



REFLECTIONS FROM 'NEW EUROPE'

The EU's single market, competitiveness
and innovation potential in tech



EXECUTIVE SUMMARY

Competitiveness, innovation and Single Market are currently the main buzzwords for the European Union's thought leaders. As digital technologies continue to shape our future, an opportunity arises for Central and Eastern Europe (CEE) to take advantage of its unique capabilities and resources to position itself at the forefront of European innovation efforts.

With the new European Commission and the European Parliament, as well as the Polish Presidency of the Council of European Union planned for the first half of 2025, now is the time for innovators and consumers in CEE countries to also have a say on the EU's digital priorities, related not only to disruptive technology but also the future of the Internet economy.

The **CEE Circle for Innovation** was launched by the **Consumer Choice Center** and powered by **META**, as a collaborative platform for CEE thought leaders in digital policy to foster discussion on both national and European Union's technology and innovation policies and priorities.

Experts and industry leaders from across the CEE have gathered three times over the course of the past year to discuss the challenges faced by local businesses - both startups and more established companies - in navigating the EU's tech and innovation regulations, as well as promotion mechanisms. The experts also identified shortcomings in their countries' public administrations' operations and public-private partnerships.

Experts provided insights on:

1. The EU's tech regulatory approach, including Ursula von der Leyen's political guidelines 2024-2029, Mario Draghi competitiveness and Enrico Letta single market reports
2. CEE industry engagement in EU tech policy-making affairs
3. CEE public administrations' capacity

This report offers a concise overview of the current state of EU technology and innovation policies, as presented by experts participating in the CEE Circle for Innovation.

It also includes **actionable policy and operational recommendations tailored for policymakers, regulators, and industry stakeholders across the CEE region and the EU.**



ACKNOWLEDGEMENTS

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1. THE EU'S NEXT TECH AGENDA

Comments on the EU's recent tech regulatory approach, Ursula von der Leyen's political guidelines 2024-2029, reports by Mario Draghi and Enrico Letta

Tsunami of tech regulations over the past 5 years, time for a pause. Over the past five years, the EU has introduced an unprecedented number of new tech regulations. European policymakers, motivated by democratic principles and a focus on consumer rights, often create rules that risk stifling innovation, particularly in the field of AI. A clear imbalance exists between addressing potential risks and implementing measures to foster innovation and economic growth. This imbalance needs to be urgently addressed.

Lack of CEE representation in EU's policy debates. Mario Draghi's competitiveness report, unfortunately, included only one company from the CEE region: Bolt (originally from Estonia). This reflects a broader issue: the CEE industry is rarely prominent in EU policy debates.

Regulatory overload and uncertainty is a burden for CEE businesses. Recent EU-level regulations have created a challenging environment for innovative companies, making it difficult to understand and comply with the rules. This challenge is further compounded by the fact that even lawyers and policymakers often lack clarity about the regulations. Consequently, startups face widespread confusion about whom to consult and how to navigate the regulatory landscape.

Regulatory fragmentation and siloed oversight threaten innovation. Currently, the EU faces two major types of fragmentation: 1) regulatory fragmentation among Member States, where the Single Market is not truly unified, and 2) fragmentation among regulators on a national level, where different regulatory bodies operate in silos without considering the broader impact on innovation.

Promises to cut red tape are welcome, but policies should be judged by results, not intentions. Ursula von der Leyen's commitment to reducing red tape is a positive step, especially if Commissioners from the CEE are actively involved. However, these promises must translate into tangible outcomes. The current momentum must be leveraged to implement real, lasting change.

The EU suffers from poor or insufficient regulatory impact assessments. One of the key challenges with new tech regulations is the lack of thorough impact assessments before legislation is proposed. When assessments are conducted, they are often of poor quality, with supporting documents described as inadequate. Moreover, by the time these assessments are completed, the legislative process is typically too far along for meaningful changes, reducing the exercise to a bureaucratic formality rather than a genuine evaluation.

CEE innovators need more regulatory predictability. The core issue for innovators isn't the existence of regulations but the lack of predictability and consistency in their application across member states. Ensuring uniform enforcement of laws would provide businesses with the certainty needed to operate efficiently and thrive in the Single Market.



Recommendations for EU policy makers

1. **Consider a regulatory pause to assess the current legislative landscape and its impact on European competitiveness.** The next European Commission and Parliament should consider a six-month regulatory pause at the start of their new mandate. During this time, instead of drafting new legislation, they should focus on assessing the impact of existing regulations on Europe's competitiveness. This evaluation will help determine whether current rules effectively support economic growth and innovation.
 - 1.1 **Better assessment of the difficulty of implementation is needed.** Regulations must be designed with practical enforcement in mind. A systematic approach at both national and EU levels is essential to ensure that regulations are enforceable in the real world. This process should begin during the legislative proposal phase to prevent the creation of impractical or unenforceable rules. Each legislative proposal should include a comprehensive assessment of whether governments have the capacity to enforce it effectively. Both the European Commission and Member States must collaborate to ensure regulatory feasibility and avoid creating unmanageable burdens.
 - 1.2 **Assess how regulations - both old and new - impact European competitiveness.** Regulations, whether existing or proposed, must align with the EU's bigger goals for economic growth, competitiveness, and innovation. A "competitiveness test" should be applied to all new regulations before adoption. This would assess their potential impact on the economy and innovation landscape.

For innovative technologies, regulators should adopt a risk-based approach, for regulations to balance potential risks with economic and competitive benefits.
2. **Regulation needs to find balance between precaution and economic growth.** One of the reasons the EU lags behind global tech superpowers is its risk-averse culture, prevalent among both policymakers and companies. The EU should address this issue and not treat mitigating risks and fostering economic growth in the digital sector as mutually exclusive goals.
3. **Avoid protectionist measures in public procurement.** The updates to Public procurement directive and related regulations need to take into account the difficulty Member States' public administrations face when running digital transformation projects. The selection of vendors in public procurement should prioritize quality and price over the country of origin, provided it does not compromise the EU's security.
4. **Complete the Single Digital Market.** A fully functional Digital Single Market with genuinely harmonized regulations is essential to reversing the EU's competitive decline. CEE businesses, especially those coming from smaller markets, need a unified framework that allows cross-border companies to engage with a single regulatory body to quickly understand the path to success for compliant deployment of new technologies. The fragmented implementation of GDPR is a prime example of current challenges, where businesses face 27+ data protection authorities, each with potentially differing interpretations, creating significant uncertainty. This fragmentation must be resolved at the EU level.



2. CEE INDUSTRY

Engagement and CEE representation in EU tech policy making affairs

CEE companies are not following EU-level decision making closely. Most businesses in the CEE, particularly small and micro-companies, remain disengaged or unaware of EU regulations, until they are implemented on a national level and start directly affecting them. Larger companies tend to be more involved due to the risks of non-compliance, while smaller ones often depend on associations or government bodies to represent them.

The startup ecosystem is disengaged with policymaking (until it starts affecting them). Startups in CEE tend to focus on developing their products and managing regulatory challenges as they arise, without much engagement with broader governance or policy-making processes unless directly impacted. Usually, startups either adapt or consider relocation if compliance becomes too difficult. Very few European large scale ups and unicorns engage proactively in national and European-level policy dialogue, although they have resources to do that.

Lack of practical CEE business representation on the EU level. There is a noticeable lack of representation from the CEE region in key EU-level associations. Various stakeholder dialogue initiatives in the region are often short-lived and fragmented, with various groups working independently rather than in collaboration. This disjointed approach leads to inconsistent progress and lack of clear messaging for policymakers and regulators.

Suggestions for CEE businesses

1. **CEE businesses should monitor the EU-level decision making more closely.** Companies across all maturity levels should invest in tracking the EU's policy agenda to stay informed and to alert local policymakers in a timely manner.
2. **CEE business associations need better representation at the EU level.** Existing associations should increase their presence in Brussels and collaborate with like-minded organizations regionally to benefit from greater scale and influence.
3. **Unicorns' opinions matter.** The examples of Germany's Aleph Alpha and France's Mistral addressing the limitations of the draft AI Act last year should inspire large scale-ups and unicorns from CEE. Both national and European policymakers are eager to engage with 'European champions.' It's time for CEE unicorns and scale-ups to collaborate and invest in EU-level policy dialogue.
4. **Reinventing the wheel is not advisable - focus on niche areas.** Startups, just like policymakers, in the region should avoid trying to replicate Silicon Valley. Instead, they should focus on carving out a niche within the European market. By leveraging their unique strengths rather than competing directly with US tech giants, CEE startups can achieve sustainable success.



3. CEE PUBLIC ADMINISTRATIONS' CAPACITY

Need for more manpower, engagement and coordination

Lack of administrative capacity and AI/IT skill set in CEE's public administrations. Most CEE public administrations struggle to engage with and implement complex EU regulations due to limited administrative capacity and expertise. Public administration bodies, both at the policymaking and regulatory levels, in the CEE region are often understaffed and under-resourced compared to their Western European counterparts, leading to weaker representation in EU decision-making processes. The shortage of AI and IT talent within public institutions exacerbates the issue, as higher salaries in the private sector make it challenging to attract qualified specialists. Consequently, this hinders the ability to make informed and timely regulatory decisions.

CEE policymakers are often observers, not active participants. EU tech regulations are not a priority for many CEE policymakers, as short-term political agendas frequently overshadow engagement in EU-level policymaking and regulatory development. There is also a noticeable lack of effective communication and confidence in articulating national positions at the European level.

Too many priorities lead to a diluted impact. At both the EU-wide and CEE levels, having too many policy priorities - particularly in innovation promotion - often leads to diluted funding and reduced impact on developing a strong and competitive industry. Many countries in the region have multiple innovation promotion and specialization strategies but struggle to implement them effectively. There is often no clear decision on which specific areas, such as AI or cybersecurity, should take priority.

Regulatory fragmentation and/or lack of horizontal skills among regulators. Regulators in EU Member States, including those in the CEE, often operate in silos, leading to unclear and inconsistent guidance for local businesses. Moreover, many regulators lack the manpower and expertise needed to provide timely and comprehensive support to businesses.

Recommendations for CEE policy makers and regulators

1. **Ensure better collaboration mechanisms between Brussels and national capitals, and strengthen EU policymaking capacity.** CEE countries should strive to ensure better collaboration between Member States' representatives in Brussels and the capitals. Significant investments need to be made to ensure the collaboration between them is smooth and timely. This could be achieved by increasing staff capacity at permanent representation offices in Brussels, as attachés are often assigned multiple responsibilities, limiting their ability to specialize in specific policy areas. Additionally, allocating EU-level policymaking generalists to ministerial departments responsible for digital policy could further enhance coordination and expertise.



2. Rethink public administrations' modus operandi.

- 2.1 **Centralization and establishment of digital ministries.** CEE countries should take inspiration from Poland and Slovenia and consider creating dedicated digital ministries to streamline and centralize policymaking and implementation, ensuring a coherent approach to digital transformation. It is crucial for political parties to initiate this process before signing coalition agreements, as balancing coalition powers could become a significant obstacle.
- 2.2 **Amplify CEE's tech diplomacy.** CEE countries should look to Denmark's example by establishing Chief Tech Ambassador roles in their respective governments. This would address the representation gap on various international platforms, often left unfilled by public servants or politicians due to time constraints.
- 2.3 **Enhance municipal digital maturity.** Policymakers in CEE countries should address knowledge gaps across various administrative units, such as municipalities. Ukraine's digital maturity index for municipalities could serve as a model for CEE countries, providing a framework to evaluate progress and capacity in digital transformation and to address existing challenges effectively.

3. Empower CEE public sector employees.

- 3.1 **Liberalize IT talent hiring and go easy on the 'optics'.** Public servants responsible for digital policy in CEE are often overworked and under-resourced. Hiring tech talent is complicated, as it is a scarce resource, and competition with the private sector is nearly impossible. CEE governments must ensure that public sector employees have the knowledge and tools to manage complex digital projects effectively. Internal advisors could serve as a bridge between the tech industry and policymakers, helping design regulations that better align with technological realities. IT talent is a scarce resource and CEE public administrations need a mindset shift to enable local tech experts to contribute to public service more flexibly.
- 3.2 **Upskill at scale, broadly.** CEE countries should prioritize large-scale digital policy upskilling for public sector employees, including diplomats, public procurement professionals, and strategic management specialists who are partially involved in digital transformation projects or representation.
- 3.3 **Maximize the potential of GovTech Accelerators for public innovation.** CEE policymakers should support the creation or expansion of local GovTech accelerators to bridge the gap between public administration needs and technological innovation, fostering collaboration between startups and public sector entities.



4. **Ensure better collaboration between the regulators and invest in horizontal skills.**

4.1 **Better cooperation between regulators or consolidation is needed.** CEE policymakers should work on discontinuing fragmented approaches to regulation, with multiple regulators managing different aspects of digital policy (e.g., privacy, competition, DMA), resulting in inefficiencies. A more unified approach, whether at the national or European level, would streamline regulatory processes and enhance enforcement effectiveness. Consolidating budgets and expertise into a single digital regulator could improve efficiency and create a more cohesive regulatory environment.

5. **CEE cooperation needs a new, practical boost.**

5.1 **Build (strong) like-minded coalitions.** Building coalitions among like-minded countries in tech is important not only within CEE but also with tech-savvy regions like the Nordics. By forming alliances, CEE countries can strengthen their voice in Brussels and ensure that their interests are heard in critical policy discussions. While many separate collaboration formats exist, the coalition agendas on a political level are rarely ambitious enough to effectively cut red tape, provide timely alternative agendas, and country representatives from permanent representation offices to the EU are rarely involved and aligned amongst each other. Governments in the region often underestimate their potential and fail to assert their needs effectively. With upcoming CEE presidencies, there is a unique opportunity for the region to lead and influence EU policies that better support innovation.

5.2 **Think globally, represent locally.** CEE countries' representatives need to find a better balance between national and European interests, similar to how some Western European countries manage to align their goals. CEE representatives must resist the tendency to fall into the "Brussels bubble" and should advocate more strongly for their own region.

5.3 **Mirror Draghi & Letta reports and invest in reflecting unique challenges and perspectives of the region.** CEE policymakers should adopt the best practices of the EU and certain Western European countries by investing in detailed, recurring, and aligned analyses of innovation, competitiveness, and broader policy needs to address the specific challenges and requirements of CEE industries.

5.4 **Commit to reoccurring formats for the CEE's digital ministers.** Consider establishing formal commitments for digital ministers from CEE countries to participate regularly in tech policy discussions. This could include organizing regular ministerial luncheons or workshops within existing political formats such as the Transport and Telecommunication Councils, D9+, the Three Seas Initiative, the Digital CEE Coalition, and others.



- 5.5 **Empower know-how sharing between the CEE digital attaches in Brussels.** Consider organizing networking events for digital attachés from CEE countries in Brussels to foster collaboration and knowledge sharing, thereby enhancing the CEE region's representation in EU tech policy discussions.
- 5.6 **Create platforms for CEE public servants upskilling.** Consider studying Ukraine's CDTO campus and establishing a CEE-wide public sector upskilling academy for CEE countries' public sector employees. This initiative could bring selected public sector employees together annually to receive training on the latest tech trends, governance practices, and regulatory issues.
- 5.7 **Pool resources for CEE representation at major global tech events.** While CEE countries are not only allies but also competitors, pooling resources and launching collaborative events or initiatives at major tech conferences is a pragmatic approach. This strategy would not only save resources but also create more opportunities to attract focused investors and capture the global tech community's attention, both to the region as a whole and to individual countries.
- 5.8 **Involve CEE's journalists.** Include tech journalists in discussions and upskilling formats to enhance public understanding of complex regulatory issues and tech strategies, while keeping them informed with the latest news and insights.

