

THE INTERNET: EUROPE'S FUTURE GROWTH DRIVER?

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Booming data economy puts EU to the test

An explosion in the data-driven economy offers crisis-stricken Europe hopes of recovery, but policymakers who lack the means to measure the phenomenon face challenges in a sector bracing for new regulation.

Services linked to information and communication technologies have consistently outperformed an otherwise lacklustre economy, growing by 5% to 10% in 2012, according to the Organisation for Economic Co-operation and Development's Internet Economy Outlook, published last October.

The explosion in supply of tablet PCs and smartphones, and the opportunities for online data storage in the cloud, have helped buoy the ICT sector even during the 2008 financial crisis. The OECD report says larger firms recorded 6% growth in annual revenue between 2000 and 2011.

In tough loan capital markets, ICT is bucking the trend too, the OECD said, since the sector bagged more than 50% of all venture capital in the United States, the world's largest market, in 2011. In Finland, one of Europe's ICT hotspots, the sector accounts for more than 1.5% of GDP. ICT is showing the highest investment figure for



the sector since the 2000 dot-com bubble.

But since that last peak in internet-based economic activity, there has been a sea change in its influence over all sectors of the economy, with the transformation of the markets in music, video, software, books and news media.

The OECD report pointed to how the internet is reshaping the way individuals live, not only in their buying patterns – through the variety of digital goods and services, lower prices, more distribution channels – but also the way they work and

are hired, with one in five users using the medium as a recruitment tool.

'Third wave' of internet development

Internet development is on the cusp of a further expansion into sectors not previously associated with communication capabilities – further increasing its potential as a driver for growth – according

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to another report published last October by consultants McKinsey.

Electricity plugs, automobiles and even light bulbs are increasingly connected to the internet as a way to introduce new functionality. This “third wave” of internet expansion, often referred to as “the Internet of things” is expected to connect anywhere from 10 to 100 devices per family, and potentially millions of devices per company, the report claimed.

This success poses questions for businesses and policymakers alike, however, with issues of trust, privacy and questions surrounding how to harness the digital economy – and how to measure the economic success of the phenomenon – all proving problematic.

As a myriad of signals and data are delivered across multiple devices and networks, the internet is providing information about people to third parties, increasing information security and privacy considerations.

Risks identified by the McKinsey report showed identity theft, loss of intellectual property, violations of privacy, and abuse and damage to reputations as the key issues that companies will need to address.

To address those risks, the European Commission has tabled proposals for a new data protection regulation in January 2012, aimed at safeguarding the privacy of personal data on the internet.

But the proposed legislation is set for a stormy passage through the EU's legislative machine this year, following the first report on the dossier – submitted last month by the European Parliament's committee on civil liberties, justice and home affairs.

German Green MEP Jan Philipp Albrecht, who is drafting the Parliament's position on the proposal, told EurActiv he is confident that the House can agree a common position on the paper by April, with a view to beginning negotiations with member states in the EU Council of Ministers.

Questions of control and questions of harnessing success

The big question mark is the position of the 27 EU member states, which have still to adopt a common stance on the issue.

The Council's take remains unclear for now, with some countries opposed to a regulation in any form, and the position of Germany – which will be decisive – remaining ambivalent.

Albrecht acknowledged that keeping the new rule on schedule for this Parliamentary session, which expires in 2014, will require vigilance.

A key flashpoint will be the interaction of the new European regime with overseas, and particularly US, standards.

On cybersecurity – for which the EU executive is on the verge of announcing a new strategy – there are also tensions as private industry frets over the extent to which it will be obliged to disclose the level and nature of the data security threats they face.

Assessing the impact of the internet economy

The boom in the internet economy does not only pose problems relating to control, however. Understanding how to harness innovation, create the right conditions for new business and understand the extent of the internet economy at all represent challenges.

As the Commission looks to unroll its new ‘Horizon 2020’ research framework programme, it is seeking to find ways of encouraging the digital economy to rediscover Europe's role as pioneer of the early internet revolution.

A major difficulty for policymakers is to assess the underlying economics, size and potential of the internet sector before adopting policies.

Internet companies have anticipated those questions and published their own assessments. A recent report commissioned by Facebook through accountants Deloitte valued the indirect economic impact of the

company at €15.3 billion for the European economy, claiming it supports 232,000 jobs on the continent.

This is one of a number of reports which give various assessments of the value of the data-driven economy to the continent.

Data call for new thinking on economics statistics

In a policy brief last autumn for the Progressive Policy Institute in Washington, Harvard economist Michael Mandel argued that “economic and regulatory policymakers around the world are not getting the data they need to understand the importance of data for the economy.”

Mandel cited the fact that Eurostat – the European statistical agency – reports how much European businesses invest in buildings and equipment, but not how much those same businesses spend on consumer or business databases, as evidence of a malaise.

“Since the modern concept of economic growth was developed in the 1930s, economists have been systematically trained to think of the economy as being divided into two big categories: ‘goods’ and ‘services’. But data is neither a good or service,” according to Mandel.

He believes that the key statistics watched by policymakers - economic growth, consumption, investment, and trade - dramatically understate the importance of data for the economy, and that “these misleading statistics distort government policy”.

Issues surrounding the quantification of the data economy are likely to resurface as policy debates intensify. Specifically, moves by the French government to seek revenue from so-called ‘over-the-top’ suppliers of internet services – such as Google – for their relative consumption of broadband bandwidth, open up new questions over the taxation of internet sector companies.

If a special case can be made for taxing the internet, the sector will call for more recognition as an economic driver.

Europe looks to tech hubs to lure foreign investment

Europe seeks to capitalise on clusters of internet-driven businesses – such as those in Dublin and Helsinki – whose success relies on a mixture of policy initiatives ranging from education through to taxation, but also word-of-mouth.

One of the key drivers leading companies to gather in Silicon-Valley-style hubs, however, is the simple fact that others have done so.

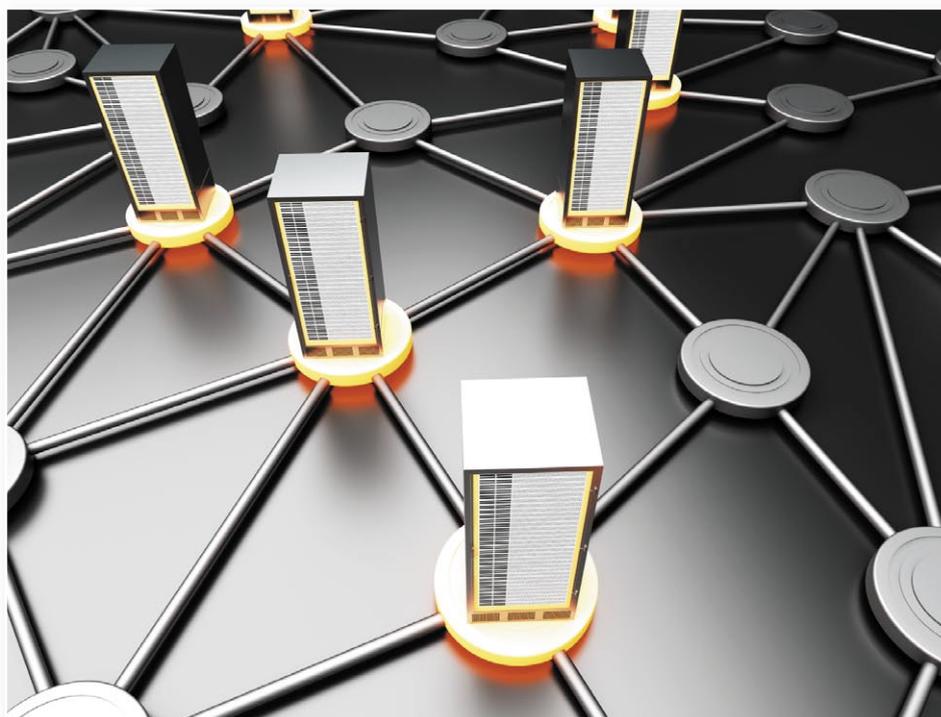
“When you gather a lot of talented people in one location there is obviously a natural exchange of ideas and cooperation between the companies in that cluster,” said Kenneth Fredriksen, vice president of Huawei’s Central European and Nordic region.

Fredriksen said the Chinese tech giant was lured to invest in a new research and development centre in Finland because of the “structured and unstructured ways that hubs help companies to create and share ideas”.

“By adding more players and expanding the ecosystem it can lead to increased idea sharing between companies and a flexibility that makes the region even more dynamic. The basic idea is that sharing increases the competence of the entire region,” Fredriksen explained.

Hubs allow for social interaction

Harri Koponen, the chief operating officer of Finnish games company Rovio, creator of the Angry Birds app, also emphasised the informal advantages offered by a hub.



“It means that when you go down to the pub, or in the locker room after hockey, people say: ‘Why don’t you do this, why aren’t you doing that?’ It means that you’re getting feedback from ‘the other side of the aisle,’” he said.

It is not necessarily by design that such an ecosystem occurs, so much as by chance, Koponen said. Nevertheless there are several ingredients that need to be in place for such a hub to develop, and policy intervention is one factor.

Most commentators agree that the place concerned must have a disposition to the sector involved, for example, whether this is encouraged through education or exists naturally.

“An intuitive user interface is key to delivering a superior end-user experience, and Finnish engineers are well-known for their capabilities to create ingenious and innovative software design,” Fredriksen said.

“We have a lot of good know-how coming through our universities,” added Barry O’Dowd, the senior vice president of emerging businesses with Ireland’s Industrial Development Authority, or IDA. “And we work closely with colleges and universities to ensure they’re up to speed on where tech sectors are moving.”

Market and regulation are drivers

Once talent has been drawn in convincing numbers, however, that can provide a momentum of its own.

The local talent pool in Dublin has been boosted heavily by Google, the US internet search giant, which opened its Irish headquarters in 2002 and has since recruited highly trained employees from around the world.

Whilst clustering may be a market-driven process, “regulatory initiatives at EU level can help to create the right framework in which these technology hubs can thrive,” said Huawei’s Fredriksen.

The regulatory environment begins with models for subsidies and assistance.

“If you want to scale something up and there are ambitious people, they need subsidies,” Koponen said.

He believes that “funding offered with ‘no strings’ is a bad thing,” but added: “If there are funds available for companies, then they should be put to help companies. We could do more with structural funds. These are going to be spent in EU, and the companies involved in the tech sector are not going to leave Europe.”

Indeed the, EU’s upcoming ‘Horizon

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2020' research funding programme – to be agreed as part of the bloc's 2014-2020 budget – will seek to promote clusters by encouraging project funding to involve large consortiums, including university research departments, small businesses and larger companies, all typically found co-existing in such hubs.

Tax is not the only factor

Although Ireland's low corporate tax rate – just 12.5% - clearly played a key role in attracting many companies to Ireland, the IDA's O'Dowd said that the 140 foreign companies which expanded or launched in Ireland last year were equally attracted by other regulatory factors.

Government-backed venture capital fund Enterprise Ireland – the largest in Europe – is one, he said, along with strategically organised local events such as the Dublin Web Summit, which has become a key pull for the tech sector,

attracting well known industry figures.

Commentators agree that there are clear benefits to creating such commercial clusters. One advantage is that they appear to spread. Hence Finland's cluster of technology companies has melded with the success of Scandinavia as a whole, boosting the entire region.

Estonian President Toomas Hendrik Ilves said that “while the Nordic countries were ahead of us in the past, using IT to provide services has allowed Estonia to really develop quickly.”

There is no reason why such a tech hub mentality should not spread more widely, Ilves said.

“If we can achieve a level of integration of our services, both private and governmental, I think the rest of Europe will begin to see the benefits of it, but we need these positive examples,” he added.

Attracting dollars and yuen

The ability of such hotspots to pull

in foreign investment cannot be doubted. In so-called “Silicon Docks”, Dublin's converted port warehouses where Google and Facebook have their European headquarters, other major tech companies such as LinkedIn, PayPal, Amazon, Twitter and Zynga have all piled into the city.

Huawei's €70-million investment into Helsinki last year builds on an existing technology design centre in Sweden and a centre for user interface research in the UK.

“We see great opportunities in incorporating the strong know-how from the Finnish market into our global R&D, just as we have done in Sweden where we have increased our R&D investments by over 300% in the last five years and now employ around 500 staff,” Fredriksen said.

In the current slump, it is no surprise that policymakers want to highlight the tech sector in concentrated areas, to capitalise on a sector where foreign direct investment remains buoyant.

Europe's tech sector looks to challenge Hollywood

A move by Finnish company Rovio to produce Hollywood-style blockbuster children's cartoons demonstrates how innovators in the European tech scene are looking to capitalise on the digital revolution.

In an interview with EurActiv, Harri Koponen, the chief operating officer of Rovio – the Finnish firm behind the successful Angry Birds games app – said that the company has built up “one of the largest animation studios in Europe” and is launching this spring.



The company has hired Hollywood-based producer John Cohen – who worked closely on US animated blockbuster Ice Age – and will publish its first feature-length animated movie in 2016.

The Angry Birds feature film will mark Rovio's first foray into movies. The

company will produce and finance the film entirely outside the studio system in order to retain full creative control, and is keeping the subject of the feature-length cartoon under wraps.

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The move from success in app creation to challenge traditional animators demonstrates how the explosion in the use of smartphones and tablets is breaking down barriers between traditionally disparate sectors such as entertainment, education and communications.

Audiovisual world is in flux

The last two years have seen significant growth in devices capable of accessing online digital content. Sources of content are also expanding, with social networking and new video and audio services helping to drive ICT industry growth and create new business models.

According to the European Audiovisual Observatory, there are more than 700 on-demand audiovisual services available in Europe and the number continues to grow. In France alone there were more than 9,000 films available in 2011 for video on demand, representing an 11.5% increase – an additional 938 films – compared to 2010, according to the Centre national du cinéma et de l'image animée.

The Rovio move will seek to capitalise on the decline of traditional viewing at cinemas and in living rooms.

Other European innovation success stories are similarly exploiting older business models, such as Italian company Paperlit, which enables traditional media and publishers to make their content available to tablet and smartphone users. The Italian company has built up a client base including Bloomberg BusinessWeek, the BBC and Wired (Italy).

Two-year-old Paris-based start-up Captain Dash has created an app that gives companies the power to marshal their data in real time – on a cell phone, tablet or personal computer.

“You have your own personal data feed, like Bloomberg, but rather than coming in from the stock market, the data is coming from your website, from Twitter and from Facebook,” says Bruno Walther, founder and chief executive of Captain Dash.

Educational publishing breaking new ground

New apps are extending the education

sector through entertainment. French publisher Gallimard has pioneered a runaway success app to accompany a children's educational book about ladybirds, which gives youngsters the chance to interact with animated illustrations of the lifecycle of the insect using 'touch technology'.

These start-ups aren't just marketing themselves in their local markets since smartphone use is increasing globally and apps are a passport to world markets.

Europe plays host to two-thirds of the world's mobile virtual network operators, with five of the world's top 10 mobile markets for average revenue per user: Switzerland, the Netherlands, France, Norway and Ireland.

This is also attracting foreign companies to establish innovation centres, as witnessed by China's Huawei, which last November announced it is opening in Finland.

“As the home of Linux and world-class talent in software development, the Finnish telecom environment is one of the most innovative in the world,” said Kenneth Fredriksen, vice president of Huawei's Central European and Nordic region.

Angry Birds chief: Finnish enterprise culture helped company fly

Finland has a business culture that helps start-up companies in the tech sector, says the chief operating officer of Rovio, the makers of Angry Birds. He fears, however, that European regulation could create problems in the future.



Harri Koponen is chief operations officer of Rovio, the Finnish games company that produces the Angry Birds app. He spoke to EurActiv's Jeremy Fleming in Brussels.

How did your company come into being?

This company started in the early 1990s, and arose from the Assembly demo party. Assembly is a gaming event in Finland which takes place between July and August, and lasts three to four days. Through the 1990s, Assembly grew so large that they rented the largest sports arena in the country, an ice rink in Helsinki.

Rovio started by winning a competition with a game called “King of the cabbage world”. It was no big deal back then, just a few guys drinking Coke and eating pizza in the hockey hall. They were awarded something, but it was no big deal. Nowadays Assembly is a massive event.

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Did the fact that it was based in Finland help?

At that time in Finland, we had the mobile and ICT tradition – with companies such as Nokia and Sonera – and that was a big help. This group of companies created an atmosphere where there were knowledge workers at an early stage. It was clear that fixed line [telephony] was declining. You needed that kind of an ecosystem to pave the way for what was coming. It meant that when you went down to the pub, or in the locker room after hockey, people would say: “Why don't you do this, why aren't you doing that?” It meant that you were getting feedback from ‘the other side of the aisle’.

It is not necessarily by design that such an ecosystem occurs, so much as by chance, but it helps. It was also undoubtedly assisted by a service-driven environment: where the company was only taxed when it started to generate income. We ICT companies cannot operate alone; we need an ecosystem around us.

Where might European Commission data protection proposals impact on your service?

The best way to improve our service is to analyse the data, not using it for marketing, we are very cautious about using our fans information like that. But engineers can improve the experience of fans, making it more delightful and a positive experience through that, and that helps us to improve our service which in turn helps us to sell more.

App companies are small, we do not have extra people to look after data, and if we are forced to do so then that means hiring extra people. It is completely unnecessary and an unwanted process, kind of “big brother is watching you”. We do not want to interfere; we will do what is legislated but hope that this is not too burdensome.

With the Angry Birds app, where is the potential for difficulty in the data interfacing?

There is a consumer with an iPad or a mobile phone, and there is information coming and going through the app into that item. Our interest is ensuring that they get the best service, we are not selling their data.

The IP location is the most important data we will use. We do not use the location of the equipment to sell anything to the user, but to guarantee a minimum downloading speed. It helps, for example, to identify where there might be a problem. If there is too low a speed then the bandwidth might not be enough, if the service is going to be seamless then it is really necessary for us to use this data.

If data protection regulation did stifle innovation, then where do you think that start-up companies could be attracted to go, if they leave Europe?

Right now the entertainment and apps business is one of the most competitive environments. The Nordic region represents a business hub for innovative ICT companies, but so do parts of the US, and Asia is also coming.

How can Europe invigorate its innovation tradition?

‘Mobile valley’ has existed since the 1970s and 1980s in Finland and Sweden. That is where mobile technology first emerged with Ericsson and Nokia. The big operators came from there, and Europe was a driver.

Now we need to keep that development in mind. We need to show that we have done it before, and to demonstrate that we can continue to keep it coming. Let's remove the “We can't” from the European mentality and let's have “We can do this as a team!”, instead. Europe needs to stand up and start to do things. We would like to see others taking this approach. We need smart regulation and smart institutions.

Can hubs be encouraged using subsidies?

Subsidies are good when they are tailor-

made and targeted. If you want to scale something up and there are ambitious people, they need subsidies. Subsidies granted with no incentives attached are a bad thing in my opinion.

But we are employing 550 people so we are part of the ecosystem now. The data regime is important because we need to remove the obstacles of fear from peoples' minds about roaming. Europe has potential but we need to let it flourish and not stifle growth. If there are funds for companies then they should be put to help companies. We could do more with structural funds. These are going to stay in the EU, since we are not going to leave Europe.

IP protection is one area where the EU can really try to push itself. For example, with trademark protection, making sure that there is no need for companies to change domicile, and that intellectual property is proportionately taxed.

IP is a chance to capitalise on Europe as a hub because on copyright it is already considered one of the world's best places. So let's make Europe fast on IP, because then there will be more developers here and there are already good schools, and this will then become a self-fulfilling cycle. Ericsson is still doing pretty well, whenever the attention is facing US we think that we have lost.

What is in the pipeline for Rovio?

We have built up one of the largest animation studios in Europe we have we are launching services this spring, then we are going to make a feature-length animated movie in 2016. So we are in the entertainment industry, so it's a combination of games and video and animation. The Angry Birds feature film will mark Rovio's foray into movies, after selling games, books, a wide variety of toys and other consumer products over the years.

The company will produce and finance the film entirely outside the studio system in order to retain full creative control. John Cohen, who worked closely on the Hollywood animation Ice Age, is working with us. It is going to be an animated film but we have not said what it will be about exactly.

App makers unhappy at prospect of tighter data privacy rules

Europe's burgeoning app manufacturers are braced for imminent new guidance on data privacy that could cover features often essential to some applications such as geolocation.

The new rules are being put together by the European Commission's data protection task force – the Article 29 Working Party – made up of representatives from national EU data protection authorities.

In October, the working party said that it would publish guidance “early next year” in light of the rapid increase in the use of smartphones, the amount of downloaded apps worldwide and the existence of many small-sized app-developers.

The issue will be on the agenda of the group's next meeting, scheduled for 27 February in Brussels, EurActiv understands.

Of particular concern is the issue of geolocation, with many apps designed to establish the whereabouts of their user, even if this is based on anonymous data.

EU guidance to follow US cases

“We download apps from third parties we've often scarcely ever heard of with no idea as to what information they're going to collect or how they're going to use it,” said Phil Lee, a technology lawyer with Field Fisher Waterhouse in Palo Alto, California.

“This uncertainty and confusion makes regulatory involvement inevitable,” he said.

The issue has already been making waves in the United States. In December, the California attorney general sued Delta Air Lines for its failure to include a privacy policy within its mobile app, and the US Federal Trade Commission (FTC) launched a report on children's data collection through mobile apps.

The FTC has indicated that multiple investigations will follow into potential violations of the Children's Online Privacy Protection Act and the law's unfair and deceptive practices regime. “The writing is on the wall, and it's likely EU regulators will begin following the FTC's lead,” Lee said.

Any new guidelines will be keenly watched by Europe's app manufacturers.

In an interview with EurActiv, Harri Koponen, the chief operations officer of Rovio – the company behind the popular Angry Birds game app – said that most games app manufacturers rely on geolocation functions to improve their services.

Fears of a chilling effect

“Our interest is ensuring that they [users] get the best service, we are

not selling their data,” Koponen said, adding: “We do not use the location of the equipment to sell anything to the user, but to guarantee a minimum downloading speed.”

Geolocation helps to identify where there might be a problem with the functioning of the app service, he explained. “If there is too low a speed then the bandwidth might not be enough, if the service is going to be seamless then it is really necessary for us to use this data.”

Koponen reflects the concerns of other smaller games app makers who fear that new rules might force them to hire extra staff to deal with additional data management.

“It is completely unnecessary and an unwanted process, kind of ‘big brother is watching you’,” said Koponen.

Entertainment and apps businesses are highly competitive, with the Nordic region representing a hub for apps companies.

Koponen said that over-burdensome rules could have a chilling effect, and benefit the businesses of Europe's key competitors in the sector, in the United States and Asia.



Interlocking policy jungle needed for tech success

Interlocking policy initiatives covering education, seed funding and access to broadband are all part of the policy mix required to boost European technology start-ups, but the sector also fears that proposed data protection rules might have a chilling effect.

Underpinning Europe's successful technology regions are dedicated investment or venture capital funds designed to promote start-ups, such as the Finnish Technology Agency, Tekes, with an annual budget of €600 million and a staff of 360.

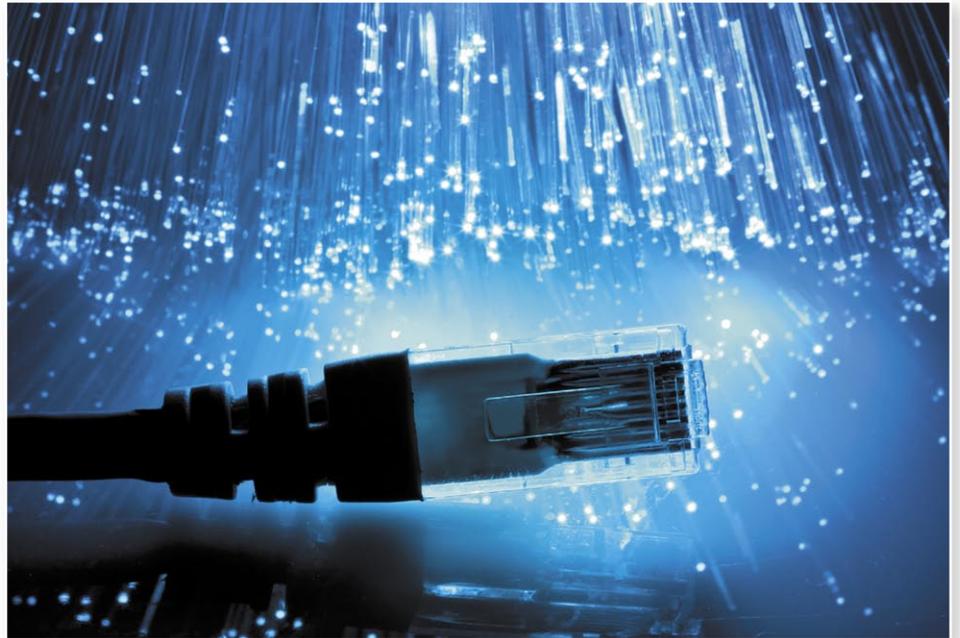
Tekes works in tandem with a venture-capital fund, Finnvera, to find early-stage companies and help them get established.

As a result, Finland has become more market- and entrepreneur- friendly, producing an impressive number of start-ups, including 300 founded by former Nokia employees.

Ireland is another tech magnet. "If you look at a heat map of start-up activity around Europe, it'd be hard to ignore Dublin," said Noel Ruane, who works in the Irish capital for US investment fund Polaris Partners, investing in seed- and early-stage technology companies.

Ruane said there was more capital available for these start-ups now than ever before, thanks to Enterprise Ireland's Competitive Start Fund, which invests in 15 seed-stage start-ups every quarter.

These work together with local "accelerators", small operators offering start-ups seed funding, including Launchpad, which Ruane founded in 2010.



It is no surprise that attempts in London to expand a technology hub to the east of the city – called 'Silicon Roundabout' – have centred on the need for a dedicated technology fund.

In a report last June, 'A Tale of Tech City', produced by the Demos think tank, the need to create new finance tools and a dedicated tech enterprise fund were amongst key recommendations.

Finance only part of the equation

Finance is only one part of the package enabling these regions to outperform others however, as initiatives such as the Baltic region's 'Startup Sauna' shows.

The Sauna attempts to push selected startups to develop to a stage of readiness to move into international markets, using coaches drawn from the region's existing talented entrepreneurs, investors and other professionals.

The twice-yearly Saunas involve preliminary 'warm-ups' across Northern Europe and Russia, with 15 winning start-up ideas selected to go forward with six weeks intensive training. The process concludes with the ideas developed into fully formed presentations ready to pitch to international investors.

It was this environment that helped propel successful companies such as

Rovio Entertainment. The video game developer behind the blockbuster Angry Birds is a leading supporter of the Start-Up Sauna. The company has raised capital from outside investors such as Microsoft, and now has 500 employees in Finland.

Harri Koponen, Rovio's chief executive officer, pointed out the policy mix required to create an 'ecosystem' in which start-ups can succeed. These include a general corporate environment in which the taxation of start-ups is sympathetic to the fact that there may be a time lag before profits materialise.

In Finland, Rovio was "undoubtedly assisted by a service-driven environment, where the company was only taxed when it started to generate income," Koponen explained.

Another factor is the impact of education policies on technology start-ups, visible in the Nordic countries where universities are encouraged to commercialise their ideas and generate start-ups, and schools are asked to inculcate pupils with entrepreneurship values.

Teaching technology in schools

At an event in Brussels examining

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how public policy is boosting the ICT start-up sector, Norwegian Education Minister Rigmor Aasrud said that the country was drawing up a new bill designed to emphasise the greater need for youth to be more exposed to science, technology, engineering and mathematics (STEM) education, in order to expose them earlier to a "technology economy".

Microsoft's general counsel Brad Smith subsequently backed up this stance when the US technology giant launched 'Youthspark', an initiative designed to raise the profile of technology amongst schoolchildren.

Policymakers are also trying to play their part in the tech boom. In a report for European think tank the Lisbon Council, published last October, the EU's Internal Market Commissioner Michel Barnier outlined a range of policy initiatives in the pipeline that designed to assist start-ups and SMEs in the technology sector.

Barnier emphasised a key signal for

start-ups was an agreement to launch a unified European patent regime - albeit between 25 EU member state excluding Spain and Italy.

Under the new system, the price paid by technology companies to protect inventions "will be reduced sevenfold," Barnier said.

Intellectual property and data protection

Intellectual property (IP) is a crucial ingredient of European policy success in the tech sector, according to Koponen.

"IP is a chance to capitalise on Europe as a hub, because on copyright it is already considered one of the world's best places. So let's make Europe fast on IP, because then there will be more developers here and there are already good schools, and this will then become a self-fulfilling cycle," he said.

Not all policies are seen to be working to the benefit of start-ups however. Notably the EU's proposed

data-protection rules, now being debated in the European Parliament, have provoked criticism from some in the technology industries.

The EU's draft data protection regime, as it stands, would hit at the hi-tech 'app' innovation market, a strong breeding ground for start-ups. "Many of these companies are actually very small, though they need to handle a certain critical number of data subjects in order to develop the apps," said one industry source who preferred not to be named.

"Placing burdensome administrative requirements on them would freeze them out of the market."

Koponen, echoed those concerns, saying small app companies lack the extra staff required to handle data.

The need to hire extra staff would represent "an unnecessary and an unwanted process, kind of 'big brother is watching you'," he said.



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