Data Protection or Exploitation: Merkel at the Crossroads

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October 21, at the eight national IT summit in Hamburg, German chancellor Angela Merkel called for “Industry 4.0” – a blueprint for linking digital technologies with industrial manufacturing and logistics. Germany's industrial production dropped at the alarming rate of 4% between July and August of 2014. Merkel envisions a future in which manufacturing is systematically digitized, analyzed, and producers are networked with suppliers and operators to offer smart, customized products and services.

When it comes to digital technologies, Germany trails behind countries such as the US, Japan, South Korea, and the UK.

The country's digital agenda has come into focus since Merkel called the Internet “virgin territory” (Neuland) a year ago. The first Digital Agenda bill was adopted in August 2014, “better late then never,” quipped Internal Affairs Minister Thomas de Maizière. The bill intends to help Germany become a world leader in high-speed data infrastructure, Internet security, and cyber-entrepreneurship.

IT has gained in Germany greater economic significance than the auto industry, according to Economic Minister Sigmar Gabriel (SPD).

However, “all the incentives the state provides may not be enough to create a climate in Germany similar to that in the United States and specifically in Silicon Valley,” said Merkel to 800 CEOs, Internet experts, and researchers, “that will require a change in the German mentality.”

Concrete Steps

Currently, Germany ranks 13th in the EU in terms of Internet connectivity. One of the top priorities of the Digital Agenda is the building by 2018 of an Internet superhighway, that is, intelligent grids and super-broadband networks through copper cables, optical fiber, and mobile LTE. The government plans to build this infrastructure in rural areas where expansion is not economically lucrative by using funds from additional mobile frequencies.

Merkel pledged not to tackle net neutrality until the grids offer enough bandwidth. She indicated to favor a solution that would allow “special services on the Internet” at “reliable” speeds, meaning, some websites will run faster than others.

The government also hopes to increase the growth rate of new tech start-ups, from the current 10,000 per year to
15,000 per year. To achieve this, Sigmar Gabriel plans to relaunch the Neuer Markt, a Stock Exchange set up in the 1990s to help the dot-com boom, and closed in 2002 after loosing nearly all of its share values. Set up with the Deutsche Börse, the new “Stockmarket 2.0” will allow tech start-ups to raise sufficient capital to expand. Gabriel also pledged a €500m fund for start-ups through 2017.

IT education was another area tackled at Hamburg’s summit. Only two states currently require computer programming in the school curriculum. “We cannot be the Amish People in the 21st century” warned Sigmar Gabriel, and called for programming to become a second language in schools.

**Big Data and Protection**

Current leaders of the IT market such as Google and Facebook are set up in the US, where data protection is lightly regulated. Merkel acknowledged that German IT companies should be allowed to use big data, especially in the health fields and for traffic congestion reports.

Due to its past, Germany has a cultural preference for strong privacy laws. Both the Nazi regime and the East German communist regime used mass surveillance to control the population. Revelations by Edward Snowden about mass surveillance conducted by the American NSA, as well as tapping the chancellor’s cell phone, heightened that sensitivity. Germany and the EU have strict data protection laws, and that is now hindering the growth of the IT sector.

Merkel is also worried about industrial espionage, and therefore pushed for data protection rules to be included in the TTIP negotiations. But for now, the EU Commission has excluded data protection from the treaty, fearing that US companies operating in Europe would bypass EU’s tougher protection standards.

New services are warranted to stop emails and other electronic communication to be routed through the US. Deutsche Post started offering secure email services to government agencies. It also launched the SIMSme secure instant messenger, a secure German alternative to WhatsApp.

So how does one offer strong data protection and allow tech start-ups unencumbered access to big data? “Anonymization” should become a German trademark, said chancellor Angela Merkel.

EuroPoint: When it comes to the economic exploitation of digital technologies, Germany is lagging behind America and Asia. Angela Merkel and Sigmar Gabriel want to position Germany as a world leader in the IT field to stimulate the economy, yet they hesitate to let the industry run free.