



CEA

Croatian Employers' Association



ICT Association of Slovenia



IT Asociácia Slovenska



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CEE Digital Coalition recommendations on improving the EU's competitiveness

1. Introduction

As the CEE Digital Coalition, an entity composed of leading ICT trades in Central Eastern Europe, we are committed to building a competitive and innovative digital economy in Europe and a prosperous, safe, modern society in our region. The upcoming Polish Presidency of the Council of the EU provides an opportunity to advance these goals that we believe are shared by the Polish Government and the EU.

The EU's need to strengthen its competitiveness is one of the most important points of focus for its leaders¹. Past Council Presidencies have included working on solutions to this undeniably important problem. The Belgian presidency underlined the need for a simplified regulatory framework. The Swedish Presidency (H1 2023) wanted to continue providing the best conditions for an open economy based on free competition and successful digitalisation while recognizing the importance of the EU Single Market. The Spanish Presidency (H2 2023) aimed to protect the strategic industries and to expand and diversify the EU trade relations. Also, the current Hungarian Presidency has set out competitiveness

¹ EU leaders call for strengthening the EU's competitiveness - European Commission (europa.eu), https://commission.europa.eu/news/eu-leaders-call-strengthening-eus-competitiveness-2024-04-19_en

as one of its main priorities under the New European Competitiveness Deal which aims to establish a technology-neutral industrial strategy to boost European productivity, an open economy, international economic cooperation and a flexible labour market.

The reports commissioned by the Council to Mario Draghi and Enrico Letta focus on the issue further and aim to provide more ideas to address it. We believe the Polish Presidency can and should lead in providing a solution, especially in aiming to boost the adoption of technology and innovation. We would like to outline several areas and solutions that might be included in the Polish Presidency's priorities in the area of strengthening competitiveness in the EU. Those include increasing funding and facilitating access to capital for startups, simplifying regulatory framework, enforcing institutional tools supporting the single market, and strengthening international alliances and cooperations.

2. Our recommendations

Fostering innovation and digital services by embracing openness in innovation

Europe noticeably lags in major technological areas such as cloud computing, AI, or advanced computing systems based on quantum technologies. The US surpasses Europe in the field of technology investments over five times. American companies have a combined valuation of \$46 trillion, more than double that of their European counterparts, at the level of \$21 trillion². These disproportions lead to the competitiveness gap, posing various risks, including geopolitical ones. Tech companies have demonstrated a significant commitment to investments in data centres – without which the development of cutting-edge technologies could not be feasible. The share of American capital is estimated at USD 597 billion in ICT infrastructure and cloud solutions within Europe. If Europe wishes to reclaim its position as a global leader in innovation, it is indispensable to leverage these investments.

Adopting an open approach to innovation, especially in the field of AI, would be another way of enabling Europe to harness the benefits of innovation more effectively and at a lower cost. Open source offers developers and organisations, who would otherwise face considerable costs linked to the development of their own models, state-of-the-art AI assets that are free to use. In that way, openness creates significant opportunities for EU startups which would benefit from newly emerged inventions without excessive burdens, also from the financial standpoint. Securing unhampered access reduces barriers to digital technologies, empowering SMEs, researchers, and academia to contribute to and scale up innovation, as multifold cooperation and transfer of knowledge is essential to boost innovation.

Moreover, due to its open and collaborative nature, open-source software is deemed safer and more secure as it allows more users and developers to identify and address potential issues, thus strengthening AI systems. Adopting such an open approach to innovative tools can attract talent to Europe interested in the field of open science and speed up innovation development. It could also benefit the EU citizens directly by democratising access to technology, minimising disparities between different geographies and demographics. Europe should view countries sharing the same vision and companies oriented in this way as partners in the process to encourage the sharing of the latest AI developments for the sake of facilitating learning and growth, as well as the building of an inclusive digital ecosystem.

² Europe, Tech and War, Oliver Coste (2023)

Collaboration among diverse stakeholders—including public administrations, researchers, academia, and the private sector—is essential. This cooperation should focus on reducing regulatory hindering for local innovative companies and partnering with international technology firms to share products and research findings, providing everyone with the tools to grow. Efforts must be made to ensure that EU citizens can use AI solutions responsibly and safely. Yet, these measures should not stifle innovation - they should be carefully designed to enhance open innovation and bolster Europe's competitiveness in the global market.

Regulatory reform – simple and coherent framework taking economic outcome into consideration

In a rapidly changing digital economy market, the ability to quickly scale a business is one of the main competitive advantages the EU could provide for digital startups. However, today, this is almost impossible. Compliance costs for businesses, including small and medium enterprises, have unduly increased. Even with the attempts to standardise regulation in the EU, startups are still required to navigate through multiple jurisdictions, face overlapping legislation, and sometimes deal with contradictory regulations. According to the European Tech Alliance, tech companies in the EU spend up to 30% of their resources on compliance instead of innovation. Supporting the growth of the private sector, including SMEs, by rationalising the regulatory regime is essential for Europe to regain its competitiveness. Given that SMEs are the backbone of the European economy, their sustainable growth is crucial for overall economic health.

It is private companies, both European and non-European, that invest in European assets and people, which will make this happen. This is true across industries, and particularly so in the context of the DSM: investment in digital infrastructure, communication networks, devices, and online services and content are all provided overwhelmingly, or exclusively, by the private sector.

The EU must take a new systemic approach to digital single market regulation. We must evaluate the existing framework and ensure the regulations are cohesive instead of competing or redundant. The existing laws should have the chance to take effect, and the outcome should be examined before implementing new rules. Looking ahead, the EU needs to embed a more economically literate outlook into regulation. Specifically, a competitiveness test should be included in impact assessments for future legislation. The idea of a coherent, predictable, and simplified regulatory framework was a part of the Belgian Presidency's priorities. We believe Poland can continue exploring that road and include the aforementioned points.

Institutional reform – connecting national regulators with central authority, tying competitiveness with enforcement

Changing the letter of the law is not sufficient in itself. Institutional reform must be implemented as well. For Europe to succeed, more must be done to synchronise regulations which are increasingly fragmented on the ground and to create a European capital market, to spread risk and finance small firms and entrepreneurs to help with scale and deployment of innovative technologies such as AI.

Standardised EU regulations need to consider the reality of the Member States - where they will be functioning - but they should not result in a conflicting and overcomplicated system for entities operating in multiple EU countries. We need a reform, and we believe it should lead to a two-tier approach. One of the solutions might be to provide a platform for national regulators to cooperate with centralised EU authorities. This would allow the EU to have constant and functional oversight of the entire legal

landscape and open up the market for digital companies. The other pillar must be the recognition that enforcement and competitiveness need to go hand in hand and need common, coherent oversight, perhaps in the form of an overarching new competitiveness and enforcement entity, in order to ensure that what the EU implements contributes to its competitiveness goals. A competitiveness impact assessment is needed for any new regulation being put in the EU books, otherwise Europe risks remaining a norm setter, rather than a leader in competitiveness and innovation that recognises the impact of regulation on the broader economy and takes competitiveness as one of the key considerations when deciding to regulate.

In his report, Enrico Letta rightly points out that securing the integrity of the single market is another crucial element of effective reform. At present, the identification of serious violations is impeded by insufficient reporting and monitoring infrastructure, which is made worse by the underutilization of accessible resources. The EU needs to spot major infringements faster and ensure that the infringement procedures are launched in all those cases.

Promoting global partnerships, underlining the uniqueness of the European market and strategic autonomy, and putting innovation policies first

International cooperation and securing economic independence are not mutually exclusive. Europe's strategic autonomy can and should continue to be built with open and foundational building blocks from providers of digital inputs at global scale, which European businesses value and use every day, subject to clear, predictable and manageable norms and rules of engagement. For example, the Spanish presidency aimed to protect the strategic industries and expand and diversify the EU trade relations. It is impossible to overestimate the importance of international cooperation and competitiveness, especially for the CEE region, which is a thriving centre of innovation and technical advancement.

For our shared prosperity and security, we must forge strong collaborations with important global entities and fortify our transatlantic ties. A key component of this project is a calculated investment in digital infrastructure, which strengthens Europe's position as a major player in the digital global economy while also enhancing our competitive advantage. Europe needs to put innovation policies first, otherwise it risks missing out on the opportunities presented by the development of new technologies and falling behind in the bid for becoming a competitive and attractive market for businesses and innovators.

We seek to pursue a competitive strategy that positions the EU at the forefront of the digital age rather than at the forefront or norm setting, guaranteeing our economic resilience and leadership in the global arena by using the innovative potential of the CEE and pushing for a more connected and technologically advanced Europe.

3. Conclusions

Our key message is clear: we need to remove the obstacles preventing digital companies from fully utilising single-market possibilities while creating tools to ensure the regulatory framework will support startup development and scaling instead of multiplying compliance costs. In order to achieve this, Europe needs to change its approach and move from championing norm-setting to becoming an innovation champion.

We call upon the Council to collaborate closely with industry leaders, leveraging our insights and expertise, to enact legislation that supports cross-sectoral integration, bolsters cybersecurity, enhances digital education, promotes innovation, and ensures a sustainable and inclusive digital transition. We invite Poland to pursue the goals of open strategic autonomy and digital single market, thus bringing a prosperous vision of Europe's digital future to life.

AAVIT - Association for Applied Research in IT (Czechia)

American Chamber of Commerce in Bulgaria (Bulgaria)

ANIS - Employers' Association of the Software and Services Industry (Romania)

APDETIC - Association of Producers and Dealers of ICT (Romania)

Digital Poland Association (Poland)

DNA - Digital National Alliance (Bulgaria)

HUP - Croatian Employers' Association (Croatia)

INFOBALT (Lithuania)

ITAS - IT Association of Slovakia

ICT Association of Slovenia (Slovenia)

ITL - Estonian Association of Information Technology and Telecommunications (Estonia)

IVSZ - IT Association of Hungary (Hungary)

SAPIE - Slovak Alliance for Innovation Economy (Slovakia)