

PRESS RELEASE - NEW POLICY BRIEF

Cooperation in Europe's Digital Economy: How do Countries Position Themselves?

Brussels, 12th October 2018 - Members of the European Union have different positions on matters of digital openness, and those differences typically reflect how the digital sector sit in national economies and the relative size of digital endowments. In this paper, we work with three groups of countries – digital managerialists, digital frontrunners, and digital convergers. These groups have gradually emerged over time and they think differently about the politics of reforms to open the digital economy to faster change. This paper lays a focus on their stances on digital-policy reform and on their own understanding of the costs and benefits of the growth of the digital economy. The paper also suggests new ways for countries to cooperate in current or new constellations, which will allow them to profit from other countries' experiences, and to fully develop their own policy preferences as well as a clear understanding of appropriate digital reforms for them.

Digitisation has the potential to support growth in many different sectors and the growing digital economy will make positive contributions to the productivity of non-ICT sectors as well. This is especially true for the services sector. However, countries with smaller digital endowments (e.g. digital infrastructure like networks) often believe that they do not stand to profit as much from digitization as countries with bigger endowments. That is a profound misconception. Here, it is crucial to note that economic success in the digital economy is actually not merely the absolute level of digital endowments, but rather the way in which these endowments are effectively employed.

Reaping the rewards in the digital economy is based on an exchange that exploits the comparative advantages of countries and here, digital frontrunners, but also digital convergers, are performing well. Digital convergers are well established in international value chains and they create significant output from their digital endowments. They have an interest in improved regulatory conditions as a result of their trade and economic integration that is shared with frontier economies.

The future task for digital convergers lies in both increasing their output from accumulated digital capital via climbing the value chains of the digital economy, as well as increasing their digital endowments. In order to do so, digital convergers require better market conditions and increased investment in digital capacities and skills. The ability of digital convergers to profit from digital value chains also depends on their trading partners and on their proximity to these frontier economies. Digital convergers can thus profit from a more rapid pace of digital economy growth by tying themselves closer to frontrunner economies.

In addition, they can profit from the experience of digital frontrunners in developing their digital economies both for benefiting from lessons learned in their process of doing so, but also for further identifying and clarifying their own policy needs and position. Accordingly, this paper suggests that digital convergers could join more closely in cooperation with digital frontrunners and potentially form a D16 group to articulate their policies and priorities, and to devise strategies to shape EU digital policy.

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