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Over-regulation means more and more EU start-ups leaving for US

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Feature

To compete with the US, we need a more flexible, innovative business environment, argues Dita Charanzová.

Today, in Europe, there is a lot of talk about platforms, despite debate about what a platform actually is. Some talk about physical goods marketplaces like eBay or Amazon. Others think of digital goods sites like iTunes or Google Play. Some even talk about Twitter or Netflix as a platform.

No matter how you define it, the message from many in Brussels is that we should control them because they are the 'gateways' for thousands of other smaller companies and industries.

There is a belief that through the digital single market strategy, we can regulate platforms in order to make them work better with each other and consumers.

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This is wrong. Over-regulation does not lead to fair competition; more competition leads to fairer competition. In such a fast-moving marketplace, we do not need more regulation, particularly as it is likely to be outdated the moment it is adopted. We must instead focus on promoting the growth of alternative choices.

While we will have to create a general flexible framework for the digital world, our main efforts should be on creating an innovative, pro-business environment for European digital start-ups.

This is what I learned this summer during Parliament's internal market and consumer protection committee mission to Silicon Valley, where I met platforms and start-ups founded by Europeans there.

Despite a few European start-ups staying in Europe and some having great success, a significant number of European digital entrepreneurs are leaving for the US. They might not have left forever (many hope to come back some day), but the reason many left is for cultural and regulatory reasons.

I was repeatedly told it was the freedom to try out any crazy idea and then build a company around it that gave birth to these European start-ups in America (and Google for that matter). If it failed, so be it, there was no stigma, they would just move on to the next project.

For them, the problem with Europe is that the law does not allow this type of freedom. Instead, founding a company requires such a structured, systematic process of development that they found too costly and too long. Basically, it was not possible to get from the R&D phase into the commercial one.

In America, they found less red tape, universities who were willing to partner with them on projects and access to training on things ranging from technology to how to run a business. The emphasis was on business as opposed to academics.

This message is what I took to heart. That each of these start-ups believed that they could surpass Google, Apple or another platform if they kept on trying. Each thought they could be a platform killer, but they had to leave Europe to get the chance.

It was not a plea for stricter regulation in Europe or for more money, but for more freedom to compete within a flexible legal framework.

It was a plea for Europe and the United States, together, to create common rules and principles on data protection, cybersecurity, the internet of things and on the terms and conditions for platforms. But also a plea that once the framework is created, to let businesses do their own thing.

After my trip, I am convinced we do not need to build a European Google or to attack foreign platforms through protectionist regulation. If Google goes down, it must be because we have provided the tools for another entrepreneur to overcome the barriers to entry and to create a product which

consumers prefer to Google.

If we, as regulators, followed this path, creating international standards instead of European restrictions, there would be greater and fairer competition in the digital single market, including between platforms.

If Europe focused on reforming the education system and the bureaucracy around starting a business, technological companies and entrepreneurs would thrive in Europe.

About the author

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Research and Innovation [4]
Categories
Business and industry [5]
Science, technology and research [6]

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