

## **LONG REPORT**

### ***Smart Solutions for Digital Economy in South East Europe***

#### **Liberal Institute for Political Analysis**

On 5 June 2018 a conference was held in Sofia as a part of the ELF project ***Smart Solutions for Digital Economy in South East Europe***. The project is supported by the Liberal Institute for Political Analysis and with the partnership of Institute for Liberal Studies, Romania; International Educational Centre, Croatia; Friedrich Namann Foundation Sofia.

The project is part of ELF content coordinated “New Economic Models”. The aim of the project is by sharing experience within and outside the Southeast Europe region to bring it closer to the most advanced. Thus we would like to promote the development to a more coherent and advanced digital single market and digital economy.

The specific topics are

- to promote digital economy and to share advanced experience in order to stimulate economic growth;
- to advocate for liberal solutions for faster development and integration in the Digital Single Market;
- to discuss new needs of public investment to speed up the digitalization of the economy to support growth and jobs;
- to discuss the role of the sharing/platform economy in transforming business and market economy;

According to the Digital Economy and Society Index (DESI) of the European Commission disparities between different member states in all dimensions of the study are bigger than expected. Bulgaria and Romania, together with other countries from the region occupy the last places. Only 1/6 of Bulgarians compared to EU average are using internet banking and Romanians who purchase online are 1/5 of EU average.

During the Conference, liberal solutions for the digital economy development were being looked for in business circles, academia and practitioners. Given the big share of private investment in the sector, there is a room for smart public investment and public-private partnership.

The conference was held in five panels with 18 speakers.

In his opening remarks *Olle Schmidt*, First Vicepresident of the European Liberal Forum underlined the role of ELF for the promotion of the liberal solutions for the European economy and in particular the digitalisation as important part of the economic policy.

The first panel was devoted to the private and public investment in the digital era and the best strategy forward. *Lubomir Minchev*, Founder and CEO of *Telelink*, Bulgaria explained his observations on the expectations that society has for the private sectors and the way they can be met. He talked about the sound business model and a responsible behaviour while developing technology.

*Daniel Kaddik, Project Director for Southeast Europe, Friedrich Naumann Foundation for Freedom*, underlined the issues of the speed of change and the need the policies to be developed with the same pace as the technology. In doing so central planning is always running after the events and economic freedom and private sector need to be supported. However for doing so, public education and quality of institutions is essential.

*Spjepan Curaj*, a Member of Parliament from Croatia explained the experience of a cooperation between public and private in a fast growing digital business region in Croatia. He particularly showed the case of city Osijek where all the economic indicators improve rapidly due to the investment in digital business.

*Kalle Paling, a member of Parliament from Estonia* suggested for discussion the idea of the state as a public service, the general ideas being that by competing for people countries will improve the functioning of institutions. The example of Estonian digital citizenship for companies was an illustration of this concept. Kalle Paling provided strong advocacy for the sharing and platforms in the transport sector. The advantages include more free and better competition, better services for citizens and benefit for environment in towns and cities in Europe.

*Ilija Lingorski, Chief Economist of the Bulgarian Development Bank* spoke about the opportunities for the European financial institutions, notably development banks to support the development of digital innovation. He draw the attention of the participants to the fact that in digital and AI matters Europe is competing with heavily government funded economies (China). He also underlined that the region of Southeast Europe is in a good position to develop it's economic models directly on the digital philosophy by overcoming the disadvantages of least developed traditional infrastructure.

*Susana Solis, Member of Parliament of the Region of Madrid* elaborated on her party's liberal approach to reduce barriers on independent work and how well digital economy could contribute to that. In her view the legal clarity is of big importance in order the digital development to be seen as an opportunity and not a threat to citizens.

*Prof. George Dimitrov and Prof. Maria Slavova*, both representing the legal profession elaborated on the role of regulation in the times of rapid development of technology. They united about the importance of the regulatory framework to be able to build confidence. The question – how could technology operate legally is not a new one. Prof. Slavova's understanding was that we do not regulate the technology, we regulate the economy and this is how it's going to be. In the digital age the state is "too small" to be able to control. That is why a smart regulation is needed. The constant education of the citizens about their rights and opportunities the technology gives is crucial.

*Gregor Plantaric from Zavod 14 of Slovenia* elaborated on the need of collaboration between authorities and tech sector in areas like block chain technology and the need of a smart and timely regulation. He also said that on the other hand, regulating such technology too quickly or too broadly might hinder the development of industry or even make it impossible. His focus was the blockchain technologies used in FinTech, including initial coin offerings also known as ICOs. He emphasized that ICO transactions are just

one of the possible applications of the technology. The collection of funds with the help of an ICO has created novel opportunities, including for many start-ups, that otherwise would be unable to raise the necessary funds. Whilst ICO transactions might show the potential to develop into an effective mechanism for financing companies, many challenges and questions have to be addressed first. European countries are today already playing a vital role in the ICO industry. As European Liberals, we should aim for the European Union to become a leading world player in the development and use of blockchain technology.

*Gergana Passy, National Digital Coalition of Bulgaria,* draw the attention of the conference once again to the importance of the education system. Educational reform in elementary and middle schools is urgently needed. We, as a Western society, have not made any significant innovations in the teaching methods we use since the 19th century. We need to manage the displacement of labor from industries which will be digitised/robotised.

*Detelina Smilkova, the Vice President of the VUZF University* also confirmed that higher education reform needs to make university curricula more specialized so they are relevant for the technological realities of the 21st century. She also called for a more flexible and skills oriented education and modern universities. *Todor Yalamov, the Vice Dean of the Economic faculty of the Sofia University* joined the opinion that education reform should ensure students learn digital skills like coding from the earliest age possible. Industries have been digitised/robotised before, and workers have been able to adapt and find new occupations. He mention a survey of him on the transformation of working places and working force on the territory of Bulgaria that proves the idea that jobs just transform, not disappear.

*Dan Petre , President of Institute for Liberal Studies, Romania* said that we need to work hard to understand new technologies (such as blockchain) because not all of us still do understand them fully. Technology has to serve society and nor the opposite. European societies have to avoid the trap of a “digital gap”, i.e. digitalization must contribute to making people closer and not create new divisions. Our societies are divided enough. Digital society has to be a better one, with citizens taking advantage of technology, developing democracy.

*Dimitar Vasilev, a member of the Innowave, Varna* presented the regional cooperation between the Black Sea municipality of Varna and the tech business. He said that Varna is developing as an innovation center, and the local government is investing in empowering innovation in the digital economy and society.