UNLEASHING THE POWER OF DATA

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Data is the critical resource of the digital age. As data is an inextricable part of virtually all digital technologies, Europe’s approach to data governance will largely affect EU digital priorities.

The way data is managed, stored and processed in compliance with data protection law will be a defining point for the development of cutting-edge technologies such as Artificial Intelligence and cloud computing. Data flows have become the underlying layer of international trade, with economically devastating effects when they are restricted.

The AI Act and Data Governance Act currently under discussion will play a key role in defining data governance in the EU. The COVID pandemic has highlighted in particular the need to exploit the untapped potential of European data spaces in managing health emergencies and fostering health research.
Restricting data flows in Europe might lead to economic damage worth €2 trillion by 2030, roughly the size of Italy’s economy, and result in two million fewer new jobs, a new industry study has warned.

The anticipated economic downturn would be widespread across several economic sectors, with manufacturing in particular set to lose €60 billion in exports, according to the study commissioned by DIGITALEUROPE, a trade association.

The culture and creative industry, finance, tech, telecoms, and business services would all lose roughly 10% of their exports as well. SMEs exports are expected to drop by 14 billion.

“Data is at the heart of the digital decade,” Cecilia Bonefeld-Dahl, director general at DIGITALEUROPE, said while presenting the study. “All sectors and countries and company sizes will rely on these data transfers. This is not a problem just for tech companies,” she added.

DATA AT THE CROSSROAD

The study, conducted by consultancy firm Frontier Economics, analyses two potential scenarios.

The ‘negative’ scenario is based on “the current trend towards moderate increase in restrictiveness [of data flows]” the report reads. The assumption is that a restrictive interpretation of the Schrems II ruling by the Court of Justice of the European Union is leading to unreliability for international data transfers.

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The analysis also assumes that the EU data strategy will lead to further restrictions in onwards data flows. The annual GDP reduction across Europe is estimated to be 2.5%. For the report, this economic loss would be ‘self-inflicted’ rather than the result of policies of EU trade partners.

The ‘positive’ scenario supposes that the EU establishes a GDPR-compliant data transfer mechanism, resulting in an expected 2% yearly boost of EU exports, contributing to an additional 0.6% GDP growth per year.

This positive outcome is reached via negotiations with major trade partners. In particular, the study calls for a global agreement on data flows in the context of the eCommerce negotiations taking place within the World Trade Organisation (WTO), the international body that sets the rules for international trade.

The study defines these figures as ‘conservative’ since they do not consider wider repercussions of restricted data flows, for instance, in terms of reduced innovation capacity, increasing reliance on data, and localisation requirements, all of them set to negatively impact the data economy.

**DATA ECONOMY**

Another study estimated the EU data economy in 2019 to be worth €325 billion. The share of the data economy is rapidly growing, with data-driven industries expanding their economic outputs two and a half times faster than other industries.

Hilary Mine, vice president for strategy and technology at Nokia CX, highlighted the need to spread the benefit of data-generated growth.

“We believe that 50% of SMEs should be using Big Data and data should make up 6% of Europe’s economy. Many smaller firms are already taking advantage, but we really need to increase that.”

The United States and China are already ahead in Big Data and data-powered technologies such as Artificial Intelligence, as they can count on very large economies of scale. However, for Cédric O, France’s secretary of state for the digital transition, Europe has existing databases on energy, mobility, cybersecurity, and aerospace that could provide a competitive advantage.

Europe is aiming to build shared data spaces as part of the Data Governance Act, a key initiative for the EU data strategy that is currently going through the ordinary legislative procedure.

Thousands of small and medium-sized companies are expected to enter the data economy as a result. The proposal is expected to be finalised during the French presidency of the EU Council in the first half of next year.

“We need our industrial players, our big companies to work with start-ups, with researchers, to build that knowledge around data in B2B sectors. In a different way from what we were not able to do in the B2C sectors,” Cédric O added.

**REVERSING THE TREND**

For Bonefeld-Dahl, to harvest the benefits of the data economy, Europe needs to change the “current worrying trend towards data protectionism,” striking a balance between the right to privacy and the economic benefits of data-driven growth. She urged EU regulators to take swift action, because “the private sector has globalised, governments have not.”

Didier Reynders, European Commissioner for Justice, clarified that the EU executive is committed to trade and openness “when possible”, in other words as long as European values and data protection standards are respected.

In relation to the EU-US negotiations, which he is leading on the European side, he stressed that the real goal is “to avoid a Schrems III decision. We don’t want to have uncertainties.”

As sticking points for the negotiations, he pointed to the principle that access to personal data must be proportional and strictly limited to what is necessary. EU citizens also have the right to legally challenge access to their personal data, which should not be denied when the data moves abroad.

These were precisely the reasons the EU Court of Justice mentioned in the Schrems II ruling to overthrow the EU-US Privacy Shield, an agreement regulating data transfer between the two.
The COVID pandemic has been a wakeup call on the need to share healthcare data in a commonly usable format. The European Health Data Space would boost health research and underpin the development of personalized medical treatments, says Padraic Ward.

Padraic Ward is Head of Pharma International Roche. Roche is one of the largest biotech company and leading private investor in health research in the world. He was speaking with Euractiv’s Digital Editor Luca Bertuzzi.

The development of the European Health Data Space is one of the priorities of the European Commission. What is the state of play?

I feel very optimistic about the discussions on how we will create a really strong base in Europe for healthcare data. I am very much encouraged by what we see coming from the European Commission. In particular, the move towards a European health data space is a very important one for several reasons.

Firstly, it will positively impact patient outcomes. An entire part of the Roche group is dedicated to making sure that meaningfully large-scale databases are used to personalize treatments for patients. The more health data is available for analysis across the EU, but also around the world, the more accurate personalized treatments will be.

Secondly, healthcare systems become more sustainable. If you can

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make sure that the right person is getting the right medical intervention at the right time, then you have better outcomes for patients and have optimized the resources for the healthcare system. Many of the indirect costs associated with diseases can thereby be eliminated or reduced.

Thirdly, it is important for us as a company and an industry to ensure that Europe is a strong player in global research and development of medical solutions. That is particularly dependent on how you can make health data interoperable and easily shared. Making data available helps to gain a better understanding of diseases and therefore to develop more personalised treatments. Thanks to those, we have already seen some great advances in cancer and other areas over the past years.

When I started working in this industry 25 years or so ago, Europe was an equal partner in healthcare innovation with the United States, but that is no longer the case. Things have moved on a lot in the US, and China has become a driver of innovation as well. What I see coming out of the European Commission over the past months really gives me confidence that there is an opportunity for Europe to regain its place as a pillar of innovation and to lead in some areas.

Health data is, of course, sensitive data. How can it be ensured that this data is shared in a way that is compatible with GDPR, Europe’s strong privacy framework?

Privacy and treating health care data with an appropriate level of confidentiality is a key point here. GDPR gives us a good base for doing that. There is still some work to be done on making sure that GDPR is implemented and interpreted in the same way across all European Union countries. Still, it provides a really strong base. After that, the next things that we need to put in place is an appropriate level of governance for the development of a common European health data space.

There is broad industry support for a single European body that would be responsible for setting the overall framework and guidelines for data governance, with the support of EU countries that would be responsible for making sure that the implementation takes place in line with those overarching principles. Similarly to the European Medicines Agency, which is the European agency responsible for the evaluation of medicines before they are made available to patients. EMA decisions are then implemented by the local regulator in every country.

We know that there is a lot of untapped data in Europe, that is not being shared, even though we would have the economies of scale. What is preventing this from happening?

There are three points here. Firstly, it is important to remember that this is all relatively new still. Only in recent years has it become obvious that being able to access meaningful data at a large scale would be helpful to enable better healthcare and better research and innovation. That has been driven by the development of information technology that has allowed us to analyse data in the way that we can do now.

Secondly, in Europe, as in most of the rest of the world, medical information is still very document-based. Most interventions are recorded in individual documents, and specific data points are not recorded separately in a way that makes it easy to retrieve them and combine with others later. That certainly slows down the ability to use specific pieces of data for research. To release the power of data that is untapped today, data should be recorded in a standard way that makes it interoperable, less focused on a single document and more on the specific elements of intervention, such as the patient characteristics, the diagnosis, the admission to a hospital or the diagnostic test, and its associated result.

Last but not least, within Europe we also have the fact that healthcare systems are run on a national basis, sometimes even regionally. We therefore do not have the flow of data yet that would provide the scale required for much of the work that we do. More work still needs to be done in that sense.

What do you see as the role of industry in the development of the European Health Data Space?

From an industrial policy point of view, I think it is really important that the private and the public sectors work together. We have different roles, but it's in combining those in an appropriate way that gets us to the best results. In the private sector, we are investing more in research and development than ever before. And we all want to make sure that these investments go even further.

We aspire to not only improve outcomes, but ideally, even cure diseases. We are trying to ensure that patients get access to the right care when that is required, and that when that happens, it is very effective. The only way that can happen is if the whole health ecosystem works together, to look for opportunities that can prevent diseases, improve human health, and reduce inefficiencies.
Most people’s image of world trade will be a huge container ship similar to the one that was recently stuck in the Suez canal, full of cars, clothes and other goods. However, the modern global economy increasingly runs on huge amounts of data, invisibly passing from one country to another in the blink of an eye.

Cecilia Bonefeld-Dahl is the Director General of DIGITALEUROPE.

According to the EU, 85 per cent of global growth is expected to come from outside Europe by 2024. Yet the ability of companies in the EU to transfer data – vital for modern trade – is under threat, both from protectionist practices abroad and an overly strict interpretation of a recent European court ruling. If we don’t fix it soon, this could have profound consequences for our economic recovery.

Data is hugely important to all types of businesses in Europe. Our recent study showed that 9 out of 10 businesses in Europe transfer data internationally; for SMEs it is 7 out of 10. And not just ICT companies, but in almost every sector of the economy.

For example, data is the backbone of the services sector, such as legal, consulting and financial services. It allows companies in the EU to export their services to countries all over the world and to access the best suppliers no matter where they are based. As services provide two-thirds of jobs in the EU, this is something we should take seriously.

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Another area where data is essential is healthcare, where it is a major driver behind medical innovation. This can help find new drugs quicker, detect diseases earlier, and hopefully prevent emergencies before they occur. One good example is the recent winner of our DIGITALEUROPE Future Unicorn award, OnCompass, whose AI-powered technology can pinpoint the best available therapy for each person’s cancer type.

Even our more traditional industrial sectors are heavy users of data. Goods such as cars and household appliances are often “packaged” with services, and need to send information back and forth to the headquarters. This helps manufacturers learn more about their products and how they work in the real world – vital for innovation – and even predict faults before they happen. It, therefore, doesn’t always make sense to speak of goods and services as distinct categories anymore.

Unfortunately, companies are often faced with barriers to the flow of data, meaning that they are missing out on business opportunities in growth markets across the world. That includes laws in other countries which force companies to keep data in their territories for no reason other than to make it harder for foreign competition – a kind of digital protectionism.

Recently, we have seen some big steps forward, such as the decisions to treat both Japan and the UK’s data protection regimes as up to EU standard. Another is the European Commission’s recent trade strategy, which for the first time positioned trade policy as a driver for our continent’s digital transition.

In theory, this means that our negotiators will be tasked with breaking down these barriers to data flows. However, since 2018 they have found it difficult to do so because our own position on data protection has been so restrictive.

Understandably, we need to be careful when handling personal data. The GDPR is in place for a reason, and all companies must respect it when doing business. But fighting obstacles to data flows does not equate to negotiating away privacy. On the contrary, helping to set predictable global rules on data flows is an essential means for the EU to be a global leader in promoting the protection of personal data, while at the same time creating business opportunities for our companies.

Luckily, the recent digital trade chapter of the Brexit withdrawal agreement shows that another way is possible. By building on these rules, the EU could embrace a global leadership role on data, particularly in the context of negotiations at the World Trade Organization, or at the upcoming G7 and G20 meetings of world leaders.

This debate is closely intertwined with the fate of the Privacy Shield, the mechanism which allowed for safe and smooth data transfers between the EU and the US, our number one market. The European Court of Justice dramatically struck it down in 2020, throwing data transfers between the two continents into doubt. A top priority now is that the EU uses its new relationship with the US as ‘Tech Allies’ to build an alternative structure to allow data to flow between us.

More alarmingly, the court also threw into doubt other tools that companies use to transfer data outside of Europe legally. If implemented, the most recent interpretation of the ruling by the European Data Protection Board would grind global digital trade to a halt. By requiring the full encryption of all data transfers – making data unreadable between companies operating abroad – it would essentially make communication between a European HQ and its American or Chinese subsidiary impossible. We must find another way.

The EU’s digital targets for 2030 rightfully call for an accelerated digitalisation of industry – a process that will help make us greener, creating new jobs and opportunities for our businesses. But without a durable solution that allows for free-flowing data across borders, we will not reach our goal.