"Should Europe adopt an industrial policy to strengthen its telecom sector?"
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An industrial policy for the telecom sector:

- Do we have one? It's patchy, but probably not.

- Should we have one? Certainly.

- What would it look like? It cannot be a simple "copy and paste" from other regions of the world, but some ideas could definitely be imported.

Any proper industrial policy should offer the following criteria: a comprehensive and operational framework, regulatory certainty, both taking the form of incentives for the stakeholders to invest in the sector and thus contribute to the recovery of our economy. But sometimes there are contradictions between those goals and the existing regulation(s).

That is why overall, some adjustments should be made, on several layers. Let's divide the analysis between the purely regulatory and the wider, more political dimensions.

REGULATORY DIMENSION

Ex-ante regulation: initially sectorial regulations were pushed to "dismantle" (State-owned) monopolies at the end of the 90s. The main goal was to establish effective competition between the incumbents in their national markets, and new entrants who would climb the "ladder of investment" (investing in their own core network first, and progressively getting all the way to their customers, thanks to the famous "local loop unbundling"). With the review of the package (2008-2009), we faced a renewed challenge: while maintaining this level of effective competition, we were to incentivise efficient investment in Next-Generation networks (i.e: risk-sharing, increased weight of symmetric regulation as opposed to asymmetric/SMP-based regulation).

One usually uses the image of a "pie": in addition to ensuring the fair division of the old pie (the copper network), we have to make a new pie (NGA) and in the same way, ensure its fair distribution.

Thus, today's sectorial framework is a sort of mutant: it bears the initial DNA of a pure "liberalisation project", but with notable changes or "mutations". In addition to that, the list of relevant markets follows a parallel evolution path.

And currently we're faced with a new proposal from the Commission, which initially was really a "backdoor review", and a rather bad one at that (i.e putting the ladder of investment upside down through priority to virtual unbundling...). But despite its flaws, it forces us to ask ourselves some real underlying questions: where do we stand today in the debate of "consolidation versus competition"? How do we move forward from the double-objective of *effective competition and efficient investment* in 28 markets, to *effective competition and efficient investment* in 1 (European/Single) market? What is the path? Top-down wouldn't work (because everything but the regulation would still be diverging). Bottom-up is slow and uncertain. If adjustments are to be made, are we ready to temporarily lose-out on competition, or on investment?

But before moving one, let's look at the bright side: compared to other liberalisation processes in other sectors (energy, railway), the telecom one usually comes as "*the*" good case: there was a creation of wealth, it triggered innovation, and consumers saw prices fall. It didn't go the same way for energy, for example! But despite this comparatively good achievement, the telecom sectorial regulation cannot be called a genuine "industrial policy".

Ex-post regulation: competition law is the other side of regulation, where the Commission (DG COMP) enjoys a full competence. It has the (deserved) reputation of being extremely harsh, on European and non-European players alike (no "champions" allowed). You may have heard of the tensions between Commissioner Almunia and Arnaud Montebourg, French Minister for "Industrial Recovery", over the fact that the Commission's policy in that respect might be "too restrictive" and "obsessed with competition", as opposed to consolidation.

While it is true that State aid rules, which are central for that matter, were relaxed in their latest review (as Almunia rightly points out), one cannot deny the fact that DG COMP remains extremely threatening, as demonstrated by

the massive raid last July on the offices of several European incumbents (Orange, Deutsche Telekom, Telefonica...). Such attitude tends to prevent the formation of "Pan-European" operators which would have the shoulders to tackle the full European territory and stand head-to-head with US or Chinese global players.

WIDER DIMENSION

Industrial policy *per se*: the expression itself was a "no-go" for a long time; now fortunately it's coming back to the forefront. But when having a look at the European sectorial landscape, especially in the manufacturing sector (Nokia, Ericsson, etc...), there are fears that it might be too little, too late.
However, it should be noted that not every failure was due to the absence of an industrial policy; there are also responsibilities in the way some of these companies were managed, in terms of strategic business choices (the "smartphone turn", tablets, etc...). And there are also some European success stories (Gemalto...), despite the non-existing industrial policy.

In the EU, there was neither the political consensus nor the financial means to pour that much public money into network roll-out (unlike in South Korea, for example). But there is at least one (less costly) thing which could be replicated in the EU: a virtuous relationship between demand and supply, where the general demand of digital equipment and services is created by public authorities (i.e, mandated e-Education), which in turn creates a market for home manufacturers (tablets for kids, etc...). In Europe there is no trace of such schemes, because we tend to consider our main advantage as only being "the biggest market in the world". No wonder then that most national trade balances of EU countries are in the red!

Speaking of which, there was not enough thought put into two very important legs of any good industrial policy, which are trade on the one hand, and taxation on the other.

Have you ever heard our Commissioner for trade raise questions or concerns about the impact on the telecom sector of certain free-trade agreements? No. But we have for other sectors (agriculture, car-making, steel-making, etc..). Why is this?

On taxation, better late than never, we now have a parallel course between the recently appointed EU high-level group in charge of that (especially, examining the tax evasion or "optimisation" of certain bi companies, in particular Internet giants), and the OECD.

Liberalism/interventionism: the perceived role of EU policy-makers is also at stake. One example here, a dossier known as MSS (Mobile Satellite Services): a couple of years ago there was an agreement to harmonise the S-Band (2,3 Ghz) and to have a European beauty contest to select the companies which could then operate on the full EU territory. However, one of the selected operators abandoned early on, and the other noticed an anomaly on the satellite it sent to space. But it could still work pretty well. It was in the commercial phase that things got locked. Despite some interest on the part of industries, for radio navigation, or digital radio, no agreement could be found with the joint venture in charge of selling the capacity. The Commission, and, sadly, the Commissioner herself, never wanted to put her hands in the "dirt". And this January, we end up with a situation where the satellite and the capacity to operate it (the frequencies) are handed out to a US company...

Maybe a more determined action of the Commission in that dossier could have better preserved the interests of Europe and European companies.

CONCLUSION

Let me conclude by saying that the telecom/ICT sector is strategic in two ways: in itself, and with respect to other sectors. ICTs are transversal: they

are important for health, smart grids, and of course for all the services running on the net.

I'm disappointed, by the way, that in this term we didn't align the EU priorities on research, innovation and digital economy. ICTs should be used and directed to empower new jobs, the achievement of climate change goals and all our overarching political goals. To those colleagues who say that telecommunications is the old world, as today we need to speak only about the internet, I reply that you need to have networks for that to happen! It is by no means an "old-fashioned" or "corny" economic activity. I'm concerned sometimes to even hear high-level representatives of telecom companies speak in that kind of defeatist way. To the contrary, while we certainly need good policies which don't oppose sometimes artificially companies and consumers, or services and industries, we also need business leaders who can face the multiple challenges ahead.

I hope that in the next term we'll have a better conjunction of like-minded people in favour of that kind of pro-active, holistic approach (which includes a solid industrial policy), between policy-makers, business leaders, and all interested stakeholders.