

IS V4 READY TO SURVIVE THE NEW TECH REGULATIONS?

EU ministers [met](#) in Brussels on 25 November to approve ambitious new rules for The Digital Services Act (DSA) and its sister proposal, the Digital Markets Act (DMA), which aim to regulate gatekeepers, such as Google, Amazon, Facebook, and Apple, all enterprises with significant economic power across EU countries. The rules of the DSA, if adopted, would cover everything from content moderation to online advertising and algorithm transparency, while the DMA would set ground rules, such as allowing businesses operating on its platforms to access the data they generate, allowing third parties to interoperate with the gatekeeper's service, and prohibiting anti-competitive behaviour. Recently, the European Commission published the results of the new Digital Economy and Society Index ([DESI](#)) providing us with relevant new data to assess the countries in the region, and see how these regulations might affect them. V4 countries are full of potential but rank below the average of the EU 27 in DESI and are considered emerging and moderate innovators [according](#) to the EU Innovation Scoreboard, all of which is a euphemism for describing countries that are lagging behind.

Regulations might have unintended consequences

Strict technology regulation can create an unfavourable business environment for Big Tech companies expanding in the region. Many argue that regulating these companies can have unintended consequences for start-ups and SMEs. These often rely on larger companies to scale their businesses. Regulating Big Tech is not a bad idea for Europe, although the Visegrad countries are still finding their voice in innovation and might not be able to afford the consequences of the proposed regulations, it is not sufficient to look only to the legislative side for a solution.

Innovation is not quite on the desired level

The regulation can put barriers in the way of development, which is a problem, due to the SMEs' reliance on large enterprises to scale and the poor performance of the Visegrad countries in innovation and digitization. Startups and less digitized firms in the region are [dependent](#) on BigTech corporations like Google, whose presence in CEE is crucial for companies looking to scale up. They use the gatekeepers' platform for business purposes like [sales](#) and marketing as well. The proposals might reduce incentives for BigTech firms to provide innovative products and services to European businesses and consumers. Google also [indicated](#) that features used in the company's Maps services might be phased out across the EU if the Commission introduces bans against certain forms of the platform economy. This was a year ago, and the proposals have evolved a lot since then.

Some nations have expressed fears that SMEs would be swamped with red tape, which is not too incentivizing in a region of emerging countries. The innovation ecosystem is very fragile in the Visegrad countries. Most of the existing companies are non-innovators without a disposition to innovate. Human capital also cannot be considered a strength of any of the V4 countries according to almost all indicators. There are serious issues concerning digital skills and the job-to-job mobility of human resources in science and tech. Moreover, the low level of attractiveness of the research system and the lack of employment in innovative enterprises are major challenges concerning the state of innovation in V4 countries. The integration of digital technologies remains low compared to the EU average and they have relatively weak performance in digital public services as well.

Despite the challenges, the birth of new enterprises is outstanding, [except](#) for Czechia. Foreign investors are interested in Poland and Czechia more than in the EU in general, but mainly due to the sharp decline in interest towards other EU countries. All Visegrad countries

have an above or almost average share of ICT graduates, which gives hope for the next generation of startups. The legislation might create barriers to innovation and digitization; however, the rapid digitalization has led to a few large platforms having influence over the digital ecosystem and acting as private regulators. Europe needs a new legislative framework that protects consumer privacy online while ensuring a fair environment for online platforms.

B2B collaboration to the rescue

The solution to tackling the challenges is not only in the legislation. Innovative firms in V4 are not collaborating with others, according to the EU Innovation Scoreboard. If collaboration in B2B relationships flourished, countries in the region would not be exposed to gatekeepers and could survive more regulation despite the fragile state of the innovation ecosystem. Even if the BigTech lobbyists' opposing views on the DSA and DMA provisions are not taken that seriously, the collaboration between incumbent SMEs and startups - instead of BigTech - is becoming inevitable. The innovation potential can be critical if companies and startups combine their complementary skills. Access to new technological solutions and ideas for solving business difficulties and a climate that supports the cultural transformation of businesses could be shared and captured through this collaboration. It could be a solution to address the lack of disposition to innovate and to tackle the possible negative impacts of the Digital Services Act and its sister proposal, the Digital Markets Act, that are aiming to regulate gatekeepers.