Club of Three Working Session

24-25 November 2017

Europe in 2030: Successfully Managing Digitalisation

EXECUTIVE SUMMARY

The Club of Three's 2017 Working Session – "Europe in 2030: Successfully Managing Digitalisation" – involved some 50 senior figures from industry, technology companies, politics and the media in France, Germany and the UK. The idea grew out of last year's Plenary meeting at Spencer House in London when a number of participants from the commercial sector warned that digitalisation represented a challenge still greater than Brexit. There was strong enthusiasm for a follow-up conference focusing on the implications for corporations, governments and society.

The Working Session that took place in Berlin at the end of November explored the opportunities that digitalisation could bring about as well as its disrupting effects on society and large parts of the traditional economy, and how Europe could rise to the challenge. A large number of participants, including senior industrialists, were ambivalent about what lay ahead. Many described themselves in the words of the keynote speaker as "concerned optimists", which reflected how difficult it was to anticipate with accuracy the level of disruption that was to be expected and what policy responses would be needed. There had been industrial revolutions in the past of course – each one causing profound social and economic changes – but the speed and scale of the current digital transformation was unprecedented. And the socio-economic groups on the receiving end were also different. While low-skilled workers had previously tended to be most impacted, highly educated professionals such as doctors and lawyers were this time set to lose their jobs to artificial intelligence.

If properly managed, this radical transformation could deliver vast improvements for modern societies. Information technologies were now very cheap and widely accessible, empowering a new generation of entrepreneurs. In the manufacturing sector, 3-D printing was dramatically reducing production costs and paving the way for a re-industrialisation of Europe for the first time

in decades. Artificial intelligence would cut healthcare costs and dramatically speed up medical diagnoses and treatments, resulting in leaner and more efficient public services. At the same time, staff could be redeployed to crucial and more rewarding front-line jobs. In the farming sector, the use of sensors to predict local weather conditions would help maximise yields. Some participants also foresaw a significant drop in energy prices in the future thanks to technological innovations.

In the media sector, the outlook appeared particularly challenging. One of the participants predicted that half of the mainstream media in Europe would not survive beyond 2030. A number of publishing houses were already buying automated news content and according to a BBC report, 90% of all news would be automated within 10 years.

The impact of highly targeted fake news through advertising-led social media platforms was also a concern. Fake news campaigns had been very successful in the last US election, reinforcing people's prejudices and keeping them in closed echo chambers. Western democracies were fighting an asymmetric battle as the technology used to spread fake news was not nearly as advanced as the extremely sophisticated measures required to counter this threat. Although this seemed a very difficult task, authoritarian moves to rein in technology giants were not the answer. Firstly, the younger generation no longer recognised a top-down power structure as legitimate. The deterioration of trust in politicians over the past decade had been a major contributing factor. Secondly, internet restrictions would unfairly impact communities that are not engaging in this information warfare. The only viable solutions for democracies were to educate the public and to systematically retaliate against misinformation propagators, especially in the case of overseas operations.

It was also clear that rules were needed on data privacy and ownership. One participant suggested applying common sense as a starting point: in the digital world, we should not tolerate behaviours that we would find unacceptable in real life. "If a postman read your mail to find out what your interests are and tried to pre-emptively sell you goods on your doorstep, you would ask 'are you out of your mind'?", he said. Another participant called for a clear digital charter about the rights that consumers should expect from technology giants.

In terms of security and cyber threats, a solid framework was now in place at EU level with the NIS Directive on the security of networks and information systems. However there were industry concerns that its implementation

would give rise to burdensome reporting obligations, leading to a 'box-ticking' culture diverting resources away from anti-crime activities.

Rising technology-driven inequalities also had to be addressed. The 'first wins all' logic of online platforms and their powerful gravity effect was widening these inequalities. Who would look after the 'left-behinds'? For some participants, part of the answer lay in a reform of the tax system. Taxing capital as well as resource consumption more heavily would help to reduce the burden on labour and therefore save jobs. Wage flexibility and universal income were also conceivable in a future in which technology would have significantly reduced the cost of living. Other possible tools included re-skilling schemes such as the proposed Spinelli fund, a lending system financing vocational training for unemployed people. Taxing robots however was not thought either practical or good policy.

CONCLUSION

Many of the concerns expressed during the meeting stemmed from a sense that the speed of change was making it difficult to anticipate the future and to provide adequate responses. Some felt that they had been by-standers in this digital transformation. Regulation would always be catching up with technological innovations and this was only going to accelerate. The answer was not an authoritarian response but leadership. In order for technology to be a means rather than an end, western societies would have to set a clear vision of what they wanted to aim for and the rules they would abide by.

As a regional power, Europe was also feeling squeezed out. About 95% of online platforms were either American or Chinese. There was a deep well of talent in Europe but a lot more needed to be done to retain it. One way to achieve this was to create a digital market large enough to attract the level of investment seen in Silicon Valley. Was it too late for Europe? Many believed that this was still possible if Europe showed vision and leadership. According to a participant from industry, European business leaders had to show the way. This responsibility could not entirely fall on politicians who were still struggling to get a grasp of the digitalisation challenge. With the right system of incentives in place, we could eventually ensure that the majority of people would benefit from the rewards of digitalisation. The future could be more sustainable and better for people thanks to technology. But failing to manage this transition would lead to very significant social and economic upheaval.