

## Speech by Chancellor Angela Merkel at the Vodafone Institute Digitising Europe Summit

**Date:** 4 December 2014

**Venue:** Berlin

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Mr Colao, Mr Schulte-Bockum,  
fellow members of parliament,  
Secretary of State,  
Ladies and Gentlemen,

The topic of 'digitising Europe' is the right topic, so I'm glad to be here today and to be involved in opening this congress. It's a topic that I am personally interested in and, indeed, the entire German government is interested in, because we know that we're lagging behind the rest of the world in some areas - from chip manufacturing capabilities to the ability to successfully operate major internet search engines.

This is also the perfect time for Europe to catch up because the real industrial world is converging with the digital world. This process, which Mr Colao just described in terms of Industry 4.0, is a unique opportunity for us to make up lost ground and put down roots in the Internet of Things market that is now emerging. This isn't just an opportunity, it's a necessity. Because if we fail to grasp it, the entire European continent will fall behind.

This particularly applies to Germany, because our industrial sector still accounts for over 20 percent of our net product. If others overtake us in the digital arena and in terms of real economic capabilities, Germany and Europe may well have to relinquish their traditional leadership status in many sectors. We don't want that to happen, so we - as a government - are very committed to putting all the measures that we are able to take into action.

Secondly, the venue is also the right venue. Berlin is a city that represents change. Just a few days ago we commemorated the fall of the Berlin Wall 25 years ago. We can see all the things that have grown in this city over the last 25 years; including many young start-ups. A creative environment has established itself in Berlin. This city doesn't have as many industrial enterprises as it once did, but it does have a vast number of very promising start-ups.

And it's important that we help these start-ups. So the government has asked itself: How can we create a better framework for start-ups? We have to be honest - we don't have a particularly strong venture capital culture making high investments in recently established and small enterprises. That's why we're currently in the process of offering them tax benefits. We obviously have to discuss at European level the tax benefits that are possible so that they don't end up being the subject of a state aid investigation. We're also in the process of discussing the issue of how we can improve the venture capital culture with people who have expertise in this area. This isn't something that can be brought about by politics alone, but we can certainly make a contribution.

Ladies and Gentlemen, the German government has set out a digital agenda due to the urgency of the issue which is effective for this legislative period... that's from 2014 to 2017. It covers all aspects of the topic with a particular focus on how we and the corporate sector can create the framework necessary to build the infrastructure and legislation that will foster the positive development of the digital economy.

We have already been holding the national IT Summit for many years. Many different committees are working intensively to ensure that the necessary regulatory measures can be put in place and companies can undertake to make specific contributions. I want to emphasise that the IT Summit has given rise to a brand new form of collaboration. We normally attend the annual general meetings of the trade associations, give speeches there, listen to their criticism and sometimes offer our criticisms. In terms of interaction, it's a relatively unsatisfactory process. At the IT Summit and in the IT Dialogue Process, we collaborate very constructively all-year round because both sides - business and politics - are able to contribute to the process whenever they believe it to be necessary.

However, we know and feel that the challenges associated with digitisation can't be overcome by one nation alone. So we need the advantages of the internal market. That's why this congress is taking precisely the right approach. Europe won't be able to go its own way in a globalised world. It can focus on specifics, such as handling personal data, and I think there is a lot of sensitivity for that in Europe. This sensitivity has to be constructively integrated in the process so that we can develop new products that won't be developed elsewhere. But an 'anti-attitude' to everything that successfully establishes itself in the world without offering a constructive alternative won't take Europe forward. So we have to consider both the opportunities and the risks. We can't just focus on the risks while people elsewhere in the world grasp the opportunities. That would be a massive mistake.

Ladies and Gentlemen, we are very pleased that Germany is putting forward the new European Commissioner for Digital Economy. We need European regulations and a clear European investment framework. I'd like to mention two things in this connection - firstly the Telecommunication Package which touches upon digital internal market issues and, secondly, the General Data Protection Regulation, which will establish the extent to which we can deal with the issue of Big Data in a responsible way.

As far as the package concerns the digital internal market, it has taken a long time - through no fault of Commissioner Neelie Kroes, but as a result of the Member States - to reach the decision stage. Naturally roaming charges were the issue, as was the international handling of certain frequency ranges - and the important subject of net neutrality. The German government has reached consensus and I'd like to talk to you about that. There are two key concerns: a free internet that is accessible to all and an innovation-friendly internet.

What does 'innovation friendly' internet mean? It means a certain level of security for special services. These special services will increase, but they can only be optimised if measurable quality standards are available. We have to bring these two sides together. I believe that we'll achieve this in our negotiations in Brussels in the near future. Germany is certainly pushing for it. If you want driverless cars or certain telemedicine applications - and those are just two examples – you have to guarantee error-free and secure data transmissions. Otherwise it will be impossible to implement these applications. So we need both - a free internet and a quality-assured internet for special services.

Ladies and Gentlemen, another important issue is the expansion of broadband internet. We don't need to talk about net neutrality if we don't have the necessary network capacity available. Even at 50 megabits per second it's still difficult to transmit large volumes of data. We need much bigger bandwidths. But we also need a reliable internet structure in rural regions. In this respect we're on the brink of an innovation - at least from a German perspective. In the past, all the public services - connections to the water and power mains - were provided by the public sector. Today we are collaborating with the private sector to ensure that the public service of broadband internet is available to every household - in the knowledge that it isn't cost-effective for every household, but assuming that people living in rural regions would want access to the internet. Otherwise we might see large-scale migration from these rural regions – and we don't want that. 50 percent of the German population lives in rural regions; and we firmly believe that it should stay that way.

We have some excellent extension projects going on in major cities, but we're still experiencing major difficulties in rural regions. Luckily, there is a range of technology available that should be used. We are also preparing for the auction of 700 megahertz frequencies. This auction can and should be designed to give specific priority to the extension of broadband internet in rural regions. Digital Dividends II, as we call it, will be completely invested in the extension of the infrastructure. Now we have to arrange the auction as quickly as possible. The good news is that we are making good progress in our collaboration with the federal state assemblies.

The network extension is a regular topic of discussion in the Ministry of Transport and the digital infrastructure is a regular topic of discussion with the participating enterprises. I hope that we can achieve our goal of a 50 megabits per second connection for every German citizen by 2018. But, by then, there will be something else on the agenda - the fact that many regions will need even more bandwidth.

We've got the Telecommunications Package in Europe and we all have to commit to the extension of the broadband network. The Commission's investment package, presented by Jean-Claude Juncker, will offer crucial support in the extension of the digital infrastructure. Now we have to initiate concrete projects in Europe.

On the subject of the EU's General Data Protection Regulation: it's important to achieve final consensus on the extent to which Europe can generate value in the area of Big Data management. That's a relatively complex issue. We have to be careful that the concept of Big Data Mining doesn't just take place outside Europe, but also within Europe. I believe we will reach consensus relatively quickly in Europe on the issue of processing anonymised data. But there are also a lot of people who are interested in highly personalised applications. So we have to create an intelligent framework that protects personal data but doesn't rule out interesting and exiting applications being developed and marketed in Europe.

Obviously, we also have to take the aspect of security into account. Cyber threats are an everyday reality in Germany and in other countries. We mustn't close our eyes to them. So we have to respond to them appropriately and, in particular, we have to protect critical infrastructures. There are many new forms of access today than there were in the non-digital world. However, risk protection shouldn't be the single overriding issue. As I said at the outset, it's far more important to consider the opportunities as well. Why is that so important? Because if we take a look at Europe's growth rates, they're obviously weak. If we look where unemployment is highest, we see that it affects young people in Europe most. A continent on which 30 or 40 percent of young people are unemployed isn't a continent with a positive future. That's something that we have to change as quickly as possible.

Government schemes are one option. But they can only perform the function of bridging the gap to permanent employment. That's why it's so important that we take advantage of the opportunities associated with digitisation. Otherwise, where are we going to create jobs, Ladies and Gentlemen? We would be deceiving ourselves to hope that we can create jobs for the unemployed in Europe in the automotive, chemicals and the mechanical engineering industries alone because 90 percent of worldwide growth is taking place outside Europe. It means that the digital economy is with certainty the biggest growth market and the biggest job market in Europe.

That's why it should be possible to initiate start-ups according to simple criteria. It would be ideal if we had an identical start-up procedure in all of the European Union's Member States. There should be a clear and transparent subsidy framework throughout Europe. We need the right vocational training, suitable degree courses and apprenticeships that will enable us to address the issues of Industry 4.0 and digital applications. That's why I think it's fantastic that Vodafone and its many partners keep on drawing our attention to the significance of education. And that importance starts right at the bottom of the education system in the schools. The prosperity of Europe requires a positive attitude towards the technical opportunities of the digital world. Because far more jobs will be created here than in the traditional sectors that are replaced by digitisation. It's immensely important to encourage this positive attitude and demonstrate its benefits in many areas.

Research will play a central role in this respect. The German government has increased its research spending by 60 percent since 2005. We are close to achieving our objective of investing three percent of German gross domestic product in research and development - two-thirds from the business community and one-third from the government. And we will maintain this strategy. Industry 4.0 plays a key role in research efforts. And Germany will continue to call for the European research programme Horizon 2020 to focus strongly on this.

Ladies and Gentlemen, thank you for holding this event in Berlin. I hope it will produce some fruitful dialogue. And if you'd like to give us politicians a helping hand, formulate easy-to-understand proposals setting out what action we need to take. Then we'll do our best to create the right framework, the framework that will help Europe to gradually put this weak growth phase behind it and move forward to new growth.

Thank you very much!

To see a copy of the Chancellor's speech in German visit:

<http://www.bundesregierung.de/Content/DE/Rede/2014/12/2014-12-04-merkel-digitising-europe-summit.html;jsessionid=22E76CAB98DF33781D3057AAFF345C1D.s4t2>