

The Transformative Power of Digital

Central and Eastern Europe's leap towards greater prosperity, innovation and resilience



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Executive summary

The COVID-19 pandemic has had a profound impact on our economies, workplaces, and daily habits, as well as international relations. It has put a damper on globalisation and accentuated global rivalries, bringing with it an increased sense of vulnerability. However, like every crisis, it has also ushered in unique opportunities by greatly accelerating digital adoption. The countries of Central and Eastern Europe (CEE) now have an opportunity to make a true leap in digital development. The following context should guide digital policy choices, regional and transnational cooperation.

Digital transformation

Digitalisation has the potential to become the impetus for the economic growth and development that the CEE region needs. While the positive effects of digitalisation have already been quantified, the CEE should and must strive one step further towards true digital transformation. Digital transformation is a cultural change that requires organisations to empower employees, continually challenge the status quo, experiment, and become comfortable with failure. Digital transformation is a process that changes the entire business model of companies, integrates digital technology into all areas of a business, transforms how they operate, and creates the perfect environment for enabling innovation.

Capabilities

To secure the digital future, the region also needs to have the capabilities to get there. Investment in connectivity is essential, and data sharing across the region should be enabled. Interconnected regional data centres should be built and the interoperability of the data ensured. These elements are combined in the idea of the 3 Seas Digital Highway. What is more, the growth of the entire digital ecosystem of Central and Eastern Europe has to be boosted through international and interregional cooperation based on a shared and comprehensive understanding of the transformative role of digital technologies in contemporary society and economy.

Cybersecurity

It has become clear that the unprecedented reliance on digital infrastructure and the digital transformation hastened by the coronavirus pandemic require both individual and corporate users to adapt their online behaviours and cybersecurity measures accordingly. This was necessary even before the pandemic, but the COVID-19 crisis simply made it more urgent and pressing. Cybersecurity needs to become an underpinning value for every digital venture, from smart factories to the educational curriculum. It is the sine qua non of the successful digital transformation of the CEE and Europe as a whole. Therefore, cybersecurity by design has to be embedded in all infrastructure development projects in the region, regardless of the sector to which they belong.

Regional cooperation

Enhanced regional cooperation of CEE countries is a requirement for turning digital transformation into a reality. Regional cooperation is the key to ensuring a vibrant digital environment where technology visionaries can look for ways to implement their ideas for the common good, innovative enterprises can thrive, and new cutting-edge technologies are being applied to the advancement of social functioning. For that, a common understanding of norms and values embedded in cooperation on shared norms, standards, objectives and investments is a must. The three Seas Initiative, now bolstered by the Three Seas Initiative Investment Fund, provides an invaluable opportunity for further strengthening of regional as well as transatlantic ties.



Open Strategic Autonomy

Europe has thrived in the environment of open and free trade, and European companies are well integrated into the global economy and global value chains. Changing geopolitical realities and the current pandemic, in particular, have also exposed Europe's vulnerabilities in ensuring a supply of critical goods and services. Central and Eastern European countries have benefited immensely from globalisation in the transition from planned to market economies. Maintaining openness is of key importance to CEE countries which lack large domestic markets. The concept of Open Strategic Autonomy (OSA) reflects the EU's desire to chart its own course on the global stage, to build its own capacities, shaping the world around us through leadership and engagement while keeping an open economy.

Transatlantic partnership

The emerging multipolar world will be much more unstable. At the same time, we are faced with the reality that Europe's weight in the world is shrinking. This report argues that the digital transformation

and innovation of CEE and Europe as a whole will be made possible only if Europe remains open to new technologies and digital solutions and harnesses the transatlantic partnership. There is much to be gained for both sides from close transatlantic co-operation and joint leadership centred on multiple aspects of digital technologies.

The resilience of CEE = The resilience of the EU

As the EU's gateway to the greater Eurasian continent, CEE is particularly exposed to external pressures that take many forms. The region remains of crucial geopolitical importance for the EU and its transatlantic Allies. The resilience of the EU depends on the resilience of the CEE region. Therefore, it is imperative that the region, firmly embedded in the EU, makes the leap to a digital future.



Introduction

The COVID-19 pandemic has had a profound impact on our economies, workplaces and daily habits, as well as international relations. It has put a damper on globalisation and accentuated global rivalries, bringing with it an increased sense of vulnerability. But as with every crisis, it has also ushered in unique opportunities by greatly accelerating digital adoption.

In the arena of international relations, the pandemic has further highlighted the underlying trends towards greater geostrategic rivalry and instilled a sense of urgency in the EU's debate on its role in the world. The meaning behind the concept of European strategic autonomy (and digital sovereignty) is now hotly debated in the EU. While there are calls for protectionist measures, the majority of EU Member States resist such tendencies. A joint statement by 15 EU Member States in March 2020 called for the EU to “maintain and develop the rule-based multilateral trading system that promotes open, fair and sustainable international trade” and that the “principle of free movement of data should also apply in relations to our trade

partners.”¹ More recently, in March 2021, the leaders of eight EU Member States addressed a letter to European Commission President Ursula von der Leyen, calling for the preservation of open markets and for the strengthening of global cooperation and the external trade dimension.² Although there is no coherence among the Member States on policy or a set of objectives for it, one thing is clear – the EU's global role will ultimately be shaped by its internal resilience, coherence and economic strength.

¹ Permanent representation of Finland to the EU, Brussels. (2020). Strengthening the economic base of the EU. Retrieved from Current affairs. Joint statement: https://finlandabroad.fi/web/eu/current-affairs/-/asset_publisher/cGFGQPX-L1aKg/content/joint-statement/384951

² Letter on digital sovereignty. (2021). Europa portalen. Retrieved from https://www.europaportalen.se/sites/default/files/letter_on_digital_sovereignty_-_final.pdf

The countries of Central and Eastern Europe (CEE) play an important role in this regard. The CEE region was and still remains particularly exposed within the EU. Firstly, because it never caught up to the rest of the EU in terms of its economic development and, secondly, because of the geopolitical realities of the European continent. Consequently, CEE should strive towards closer cooperation. A resilient CEE region will make the EU more resilient; it will unequivocally contribute towards the EU's internal coherence – a necessary precursor if the EU wants to be a global player.

Economic and social development is necessary to make CEE more resilient. The region now has an opportunity, in part brought on by the COVID-19 pandemic, to make a true leap in digital development. This can only be achieved through digital transformation. Policymakers should consider bringing more public services online, creating a digital ecosystem in which individuals and businesses can thrive. A vibrant and advanced digital environment in the region will be key to unlocking the true potential of digital transformation. More investment in the digital sector is needed, not only in individual countries but among and across the entire region. It is the only way to overcome particular challenges pertaining to small internal markets, the security challenges and the geopolitical reality. Regional cooperation within the Three Seas Initiative and other fora can maximise the benefits while at the same time dispersing the risk of failed investments. The Three Seas Initiative Investment Fund, which is also strongly supported by the United States, is a valuable mechanism for ensuring that investments into CEE's energy, transport and digital infrastructure start materialising.

Beyond the investment mechanism, the transatlantic partnership is crucial for the region, as well as the EU, and needs to be harnessed. While the EU is an economic and normative power today, its economic weight and importance are projected to decrease significantly in the coming years. Most influential global players will ultimately set the future global rules and standards on privacy, Artificial Intelligence (AI) and other digital technologies. These standards and rules should safeguard the EU's values, fundamental rights and security, and be socially balanced. Therefore, it is high time to further strengthen the bonds with like-minded countries, particularly our transatlantic Allies, to ensure that



Transatlantic cooperation is the best and possibly the only way to protect our values.”

together, we maintain the power to shape the normative rules. It is in our common interest to make sure that we are the architects of the future digital norms and that these are designed on the basis of our democratic values. This will be vital in a world in which autocratic governments use technologies to control their citizens by limiting their rights and liberties. Transatlantic cooperation is the best and possibly the only way to protect our values. On issues of digitalization a good starting point would be the EU-US Trade and Technology Council, which could provide a forum for initial discussions on the evolution of the common norms.

This paper first tackles the importance of economic digital transformation as the next engine of growth for CEE while also being necessary and unavoidable in order to remain competitive and relevant. The second part deals with the setting up of a digital environment for digital transformation (economic, societal, security, etc.) in CEE to succeed. Advanced and cross-border infrastructure, secure digital ecosystems and enhanced regional cooperation will make CEE more resilient and assertive when it comes to economy and policy-making. It also addresses cybersecurity, which has to be considered a top priority for the region's digital development. The third part is focused on the central role of CEE from the geopolitical perspective and tackles the question of Russian and Chinese interests in the region.



Digital Transformation and the Economy

The COVID-19 pandemic has brought a great deal of hardship to people, particularly those directly affected by the illness, and put a lot of stress on economic and political systems. It has also accelerated certain trends that will reshape our economies and the ways we do business. There may be opportunities coming out of the COVID-19 crisis, especially for CEE, which can skip a generation in the development of the digital economy and remote working.

The post-COVID recovery of CEE needs to drive the region towards digital transformation, and the way we achieve that is by creating an enabling business environment.

The state of play of the CEE economies before COVID-19

Economic growth in the Central and Eastern European (CEE) countries was slowing down even before the current pandemic. The factors that had fuelled it in the past thirty years were beginning to weaken. The growth of traditional industries, labour-cost advantages, high integration into global value chains and foreign direct investment as the main channel for innovation and technology transfer³ to these countries are losing steam. Labour productivity, an indicator for economic development, remains low compared to Western Europe. In addition, the capital stock, an important measure of the convergence of different regions, is still 60 per cent lower in CEE than the average for the EU Big 5, reaching only one third of the pre-Brexit EU average. The inflow of EU funds to CEE, an important driver for development, is also likely to slow down after 2020.⁴ The region urgently needs new impetus for development. The pandemic revealed the limitations of the existing

growth model, exacerbating the risk of brain-drain from the region and demographic changes that countries face today. Without new drivers of economic growth, the CEE countries are at risk of getting stuck at the lower end of global value chains, providing low-cost manufacturing and support services to companies in larger economies.⁵ For a prosperous future, a move to a knowledge-based economy and higher-value sectors is essential.⁶



Only 17 per cent of SMEs have successfully integrated digital technology into their businesses.”

The effects of COVID-19 on CEE economies

The COVID-19 pandemic has further amplified certain weaknesses of the CEE economies. It has seriously disrupted the trade of intermediate goods and services as well as the auxiliary logistics industry. The supply networks on which the economies of the CEE countries strongly depend were thus left in jeopardy.⁷ Small and medium-sized enterprises (SMEs), the lifeblood of the European economy, were particularly hard hit.⁸ The pandemic and the measures to contain it slashed their revenues, while access to credit became more difficult and

³ Gorzelak, G. (2020). The eastern horizon – a regional perspective. Retrieved from European Investment Bank. Media Centre. Stories and essays. Essays.: <https://www.eib.org/en/essays/eastern-horizon>

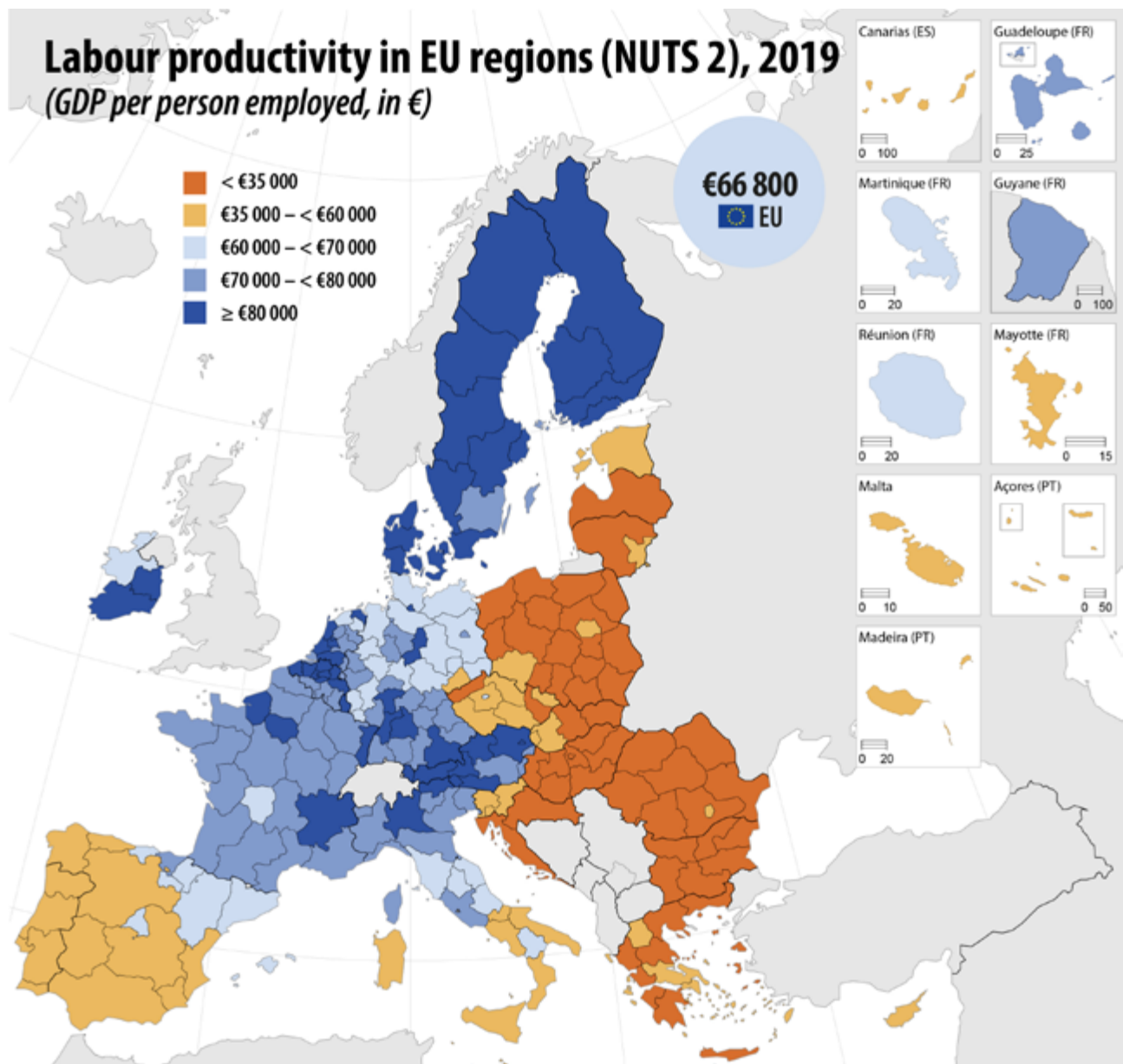
⁴ Novak, J., Purta, M., Marciniak, T., Ignatowicz, K., Rozenbaum, K., & Yearwood, K. (2018). The rise of Digital Challengers: How digitization can become the next growth engine for Central and Eastern Europe. Retrieved from Digital/McKinsey: <https://digitalchallengers.mckinsey.com/>

⁵ Atlantic Council. (2020). Digitalization in Central and Eastern Europe: Building Regional Cooperation. Retrieved from <https://www.atlanticcouncil.org/event/digitalization-in-central-and-eastern-europe/>

⁶ Albrycht, I., Brzecka, W., Felici, F., Konkel, A., Mikulski, K., Siudak, R., & Świątkowska, J. (2019). Securing the Digital DNA: The Three Seas Region. Retrieved from The Kosciuszko Institute: https://ik.org.pl/wp-content/uploads/raport_securing_digital_dna_3si.pdf

⁷ Gorzelak, G. (2020).

⁸ Dimson, J., Mladenov, Z., Sharma, R., & Tadjeddine, K. (2020). COVID-19 and European small and medium-size enterprises: How they are weathering the storm. McKinsey & Company. Retrieved from McKinsey & Company <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-european-small-and-medium-size-enterprises-how-they-are-weathering-the-storm>



Labour productivity, an indicator for economic development, remains low compared to Western Europe¹³

expensive as finance institutions tried to limit their own risk.⁹ This inflicted an additional burden on SMEs as they scrambled to finance employees' salaries and repay debt. Their importance cannot be overstated – they account for more than two thirds of the workforce and for more than one half of Economic Value Added (EVA). Between 2013 and 2020, they provided approximately 85 per cent of new jobs and accounted for over two thirds of the total employment on the continent.¹⁰ To offset the falling revenues, the enterprises further accelerated the transition towards digital business models and hastened the introduction of e-commerce solutions. Increased digitalisation thus serves as a safety net,

a lifeline in the time of crisis. Those SME's that used digital tools extensively before and during the pandemic had on average 60 per cent better revenue results and hired three times as much employees in comparison to SME's that did not prioritize and use digital solutions in their day-to-day business as much.¹¹ It is therefore surprising that only 17 per cent of SMEs have successfully integrated digital technology into their businesses¹².

⁹ International Finance Corporation. (2020). COVID-19. Economic Impact: Europe and Central Asia. Retrieved from <https://www.ifc.org/wps/wcm/connect/75a54f43-7df0-453d-974d-007137a5bbcc/20200528-COVID-19-Response-Brief-ECA.pdf?MOD=AJPERES&CVID=n9sawLk>

¹⁰ European Digital SME Alliance. (2019). Manifesto for Europe's Digital Future. Retrieved from <https://www.digitalsme.eu/manifesto/>

¹¹ Connected Commerce Council, Google, Greenberg. (2021). European Small and Medium-Sized Enterprises (SMEs): Transformation, Innovation, and Resilience During the Covid-19 Pandemic. Retrieved from <https://digitallydriven.connectedcouncil.org/europe/wp-content/uploads/sites/2/2021/03/Digitally-Driven-Europe-FINAL-1.pdf>

¹² European Parliament. (2021). Covid-19: how the EU can help small businesses. Retrieved from <https://www.europarl.europa.eu/news/en/headlines/economy/20210107STO95112/covid-19-how-the-eu-can-help-small-businesses>

¹³ European Commission, Eurostat. (2021). Regional GDP per capita ranged from 32% to 260% of the EU average in 2019. Pridobljeno iz European Commission. Eurostat. Products Eurostat News.: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20210303-1>

Digitalisation as a post-COVID-19 recovery strategy

It has become obvious that digitalisation will play a major part in the post-COVID-19 recovery. The pandemic has driven many people in the CEE online. Compared to the start of the pandemic, the number of people in the region who have accessed at least one service online rose by 15 percentage points.¹⁴

Crisis always brings new opportunities. Now is the time to think long-term and make transformational moves. Digitalisation is the way forward for CEE. The region enjoys several strong fundamentals that should ensure the fast adoption of digital tools and technologies. It has a good overall quality of primary and secondary education and considerable STEM and ICT talent. In turn, a later starting point of development also means lower legacy technology lock-ins, making the adoption of new technologies easier. Last but not least, good overall digital infrastructure is already in place with excellent 4G coverage (and quickly developing 5G) and high rates for extra-fast broadband. A concerted effort at digitalisation could add up to EUR 200 billion to the region's GDP.¹⁵ It provides industry with unparalleled opportunities for value creation. Digitalisation can enhance the profitability of an enterprise, provide new revenue models and enable unprecedented access to global markets. This is especially important for small, open CEE economies, offsetting poor accessibility and small market size. The power of

Average time to reach a billion dollar valuation¹⁶



Current Fortune 500 companies



Successful digital unicorns

¹⁴ Novak, J., Filip, A., Valachovicova, I., Pastusiak, B., Kawecka, K., & Młodziejewska, M. (2020). Twelve million new online service users in CEE. Retrieved from McKinsey & Company Poland: <https://www.mckinsey.com/pl/en/our-insights/digital-challengers-artykul>

¹⁵ Novak, J., Purta, M., Marciniak, T., Ignatowicz, K., Rozenbaum, K., & Yearwood, K. (2018).



To harness the best of what digitalisation has to offer, the use of proven, cutting-edge technologies and tools must be a priority.¹⁷

digitalisation is reflected in the fact that today, it takes successful digital start-ups four years to reach a billion-dollar valuation (so-called unicorns). It took Fortune 500 companies an average of 20 years to do so.¹⁶ To harness the best of what digitalisation has to offer, the use of proven, cutting-edge technologies and tools must be a priority.

Digital transformation

Digitalisation alone has the potential to become the impetus for the economic growth and development that the CEE needs. However, the region should and must go one step further and embrace true economic digital transformation for two reasons. Firstly, it opens a whole new world of opportunities and potentials for growth. It is worth noting that today, seven of the world's ten most valuable companies are primarily built as digital platforms.¹⁷ Even companies in traditional industries recognise the need for digital transformation and have embarked upon major change efforts.¹⁸ Secondly and most importantly, the most likely reason is that they have to: it is a survival issue. In the wake of the pandemic, an organisation's ability to adapt quickly to supply chain disruptions and rapidly changing customer expectations has become critical.¹⁹ Those companies that start the process of digital transformation too late may end up operating their business in an environment already dominated by digitally advanced companies.²⁰

¹⁶ World Economic Forum. (2021). Onward and upward? The transformative power of technology. Retrieved from Digital transformation: <https://reports.weforum.org/digital-transformation/onward-and-upward-the-transformative-power-of-technology/>

¹⁷ Ibid.

¹⁸ Reeves, M., & Whitaker, K. (2020). The Why of Digital Transformation. BCG Henderson Institute. Retrieved from <https://www.bcg.com/publications/2020/the-power-of-digital-transformation>

¹⁹ The Enterprisers Project. (2020). What is digital transformation? Retrieved from <https://enterpriseproject.com/what-is-digital-transformation>

²⁰ Dall, G. (2020). Central Europe's Digital Divide: The Region Risks Being Left Behind If It Doesn't Adapt Quickly. Visegrad Insight. Retrieved from <https://visegradinsight.eu/central-europes-digital-divide/>



It is high time to further strengthen the bonds with like-minded countries, particularly our transatlantic Allies, to ensure that together, we maintain the power to shape the normative rules.”

While digitalisation is essentially about technology, digital transformation is not – digital transformation is about the customer.²¹ Delivering value to the customer is at the core of digital transformation. To succeed, companies are not just going online or doing e-commerce. They shed outdated processes and legacy technology to better accommodate customer experience, expectations and needs. Businesses try to become the absolute best to do business with, utilising enabling and advanced digital technologies unavailable just a few years ago.²² Digital transformation is a process that changes the entire business model of companies, integrates digital technology into all areas of a business and transforms how they operate. A customer-driven economy needs constant innovation. Digital transformation is a cultural shift that requires organisations to empower employees, continually challenge the status quo, experiment, and get comfortable with failure.²³ Therefore, it creates the perfect environment to enable innovation.

An enabling digital business environment

To achieve digital transformation, an enabling digital market environment must be in place. The ongoing discussion on the concepts of strategic autonomy will result in concrete policies and its implementation across the EU. CEE countries must actively contribute to this discussion, and regional cooperation on these important issues is key.

²¹ Bloomberg, J. (2018). Digitization, Digitalization, And Digital Transformation: Confuse Them At Your Peril. Retrieved from Forbes: <https://www.forbes.com/sites/jasonbloomberg/2018/04/29/digitization-digitalization-and-digital-transformation-confuse-them-at-your-peril/?sh=7d196ea02f2c>

²² The Enterprisers Project. (2020).

²³ Ibid.

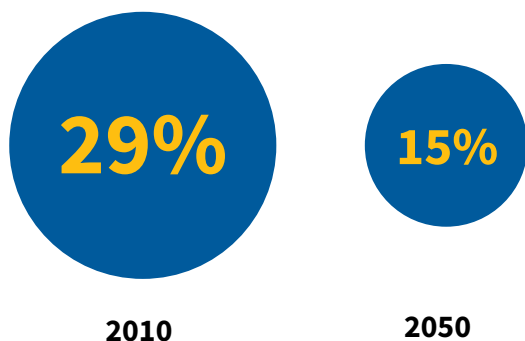
A proactive approach involving efforts to create the necessary conditions and regulatory environment to help strengthen and develop Europe’s industrial and technological capacities is paramount.²⁴ Finding the right balance between regulation and a free market will be key. The European Commission is currently developing an extensive digital regulatory framework to protect European citizens from the excesses of the digital world and allow Europe to brand its digital sector as the most human-centric and ethical in the world. This emerging regulatory framework will have a profound impact on the digital business environment. It will make the European digital sector a more managed economic space and could leave less room for the innovation and scalability that Europe’s digital economy needs. What is more, if overdone or badly done, regulation could even hinder the innovation that Europe desperately needs and create a competitive disadvantage for European companies. Instead, the regulatory framework should create a harmonized EU single market that start-ups and scale-ups need to grow quickly. It needs to facilitate access to state-of-the-art (cyber secure, best performing and most cost-effective) digital solutions. EU regulation done well is in their interest. A fragmented single market is not. Such an environment will allow European companies to thrive and compete globally.²⁵

Europe has thrived in the environment of open and free trade. It is this openness that has enabled the EU to achieve such levels of economic development and prosperity. Despite the shifting international environment, the EU should strive towards the principles which have allowed it to flourish, and ‘openness’ is one of them. The EU’s share of world GDP is decreasing rapidly, and it will continue to do so in the coming decades. The EU’s normative power and influence will probably wane accordingly. Openness and international partnerships are the EU’s best guarantees that it will remain relevant and have a greater say in the world’s affairs.

²⁴ BusinessEurope. (2020). Smart technological sovereignty: how it could support EU competitiveness. Retrieved from https://www.businesseurope.eu/sites/buseur/files/media/position_papers/iaco/2020-06-25_pp_technological_sovereignty.pdf

²⁵ Bauer, M., & Erixon, F. (2020). Europe’s Quest for Technology Sovereignty: Opportunities and Pitfalls. Retrieved from ECIPE. European Union. EU Single Market: <https://ecipe.org/publications/europes-technology-sovereignty/>

EU's share of world GDP²⁶



European companies are well integrated into the global economy and global value chains. The importance of openness and a commitment to open and fair trade with well-functioning, diversified and sustainable global value chains were reiterated in the EU Commission's concept of the Open Strategic Autonomy. It serves as a guideline towards building a stronger position for cooperation and partnership while trying to chart the EU's course in world affairs, the world economy, and the world trade in line with its interests and values. At the same time, the concept of Open Strategic Autonomy should not serve as a tool for isolation and protectionism. Maintaining and developing further international cooperation with like-minded non-EU partners in bilateral and multilateral settings and continuing to tackle barriers to digital trade and data flows is in Europe's interest. The EU Commission's proposal to establish a new EU-US Trade and Technology Council (TTC) is a step in the right direction. It is aimed at jointly maximising opportunities for market-driven transatlantic collaboration, strengthening technological and industrial leadership and expanding bilateral trade and investment. Reducing trade barriers, developing compatible standards and regulatory approaches for new technologies, ensuring critical supply chain security, deepening research collaboration and promoting innovation and fair competition should be at the forefront of the future EU-US relationship.²⁷

If it wants to imprint the future world affairs, the world economy, and the world trade with its values, the EU must play a key role in the digital economy. To succeed, Europe needs to focus on becoming a global leader in economic innovation – not merely in regulation. So far, it seems that the EU has been more interested in writing the rules than actually winning the game.²⁸ Carl Bildt put it plainly, “you simply can't regulate unicorns into existence”.²⁹

²⁶ European Commission. Directorate-General for Research and Innovation. (2011). Global Europe 2050. Pridobljeno iz Publications Office of the EU: <https://op.europa.eu/en/publication-detail/-/publication/32cfa157-57fc-409d-b7c0-75b50faafa1e>

²⁷ European Commission. (2020). Joint Communication to the European Parliament, the European Council and the Council. Retrieved from https://ec.europa.eu/info/sites/info/files/joint-communication-eu-us-agenda_en.pdf

²⁸ Christakis, T. (7. December 2020). „European Digital Sovereignty”: Successfully Navigating Between the „Brussels Effect” and Europe's Quest for Strategic Autonomy. Retrieved from SSRN: <https://ssrn.com/abstract=3748098>

²⁹ Heikkilä, M. (2020). The Achilles' heel of Europe's AI strategy. Retrieved from Politico: <https://www.politico.eu/article/europe-ai-strategy-weakness/>



The Digital Environment and Regional Cooperation

The importance of digital technologies for the region's development

Inexorably, the whole of the economy is becoming digital. This remains true both in relation to the digitalisation emerging in the wake of the COVID-19 pandemic and in relation to the deeper digital transformation that is creating new business models and altering how society thinks about the relation between the online and offline worlds. Therefore, to embrace digital for Central Eastern Europe is to reconcile and befriend a reality that is already here. It is a prerequisite for further social and economic development of the region. In a hyper-connected world, increasingly driven by the advancement of new technologies and the speed of their application across all sectors of social, economic and political life, it is also a condition for retaining competitiveness and staying relevant as it is a foundation for maintaining the ability to freely navigate its own developmental future. In this context, it is important to remember that the impact of digital transformation goes beyond the simple domain of business operations. Digital technologies revolutionise how people acquire knowledge, design and obtain education, pursue social and scientific innovations, deliberate as civil society and provide public services, from transport to healthcare. Regardless of whether one thinks about combating inequalities or transition to the green economy, digital will be crucial to all of the plans for the region's future.

Towards a digitally enabled Central Eastern Europe

To obtain that future, the region must create a proper digital environment, which requires much more than regulation. It also needs capabilities, so it must start investing in their development. For centuries, the development of Central Eastern Europe has been dictated by its diverse geography with plenty of natural boundaries that hampered



To embrace digital for Central Eastern Europe is to reconcile and befriend a reality that is already here.”

the establishment of functional regional connections. To overcome this fragmentation and emerge as a cohesive region that enables dynamic and innovative intra-regional cooperation, investment in connectivity is essential. For this reason, in 2016, twelve countries, stretching from the Baltic in the north to the Adriatic and Black Seas in the south, launched the Three Seas Initiative to deepen and advance transport, energy and digital connectivity in the region. Of these, digital is paramount as it is oriented towards the future of the global economy and regional development in all sectors. This was rightly encapsulated as the concept of smart connectivity adopted during the 2020 Three Seas Initiative Summit in Tallinn.³⁰ It was also previously conceptually explored by the “Digital 3 Seas Initiative” developed by the Kosciuszko Institute.³¹ According to this concept, partners in the region should undertake to build cross-border state-of-the-art digital infrastructure to connect the region across the north-south axis. The aim is to foster better, faster and more secure data transfer across the region. Along with fibre cables and 5G radio stations, data islands should be created for data storing and processing. The free flow of non-personal data should be enabled along with seamless data sharing across the region. Interconnected regional

³⁰ The Three Seas Initiative. (2020). Smart Connectivity. An overview. Retrieved from The Three Seas Initiative: <https://3seas.eu/about/smart-connectivity>

³¹ The Kosciuszko Institute. (2018). The Digital 3 Seas Initiative: A call for a cyber upgrade of regional cooperation. White paper. Retrieved from The Kosciuszko Institute: https://ik.org.pl/wp-content/uploads/ik_policy_brief_3si_updated_11122019.pdf

see also: The Kosciuszko Institute. Digital 3 Seas: <https://digital3seas.eu/>

data centres should be built and interoperability ensured by harmonising the countries' norms and standards, lowering the entry costs for innovative business, and creating opportunities for the big data economy to emerge. The emerging open digital environment should facilitate end-point services based on 5G, Artificial Intelligence, cloud computing, quantum and other new technologies to governments, citizens and companies alike. These elements are combined in the idea of the 3 Seas Digital Highway, a stream of extensive digital infrastructure connecting countries from the Baltic to the Adriatic and Black Seas that is founded on cutting-edge digital technologies.³² It should be accompanied by further development of local cross-border infrastructure projects, investments in emerging and disruptive technologies (encompassing their research and development, innovations, applications in both private and public sectors and education) and joint initiatives to tackle development and integration challenges with these new technologies. In other words, the growth of the entire digital ecosystem of Central and Eastern Europe needs to be boosted through international and interregional cooperation based on a shared and comprehensive understanding of the transformative role of digital technologies in the contemporary society and economy. This innovation-friendly ecosystem should be based on the collaboration between regional networks of experts, research universities, Digital Innovation Hubs and Competence Centres.³³ It requires a concerted effort – the CEE countries should agree on and lead a common strategic and values-based approach towards new digital technologies. Stakeholders in the region should cooperatively identify the key potentials of the region in the context of the digital economy that they want to boost and work towards defining the unique value proposition of the CEE in that respect.³⁴

³² The 3 Seas Digital Highway (3SDH) is a concept developed by the Kosciuszko Institute. The project is now on the list of priority interconnection projects announced at the Three Seas Summit in Bucharest in September 2018. The project was submitted by the Polish Ministry of Digital Affairs and the Chancellery of the President of the Republic of Poland. Retrieved from The Three Seas Initiative: <https://projects.3seas.eu/projects/the-3-seas-digital-highway>

³³ Albrycht, I., Dujmović, K. A., Kaushik, A., Konkel, A., Popa, I., Pilc, M., ... Lucas, E. (2018). The Digital 3 Seas Initiative. Mapping the challenges to overcome. Retrieved from The Kosciuszko Institute https://ik.org.pl/wp-content/uploads/digital3seas_initiative_roadmap_report_2018.pdf

³⁴ Ibid.

There is much for the CEE societies and institutions to gain from digital transformation.³⁵ Starting with widespread effects such as greater efficiency, lower costs and easier customer acquisition - all the things achievable now for SMEs as low hanging fruits of digitalization. Then looking a bit further into the future, smart roads covered by the 5G network leading to fully automated cross-border clearances dotted with IoT-enabled storage centres would enable seamless regional transport across borders. This would boost the growth of regional trade, enable local business to scale up their operations regionally and contribute to the expansion and greening of the European economy. Urban living conditions will be taken to a new level in smart cities, with the innovative regional ICT environment enabling the adoption of a wide range of smart solutions with the spearheading role of Digital Innovation Hubs. Talented young people, local innovators and technology visionaries from the region will have easy access to tools based on the most advanced digital technologies through public-private partnerships and educational programmes. The deployment of state-of-the-art digital infrastructure in CEE will foster the development of numerous sectors of the data-based economy: Industry 4.0, eCommerce, eHealth, autonomous transport, digital education and many others. It can also provide digitally powered enablers for more traditional sectors such as agriculture. Finally, it will enormously expand and enhance the digitalisation of the public sector, providing citizens and administrations with more efficient and accessible eGovernment services. To pursue such digitally empowered development is an epochal opportunity for the governments and societies of the CEE. It is also crucial to strengthening the EU's cohesion and competitiveness, as well as to the innovativeness and sustainability of the European economy.

Economic growth correlates with Internet adoption that facilitates data flow between countries, economies, sectors, business and customers.³⁶ The Internet brings incredible benefits to enterprises, organisations and people, but it also ushers in a variety of new cyber threats. A 2016 review study

³⁵ Ministry of Economic Affairs and Communications of Estonia, DAI. (2020). Smart Connectivity. Vision paper. Retrieved from The Three Seas Initiative: https://media.voog.com/0000/0046/4166/files/Smart_Connectivity.pdf

³⁶ Ramachandran, R. (2019). Cybersecurity and its Critical Role in Global Economy. Retrieved from ISACA: <https://www.isaca.org/resources/news-and-trends/isaca-now-blog/2019/cybersecurity-and-its-critical-role-in-global-economy>

by the European Union Agency for Cybersecurity (ENISA) shows that finance, ICTs, energy, administration, health and transport are among the sectors that are greatly affected by cyber threats³⁷. Consequently, cybersecurity and cybersecurity risk management are indispensable for ensuring the uninterrupted functioning of organisations, both public and private. Failure in cybersecurity has been identified among the top global risks in the upcoming decade, according to the World Economic Forum's Global Risks Report 2021³⁸. Therefore, sound cybersecurity is a necessity for the digital development of enterprises and institutions and, as such, a crucial step towards safeguarding the safe technological modernisation of societies and unhindered economic growth.

The central role of cybersecurity for post-COVID regional development

To ensure that digital transformation works to the benefit of European society rather than disrupting its advancement, cybersecurity needs to be considered a top priority for the region's digital development. It is the sine qua non factor for a successful digital future. Never has the need to embed cybersecurity into the thinking and planning of regional development been more pressing than since the unfolding of the COVID-19 pandemic. With the imposition of lockdowns, restrictions in movement and physical distancing, societies, organisations and individuals have been forced to work remotely, access essential services online and communicate through digital means. Organs of public administration and international institutions have also had to increase their reliance on digital technologies to continue functioning. The majority of organisations did not have sufficient time and knowledge to prepare adequately for this transition. As a result, companies and institutions faced with an unforeseen urgency to instantly switch to online to continue functioning did so without implementing the necessary cybersecurity measures. The spread of the COVID-19 pandemic has been accompanied by a rise in malicious



It has become clear that the unprecedented reliance on digital infrastructure and the digital transformation hastened by the coronavirus pandemic require both individual and corporate users to adapt their online behaviours and cybersecurity measures accordingly.”

cyber activities.³⁹ Alongside this, disinformation and information warfare have surged as an increasing number of citizens started using the Internet as their primary source of information about the pandemic during the lockdown periods. Social distancing and isolation have provided a fertile ground for the spread of disinformation and exploitation of public anxieties. In addition, the pandemic has exacerbated public concerns about data privacy, including medical data, as governments and companies have deployed more digital tools in order to contain and combat the COVID-19 health crisis. It has become clear that the unprecedented reliance on digital infrastructure and the digital transformation hastened by the coronavirus pandemic require both individual and corporate users to adapt their online behaviours and cybersecurity measures accordingly. It is crucial to remember that this was a necessity even before the pandemic, but the COVID-19 crisis simply made it more urgent. Nevertheless, the expansion of our susceptibility to rapidly evolving cyber threats cannot be dismissed and needs to be addressed by governments, public institutions, business and individuals alike.

Central Eastern Europe is a region with a history of being particularly exposed to new forms of aggression enabled by digital technologies. It saw some of the first cyberattacks conducted against a nation-state. The institutions and societies of CEE are the targets of malicious campaigns led by external actors that include cyber espionage,

³⁷ Tofan, D., Nikolakopoulos, T., & Darra, E. (2016). The cost of incidents affecting CII. Systematic review of studies concerning the economic impact of cybersecurity incidents on critical information infrastructures (CII). Retrieved from ENISA: <https://www.enisa.europa.eu/publications/the-cost-of-incidents-affecting-cii>
³⁸ World Economic Forum. (2021). Global Risks Report 2021. Retrieved from WEF: http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf

³⁹ Zhang, J. (2020). COVID-19 Cyberthreats and Malware Updates. Retrieved from VMware: <https://blogs.vmware.com/networkvirtualization/2020/11/covid-19-cyberthreat-and-malware-updates.html/>
cf. Muggah, R., & Rohozinski, R. (brez datuma). 4 ways to build resilience to digital risks in the COVID-19 era. Retrieved from World Economic Forum. Agenda.: <https://www.weforum.org/agenda/2021/02/ converting-digital-risk-into-opportunity-in-the-covid-19-era/>



The cyber resilience of the European Union is a function of the resilience of its constituent parts, including Central and Eastern Europe. In this context, ensuring digital prowess, cybersecurity and the digital robustness of CEE is indispensable to Europe's technological posture and, as such, should be an integral part of the pursuit of Europe's digital strategic autonomy."

cyberattacks on critical infrastructure, disinformation and hostile information operations and other hybrid threats⁴⁰. Their aim is usually to undermine public confidence in these countries' institutions, provoke conflicts and sow distrust between the countries in the region, polarise the societies and undermine social trust in NATO and the EU⁴¹. The impact on the region's security is significant and has become a major concern for NATO in terms of European deterrence and defence. Therefore, it is fair to say that CEE is a region subjected to constant pressures originating from cyberspace. In many instances, regional infrastructure (be it transport, business or digital), as well as regional business and political environments, are being targeted by external actors seeking to exploit them to achieve their own objectives. Consequently, the region must not only protect itself against cyber threats but also develop mechanisms to strengthen its resilience and ability to bounce back from disruptions, when they materialise. To this end, cybersecurity by design needs to be embedded in all infrastructure development projects in the region. Cybersecurity has to become an underpinning value of every digital venture embarked on, from smart factories to the educational curriculum. In other words, cybersecu-

urity should be treated as a vertical dimension going across all three pillars of the region's cooperation. Countries and stakeholders in the region should work towards disseminating common security models and standards, especially in relation to the design and implementation of disruptive technologies such as 5G, IoT or AI, which is also a prerequisite for harnessing the scaled-up benefits of their applications. Regional cybersecurity institutions and organisations from both the public and private sectors should work together to tackle new threats, share information and coordinate their practices to augment overall regional robustness. Regional computer emergency response teams should cooperate closely to reinforce their awareness, readiness and attribution capabilities. Finally, cybersecurity professionals from CEE should more proactively engage in the processes of developing cybersecurity policies and strategic concepts at the European level. In the digitally hyper-connected and deeply economically integrated European space, the cyber resilience of the European Union is a function of the resilience of its constituent parts, including Central and Eastern Europe. In this context, ensuring digital prowess, cybersecurity and the digital robustness of CEE is indispensable to Europe's technological posture and, as such, should be an integral part of the pursuit of Europe's digital strategic autonomy. Further cooperation within NATO should also be pursued. So far, the transatlantic Alliance has remained the most adaptive and robust framework to collectively hedge against new forms of cyber and hybrid threats. Technological advancements and resources need to be pooled, including in the cooperation as part of the transatlantic cooperation. Such an approach is necessary to ensure that the transatlantic Allies maintain their technological edge and are able to address the challenges of the shifting geopolitical order efficiently.

⁴⁰ Booz Allen Hamilton. (2020). Russian Military Cyber Operations in Context. Retrieved from Booz Allen Hamilton. Perspectives: <https://www.boozallen.com/c/insight/blog/russian-military-cyber-operations-in-context.html>

⁴¹ Albrycht, I., Brzęcka, W., Felici, F., Konkel, A., Mikulski, K., Siudak, R., & Świątkowska, J. (2019).



Geopolitics

The period marked by globalisation, market openness and multilateralism has been very advantageous to the EU. Between 2004 and 2013, the Union has seen several rounds of enlargement, expanding its territory by approx. 23 per cent. With 75 million people living in the “new” Member States, the EU population increased by about one fifth, to 455 million people in total. The enlarged EU consolidated its position in the top flight of the world’s biggest unified markets, accounting for about one quarter of world trade and global income.⁴² Although the EU has not achieved a deeper level of political integration, it is a trade power with over 30 trade agreements and has a keen ability to project its own interests and reach agreements with third countries. It has grown into a monetary power, the euro occupying second place to the US dollar as the most important reserve currency. The EU is also a key player in environmental protection and the world’s largest aid donor.

Nevertheless, the EU’s economic power does not fully translate into the diplomatic and military domains. NATO remains the cornerstone of European security. Due to the coupling of European and US security, which occurred during the Cold War, NATO has become the most successful military alliance. Twenty-one EU Member States are also members of NATO and dependent on the US to guarantee their security. The annual survey conducted by NATO shows that 79 per cent of Allied citizens consider the relationship between North America and Europe important for security.⁴³

The transatlantic links extend beyond the area of security. The EU and the US enjoy the most integrated economic relationship in the world. Together, the EU and the US economies account for about one half of the entire global GDP and nearly a third of world trade flows.⁴⁴ The transatlantic bond is unlike

any other bond between two international actors. The endurance of this partnership will ensure the continued economic prosperity and security of both continents and greatly influence world affairs.

In the past decade, the international conditions in which the EU enjoyed its unprecedented growth have been undergoing drastic changes. Authoritarian regimes have come to power in many parts of the world, and US leadership is declining. Geopolitics has come back with a vengeance. The global power is shifting from West to East, and the coming decade will be marked by intense geopolitical rivalry, particularly between the US and China. Other resurgent regional powers are also increasingly asserting their political and economic interests.

A multipolar world will be much more insecure and unstable. The COVID-19 pandemic only exacerbated the dynamics that are pulling apart the post-Cold War world order based on liberal democracy and the rule of law and leading towards more unilateralism. Furthermore, Brexit, which this year became a reality, has altered the internal EU dynamic. As a Member State, the UK was always sceptical of further political integration and put a brake on this process on numerous occasions. However, it is now out of the EU.

In light of these trends, the Future of Europe debate has taken on new meaning, as well as a sense of urgency. The EU is now on a path of self-reflection, seeking to define a way forward. European sovereignty and strategic autonomy appear centre-stage in today’s discussion, even though the meaning of these terms themselves remains hotly debated within the EU. The EU’s future is predicated on its internal coherence, its harnessing of the transatlantic bond and how it manages its external relations, particularly with China and Russia.

Internal coherence remains a key challenge for the EU. Divisions go beyond various interpretations and understandings of the concept of European strategic autonomy. EU Member States’ differences in key policy areas remain profound, and these next few years will test whether the EU can overcome these disagreements, unlock the stalled decision-making

⁴² Trichet, J.-C. (2004). EU Enlargement: challenges and opportunities. Retrieved from ECB. Media. Speeches.: <https://www.ecb.europa.eu/press/key/date/2004/html/sp041027.en.html>

⁴³ NATO. (2020). NATO Annual Tracking Research 2020. Retrieved from Allied perceptions on security, defence and NATO: https://www.nato.int/nato_static_fl2014/assets/pdf/2021/3/pdf/210330-annual_tracker_report.pdf

⁴⁴ European Commission. (2021). United States. Retrieved from Home. Trade. Policy. Countries and regions.: <https://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>

process and start delivering on long-awaited reforms. Migration, the rule of law, corruption and the new Green Deal and digital transformation are areas in which the EU Member States will have to find a common path forward. Moreover, real development gaps remain between the founding Member States and the countries in CEE, presenting another challenge to the EU's internal coherence. While the CEE countries have seen their economies expand and flourish since they joined the EU, a closer look reveals an obvious economic development gap between the new Member States and the original ones. Central and Eastern European countries which lie between the the Baltic, Black and Adriatic Seas account for 28 per cent of the EU's territory and 22 per cent of population but only 10 per cent of GDP.⁴⁵ The difference in the average of real GDP per capita between the new Member States and the original ones is consistent over time, despite European integration. In 2016, the average value of GDP per capita in new Member States (EUR 12,136/capita) was around three times lower than that in original Member States (EUR 34,835/capita).⁴⁶

Combined with the geographic position of CEE, the economic gap makes the region more vulnerable. Geopolitically, it is the CEE region that will play a key role in the resilience of the entire EU in the coming decades. This region is of special interest to both China and Russia, and we can expect CEE to be particularly exposed as these two powers vie for influence.

The CEE countries that were a part of the former Soviet bloc are especially concerned about the Russian strategic posture, which has become increasingly hostile in the past two decades. Russia remains the key threat to European security, and countries in CEE are the most vulnerable as they are also geographically closest. Russia still perceives Eastern Europe as vital to its security and political interests (as a part of its strategic depth). As the Kremlin considers the values of democracy and open society to be an existential threat to the survival of its regime, it has undertaken to openly challenge the EU in the multipolar order and re-establish its political influence in CEE. Hybrid and cyber tools are among the



The EU's future is predicated on its internal coherence, its harnessing of the transatlantic bond and how it manages its external relations, particularly with China and Russia.”

most frequently used measures by Russia in the pursuit of its strategic goals in the region.⁴⁷

At the same time, the rise of China will have a profound impact on European security. China is becoming a significant player in Europe. The Chinese do not view the EU as a monolithic block. Chinese interests with regard to the European space are much more varied and conditioned by geopolitics. China entered Central and Eastern Europe through the 16+1 Initiative. While the stated objectives of the Initiative are purely economic, it would be hard to overlook the geographical fact that most of the countries included in the Initiative (except Greece and Yugoslavia) belonged to the former Soviet Union or to what was known in the Cold War as the Eastern Bloc.

It seems that the Chinese also view Europe in the context of its proximity and connections with Russia. Hence, the European countries that were once part of the Soviet Union and countries of ex-Yugoslavia have a special place in Chinese geo-strategic planning. The Chinese realise that Russia is a power to contend with, as much as the US.

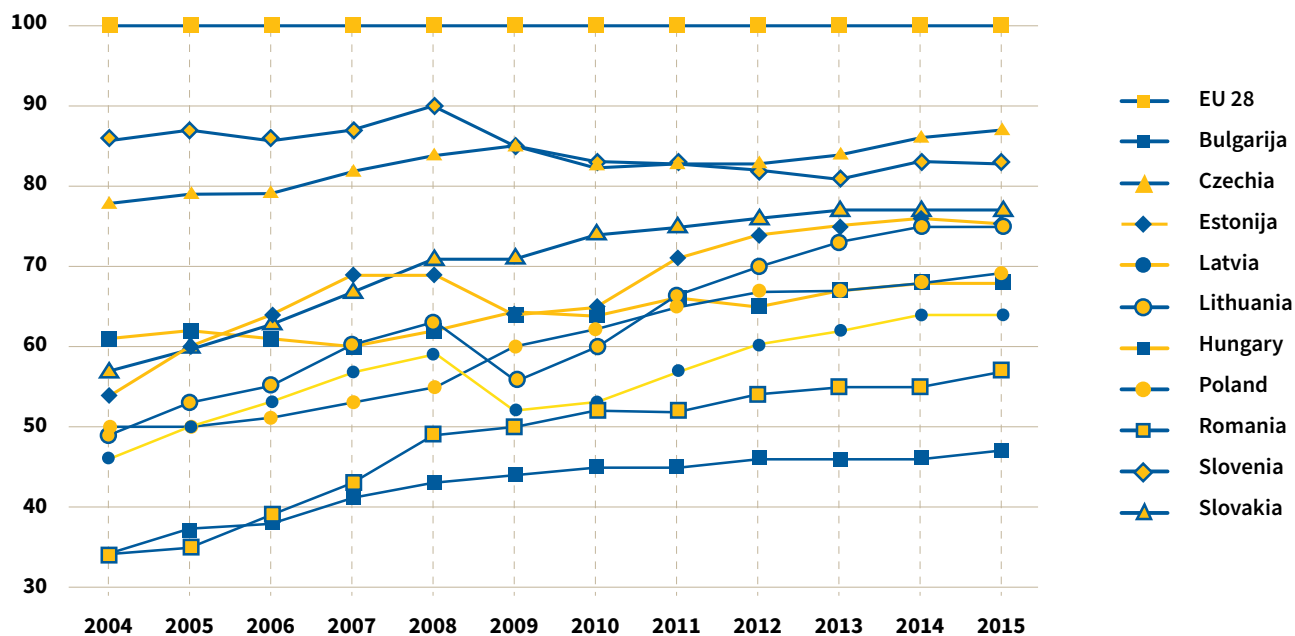
While the economic and military might of the US cannot be compared to any other power, it is geographically removed and always will be 'oceans apart'. Russia, however, is and always will be a power to contend with on the Eurasian continent and a neighbour of China. Hence, the Chinese engagement with the countries of Central and Eastern Europe will be done with undertones of extending influence in geographic areas that Russia considers to be part of its national interest. In the long run, China is building leverage in CEE with the aim of having an influence

⁴⁵ Atlantic Council – PWC Joint report. (2017). The road ahead. Retrieved from PWC Poland. Research & Insights. 2017.: <https://www.pwc.pl/en/publikacje/2017/the-road-ahead-cee-transport-infrastructure-dynamics.html>

⁴⁶ Bărgăoanu, A., Buturoiu, R., & Durach, F. (2019). The East-West Divide in the European Union: A Development Divide Reframed as a Political One. In P. Dobrescu (Ed.), *Development in Turbulent Times* (pp. 105–118). Cham, Switzerland: Springer International Publishing.

⁴⁷ Lilly, B., & Cheravitch, J. (2020). The Past, Present, and Future of Russia's Cyber Strategy and Forces. Retrieved from Cooperative Cyber Defence Centre of Excellence: https://ccdcoe.org/uploads/2020/05/CyCon_2020_8_Lilly_Cheravitch.pdf

Catching up is slowing down



GDP per capita in purchasing power standard (PPS) in CEE countries as percentage of the EU average, 2004-2015. Convergence to the EU GDP average has been slowing down. Calculation based on Eurostat (2017)⁴⁸.

on Russia. Should the Chinese-Russian relations evolve from partnership to rivalry, the Chinese will be well-positioned in all regions that are of strategic importance to Russia: Central and Eastern Europe, the Western Balkans, Southern Europe (namely Greece) and going further inland to Central Asia. Despite the fact that the Chinese claim the aim of the Initiative to be 'investment in the region', the 16+1 Initiative is more about geo-strategy than economics.

With the big power rivalry, the importance of CEE on the geopolitical map is growing and, as stated above, this will have an impact on the entire EU. Regional cooperation of CEE countries is therefore of vital importance. Bringing together countries of CEE to develop infrastructure in energy, transport and the digital sector, the Three Seas Initiative provides a great venue for strengthening the region as well as transatlantic relations. The US, which recently invested USD 300 million in the Three Seas Initiative Investment Fund, also recognises the need for a strong and prosperous CEE. The region is of vital importance to the coherence and resilience of the entire EU, it can experience growth, prosperity and development under the EU umbrella. In turn, the

more developed and resilient the CEE countries are, the more prosperous, safe and resilient this will make the entire European Union.

At the same time, we are faced with the reality that the weight of Europe in the world is shrinking. "Thirty years ago, Europe represented a quarter of the world's wealth. It is foreseen that in 20 years, we will not represent more than 11 per cent of world GNP, far less than China, which will represent double that, below 14 per cent for the United States and on a par with India".⁴⁹ The decline in European economic clout will have an important impact on the EU's geopolitical position and its ability to project its power and influence on world affairs.

In light of this trend, the debate on strategic autonomy is a process of political survival and continued relevance for the EU. In the 2016 EU Global Strategy,

⁴⁸ Dyba, W., Loewen, B., Looga, J., & Zdražil, P. (2018). Regional Development in Central-Eastern European Countries at the Beginning of the 21st Century: Path Dependence and Effects of EU Cohesion Policy. *Quaestiones Geographicae*, 37, 77-92. doi:10.2478/quageo-2018-0017

⁴⁹ Borrell, J. (2020). Why European strategic autonomy matters. Retrieved from EEAS. From the blog: https://eeas.europa.eu/headquarters/headquarters-home-page/89865/why-european-strategic-autonomy-matters_en

the concept of strategic autonomy was positioned as the EU's level of ambition in its foreign and security policy. The concepts of sovereignty and autonomy will be continuously developed and applied within the EU. However, they should not be considered a 'magic wand' solving all of the EU's problems, but rather a long-term process by which the EU seeks to find its rightful place in the world.

This is why the two key pillars that have ensured the security and prosperity of the EU up to now should be at the centre of ongoing debate. Firstly, strategically deploying the EU's economic strength. The euro, trade and competition policy, the norm-setting power of the internal market, and the EU's financial strength give the Union the necessary means to thrive. As argued in this report, the digital transformation and innovation of CEE and Europe as a whole will take on an even more important role within Europe. The weight of CEE in Europe's economic growth (growth rate) is increasing, so spurring CEE's growth will contribute positively to the EU economy overall. The continuation of this fast growth rate is dependent on successful digitalization and transformation of the region, which in turn is dependent on an open approach to trade. The EU will be hard-pressed to keep up with new technologies and maintain a vibrant economic environment. To do so, the EU cannot close itself off, and openness will remain key.

And secondly, so will partnerships. Therefore, given the level of economic exchange and connections between the US and EU, further strengthening the transatlantic Alliance is of fundamental importance to the EU.

Building up European capacity and ensuring its prosperous future does not equal putting up protectionist measures and retreating from the transatlantic relationship. Since the power gaps among global powers are diminishing, the world will become more transactional, and Europe will have to adjust to this as well. However, this does not belie the fact that the EU falls squarely into the Western camp, as its interests and values converge with those of the US.

Furthermore, as the world becomes more 'digital', values will come to matter even more. Authoritarian regimes undertake to deploy emerging and disruptive technologies to exert greater control over their populations, ensure regime stability and project their power and influence beyond their borders. As the democratic countries begin to grasp the urgency



The more developed and resilient the CEE countries are, the more prosperous, safe and resilient this will make the entire European Union”

to safeguard their values of human and individual rights, including in relation to how digital technologies are being designed and implemented, a new form of geopolitics of technology is emerging on the global scene.⁵⁰ We do not want to see Europe succumb to governance models that diminish our basic freedoms. We aim to protect the European values of individual rights, openness, individual liberty and democratic, participatory societies. These values are reflected in our homes, workspaces, public spaces and the international arena. This is the part that we should not compromise on, as we firmly believe that it embodies the progress of humankind.

⁵⁰ Albrycht, I., Rekowski, M., & Mikulski, K. (Eds.). (2020). Geopolitics of Emerging and Disruptive Technologies. Retrieved from The Kosciuszko Institute: <https://ik.org.pl/wp-content/uploads/geopolitics-of-emerging-and-disruptive-technologies-2020.pdf>



Conclusion

In a post-Covid world CEE stands at the cross-roads. The region has a real opportunity for a true leap in digital development, one which would boost not only regional economies but bolster the growth of EU economy as a whole. However, this cannot be done without greater regional cooperation, not just on cross-regional projects in the area of digital infrastructure, but also on greater coordination of policies of CEE countries.

The future of Europe debates are taking place now. Policies which will define our Union are being formed now. Through this, all member states are together collaboratively forming the 'European interest.' But the European interest is an amalgam of varying levels of risks, benefits and trade-offs among member states, which are at different levels of economic development and have significant differences in market size. CEE countries have much to gain from open trade, due to smaller domestic markets. The economic leap of CEE due to digital transformation would also provide fuel for the EU economy. European citizens need unhindered access to best digital tools and products available globally, while European enterprises and researchers need unhindered access to cutting-edge technologies. However, this is dependent on an open approach to trade.

In a time of increasing global rivalry, historical and geostrategic position of CEE makes the region exposed to external pressures. It is therefore of utmost importance, not only for CEE but for the EU as a whole, that the region becomes as resilient as possible – this strengthens the individual countries, but it also strengthens the whole EU. This is in the common interest of all the citizens of the region and indeed of all the citizens of the EU. This is what strategic autonomy is about – being resilient to external pressure while ensuring firm protection of our values of human dignity, individual rights and democratic principles. To safeguard these values, we need to cooperate closely with partners and allies that share our vision. Transatlantic cooperation has been the driver for political and economic development of the world in the past and it can remain in the future as well. Although the transatlantic bond has been on trial in the past few years, there is more that connects us than divides us.

One of the mechanisms for strengthening such a partnership would be the establishment of the EU-US Trade and Technology Council (TTC), as proposed by the European Commission. The TTC also presents a unique opportunity for the countries of the CEE. If we are able to unify our message on digital, we may become true digital leaders. It would not only strengthen the bond among CEE countries, but it would also strengthen the EU and it would strengthen the transatlantic bond. And while we are fully aware of the diversity among the countries of the region, our digital future is inevitable. And we should make that leap together.







Centre for European Perspective - CEP is an independent and non-profit organization working on socio-economic development issues, peace and security. It is also the official provider of international development co-operation by the Republic of Slovenia, implementing development assistance projects, especially in the Western Balkans and broader. Additionally, CEP is the co-organizer of the Bled Strategic Forum – BSF, leading international conference in Central and South-Eastern Europe.

The primary mission of CEP is to play an active role in promoting European and Euro-Atlantic integration processes by drawing on the expertise of the Slovenian public and private sector and by engaging foreign experts. Activities are focused on conceptual, technical and financial assistance in multi-discipline areas between Slovenia, EU member countries, and countries with a European perspective. CEP has completed numerous projects in 15 years of its existence. More about the completed projects can be found on the CEP website.

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The Kosciuszko Institute Association is an independent, non-governmental think tank that was founded in 2000 as a non-profit organisation. Its mission is to act in the interest of the socio-economic development and security of Poland as a proactive member of the European Union and NATO. The main programme areas of the Kosciuszko Institute are cybersecurity, digital policies, global technology management, disinformation and international security.

The Institute's flagship initiative is the European Cybersecurity Forum – CYBERSEC. Launched in 2015, CYBERSEC is a brand of high-level public policy conferences dedicated to the strategic aspects of cybersecurity and digital transformation. The conference is a response to the growing need for regulations and common initiatives in the cybersecurity area on both European and Transatlantic levels. CYBERSEC aims at creating a dedicated collaborative platform for governments, international organisations, and key private-sector entities. So far, over 11 editions of the event have been organized in Poland, Brussels and Washington, DC.

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