Inside Europe’s approach to data

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The EU has put forth a comprehensive new data strategy, with several dimensions to unpack in terms of economic impact, geopolitical implications and regulatory requirements.

But the level of preparedness for EU member states to jump on the train of the data economy varies significantly across the board, with countries in Europe’s south facing challenges such as the lack of digital skills and access to data infrastructure.

National market specificities like the large presence of small and medium-sized enterprises (SMEs) are another important element, as a hefty regulatory framework might raise compliance costs, introducing a high entry bar for the data economy.

The international dimension is also a key aspect, as the success of the European data strategy might depend on the EU’s capacity to shape the international standard for data use and sharing in international fora.
New study points to economic, geopolitical gaps in EU data strategy

Skills crucial to bridging EU data market divides, say stakeholders
Economic preparedness and the geopolitical dimension of data are potential pitfalls of the EU data strategy, an economic expert told EURACTIV ahead of the publication of a new study next week.

“The paper underlines how Europe is lagging behind the US but also increasingly challenged by China in terms of GDP impact of the data economy, as well as in terms of occupation and skills. Looking at Europe, Southern European countries are second tier compared to the Nordics,” Stefano da Empoli, president of the Institute for Competitiveness, told EURACTIV.

The Institute for Competitiveness is an Italian think tank that forged partnerships with the Spanish Royal Institute Elcano, the Lisbon-based Institute of Public Policy and Greece’s Foundation for Economic & Industrial Research.
The network of Southern European think tanks gathered under the umbrella PromethEUs, is set to launch a new data economy index part of a study, seen by EURACTIV, that will be presented at an event in Brussels next week.

**Data economy development**

The index comprises six indicators, particularly the number of companies using cloud services, crunching Big Data, data professionals’ share, and the data market’s value.

The index sees Nordic countries like Denmark, Sweden and the Netherlands leading the pack regarding economic preparedness, with Central-Eastern Europe — countries such as Romania, Bulgaria and Hungary — lagging behind. Southern countries are somewhere in between, with Spain performing particularly poorly as it is fourth-to-last.

“The key challenges for Southern European countries consist in data access for SMEs, their capacity to exploit the advantages of the data economy, and the fact that not only basic skills but also specialised professionals are quite scarce,” da Empoli added.

For the expert, another problem common to countries in Europe’s South is the possibility of counting on data infrastructure, as, for instance, high-performance computing is only accessible to large companies. At the same time, SMEs seldom can access supercomputers.

**Geopolitics of data**

The paper also puts the data economy into the international perspective, estimating that the US data market value in 2022 was worth a whopping €289.5 billion, a little short of four times the EU total of €73 billion and seven times that of China, which is at €40 billion.

At the same time, Europe’s second place is increasingly challenged by Beijing, whose market growth in the last two years has been more than double that of the European market.

In this context, the EU should strive to “develop a data diplomacy to strike agreements with like-minded countries that could lead to a coordinated approach in terms of regulatory regimes,” da Empoli said, pointing in particular to the importance of developing a common vision on emerging technologies such as the metaverse.

Given the pulling power of the so-called ‘Brussels effect’, the paper considers that the EU data strategy has the potential of influencing the rest of the world in the way data is shared and used and suggests that the EU pushes its views in international fora like the G7 and the Digital Economy Partnership Agreement.

At the same time, the study notes the potential ‘weaponisation’ of the Data Act by certain companies from third countries, which could use the regulation to access Intellectual Property and obtain data from sensitive sectors like defence.

“Safeguards need to be in place to avoid the release of commercially sensitive data, which is not easy to distinguish. If not properly handled, this data-sharing might undermine the very European competitiveness it is meant to reinforce,” da Empoli added.

**Regulatory landscape**

The European data strategy encompasses a complex regulatory framework that involves the Data Governance Act, the Data Act, the Open Data Directive and nine sectorial dataspaces.

For the expert, what is left to be defined is the kind of incentives companies will have to share their data with other economic actors, including competitors. While the EU rules are meant to foster trust in Business-to-Business data sharing, they do not change the underlying business model.

“You have two choices. Either you have a positive incentive in the form of compensation, or you mandate companies to provide data. Of course, the first way would be better. If we are talking about non-personal data, that could be a solution,” da Empoli added.

The paper zooms in particular to the European Health Data Space, the first sectorial data space meant to enable citizens to access their private health information better while making non-identifiable health data available to academia, researchers and policymakers.

The expert notes that in some countries like Italy and Spain, the situation is particularly complex, as there is no national health database since healthcare is managed at the regional level. The Italian case, he added, is made worse by the lack of digital skills and particularly high age of staff in the public administration.
Building data skills and literacy will be crucial for bridging the largely North-South divide within the EU regarding data market value, according to stakeholders.

Speaking last week at an event in Brussels, experts highlighted the importance of building skills to boost the data industry and spur data-driven innovation in Europe. This data market value gap is part of a broader digital divide that often runs along the North-South axis.

The event was organised around the launch of a new paper by PromethEUs, a network of four think tanks from Italy, Spain, Greece and Portugal, respectively. The study examines the EU’s Data Strategy from a Southern European perspective and focuses on the health sector’s interaction with the topic.

“Skills, basically, is the area where these countries have to improve the most, at least, for Italy,” said Stefano Da Empoli, president of the Institute of Competitiveness (I-Com), PromethEUs’ Italian member. “This part is the most crucial in catching up with the most advanced countries.”

The lack of skills adequate to keep up with data market developments “risks becoming an important barrier to data industry development and the adoption of data-driven innovation in
the European Union”, according to the PromethEUs report.

**Closing the gaps**

A significant skills gap exists in Europe regarding the general population's digital readiness and the specialised capabilities professionals need.

The European Commission has made closing these gaps a core part of its digital decade targets, with the twin goals of ensuring at least 80% of the population has basic digital skills and that at least 20 million ICT specialists have been trained by 2030.

Highlighted by the PromethEUs network, however, is the fact that the skills gap for data professionals is growing, with significant discrepancies between countries when it comes to the disconnect between the supply and demand of these abilities.

Stefano Verrecchia, deputy permanent representative of Italy to the EU, noted that 2023 is the European Year of Skills, designed to centre Brussels' push to ensure that people are correctly trained and equipped for jobs in the modern and increasingly digital economy.

When it comes to data market development, “it’s very clear that we have to do a lot in many fields to update our system, starting with infrastructure, of course, but also on skills,” Verrecchia said, adding that this is an area where “it’s quite important for all our countries to improve”.

**North-South divide**

Boosting skills will also contribute to narrowing Europe’s North-South divide regarding the broader data economy, a key focus of PromethEUs’ research.

The study highlights the fact that, while the EU as a whole lags behind the US and China when it comes to the global data economy, prominent internal divisions also exist, with Northern European countries, particularly the Nordics, ranking high on many indicators. Southern and Eastern European states falling at the other end of the spectrum.

Data literacy, said MEP Ibán García del Blanco, a member of the Socialists and Democrats group in the EU Parliament, consists of skills, knowledge and understanding that allow users, consumers and businesses, especially the smallest enterprises, to gain awareness of the potential value of the data they generate and handle, and to encourage them to comply with relevant data protection rules.

However, “data literacy should go beyond learning about tools and technologies”, he said, emphasising its potential broad societal impacts. “We need to equip and empower citizens of businesses with the ability to benefit from an inclusive and varied data market.”

Several speakers highlighted that an important aspect of this is fostering trust in data-sharing to boost its use and participation in the data economy.

Initiatives, including funding the creation of “data spaces”, such as the European Health Data Space, are a key part of this and the EU executive’s broader push to promote data access, said Federico Milani, deputy head of unit for data policy at the Commission.

“The basic idea is really to create this environment of trust, where data can be shared,” he said.

The EU’s upcoming Data Act was also welcomed by Antonio Grasso, Public Affairs Director at the European DIGITAL SME Alliance, as another way of opening up and extending data access, especially to smaller businesses, and therefore empowering the EU’s digital economy.

“If we lock data, we don’t unlock the potential of the European data economy, we don’t unlock the potential of European small-scale innovators;” he said. “For access to data, we want the Data Act to be implemented as soon as possible.”

Miglė Alenčikaitė, of Google's EU Government Affairs and Public Policy department, similarly voiced support for the Commission’s European Data Strategy, of which the Data Act is a core component. The strategy also includes the Data Governance Act and the objective of fostering a single market for data.

“At Google, we see a lot of potential in general in data-driven innovation, and how it can boost Europe’s economic growth and bring real value for its customers”, she said. “And we think that the European data strategy really has a lot of potential to facilitate that. That’s why we are very much supportive of objectives.”

Overall, expanding data literacy, García del Blanco said, “could contribute to improving working conditions and ultimately sustain the consolidation and the innovation path of the data economy in the Union.”

“Only with advanced data and digital literacy skills”, he said, “can we gain trust and confidence in this sustainable, inclusive, unfair data market that Europe wants to build.”
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