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NOTE

From:	Presidency
To:	Delegations
Subject:	Draft Council conclusions on the digital transformation of European industry

Delegations will find attached to this Note draft Council conclusions on the digital transformation of European industry in view of the COMPCRO Working Party meeting on 29 April 2015.

DRAFT COUNCIL CONCLUSIONS
ON THE DIGITAL TRANSFORMATION OF EUROPEAN INDUSTRY

THE COUNCIL OF THE EUROPEAN UNION,

RECALLING the **European Council conclusions of October 2013**¹, which recognised the importance of a strong digital economy for growth and European competitiveness in a globalised world, and stated that all efforts must be made for Europe's industry to regain momentum in digital products and services;

RECALLING the **Commission's Communication “A Digital Agenda for Europe”**², which proposed a framework for better exploiting the potential of information and communication technology (ICT) in order to foster innovation, economic growth and productivity;

RECALLING the **Commission's Communication “For a European Industrial Renaissance”**³, which stated that the EU, Member States, regions and industry all have a role to play in fostering the digitalisation of business processes and in developing the industrial dimension of the digital agenda;

RECALLING the **Annual Growth Survey 2015**⁴, which states that ICT is not only a sector but also the foundation of a modern innovative economy, and which identifies the need for structural reforms to establish a connected Digital Single Market (DSM), which in turn is essential to make the European economy more competitive;

RECALLING its Conclusions on Single Market Policy⁵, **which stressed the benefits of a stronger Single Market and DSM and their potential for higher growth and new jobs, and for increasing the EU's global competitiveness.**

¹ Doc. 169/13.
² Doc. 9981/10 REV 1.
³ Doc. 5489/14.
⁴ Doc. 15985/14.
⁵ **Doc. 6197/15.**

1. **RECOGNISES the importance of the digital transformation of EU industry to creating jobs, boosting productivity and enhancing the competitiveness of EU businesses. This transformation applies not only to industry as provider of digital goods and services, but also as a user of digital goods and services; it also has wide-ranging implications for the entire value chain, including the development of new and innovative products, technologies, services and business models. [In this context, TAKES NOTE of WELCOMES the Commission's Communication on a Digital Single Market strategy⁶.]**
2. ~~EMPHASISES the need for a digital transformation of the industry, which requires structural economic reforms, political commitment and financial incentives to achieve a greater digital transformation of European industry, bearing in mind that European manufacturing could grow from 15% to 20% of GDP by 2030 if it will be digitalised⁷ and~~ **HIGHLIGHTS the fact** that a **fully** connected DSM is estimated to generate up to EUR260 billion of additional growth **in Europe** by 2020 in annual efficiency gains⁸; ~~and noting~~ **NOTES** with concern that only 14% of small and medium-sized enterprises (SMEs) use the Internet to sell online⁹ and only 1,7 **less than 2**% of enterprises make full use of advanced digital technologies, while ~~40~~ **1**% have not adopted any digital technology¹⁰;
3. **HIGHLIGHTS the importance of a digitalising transformation of EU industry for keeping and creating jobs, with around 4 million ICT workers currently being employed across many sectors in Europe; and UNDERLINES the fact that** a rapid roll-out of Europe's Digital Agenda having been estimated (at the end of 2012) to **has the potential to increase European GDP by** ~~lead to an extra 5% growth of the sector, creating another~~ **around** 3,8 million new ICT jobs throughout the economy in the long term¹¹;

⁶ ...

⁷ Report of the Strategic Policy Forum on Digital Entrepreneurship, March 2015;
http://ec.europa.eu/growth/sectors/digital_economy/entrepreneurship/strategic_policy_forum/index_en.htm

⁸ Doc. 15985/14.

⁹ **Digital Agenda Scoreboard 2014.**

¹⁰ **IDC European Vertical Markets Survey 2012.**

¹¹ Doc. 17963/12.

4. EMPHASISES the need to **promote a coherent and flexible regulatory framework that boosts ICT innovation and to** identify and remove **unjustified** regulatory barriers to exploiting the full potential of industrial digitalisation **a digital transformation of industry**; In this context, ~~RECOGNISES~~ the importance of the "digital test" and **REITERATES its** calls on the Commission to introduce a digital dimension in its Impact Assessment Guidelines; **At the same time,** URGES the Commission to extend the "digital test" **this digital dimension** to existing EU legislation **to ensure it is fit for purpose in the digital age** through, for example, its REFIT programme, and to inform the Council on the state of play by the end of 2016;
5. CALLS ON the Commission to develop a European blueprint for mapping best practices **of the digital transformation of industry** in Member States (~~including at regional level~~) by the end of 2016; ~~while in the meantime to continue mapping such practises~~; these practises should relate to measures and incentives for the digital transformation of European industry, such as DEMO-centres facilitating awareness raising and the uptake of new **and innovative** technologies, (especially for SMEs), models for sharing or transferring intellectual property rights from large companies **as well as from EU-funded research programmes** to SMEs, methods for collecting information about cross-border investments; **and** centres of excellence for digital transformation and ~~tax relief initiatives~~ **cluster policies on new industrial value chains involving ICT**;
6. **ACKNOWLEDGES that the successful transition to smart industry requires EU-wide and global interoperability of digital technologies, services and systems in the entire value chain, as well as an appropriate broadband infrastructure, in order to ensure that digital products and services are of high quality, secure and reliable**; ~~ACKNOWLEDGES the imperative need for smart manufacturing and for EU-wide interoperability of digital technologies, as well as for high quality and secure and reliable services and systems in the entire value chain, especially, standards elaborated in the ICT, in order to break down technical barriers~~;

~~UNDERLINES~~ the need of key priorities for standards elaborated in the ICT for emerging technologies — such as **CALLS ON the Commission to work together with industry to identify the most important standards for the digitalisation of industry and to present a plan to the Council by the end of 2016 that will enable the coherent use of these standards by industry and society. These may include standards relevant to 5G wireless communications,** the Internet of Things, Big Data and cloud computing — which support industrial competitiveness in such fields as advanced manufacturing, intelligent transport systems, smart grids, ~~Cybersecurity~~ and e-health;

7. EMPHASISES the importance of ensuring that European standards elaborated in the ICT are ~~set~~ **established** in coordination with international standards and globally recognised technical specifications in such areas as data formats, digital documents, **pan-European e-Procurement,** accounting in digital environment and cross-border data exchange, ~~and~~ **as well as means for** electronic **identification;** ~~signature,~~ so as to empower European companies to operate more easily beyond EU borders and scale up to become global players;
RECOGNISES the importance of ensuring adequate data protection and IT security in the design of European standards;
8. **NOTES that digital tools can play an important role in exploiting the full potential of multilingualism for doing business in the Single Market,** ~~NOTES that industry,~~ particularly **for** SMEs with **relatively** limited administrative capacity **in the areas of administration, finance** and management; skills, **INVITES the Commission to encourage the development of interoperable digital tools, for example in the area of machine translation;** ~~considers language diversity in the EU to be one of the main obstacles to doing cross-border business online; To address this issue INVITES the Commission to consider how to encourage common and interoperable digital tools and solutions. URGES Member States to integrate these into their single points of contact by the end of 2016;~~

9. RECOGNISES that while the EU has a strong track record in **innovative companies, in particular SMEs, including** digital start-up companies, more needs to be done, **in addition to the strengthening of the DSM,** to ensure companies can scale up easily within the EU; EMPHASISES the need for the Commission and Member States to facilitate **improve** access to finance, **especially for SMEs,** including by means of non-banking sources of finance and new financial sources of growth, in order to support promising ~~digital~~ start-up companies and existing SMEs willing to invest in digital technology so as to **enhance and** expand their business; URGES the Commission and Member States to promote favourable conditions for the upscaling of equity, **alternative** and venture capital financing, in particular for pre-seed, seed and early stage investment phases; **In this context, CONSIDERS that the future European Fund for Strategic Investments (EFSI) could play a useful role.**
10. NOTES that Europe might face a shortage of up to 825.000 ICT professionals by 2020, risking **to miss on** its potential for ~~digital~~ competitiveness and growth¹²; STRESSES that the digital transformation of European industry will have an impact on many traditional jobs and will create an increasing demand for digitally skilled workers in such areas as supply-chain management, manufacturing, **data analysis,** marketing, procurement, customer service etc.; CALLS ON Member States to ensure that appropriate digital skills are part of educational curricula, and of **including life-long learning and** training programmes for both citizens and the business community, especially in non-ICT sectors; and CALLS ON the Commission to ensure that professional ICT qualifications are mutually recognised across the EU ~~in order to avoid ambiguity in the recognition of qualifications, and to promote~~ **to remove barriers to the cross-border mobility of ICT professionals; UNDERLINES that cooperation with industry and other stakeholders is crucial in addressing these challenges, and CALLS for the continuation of the Grand Coalition for Digital Jobs;**

¹²

http://eskills-monitor2013.eu/fileadmin/monitor2013/documents/MONITOR_Final_Report.pdf

The updated report on e-Skills for Jobs in Europe – Measuring Progress and Moving Ahead will be published within the next weeks. The 2014 report is available here: http://eskills-monitor2013.eu/fileadmin/monitor2013/documents/MONITOR_Final_Report.pdf.

11. ~~RECOGNISES STRESSES~~ the ~~pivotal~~ importance of research, **development** and innovation in the digital transformation of industry and the uptake of new **and innovative** technologies; therefore calls **CALLS** for the R&**D&I** focus to be placed on ~~ICT-demonstration projects and close-to market projects, in particular through public-private partnerships such as Factories of the Future, Robotics and Photonics, ECSEL Joint Undertaking Technology and similar initiatives which evidence the potential of re-industrialisation~~ **which promote the digital transformation of industry** through digital innovation, and ~~on exploring the role of digital technologies in~~ **have the potential of** turning traditional industries into smart industry **ones** (e.g. smart transportation, smart energy, smart agriculture, smart homes, smart healthcare, smart retail etc.); URGES the Commission, Member States and industry to increase EU-wide coordination of research, **technological development** and innovation in digital technology, which continues to suffer from fragmentation in comparison to Europe's main competitors, limiting the potential aggregate effect of digital technology on the competitiveness of European industry;
12. RECOGNISES the importance of **a** data-driven economy; RECOMMENDS that the Commission and Member States step up their efforts to build trust and confidence in digital technologies with both producers and consumers, and increase the level of security of networks and of digital information; **NOTES the benefits of secure digitalised cross-border transactions, as demonstrated by the Baltic e-signature project, which may reduce administrative costs for businesses operating across the participating countries by enabling them to sign digital documents**¹³; UNDERLINES the need to ensure that the commercial use of digital commercial data (in production as well as in services) is consistent with the protection of both industrial and personal data and of privacy; ~~as is for example evidenced in the pan-regional e-signature project of the Baltic Member States;~~

¹³ <https://www.eparaksts.lv/en/news/from-now-on-eparakstitajs-3-0-will-support-also-edoc-2-0/>

13. CALLS ON the Commission to ~~adopt~~ **implement** the principles of G-8 Open Data Charter¹⁴ by mid-2016 and INVITES Member States to do the same, as this will provide additional opportunities for industry, particularly start-up companies, to innovate and create new commercial solutions; **and CALLS ON the Commission to map best practices relating to open data initiatives in Member States (including at regional level) by the end of 2016;**
14. **EMPHASISES that the Competitiveness Council should monitor progress in the development of the DSM policy and** CALLS ON the Commission to **annually** report to the Competitiveness Council ~~at regular intervals~~ — starting in 2016 — on progress towards a **DSM** Digital Single Market, in particular with regard to the digital transformation of European industry and the establishment of a favourable environment for digital entrepreneurship.
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¹⁴ <http://ec.europa.eu/digital-agenda/en/news/eu-implementation-g8-open-data-charter>