

Common declaration for a French-German cooperation on Digitalisation of Industry by BDI and MEDEF

The digital transformation of industry is driving a radical structural transition in Europe's economies. Digitalisation will not hit every aspect of every industry at the same speed and with the same force. However, the fourth industrial revolution will affect the entire industrial landscape. No company can afford to rely on its value chain remaining unchanged. Moreover, European businesses are facing an increasing global competition in this more and more interconnected world. In order to secure a robust, innovative and competitive industry in Europe the industry associations of France and Germany, MEDEF and BDI, express their strong support to fully exploit the opportunities arising from the digital transformation. BDI and MEDEF understand the strong impact and importance of digitalisation on society and in particular on the labour market. The comprehensive aspects in this area are beyond the scope of this joint position. Given the overarching importance of digitalisation in this field, labor market and sociopolitical considerations will be left for separate evaluation.

The close cooperation between BDI and MEDEF rests on the conviction that France and Germany are strong partners in the global economy. The complex interconnections of our two economies lead to the fact that one country profits from the competitiveness of the other. France is fitting with its excellent products into German value chains and vice versa. In this way, the business models of our two countries work for our joint benefit. With the digital transformation, we have the chance to further strengthen our close economic ties and to be together with our industry partners a lighthouse example for the digital transformation and cooperation in Europe.

A study commissioned by BDI states that, if European industry succeeds in the digital transformation, it could add extra potential value of about 1.25 trillion euro until 2025. In contrary, if European industry does not succeed in the digital transformation, our industry could lose 605 billion Euro of value creation in the next ten years. For this reason it is crucial, that policy makers, at national and European level, put in place a comprehensive industrial policy for digitalisation in order to support industry and smaller and medium sized companies in all kind of sectors in their digital transformation and to encourage new innovative businesses and start-ups.

BDI and MEDEF therefore support and welcome the effort of the European Commission for the creation of a Digital Single Market and especially the initiative "Digitizing European Industries", which Commissioner Günther Oettinger will present at the Hannover Fair 2016. BDI and MEDEF are committed, along with their European partners, to contribute constructively to those initiatives and the further Franco-German cooperation on digitalisation.

1. Prerequisites for Europe to become breeding ground for investment and innovation:

- The **European Digital Single Market** must be driven forward with ambition. In particular, digital business models depend highly on a large market due to network effects. With more than 500 million inhabitants, Europe reaches a market size which can more than keep up with markets in Asia and the U.S. The Digital Single Market Strategy is clearly an important precondition to exploit the digital opportunities for our entrepreneurs.
- Digital technologies can only spread once reliable **high-speed broadband networks** as well as 4G and 5G are established, covering all regions in Europe. They are the basis for all innovative digital services. The regulatory framework must give incentives for private investment. The discussion on EU wide harmonisation of regulatory practice in the area of telecommunications and network development plays an important role in this context, e.g. for connected cars and other application clusters which will become important in the digital world. Besides private investments also the European Commission's investment plan can provide important support in this regard.
- The **European regulatory framework** must consistently and realistically support investment and competitiveness. This requires the creation of a level playing field that enables companies to stay competitive at the global level as well as within the single market. Legislation must enable data-driven innovation with appropriate rules, e.g. on data protection striking the right balance between protecting EU citizens and enabling innovation. A report and study commissioned by BDI from Noerr LLP on legislative challenges in the digitalised economy shows, that companies favour EU legislation over unilateral national action in almost all legislative areas linked to digitalisation (with the exception of labour law). Nevertheless, European legislation must not lose sight of the needs of businesses and be drafted in a balanced way.
- **Regulation and taxation must also be oriented towards supporting private investment.** They should support venture capital for new company IPOs. They should also provide favourable financing sources for start-up phases. It is unfortunate that when the most promising European start-ups are ready to be listed, they look to the New York stock exchange; and they look for funding across the Atlantic.

2. Digitalisation of Industry must be a priority

- Driving forward the **digitisation of industry** must be a top priority by industry and policy makers. BDI and MEDEF strongly support the action plan "Digitizing European Industry" which has been driven forward with ambition during the last year by Commissioner Oettinger. Governments, the business community and scientific institutes must move in concert toward the digital transformation. Innovation hubs must be realized, e.g. to strengthen already existing core competences.

- **Guidance for smaller and medium sized companies** is needed. Digitalisation solutions are new to many companies and mean a considerable need for investment and research. In particular, SMEs often have only limited resources to work intensively on the opportunities of digitalisation of industry. They need concrete examples of implementation with functioning business models. By setting up competence centres, policy-makers can provide support. A German example is the Mittelstand 4.0 initiative, another is the French, National SMEs program for Industrie du Futur. The Franco-German digital technology ecosystems can support the exchange and create a climate of cooperation between major groups, start-ups, research institutes and graduate schools. This cooperation will then take the form of joint and pilot projects for technological development.

- **Uniform European and international standards and norms** have to be driven forward. Creating an European digital ecosystem and establishing the digital single market will require the development of a consistent European strategy for standardization. For a seamless information flow in an “Internet of everything”, interoperability and integration of technologies are central. A deeper international and European cooperation should be strengthened. BDI and MEDEF recommend a European coordination network. This network should share information and enable cooperation between different national/subnational digitalisation industry initiatives and programs in Europe. A deeper cooperation between France and Germany with regard to standardisation processes should be encouraged. BDI and MEDEF welcome the partnership between *Alliance Industrie du Futur* and the German *Plattform Industrie 4.0*, which has been launched already in fall 2015. Both initiatives should set a clear agenda to discuss about open digitalisation frameworks. Also a stronger international cooperation should be driven forward, e.g. between the German *Plattform Industrie 4.0*, the French *Alliance Industrie du Futur* and *Industrial Internet Consortium (IIC)*.

3. Data protection and security are central

- Data are a **central asset for the digital economy**. Personal data, but also non-personal industrial data are produced exponentially and have become a new, economically relevant commodity. **Trust in data protection and IT security** is therefore essential for the success of connected business models. As more consumers and business companies become dependent on the availability of digitally connected ecosystems, the cost of cybercrime and regulatory shortcomings will increase.

- **Security of data** will be of fundamental importance to the digital future. Stakeholders from industry and society should collaborate more closely to further improve the existing frameworks and regulations. BDI and MEDEF favour a close network of industry, security authorities and the research community. A cooperation between France and Germany with regard to cybersecurity should be fostered, as well as international cooperation between business associations. Cybersecurity should be more deeply embedded in bodies such as the Council of Europe, OECD and the United Nations.

- **International standards on cybersecurity** should be driven forward as well. Open and commonly laid standards can improve the efficiency and effectiveness of key security processes. Therefore, it is necessary to facilitate the integration and interoperability of security systems globally.
- The discussion on **open (public) data** should also be continued, the European initiative to make public information available, similar to those already undertaken in a number of countries.



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