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The Future of European Digital Competitiveness

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Brussels, 27 January 2025 - Mario Draghi's Future of European Competitiveness report has received attention for its analysis of key issues facing the EU economy. Draghi noted the negative effects of overregulation and the underperformance of the digital sector. However, he missed the connection between these two topics.

Europe's competitiveness is closely linked to the development of its digital economy. Currently, the contribution of Europe's Information and Communication Technology (ICT) sector is notably smaller than the ICT sector in the US economy. Several factors contribute to this difference, however insufficient investment in both intangible and tangible assets and overregulation are significant concerns.

"Regulation affecting the digital economy is a major factor that limits Europe's ability to use digital technologies and hampers productivity growth," says Oscar Guinea, co-author of the latest [ECIPE Policy Brief](#).

The EU has nearly 100 technology-focused laws that encompass extensive provisions and restrictions in the digital sector. However, this poses significant challenges to productivity growth and use of digital technologies. To address this, the EU should consider a coordinated approach to digitalisation and competitiveness that leverages Europe's strengths: openness, strong institutions, the rule of law, robust intellectual property protections, and a highly skilled workforce. ***"Additionally, EU policies and regulations should aim to balance consumer protection with the competitiveness of Europe's ICT sector, promoting the broader adoption of digital technologies,"*** adds Vanika Sharma, co-author of the study.

The EU is finalising its Competitiveness Compass, a roadmap of Europe's future competitiveness policies. **The following five policy recommendations should steer its approach to digitalisation and competitiveness:**

Embrace digital trade: A strategy focused on open digital trade will enhance market access for EU digital services and facilitate access to digital technologies and skills from abroad.

Boost R&D investment: New policies should be implemented to encourage higher levels of research and development spending among European businesses.

Invest in digital infrastructure: The EU should prioritise the development of digital infrastructure, particularly in rolling out 5G, where it currently lags behind the US and China.

Enable digital economy growth: Access to capital for business expansion within the EU should be made more readily available, with measures to enhance the attractiveness of these investments.

Improve the quality of digital regulations: EU regulations should be benchmarked against global best practices to create a more favourable environment for digital business development.

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