5F - The Five Freedoms Project

Competition, Growth and Technological Diffusion in Europe's Digital Economy:

What is Europe's Problem?

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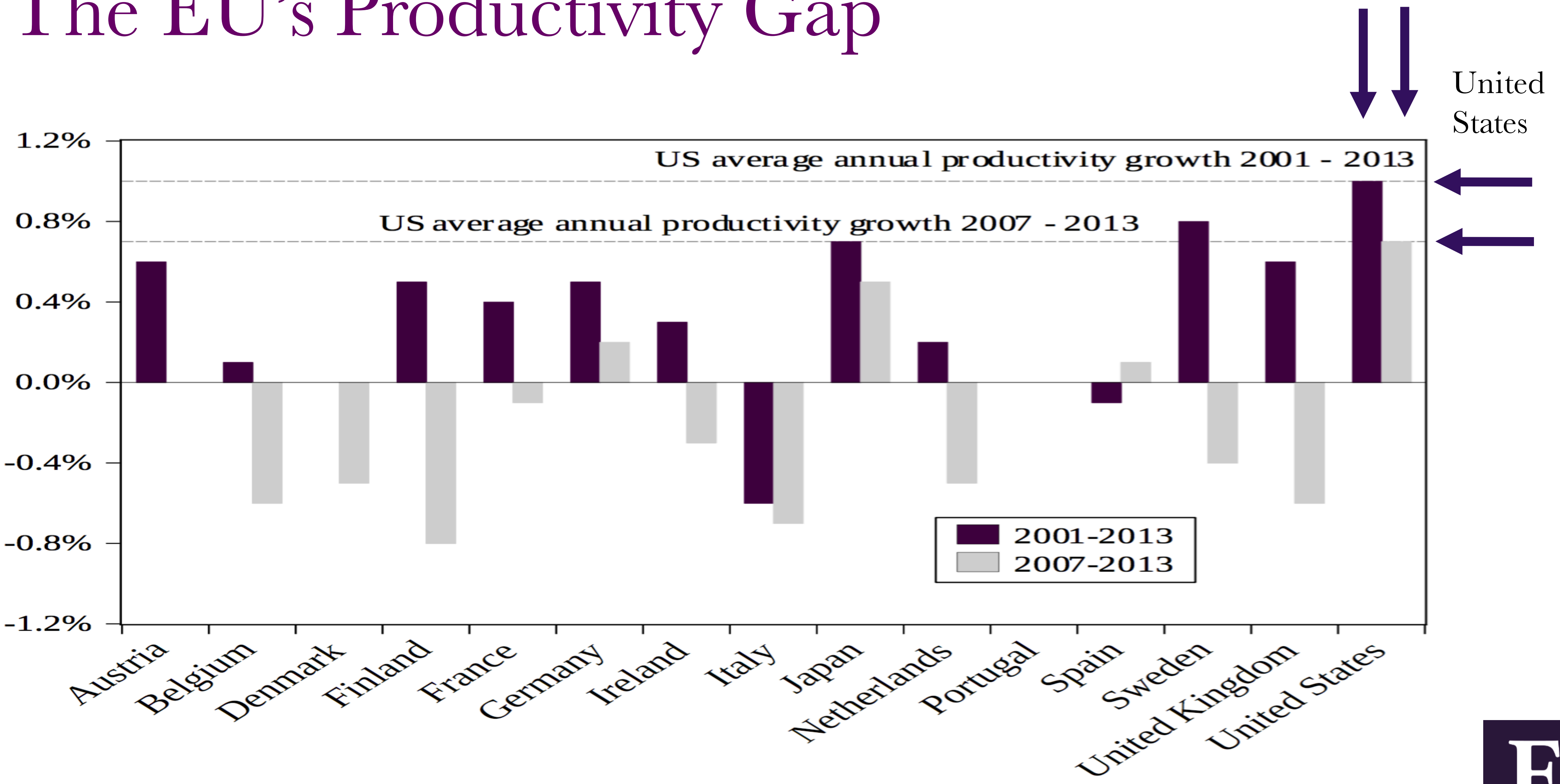
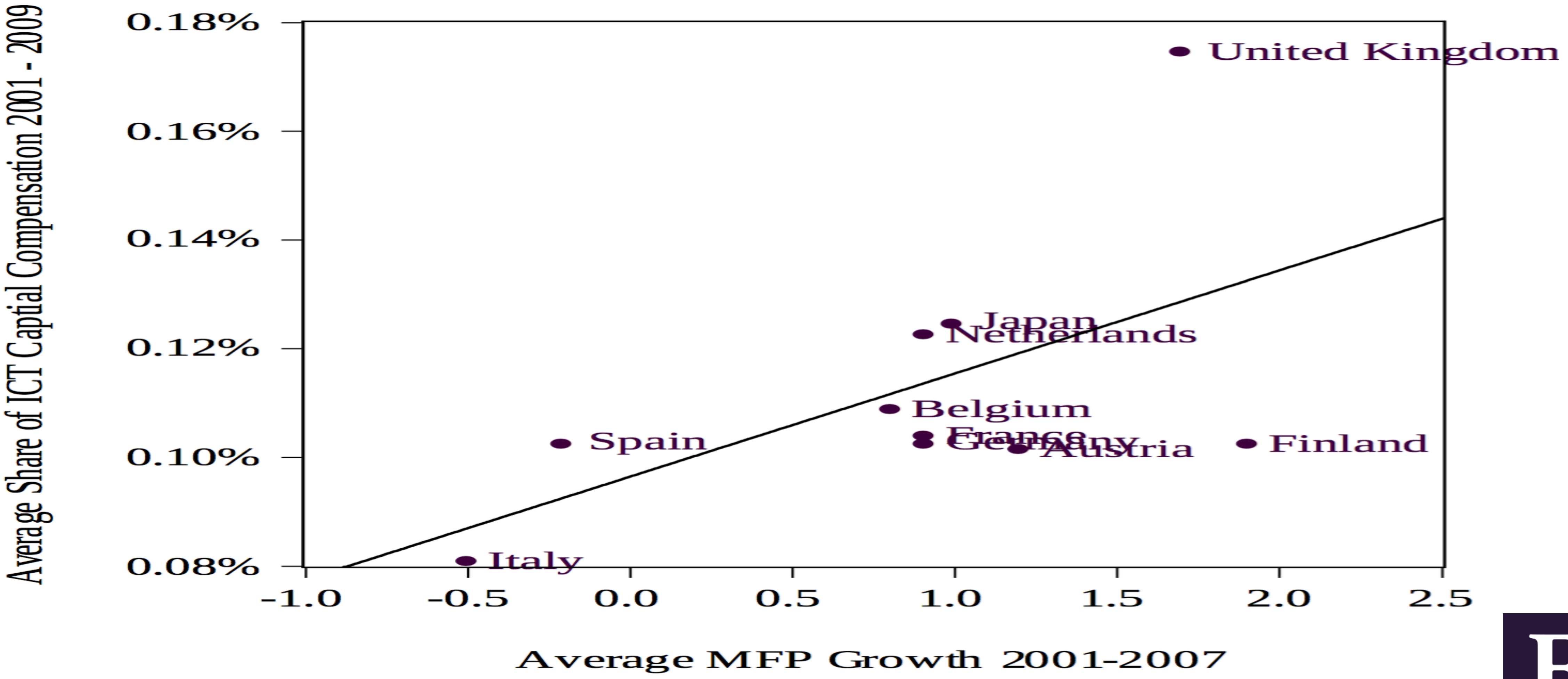
The problem is regulatory heterogeneity

in “traditional non-digital” sectors.

The EU's Productivity Gap



ICT Capital Investment vs. Productivity Growth



ICT and data are everywhere.

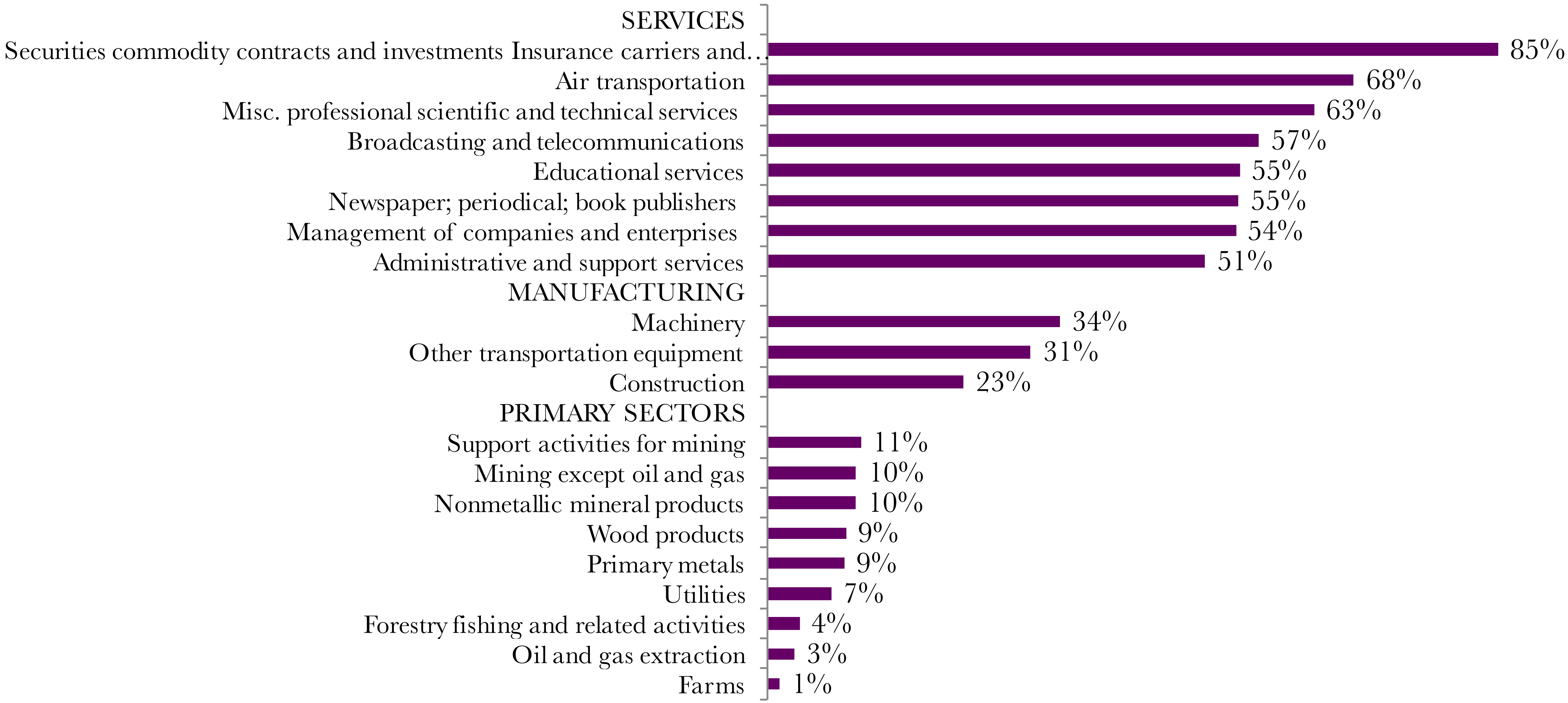
- Data is, and has always been, both input and output of production

- All sectors of production incl. agriculture, extraction, manufacturing

- Use of data particularly intensive in services industries

- Services sectors represent 70 per cent of the European economy

ICT-Capital as a Share in Total Capital

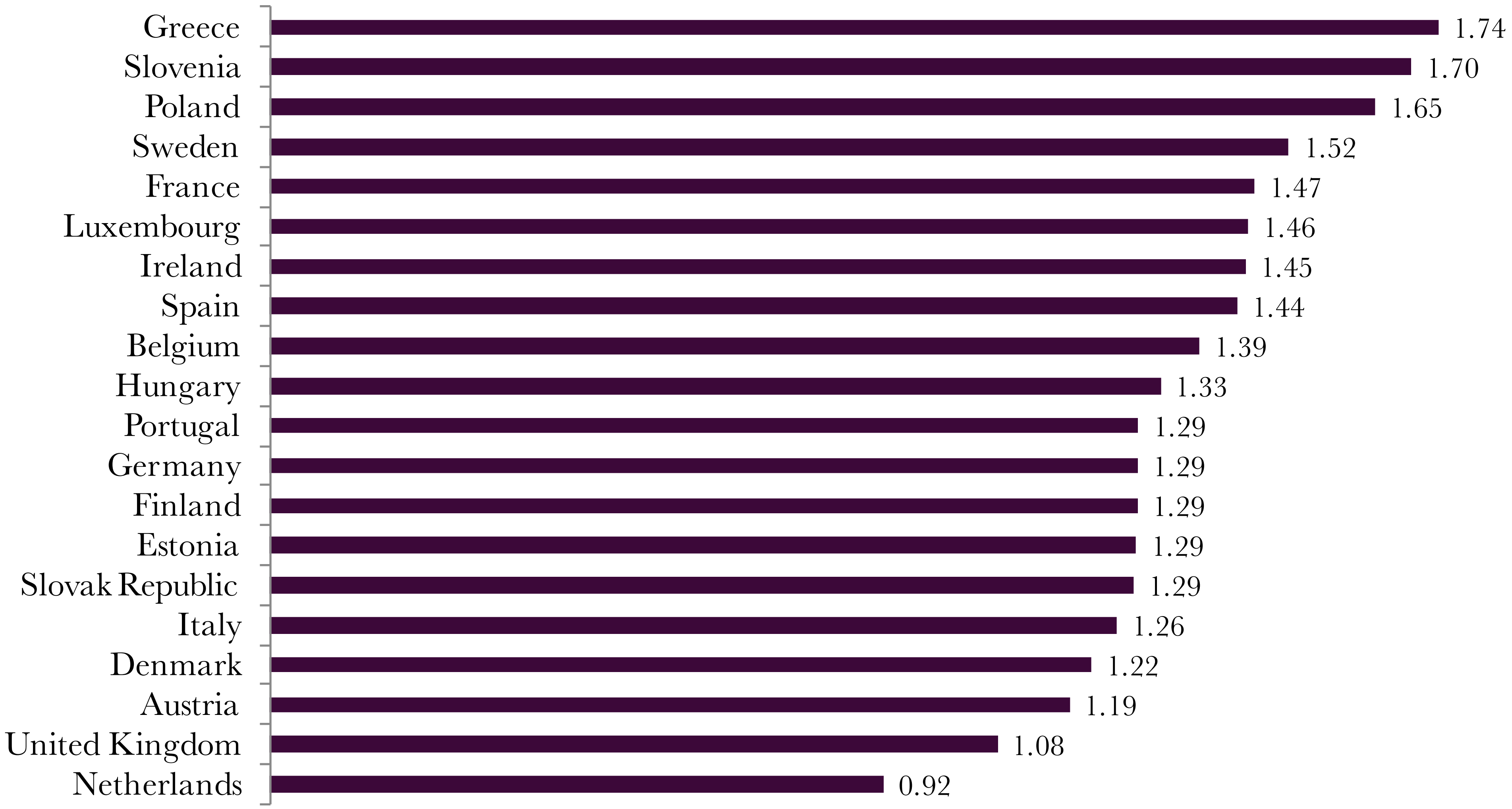


Digital Single Market (DSM) Strategy

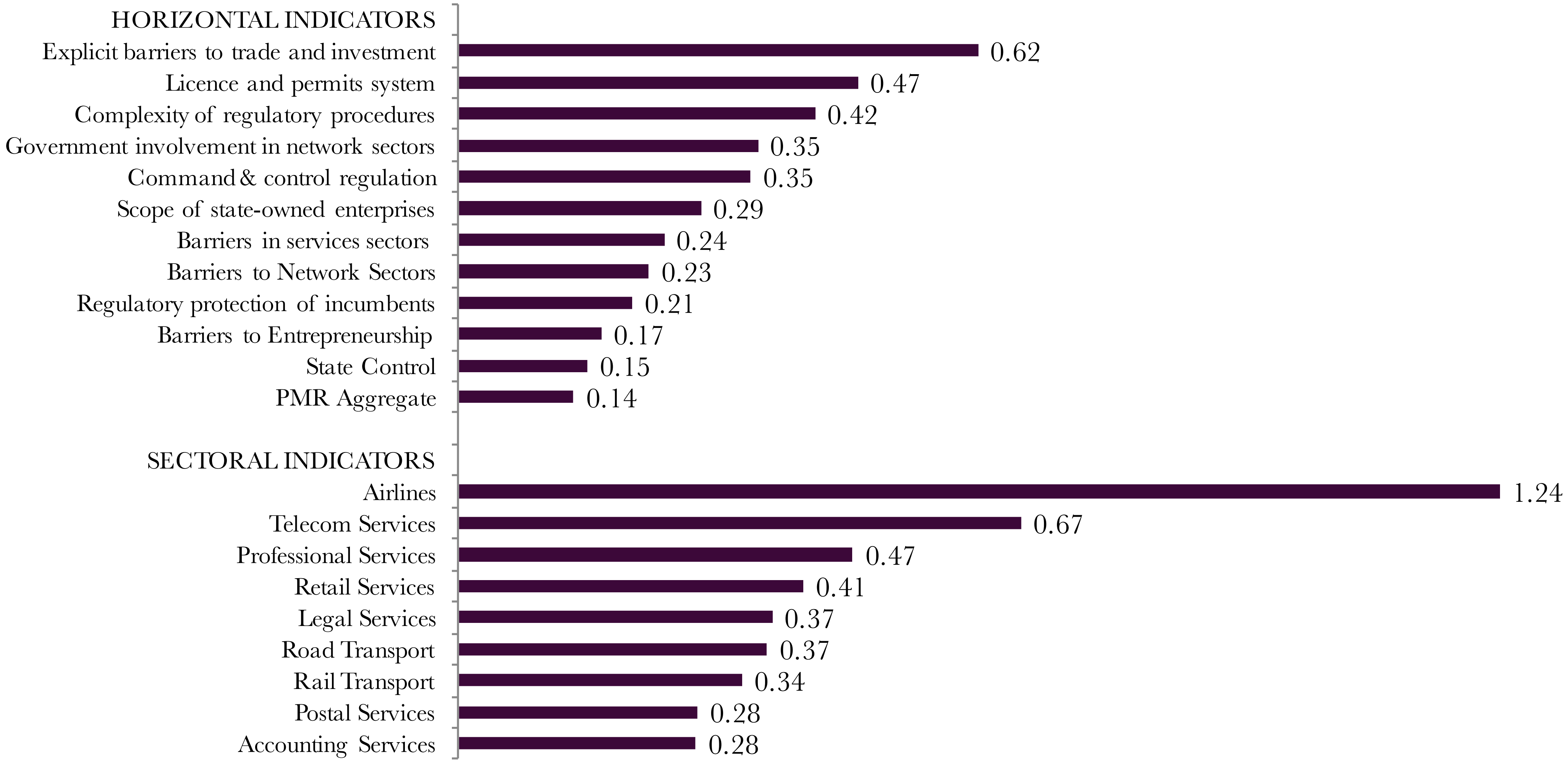
- Easy e-commerce
- Better consumer protection and consumer rights
- Tackle discriminatory geo-blocking practices
- Find a "renewed approach to apply anti-trust law in the e-commerce sector"
- An inquiry of online-platforms as dominant player in digital markets
- Promotion of a "European Cloud"

Few, <u>if any</u>, of these initiatives explicitly aim to tackle regulatory fragmentation within the EU's "non-digital" Single Market.

Restrictiveness of Product Market Regulation



EU Cross-country regulatory heterogeneity



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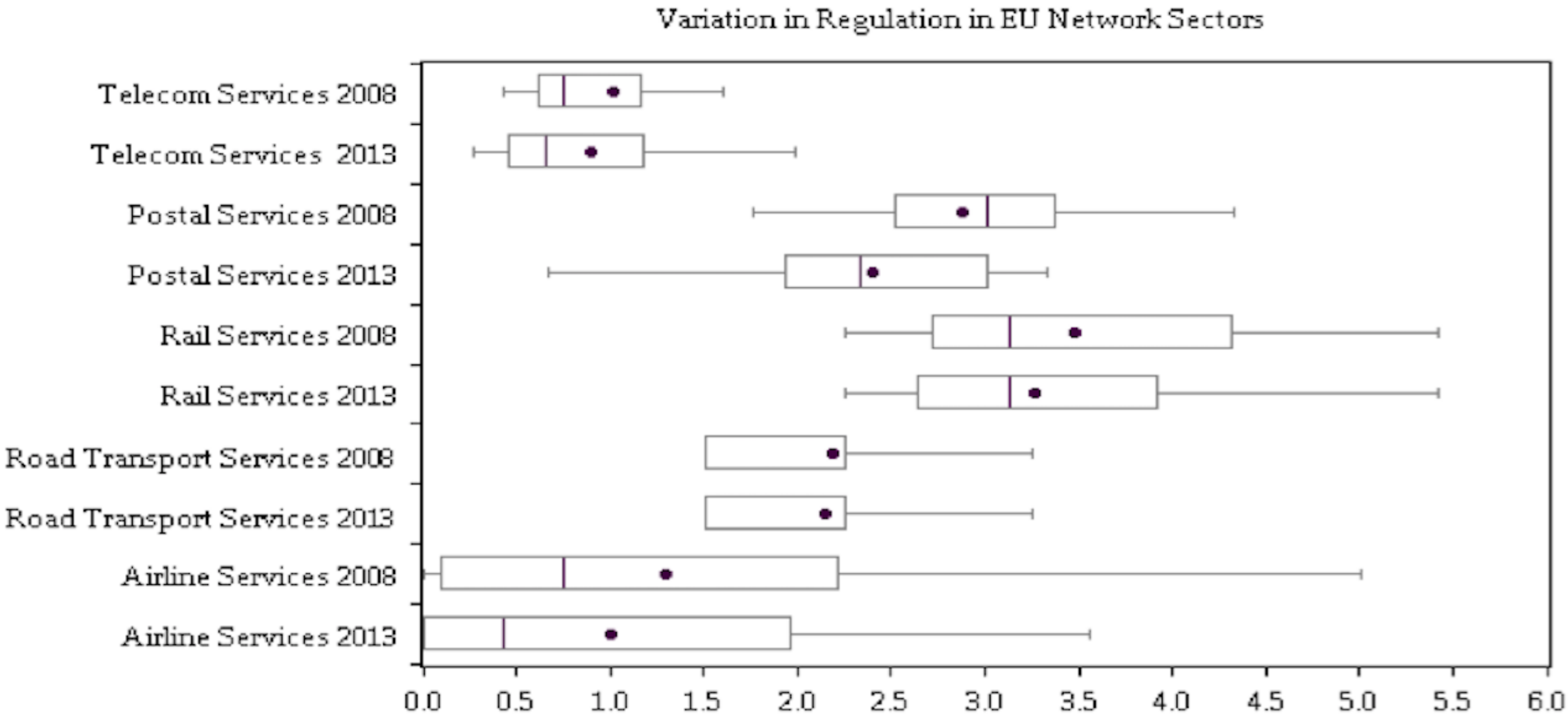

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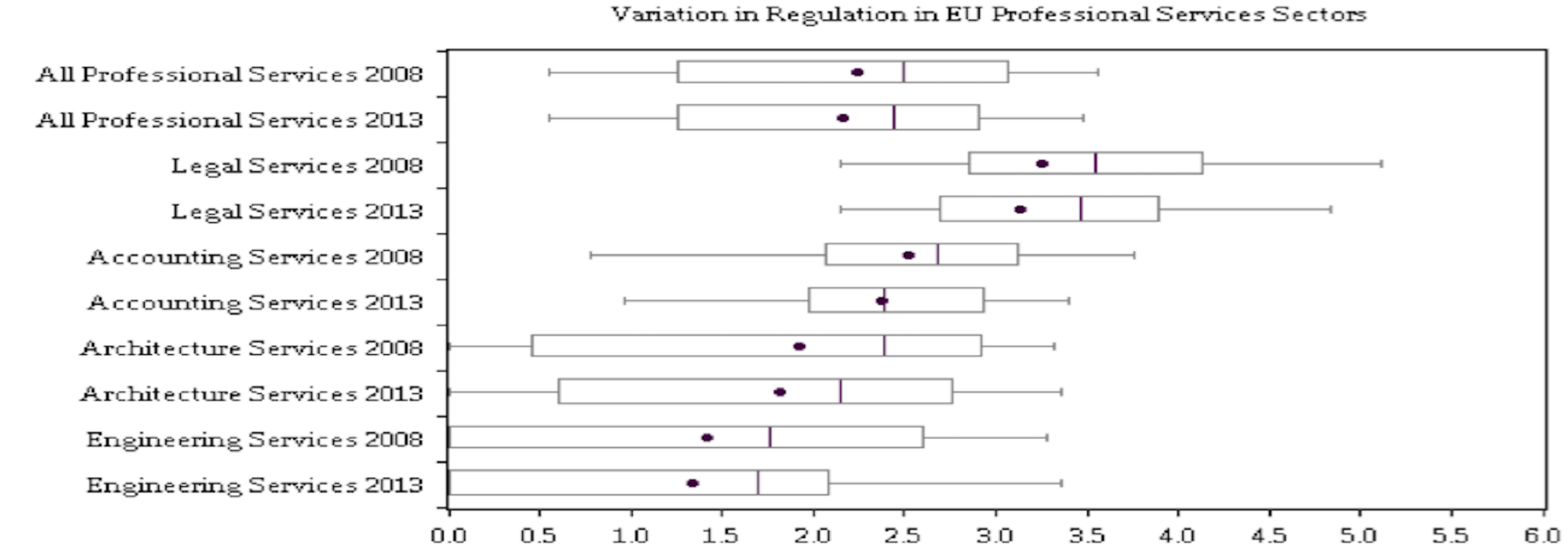

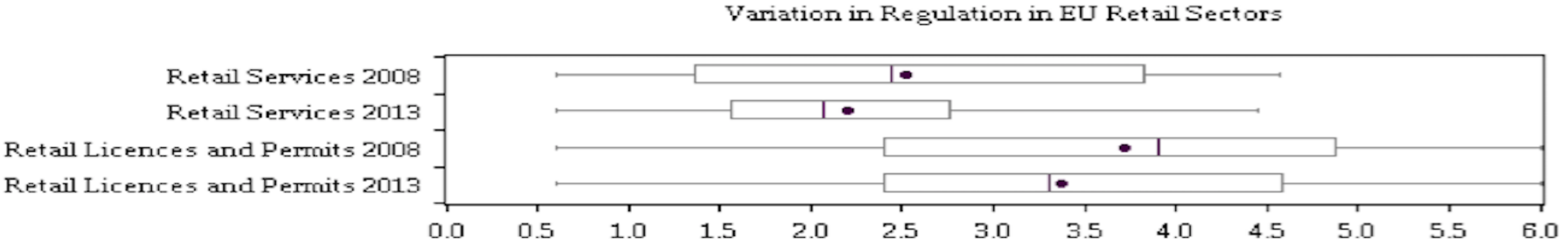

Why do companies geo-block?

European Commission Online Consultation on

”Unjustified Geo-Blocking”

Geo-blocking: stated concerns justifying the blocking and modification of digital offers

A) Legal compliance with national law of EU member states	
A.1) Sector-specific national law	**A.2) National horizontal regulations**
<u>Physical goods:</u> 1) National product safety regulations 2) National technical regulations 3) National labelling requirements 4) National waste-management regulations 5) National construction material regulations **<u>Non-digital services:</u>** 6) National regulation of financial services 7) National regulation of professional services 8) National regulations for the provision of public services **<u>Digital services:</u>** 9) National copyright laws 10) National regulations on telecommunication services 11) National regulations on the provision of digital content	1) National consumer protection regulations 2) National data protection regulations 3) National regulation of 'terms and conditions' 4) National regulations of warranty and 'right to return' 5) National VAT regimes 6) Diverging fiscal requirements beyond national VAT requirements 7) National protection of brands/trademarks

The most pressing structural impediment for digital businesses to develop in the EU is regulatory heterogeneity in traditional non-digital industries.

(Search) Interest in the Single Market: No political lobby anymore?