-term economic growth, these investment must be fully exploited.

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The effective impact of the digital transformation depends on whether technological and market developments are accompanied by proper public policies.

In particular, we need public policy in order to achieve some essential goals such as:

- reaching adequate **connectivity** (both fixed broadband infrastructure and an effective use of the spectrum for mobile broadband);
- strengthening the **security of online transactions** (cybersecurity; protection of personal data and content of electronic communications; protection of consumers when dealing online)
- ensuring the **interoperability** of digital platforms and networks by means of standardization;
- fostering the participation of **SMEs** to the digital ecosystem;
- modernising the **education and training systems** to address the challenges of digital transformation.

Above all, we must avoid social disruption by smoothing the impact of the digital transformation of labour markets through appropriate, active **labour policies**. Public authorities and the private sector must cooperate to reskill the workforce, prevent displacement and prepare not only young people, but, also, adults to meet the challenges of a labour market environment that will be dramatically changed in a matter of years.

These goals can be seen as the main components of a broad and modern industrial policy strategy for the digital transformation.

If we succeed in developing an effective strategy, the European model based on competition and protection of European values – of which includes freedom and fundamental right -- may well become a benchmark at the global level.

Of course, purely national approaches would be clearly inadequate. The main challenges must be addressed at the EU level. This is why the Digital Single Market Strategy launched by the European Commission in 2015, now being implemented by means of several legislative and non-legislative initiatives, should be strongly supported in its general approach.

As to the key challenges, the **ambitious connectivity targets identified by the European Commission for 2025** are justified. Europe must be able to ensure a digitization and innovation-friendly environment with a future-proof connectivity infrastructure. These targets can also serve as a benchmark for the use of EU and national funds as well as for private investment projects.

The **rapid development of new 5G standards** for digital technologies should be a top priority. A two-year delay in the development of the 4G standard had a very negative impact on the competitiveness of EU players, leading over-the-top U.S. companies to gain a formidable competitive advantage that they still currently enjoy. For 5G technologies, the same mistake should be avoided. Therefore, experimentation of new solutions must start as-soon-as-possible, as timing is essential.

Moreover, the potential benefits of digitization might be lost or severely shrunk if we are not able to effectively **address the cybersecurity issue**. An increasingly interconnected environment, such as the one associated with the Internet of Things, entails a very broad area exposed to the risk of cyber-attacks. Unfortunately, there is not a perfect solution to this problem. A good strategy should focus closer on more effective international coordination and involving public and private partners to manage, if not prevent, cyber-attacks. In addition, since the strength of the system depends on the weakest link in the chain, a significant effort is required at the national level to educate SMEs and citizens to the requirements of cybersecurity.

One of the most difficult tasks in the DSM Strategy concerns the design of a **regulatory framework favourable to innovation**. The EU agenda already includes several legislative initiatives in areas such as the protection of personal data in electronic communications, protection of consumers, regulation of electronic communications, and copyright. However, with respect to the interplay of innovation and regulation, EU law-makers should be guided by three main principles: harmonization, creating a level-playing field and proportionality.

Firstly, we need more uniform rules and more consistent enforcement across Member States in digital markets as fragmentation and uncertainty are incompatible with a well-functioning Digital Single Market.

Secondly, the EU should ensure, across the board, a regulatory level playing field between traditional and new global players.

Thirdly, the proportionality principle should be taken seriously into account, since overregulation would undermine the competitiveness of the EU economy.

Within a pro-active economic policy for the Digital Single Market, the digitization of our public administrations can be used strategically as a driver for innovative solutions that have potential benefits for the economy at large. Most of all, we need an **effective use of public resources**, at the EU and national level, in strategic areas such as smart infrastructures, education, skills and labour market policies, innovation hubs, R&D in artificial intelligence, robotics, and high-performance computing.

The **amount of resources devoted to these goals must be beefed up, at both the EU and the national level**, since the current levels are totally insufficient to proactively support a sustainable growth strategy based on innovation.

At the same time, we must improve the **capacity of our governments to set priorities** in the use of funds since in the past there have been several disappointing examples of inefficient use, such as the experience with the European Social Fund. These same mistakes can be avoided in the future. In order to ensure an efficient allocation of public resources -- in the area of infrastructural investment in particular -- a promising approach would be to rely on, whenever possible, open markets and competition in order to achieve the political goals set. Thus, **implementing in a market-friendly way the industrial policy strategy**.