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Europe’s digital single market

Disconnected continent

The EU’s digital master-plan is all right as far as it goes

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THE European Union may have removed most barriers to physical trade, but online it remains a prime example of provincialism. Digital businesses still have to deal with 28 sets of national contract laws, adding an estimated €4 billion-8 billion ($4.5 billion-9 billion) a year to their costs. Only 15% of European consumers say they have ever crossed an EU border while shopping online. Only 4% of internet traffic from EU countries goes to online services in another European country, whereas 54% of it goes to services in America.

When Jean-Claude Juncker took over as president of the European Commission, the EU’s executive arm, in November, he made a unified digital continent the priority of his mandate, hoping to boost growth by €415 billion annually. More quickly than expected, the commission has delivered, at least on paper. On May 6th it published its “Digital Single Market Strategy”.

Much of what the commission proposes in the 20-page document would at least help. It wants to establish common rules for online purchases, integrate telecoms regulations, push postal services to offer better and cheaper parcel delivery across EU borders and reduce the burden on businesses caused by varying VAT regimes. More controversial are the commission’s plans to harmonise copyright law, in particular its plan to ban “geo-blocking”. Europeans are often barred from accessing online services in another EU country—in some cases because of copyright and other laws, but often for no apparent reason.

Yet the strategy’s most problematic section concerns “platforms”: the digital services, such as Google and Facebook, on which all sorts of other services can be built, and which have come to dominate the internet. Worried that the mainly American-owned platforms could abuse their market power, the commission says it will launch by the end of this year a “comprehensive assessment” of their role.

France and Germany already seem confident of what the result of this assessment will be. The growing power of some online giants “warrants a policy consultation with the aim of establishing an appropriate general regulatory framework for ‘essential digital platforms’,” Sigmar Gabriel and Emmanuel Macron, the German and French economics ministers, recently wrote in a joint letter to Andrus Ansip, the commissioner for the digital single market. Aides to Günther Oettinger, another commissioner with digital responsibilities, are said to have already started drafting plans for a powerful new platform regulator.

This may only be a case of France and Germany trying to bully American platform companies into playing nice in Europe—or getting Google to agree to a substantial settlement in the antitrust case that the commission is bringing against it. But the idea that *Plattform-Kapitalismus*, to use an increasingly popular German expression, needs to be reined in has become widespread in the two countries which drive most European policy decisions.

Moreover, says Paul Hofheinz of the Lisbon Council, a think-tank in Brussels, it is unclear how much the strategy will help those firms that are supposed to create most of the new digital jobs: startups. If, of the 32 internet platforms identified by Mr Oettinger’s aides, most are American and only one (Spotify, a Swedish music-streaming service) is European, that is mainly because it is harder for new firms on the old continent to scale up rapidly, and thus gain first-mover advantage in a business where that can be vital. To help startups scale up, the commission calls, for instance, for any newly established EU company to be able to expand its operations across borders and become pan-European within a month, completing all the necessary registrations online. However, it is unclear how this aspiration will be fulfilled. “The commission will further elaborate the steps necessary,” it says in a footnote.

Being able to establish themselves quickly across the continent is exactly what European entrepreneurs and venture capitalists would like to see happen—according to an unrepresentative survey of a dozen of them by *The Economist*. Also high on their wish list: making it much easier to hire skilled workers from outside the EU, to help them to grow. Most complain not so much about the level of regulation as the fact that it is different in each member state. “I’m now an expert in how to hire people in several countries. I shouldn’t be,” says Nicolas Brusson, one of the founders of BlaBlaCar, a fast-growing long-distance ridesharing service and one of the few budding technology platforms Europe has.

National and corporate interests usually ensure that much of what is discussed in Brussels goes nowhere (although the document's authors insist that, given Mr Juncker's support, there is no danger of this). That would have good and bad consequences. It would restrain ill-judged plans to swathe internet platforms in red tape. But to judge by previous efforts to create a more unified digital Europe, the sound parts of the commission's strategy would also fall victim to heavy lobbying. Not much survived, for example, of an earlier plan by the commission to create a single market for telecoms services. Proposals to harmonise the allocation of radio spectrum have not got far. Long before the EU has sorted out its digital problems, many more American platforms will have come to dominate its markets.