

Luxembourg key messages on the Digital Single Market

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The digital Single Market currently remains largely under-exploited.¹ Although the Internet has profoundly and permanently changed the way our economies and societies work, the European Union is still fragmented into 28 national mini-markets.

The line between so-called digital and analogue worlds is becoming increasingly blurred. The vast majority of businesses are operating both online and offline. Luxembourg therefore encourages a 'digital reflex' with all proposed EU legislation: making all EU-rules 'digital-proof' and technologically neutral, while resisting the temptation to regulate 'digital' separately. Simplification and efficiency of administrative rules and procedures are also key leveraging factors. Fully integrating the digital economy into the 'traditional' Single Market offers great potential for growth and job creation in all economic sectors and reflects the reality: digital is everywhere and not merely a sector. The digital economy is at the heart of Europe's future position as an economically strong, globally competitive and technologically innovative actor and partner. The EU now has to make it happen.

As a small trilingual country at the heart of Europe, Luxembourg – diverse² and outward-looking by nature and by necessity – experiences every day the remaining obstacles in the single market. With its open economy, Luxembourg is an ideal testbed for the functioning or lack of functioning of the single market. Luxembourg therefore consistently stands in favour of deepening the single market for the benefit of EU citizens and businesses.

This is why Luxembourg strongly welcomes the Commission's Digital Single Market initiative and the six thematic priorities that have been identified. The following key messages in terms of digital priorities are particularly crucial for Luxembourg:

- **Ensure cross-border online access to goods and services, including but not limited to digital content, for consumers and businesses.** When buying or selling online across borders, consumers and businesses should enjoy the same ease of access that they have in their home markets and benefit from legal certainty across all Member States. Access to online services should not be dependent on the device used, place of residence or geographical location. As in all single market policy, the principle of 'mutual recognition', combined with targeted harmonization, should be used to overcome regulatory barriers created by minimum

¹ It is expected that a completed digital single market will bring an increase of 4% of GDP by 2020 to the EU. *The Economic impact of a European Digital Single Market Final Report*, March 2010 http://www.epc.eu/dsm/2/Study_by_Copenhagen.pdf

The cost of non-Europe in the digital field alone is estimated at around 260 billion EUR. *Mapping the cost of non-Europe 2014-2019*, European Parliamentary Research Service, March 2014 <http://www.europarl.europa.eu/the-secretary-general/resource/static/files/files/mapping-the-cost-of-non-europe--march-2014-.pdf>

² Nearly 50% of residents are of non-Luxembourg nationality <http://www.statistiques.public.lu/fr/actualites/population/population/2014/04/20140415/20140415.pdf>

harmonization or absence of EU rules. In a similar vein, Luxembourg recalls the importance of the country-of-origin principle in particular for the free movement of audiovisual media services. Any departure from this approach risks hampering the development of this sector. Finally, modernisation of copyright rules to adapt to the borderless digital era is supported while ensuring adequate remuneration for rightsholders.

- **Address the ICT skills deficit in the EU.** The digital economy is dependent on a technology-savvy workforce. Currently, eSkills shortages, gaps and mismatches negatively affect growth, innovation and social cohesion in Europe. Concrete actions need to be taken to encourage youngsters to pursue IT-related careers and provide them with adequate digital skills in order to meet the needs of labour markets in a technology-enabled world. Beyond the need to train and retain creative e-skilled professionals in Europe, general IT competences are indispensable across all sectors and at all levels. Finally, Luxembourg emphasizes the need for continuous training and retraining for the unemployed and long-term unemployed in order to foster their reintegration into the labour market.
- **Unambiguous affirmation of an open and non-discriminatory Internet and support for innovation and creative start-ups.** The level-playing field of the Internet is the foundation of its success. Start-ups should have equal access - like large established players - to end-users when offering their services, contents and applications. This will allow European actors to emerge and scale-up. Furthermore access to capital should be facilitated and rules on setting up a business active across the EU should be simplified.
- **Increase citizens' and businesses' trust in the data economy.** Cross-border data flows are the fuel of the digital economy and their value should be unlocked in full respect of data protection rules. The success of the Digital Single Market depends on allowing EU businesses a competitive advantage in terms of trustworthiness and innovation, enabling new opportunities in the field of big data and transitioning to an Internet of things. Ensuring an ambitious and efficient legal framework for the protection of personal data is therefore of utmost priority.
- **Encourage investments in efficient telecommunications infrastructure.** Luxembourg welcomes the EFSI package and the priority given to digital infrastructure projects, in full respect of technological neutrality.

Telecommunications networks infrastructure is the physical foundation of the digital economy and continued investments in a reliable future-proof network infrastructure are key given the ever-increasing needs in terms of data volume and speed, including in wireless networks. Europe should also build on its leading satellite industry. Terrestrial networks and satellite are complementary. The combination of both is crucial not only for universal broadband coverage but also for the efficient distribution of high resolution digital content to multiple end-users.

In order to encourage these long-term investments in infrastructure, predictability and coherence of the EU regulatory framework are crucial. EU telecommunications regulation needs to remain focused on network bottlenecks. There is no evidence yet that efforts towards consolidation will encourage investments in networks or increase choice and better prices for consumers.

- **Make the digital economy an integral part of all ongoing tax discussions**, including discussions on VAT and efforts to tackle tax avoidance, base erosion and profit shifting. Ring-fencing the digital economy is not possible as the Commission's Expert Group has concluded. Ongoing work at international level should be supported and the EU should refrain from taking unilateral action.

Fiscal neutrality in terms of similar goods being sold in their physical or digital form should be ensured in order to stimulate digital innovation.

Summary box

- **Regulate where there is a clear European added value.** The digital single market is an integral part of the single market. All EU rules should be forward-looking, proportionate, and respond to clearly identified needs or problems.
- **Commit to essential quality principles.** EU rules must be clear and simple, provide for legal certainty and strengthen the development of the single market in general, for the benefit of citizens and businesses.
- **Reduce administrative burden.** Administrative procedures should be simplified in order to allow innovative start-ups to scale up across the EU.
