Technology Industries of Finland

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TIF Recommendations for the European Data Union Strategy

The European Data Union Strategy must prioritise implementing existing regulations effectively, developing data and AI in tandem, and investing in digital transformation. This brief highlights three strategic areas: 1) Implementation of the European Digital Rulebook, 2) Building Soft Infrastructure for Data and AI, and 3) Investing in Skills and Capabilities. Lastly, aligning the Apply AI Strategy with the Data Union Strategy for maximum impact is essential, as there is no AI without data.

1. Implementation of the European Digital Rulebook

The European Data Union Strategy must critically examine all existing data- and digital legislation and focus on implementing existing rules effectively instead of creating new regulations. It is particularly important to provide guidelines for harmonised interpretation of EU regulation. The fragmented interpretations and overlaps in the current regulatory landscape hinder technology adoption.

- **Prioritise the Data Act**: The strategy should prioritise consistent implementation of the Data Act, focusing on promoting its widespread adoption and ensuring uniform advancement across Member States. The implementation of the Data Act should include support measures to ensure the possibilities of OEMs and their suppliers to use data from their products for R&D. The Commission could facilitate industrial data sharing by providing model contracts that address the protection of trade secrets and guidance to reduce friction in contract formation. It is essential to learn from the mistakes made while enforcing the GDPR. Given that the market is still in a very early stage of development, the enforcement of the Data Act must be extremely prudent to ensure that market-driven development is prioritised. Otherwise, there is a risk of losing the potential that builds European competitiveness.
- **Codes of Conduct for using personal data:** Data will only be fully utilised if the application and interaction of the GDPR, the Data Act, and the AI Act are transferable to operational activities. To fully leverage the Data Act, SMEs must be able to place their trust in third-party digital product companies to process data, including personal data, on their behalf to facilitate service provision. There is a need for scalable solutions for typical low-risk personal data use cases in the industry. Before the GDPR, this was efficiently managed using sector-specific Codes of Conduct, but creating such instruments has become too cumbersome (2-3 year project) under the GDPR Article 40. We recommend a lighter framework to clarify frequently occurring manufacturing industry scenarios for low-risk personal data. Authorities and industry bodies could draft together, and EDPS would validate model cases (lighthouse cases) intended to contribute to adequately applying the regulations in such typical industry scenarios.
- **Reduce Overheads in Data Transfers:** The EU is an export-driven economy, making it crucial for European companies to transfer operationally relevant data between all of their locations easily. Streamlining these transfers, especially for small-scale and low-risk data transfers, would help European companies remain agile. The EU Commission could conduct impact assessments for data transfers with third countries (evaluating third-country legal systems and practices) and data transfers involving significant players (e.g., Microsoft, Amazon, Google) to reduce burdens on individual companies. By centralising this process, the Commission can eliminate the redundant efforts organisations currently undertake.
- **Data and technology for burden reduction (RegTech)**: The Commission should foster the development of the regulatory technology companies (RegTech) market to aid businesses in navigating the complex regulatory environment. Create an EU RegTech Innovation Platform that brings together AI experts, regulators, and tech companies to collaborate on developing next-generation RegTech tools. Also, ensure that all future regulations will be born digital so that the companies (and citizens) can fulfil their reporting and other compliance responsibilities digitally with the help of RegTech tools.

- **Implementation of the Cyber Resilience Act:** The Cyber Resilience Act, still pending final approval, significantly increases the workload for companies bringing products with a digital element to the market. The Commission should examine ways to alleviate this burden while still maintaining a high level of product security. This could involve providing guidance and easy-to-use global standards.
- **AI in the workplace**: The initiative of regulating the use of algorithms in the world of work should be included in the scope of the Data Union Strategy as it integrally connects to the implementation of the AI Act. The first step should be a thorough analysis of the applicability and implications of the GDPR and the AI Act in the world of work.
- **No additional sector-specific regulations**: Sector-specific data regulations referred to by the Data Act are not needed at this stage. Also, the AI Liability Directive (AILD) is not required since the expanded Product Liability Directive now includes software and AI.
- **Digital Rulebook competitiveness check:** Over the next term, a comprehensive assessment of the effects of EU data and digitalisation legislation on the competitiveness of European companies should be conducted as part of the better regulation agenda. The evaluation should identify the main regulatory challenges and obstacles in developing and introducing AI-driven and other digital technologies and services in Europe. Based on this, an action plan should be created to reform or simplify regulations, ensuring European companies remain competitive globally in the fast-emerging data economy.

2. Building Soft Infrastructure for Data and AI

While data can exist without AI, there is no AI without data. All data needs to be adequately protected for confidentiality, integrity and availability. Europe needs efficient mechanisms to manage and utilise data to leverage AI fully. The operational improvements (not the innovation potential) drive companies to invest in data capabilities. Regarding adopting data spaces in the manufacturing industry, the most prominent immediate business case is the **digitalisation of the supply networks** – this is where the first successfully operating data spaces, Catena-X and SCSN, shine. In Finland, we approach supply chain digitalisation through a phased strategy, starting with real-time economy initiatives, followed by digital product passports, ultimately leading to manufacturing data space.

- **Real-time economy**: At the heart of supply chain digitalisation is the ability to seamlessly, in real-time, and securely transmit orders, e-invoices, digital receipts, and other data related to the purchase-to-pay process. This capability enhances the efficiency and competitiveness of the supply chain. Additionally, the time required to fulfil reporting obligations to authorities will be significantly reduced, as business data can be directly transmitted to official institutions such as tax authorities and statistics bureaus. At the European level, real-time economy should be developed within the Common European Financial Data Space framework.

- **Digital product passports (DPP)**: The infrastructure that supports the real-time economy within supply chains can be expanded to facilitate the movement of DPP-related data. Given its significance for the manufacturing industries and the collective data management efforts it entails, DPP should be integrated into the Data Union Strategy. DPP has been addressed as a green policy initiative in isolation, often overlooking the connection between DPP and the Common European Data Spaces. The EU must urgently implement an interoperability framework for distributed DPP systems with standardised data formats to ensure seamless data sharing within and across different value chains and data spaces from the outset.

- **Data spaces:** After enabling the data flows related to business transactions (real-time economy) and regulatory requirements (DPP), the digitalisation of supply chains can progress to support data-driven innovation. The Commission should continue supporting industry-driven data spaces and steer the implementation to align with the objectives of facilitating the implementation of the Data Act and reducing the regulatory burden in general. The success of

the Common European Data Spaces requires paying attention to data management to ensure that data is interoperable. Streamlining the data management practices across the various data spaces is crucial to ensure cross-sector interoperability.

- **Digital identity**: Digital identity infrastructure must also be widely used and available for organisations in the form of business wallets. The technical framework for deploying digital identity should ensure high security and interoperability across the EU while providing enough flexibility to adapt the identity control instruments, e.g., identity wallets, to various use cases. Complete and timely implementation of the eIDAS 2.0 is paramount.

3. Investing in Skills and Capabilities

Strategic investments are needed to harness the potential of data and AI for European competitiveness. Key recommendations include creating AI networks facilitating data sharing, leveraging the Digital Europe Programme, and promoting cybersecurity measures.

- **Link to the Apply AI Strategy:** In companies, the development of data capabilities and deployment of AI always go hand in hand. This fact should also be mirrored in the Commission's strategies and activities to fully align the Data Union Strategy and Apply AI Strategy. Furthermore, the two strategies must also be coordinated with the **Union of Skills,** as data utilisation and AI development are dependent on skilled and innovative people.
- **AI networks enabling data sharing**: Developing data infrastructure and AI capabilities in tandem is critical. Establish a co-financing mechanism to create and grow national and regional AI networks (see. AI Finland and Data Spaces Alliance Finland). Besides directly supporting AI deployment, these networks would provide national-level support for the implementation of data spaces. Where EDIHs focus broadly on digital transformation and supporting SMEs and public services across various technologies, national AI networks emphasise AI-specific peer learning, data spaces, cross-industry collaboration, and compliance with the EU Data Act and the AI Act.
- **EU Cloud and AI Development Act:** We endorse investments to enhance the advanced computing infrastructure required to train and run AI models and systems across European industries, particularly in AI verticals. This involves promoting HPC and the IaaS layer of the cloud (i.e., Europe-based data centres) and creating a common EU-wide approach to public cloud tenders. Participation in sector-specific data spaces should also be encouraged, with voluntary data contributions rewarded through recognition programs and preferential access to trained AI models. The European cloud policy should de-prioritise the SaaS and PaaS layers, as businesses generally do not need Europe-specific services. The cloud policies laid out in the Data Act suffice.
- **European digital product companies**: The Data Act makes data available to companies using connected devices. SMEs gain access to data but may lack the skills to use it. A market should emerge in Europe for companies offering digital services, e.g. Digital Product Passports, sustainability reporting and services based on data from connected devices. The Commission should take measures to encourage businesses to trust third parties with their data (see *"Codes of Conduct for using personal data"*), and funding should be provided to encourage SMEs to invest in digitalisation.
- **Continuation of the Digital Europe Programme (DIGITAL):** The Digital Europe Programme is the first funding programme of the EU focused on bringing digital technology to businesses and citizens. With a clear focus, the programme delivers results and should continue as the primary vehicle for funding the initiatives laid out in the Data Union Strategy. To attract the most impactful proposals, the programme should increase the maximum funding level to 70% (currently 50%), revise bureaucratic practices to minimise the administrative burden to companies, and consider allocating a larger share of program funding to be managed at the national level.

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- **Support the adoption of measures to manage digital risks:** Most information and communication systems are controlled by companies. It is thus crucial to support companies' ability to manage cybersecurity through policy measures. A key to this is to help adopt modern cybersecurity solutions (in line with NIS2 and CRA), partially funded by the EU, since many advanced cybersecurity solutions are on the market but are not widely used enough.

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What is AI Finland? (https://aifinland.fi)
AI Finland is a national network that brings together over 300 organizations, including startups, large enterprises, and public institutions, to promote the development and deployment of AI through peer learning and knowledge exchange. The network facilitates cross-industry collaboration, helping organizations accelerate AI adoption and address challenges collectively.

What is Data Spaces Alliance Finland? (https://www.dataspacesalliance.fi)
The Data Spaces Alliance Finland is a community of organisations building data spaces and related competencies and capabilities in Finland. The Alliance strives to accelerate the growth and maturity of the Finnish data space initiatives to boost the Finnish data economy. Members (currently 23) include companies actively building, utilising, or orchestrating data spaces, support organisations working to accelerate the adoption and maturity level of data spaces in Finland, and technology developers.

What is Technology Industries of Finland? (https://teknologiateollisuus.fi/en)
Technology Industries of Finland (TIF) represents Finnish technology industries and counts over 1,800 member companies, ranging from SMEs and start-ups to world leading MNEs. The technology industry is comprised of five subsectors: electronics and the electrotechnical industry, mechanical engineering, the metals industry, consulting engineering, and information technology. Technology industry is the most important export industry of Finland, with operations constituting over 50 % of all Finnish exports and accounting for 70 % of all private investments.