Survey

THE IMPACT OF EU DATA STRATEGY REGULATIONS ON CEE STARTUPS

What policymakers and regulators could do to help them

November 2024

EXECUTIVE SUMMARY

The European Union is at a crossroads, trying to balance its core values - like respect for individuals' privacy and human rights - while also helping European businesses, including startups, stay or become globally competitive.

In the past five years, we've seen a wave of new data and tech regulations come into play. Mario Draghi has pointed out that too much regulation could actually hold back tech innovation in Europe, and the European Commission has promised to cut the administrative burden for Europeans over the next five.

Consumer Choice Center Europe (CCCE) dived into Central and Eastern European (CEE) startups' experience with the EU's data strategy regulations (including General Data Protection Regulation (GDPR), Digital Services Act (DSA), Digital Markets Act (DMA), Data Act (DA), Data Governance Act (DGA) and Artificial Intelligence Act (AI Act).

Startup representatives from 11 CEE countries (Bulgaria, Romania, Slovenia, Croatia, Hungary, Slovakia, Czechia, Poland, Lithuania, Latvia, and Estonia) shared their thoughts on the impact of EU data strategy regulations on their operations, innovation potential, their experiences when interacting with national regulators and recommendations for both national and EU policymakers and regulators.

Surveyed CEE startups expressed the need for clearer guidelines, introducing a 'one-stop-shop' approach among regulators, completing the Single Digital Market, among other suggestions.

Respondents expressed that policymakers don't fully understand the challenges of building a globally competitive product and urged EU and national policymakers to look to the US, where a less restrictive regulatory environment has allowed the rise not only of unicorns but also decacorns.

1. The impact of EU data strategy elements on their operations

54,6% of respondents viewed the impact as either negative or very negative, 9,1% saw it as positive, and 36,4% remained neutral.

27.3% of respondents reported that the regulations have moderately increased their operating costs, 9.1% stated that the costs have increased significantly, 45.5% noted a slight increase, and 18.2% reported no impact on costs.

1. Respondents indicated that EU data strategy regulations **have increased the burden on workflows and resulted in additional compliance expenses, limiting the global competitiveness** of CEE startups.

    1.1. Most respondents indicated they experienced **the need for additional legal personnel or increased legal costs**, as well as the creation of new positions within their organizational structure, as a result of EU data strategy regulations.

    1.2. Some mentioned **increased certification costs** as a consequence.

    1.3. Some indicated they now **must maintain flexible system architecture to adapt more easily to evolving EU regulations.**

    1.4. Some respondents noted that compliance requirements had **slowed down their product roadmaps**, too.

2. Part of the respondents emphasized that **regulatory uncertainty and frequently changing regulations have increased their operational costs** via legal fees and technical adaptation.

3. Many respondents mentioned **competitive disadvantages for the EU startups compared to US startups**, with some admitting that these regulations were the final push for relocating outside of the EU.

4. Respondents indicated that the **GDPR is their main compliance hurdle to date** while admitting they expect more issues arising soon.

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2. The EU data strategy regulation simplicity and certainty for CEE startups

The majority, 81.9%, viewed the regulations as either very or moderately complicated, while 9.1% found them slightly complicated, and 9.1% considered them not complicated at all.

Most respondents admitted they had to adapt to European data privacy regulations. However, 27.3% considered avoiding the EU market altogether, and 4.5% had to delay the entry:

1. Respondents admitted that **the volume of EU regulations is difficult for small companies to comply with,** often leading to increased costs and a shift in focus from product development to compliance efforts.
2. Moreover, **many startups lack awareness of the frequent updates and changes to regulations,** making it harder to stay compliant.
3. Respondents admitted that the **complexity of compliance increases as the companies scale**, adding more challenges over time.
4. Many respondents addressed the future of data-based startups in the EU, stating that the **regulations are slowing down the technological progress of EU companies**, while others openly admitted **the future for data-based companies in the EU remains unclear** due to the ongoing (and increasing) regulatory burden.
5. CEE startups have addressed the **absence of a Single Digital market** as a big burden, which, together with the complexity of EU regulations, are particularly challenging for data-based startups, which often lack the financial resources to handle compliance effectively.
6. Some advocated that while transparency and user protection are important goals, the current regulations place **an undue burden on startups, which need flexibility and momentum to grow.**
7. Some believe that regions outside of the EU, with less complex regulatory regimes, **allow companies to focus more on innovation and growth.**
8. When questioned about the climate for startups in the EU and i**f they ever considered relocating due to the scope of regulations in the EU**, startup representatives were honest:

    8.1. Most **complied with EU regulations without considering relocation.** However, some noted that they **had to make a difficult decision between operating in the EU or the US**, weighing regulatory complexity against business growth.

    8.2. **Others** admitted to **trying to avoid the EU market whenever possible** due to the regulatory complexity

    8.3. Some respondents mentioned they **might consider relocating after scaling** due to increasing regulatory challenges.

3. EU data strategy & innovation in CEE startups

The majority, 63.6%, believed the regulations hinder innovation, 18.2% believed it creates challenges but opportunities as well, and 13.6% believed the regulations have no impact on innovation.

1. While some found no correlation between regulation and innovation, many respondents highlighted that the **immediate need to focus on compliance poses a hurdle to innovation.**
2. Some respondents expressed a more pessimistic view, indicating that **the EU data strategy does not help foster innovation** in startups.
3. Some respondents were completely honest about the fact they have to take risks and **know of some not fully complying with all regulations** in order to grow.

4. CEE startups' experience with EU or national regulatory authorities

Only 9.1% of respondents admitted that they often seek guidance or clarification on EU data strategy regu-lations from EU or national authorities (multiple times a year). The majority - 45.5% - do this 1 to 2 times a year, 4.5% do so less than once a year, and a whopping 40.9% have no interactions with regulators at either the national or EU level.

On a positive note, only 4.5% of respondents viewed their interactions with the authorities as negative. Meanwhile, 9.1% viewed them positively, 45.5% were neutral, and 40.9% admitted they didn't interact with these authorities at all.

1. Respondents believe there is **a visible willingness from regulators to help** and be supportive. However, **the response rate is slow for the fast-paced needs of startups**, with some waiting over a week for replies.
2. Respondents indicated that many **regulators often seem unsure or lack confidence** in explaining regulations, leading to **unclear and ad hoc responses**.
3. Many of the respondents emphasized **the absence of a 'one-stop shop' for regulatory guidance**, requiring them to consult multiple regulators to obtain clear answers.

5. CEE startups' recommendations for policymakers and regulators at the EU and national levels
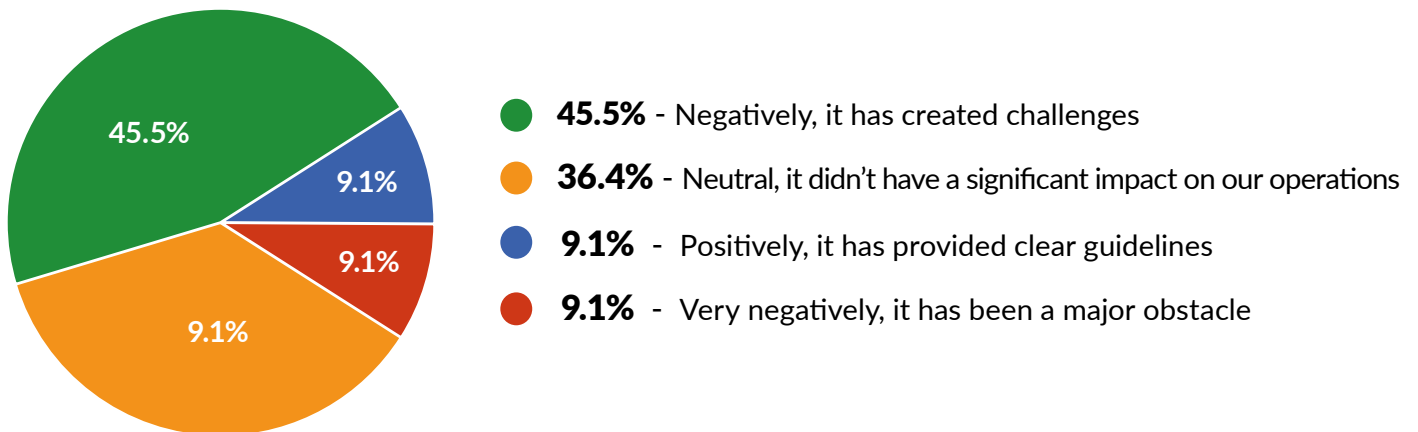
1. **More simplicity in regulation and reporting processes** - CEE startups expressed the need for clearer guidelines and simplified reporting requirements to reduce the administrative burden on startups.
2. **A 'one-stop shop' among national regulators** - many requested either a single agency or better collaboration between regulators to clarify EU data strategy compliance requirements for startups. They also suggested introducing digital tools, possibly AI-powered, to streamline the compliance process for startup representatives.
3. **Enhanced cooperation between EU and national regulators** - some see this as crucial for creating more consistent and coherent regulations across different jurisdictions, aiding the move toward a Single Digital Market through practical measures.
4. **Exemptions for startups in their early phases** - while some respondents advocated for temporary exemptions from regulations during the initial stages of growth, they were also honest about the fact they will face increasing regulatory scrutiny once they scale.
5. **Learn from the US** - some respondents feel that policymakers don't fully understand the challenges of building a globally competitive product and underestimate the burden that regulatory complexity places on that journey. They urge EU and national policymakers to look to the US, where a less restrictive regulatory environment has allowed the rise not only of unicorns but also decacorns.

6. **Complete the digital single market** - respondents emphasized the need for a fully integrated market with unified regulations is essential to reducing fragmentation, like inconsistent GDPR enforcement across 27+ authorities, enabling innovative companies to navigate rules efficiently.

7. **Be careful with future regulations** - respondents feel like EU's future regulations should undergo competitiveness tests, balancing economic priorities, innovation, and societal objectives, while ensuring regulators adopt risk-based approaches that support the right to innovate.

8. **GDPR-specific recommendations:**

6.1. **More incentives for startups** - some respondents believe there is a noticeable lack of incentives from national authorities for startups in the form of practical recommendations, good practice examples, friendly and functioning regulatory sandboxes, checklists and similar practical tools to support innovation while ensuring compliance.

6.2. Narrow **the scope of personal data** - some respondents believe that the current treatment of almost all data as personal data makes its practical use for product development nearly impossible. Proper anonymization, while intended to help, often renders the data unusable for product development.

6.3. **Rebalance data subjects' access rights** - some respondents argued that the right to access data is currently too absolute, with local privacy bodies requesting access to data that might include sensitive trade secrets, which could jeopardize business continuity.

ANNEX 1.
THE IMPACT OF EU DATA STRATEGY REGULATIONS ON CEE STARTUPS

When asked about **the impact of EU data strategy elements on their operations,** 54,6% of respondents viewed the impact as either negative or very negative, 9,1% saw it as positive, and 36,4% remained neutral.

- **45.5%** - Negatively, it has created challenges
- **36.4%** - Neutral, it didn't have a significant impact on our operations
- **9.1%** - Positively, it has provided clear guidelines
- **9.1%** - Very negatively, it has been a major obstacle

Survey respondents were also asked to elaborate on their previous answers, explaining their opinions. Some respondents viewed the impact neutrally or positively, emphasizing that:

- **Startups are getting used to GDPR compliance.** While the GDPR poses a slight inconvenience, startups that have been operating for a while are gradually adapting to compliance (though some aspects of GDPR compliance are knowingly being bypassed).
- **The AI Act needs clarification.** The AI Act is seen as promising, but it requires further clarification.

Respondents' comments (as originally written)

The EU Data Strategy, particularly the Digital Services Act (DSA) and the Digital Markets Act (DMA), has significantly influenced our operations. The DSA has required us to review and enhance our compliance efforts in terms of content moderation, data transparency, and user privacy. We've implemented stricter mechanisms to ensure transparency around how user data is handled and refined our processes for addressing illegal or harmful content. These regulations have reinforced our focus on user safety and accountability, which aligns with our company's values. The DMA, on the other hand, has shaped how we engage with large digital platforms. As our services focus on building mobile-based digital products for enterprise clients, ensuring compliance with the DMA's fair competition rules and data interoperability requirements has required a careful reassessment of our platform partnerships and scaling strategies.

Did not affect us negatively. We're now working within the Microsoft 365 set of products. ISO27001 (SOC2) and GDPR compliance is in our pipeline once we have finished building the platform.

The AI Act is promising but needs a lot of work and clarification

The main concern for us is GDPR. While it is a bit of an annoyance to deal with, we have been operating under it for many years, and the situation has somewhat normalized, meaning the organization has gotten used to it. Although there is likely some time and cost associated with compliance, it now feels like part of the routine. ***However, as a startup, we probably do not fully comply with all aspects of GDPR, and we are aware of this. We have knowingly been ignoring certain aspects because the risk of prosecution seems relatively low.***

Others viewed the EU data strategy regulations as a major obstacle, negatively impacting their operating costs and creating a competitive disadvantage compared to companies outside the EU. **Key concerns included:**

- **Burden on workflows, increased compliance expenses, and reduced competitiveness.** Some respondents indicated that EU data strategy regulations have increased burden on workflows and resulted in additional compliance expenses, limiting the global competitiveness of CEE startups. Some respondents noted that compliance requirements had slowed down their product roadmaps too.
- **Regulatory uncertainty affects costs and IT architecture which needs to be adapted real-time.** Part of respondents emphasized that regulatory uncertainty and frequently changing regulations have increased their operational costs via legal fees and technical adaptation.
- **No benefits**. Some were more pessimistic and saw no benefits from the EU data strategy regulations for their company.
- **Competitiveness disadvantage to the US.** Many respondents mentioned competitive disadvantages for the EU startups compared to US startups, with some admitting that these regulations were the final push for relocating outside of the EU.
- **GDPR is the main hurdle.** Respondents indicated that the GDPR is their main compliance hurdle to date, while admitting they expect more issues arising soon.

Respondents' comments (as originally written)

Burden of implementing an excessive limitations to regular product- and workflows and extra expenses

Significant bureaucracy, longer sales cycles, extra costs

A lot of things to navigate and take into account, reducing speed to work

it takes more time and money to do everything

They created heavy bureaucratic burden which slows down daily business operations, launching new services and limit competitiveness.

The EU Data Strategy elements like GDPR, MiCA, and AMLD have directly impacted our operations, particularly in how we manage data privacy, cross-border compliance, and system scalability. The strict requirements around data security and privacy have forced us to invest heavily in encryption protocols, secure data storage, and real-time monitoring tools to handle the complex regulatory landscape efficiently. One of the main challenges has been ensuring that our platform is adaptable to the constant evolution of regulations, especially when dealing with cross-border transactions in the payments and crypto markets.

This means not only keeping our systems compliant but also building real-time updates and dynamic rule adjustments into our workflows to ensure our users can respond immediately to changes in the law. These regulatory pressures have increased operational costs due to the need for constant updates, enhanced security, and maintaining a flexible infrastructure. *But they've also driven us to fine-tune our platform to be hyper-responsive and efficient, ultimately offering a compliance solution that minimizes risk and reduces the burden on businesses*

I don't see any benefit to the regulations to my company. The only effect the regulations had was to increase the risk vector and threat level to the company due to many ways the regulations can be breached.

We are left behind, because we need to find ways to go around the system to collect leads and connect with prospects. Where in the US they do not have such challenges.

*Mainly the new AI regulations limit access to tools. **We're moving out of the EU to stay competitive.***

***The most effect for the company was imposed by GDPR.** As company's main asset is data, we had to implement numerous changes from Data department to Customer satisfaction team - make operational changes how we receive data, how we store it and how we use, we needed more resources in Customer satisfaction team to handle data subject requests. Also we had to establish additional positions in the company to ensure the compliance with regulations. Further more, some GDPR requirement, if they are interpreted not taking into account companies interests, can not be implemented without making huge effect for companies possibility to operate in EU*

*These regulatory demands have also introduced some challenges. **Since every detail of our product features must now be aligned with legal teams to ensure full compliance, our product roadmap has been slowed down.** This added layer of legal scrutiny impacts our agility in implementing new features, which sometimes delays time-to-market for our clients. Overall, while the EU regulatory framework supports ethical data practices and fair competition, it has also increased the complexity of product development in our sector, requiring a more cautious and measured approach.*

When asked about the impact of EU data strategy regulations on their operating costs, 27.3% of respondents reported that the regulations have moderately increased their costs, 9.1% stated that the costs have increased significantly, 45.5% noted a slight increase, while 18.2% reported no impact on costs.

● **45.5%** - Slightly increased costs   ● **9.1%** - Significantly increased costs

● **27.3%** - Moderately increased costs   ● **18.2%** - No impact on costs
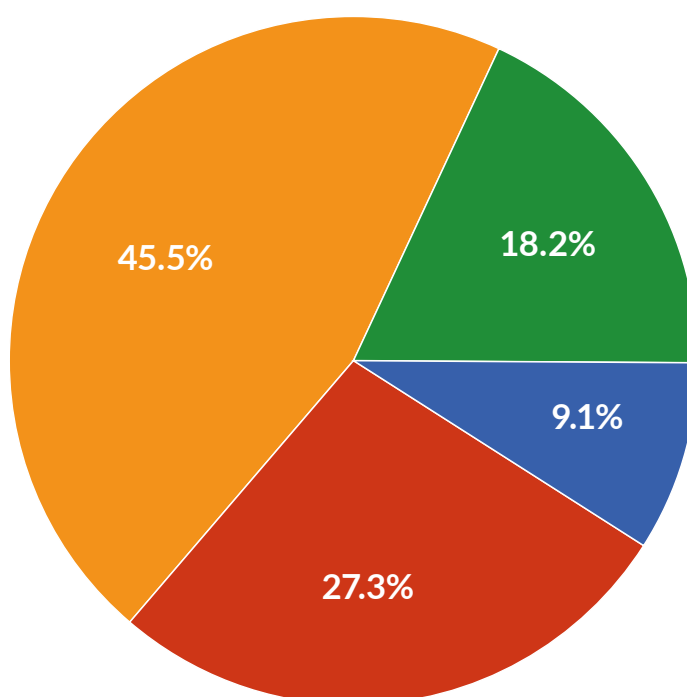
While some respondents reported no significant increase in operating costs, partly due to the use of digital compliance tools, **most highlighted several cost-related challenges:**

- **Legal personal or extra legal costs.** Most respondents indicated they experienced the need for additional legal personnel or increased legal costs, as well as the creation of new positions within their organizational structure, as a result of EU data strategy regulations.
- **Certification.** Some mentioned increased certification costs as a consequence.
- **Change to operational systems.** A few respondents indicated they had to change their entire operational systems and switch service providers to meet regulatory requirements.
- **System architecture has to be adapted to EU regulations.** Some indicated they now need to maintain flexible system architecture to adapt more easily to evolving EU regulations.

Respondents' comments (as originally written)

Certification, hiring extra personnel, legal fees to stay in line with never ending updates and initiatives, etc

It has mainly resulted in some additional legal costs, such as involving lawyers more often before the release of a new product or feature to check if we are broadly in compliance or not.

we spend additional time and money on lawyers, programmers, QA and managers

Most expenses go to legal advisers

The regulations have luckily not increased our costs significantly, but only slightly. We had to invest additional time and resources into bureaucratic compliance.

No extra costs yet. We see extra costs around 15K EUR coming early 2025 that we should invest into compliance audits.

I think it also comes down to finding tools to operate without breaching the system and rules. It costs extra.

Not so much - we're utilizing digital tools to manage compliance

As it was described in 3.1. clause, our increased costs consists of a) changing operational systems b) changing our service providers c) new/additional positions in the company d) additional costs for legal advisors.

Respondents' comments (as originally written)

The implementation of the EU's data strategy, particularly the Digital Services Act (DSA) and the Digital Markets Act (DMA), has moderately increased our operating costs. Compliance with these regulations requires us to allocate more resources towards legal, compliance, and technical teams. For example, the DSA mandates stricter data transparency and user privacy protections, which has led to investments in data handling systems, content moderation tools, and reporting mechanisms. We've also needed to expand our legal and compliance teams to ensure alignment with these evolving regulatory standards. Given that our services are focused on building digital products for enterprise clients, particularly on mobile platforms, collaborating closely with legal teams during product development has added complexity. Each feature now requires a detailed legal review to ensure full compliance with both the DSA and DMA, which has slightly slowed down our product roadmap and moderately increased operational costs. Furthermore, compliance with the DMA's rules on fair competition and data interoperability has required us to carefully assess our relationships with larger platforms, adding to the overall cost structure but not in a drastic way. In summary, while the need for legal oversight and enhanced compliance measures has added to our costs, the increase has been moderate as we adapt our operations to meet the EU's regulatory framework.

The increase in our operating costs due to the EU's data strategy policies primarily stems from the need to ensure compliance with GDPR, MiCA, and AMLD across multiple jurisdictions. Building the infrastructure to handle secure data processing, encryption, and real-time monitoring has required significant investment. Additionally, the constant evolution of these regulations means we have to maintain a flexible architecture capable of adapting to new rules in real-time, which increases both development and operational expenses. On top of that, cross-border compliance adds complexity, requiring continuous system updates to ensure alignment with varying local regulations. This not only affects our tech stack but also necessitates ongoing legal consultation and compliance audits, further driving up costs. However, these investments are critical to staying ahead in a highly regulated space, ensuring our platform remains reliable and scalable for clients facing similar regulatory challenges.

ANNEX 2.
THE EU DATA STRATEGY REGULATION SIMPLICITY AND CERTAINTY FOR CEE STARTUPS

Survey respondents were also asked for their opinions on the simplicity of EU data strategy regulations for CEE startups. The majority, 81.9%, viewed the regulations as either very or moderately complicated, while 9.1% found them slightly complicated, and 9.1% considered them not complicated at all:

45.5% - Moderately complicated

36.4% - Very complicated

9.1% - Slightly complicated

9.1% - Not complicated at all
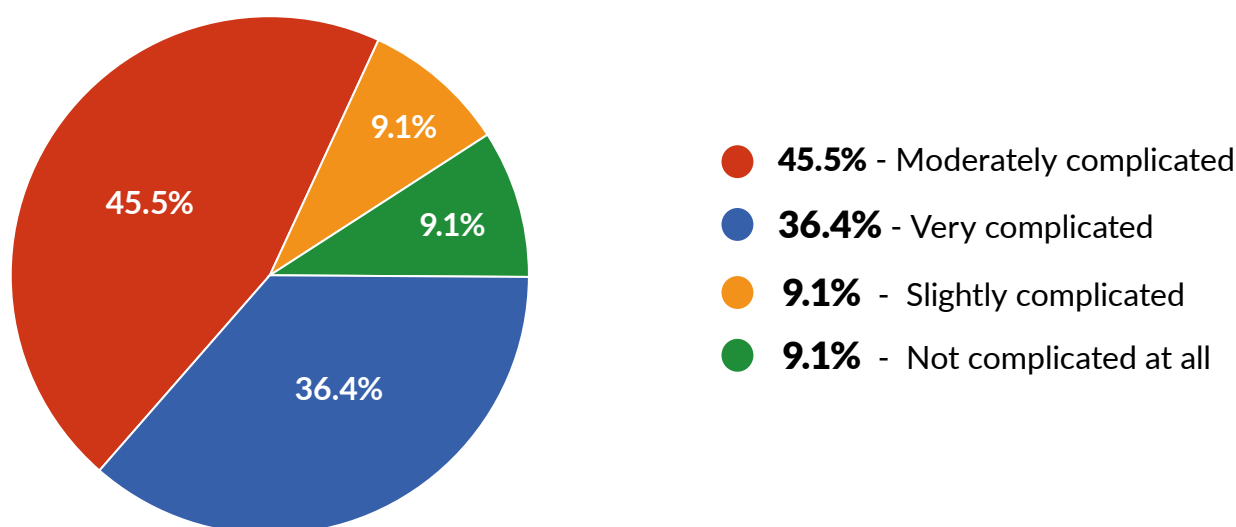
Respondents emphasized several **key challenges with EU data strategy regulations** for startups:

- **The sheer volume of EU regulations is difficult for small companies to comply with,** often leading to increased costs and a shift in focus from product development to compliance efforts.
- **Many startups lack awareness** of the frequent updates and changes to regulations, making it harder to stay compliant.
- **The complexity of regulations increases as companies scale**, adding more challenges over time.
- **Regulations are slowing down the technological progress of EU companies**, especially in data-driven sectors.
- **Startup founders often don't have the time** to fully engage with EU-level policymaking or actively monitor regulatory changes.
- **The absence of a Single Digital Market and the complexity of EU regulations are particularly challenging for data-based startups**, which often lack the financial resources to handle compliance effectively.
- **The future of data-based companies in the EU remains unclear** due to the ongoing regulatory burden.
- While transparency and user protection are important goals, the current regulations place an **undue burden on startups, which need flexibility and momentum to grow.**

Respondents' comments (as originally written)

The data strategy is well suited for corporations with large legal departments, not smaller companies who are blocked from competing due to the volumes of regulation.

Hiring people responsible for a separate area, opportunity cost on top of that.

Startups often lack the resources to manage compliance.

Startups usually don't have in-house experts and have to rely on 4rd party services to be able to comply with regulation

Need expert lawyer in data security methods to bypass barriers

Hiring people responsible for a separate area, opportunity cost on top of that.

I think most of the startups are actually unaware of what they have to follow, until they reach a scaleup stage.

Usually company does not have exact answers on right and wrong compliance details

Yes - we've recently invited founders for roundtable discussions and most of them were either unaware or didn't really understand.

In our case, it's not as bad as it might be for some high-risk AI companies, which, based on my impression, seems excessive. However, I can only comment on our experience, and for us, GDPR compliance and DMA are not too bad at the moment. That said, we do expect the complexity to increase as we scale.

Respondents' comments (as originally written)

*It is hard to implement one regulation - GDPR, but when we put other acts (e.g. AI act) on the top of GDPR, we get the mix where it is impossible to create AI products and comply with GDPR at the same time. **It is really worrying to see how EU regulations are slowing down the technological development of new companies.** Also, other worldwide companies can not (or skip) Europe because of these regulations. We do not say that human rights have to eliminated, or not taken into account - but it is very important to find common sense and balance*

Hinders progress and speed which is the key to staying competitive.

***For startups building companies from scratch, it becomes overwhelming to juggle these different layers of compliance.** The cost and effort to stay compliant eat into their ability to focus on product development and innovation. Poor financing and limited resources make it worse, forcing startups to spend time and money on legal requirements instead of scaling*

For early-stage startups, where resources are limited and the primary focus should be on building the product and scaling operations, the requirements imposed by regulations like the Digital Services Act (DSA) and Digital Markets Act (DMA) can be overwhelming. Instead of concentrating on innovation and getting products to market quickly, startups are often forced to divert valuable time and resources towards navigating complex reporting requirements and bureaucratic processes. This challenge is compounded by the demands of EU funding, which comes with its own set of intricate reporting obligations. While these funds are vital for growth, startups frequently find themselves having to focus on meeting strict compliance and reporting regulations long before they've achieved meaningful market traction or financial stability. For many startups, it would be far more beneficial to delay such detailed reporting until they've secured funding and have the capacity to handle the administrative burden.

I was part of a delegation of startups that went to the EU Parliament to talk about the AI Act and I can tell you that startup founders do not have the time to read hundreds of pages of legislation and also do not have enough money to hire new lawyers specialized in this.
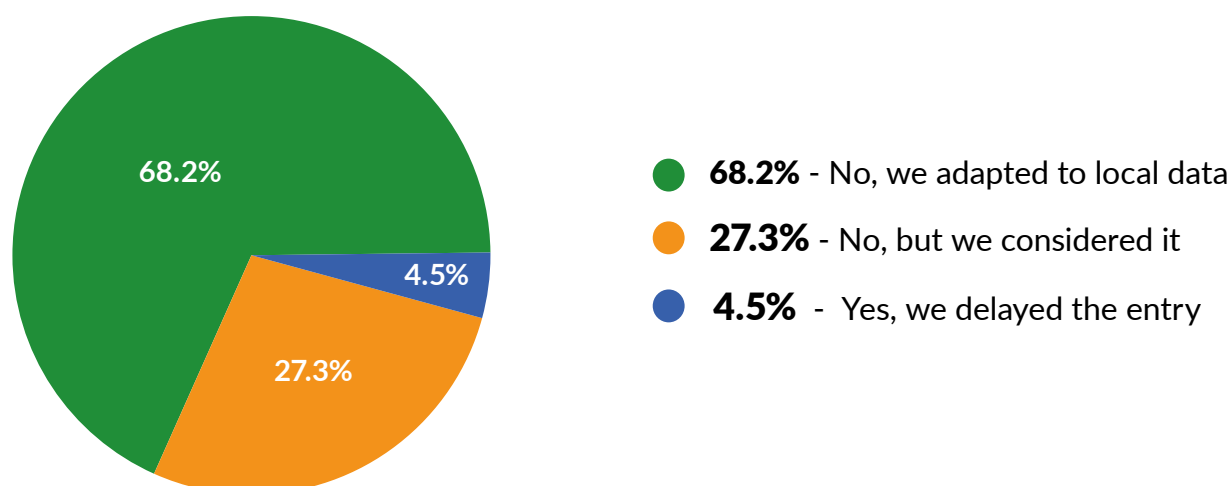
Respondents' comments (as originally written)

The AI Act, in my view, will have a huge impact on startups and new businesses, especially in the EU. With the AI Act now live, it adds another layer of complexity for companies working with data, requiring compliance frameworks that many startups simply don't have the resources to build. ***The EU market size is large, but the Digital Single Market is more of a wish list than a reality—it doesn't really function the way it should, and that makes scaling a product across the EU incredibly difficult. For companies relying on data, this is especially limiting.*** *The strict regulations and fragmented markets across different countries reduce the ability to create scalable, unified products, ultimately capping the value of these companies. Add to this the problem of interoperability, which is an issue in almost every sector in the EU, and it's clear that startups face significant barriers to creating cohesive, scalable solutions.* ***This makes the long-term worth of data-driven companies in the EU much more uncertain***.

Overall, while the EU data strategy promotes important values like transparency and user protection, it can place an undue burden on startups that are just trying to gain momentum. *For these companies, reporting and compliance could be more appropriately phased in at later stages, once the foundation of the business has been solidified.*

When asked if their startup delayed or considered avoiding entry into the EU market due to European data strategy regulations, most respondents admitted they had to adapt to local data privacy regulations. However, 27.3% considered avoiding the EU market altogether and 4.5% had to delay the entry:

- 🟢 **68.2%** - No, we adapted to local data
- 🟠 **27.3%** - No, but we considered it
- 🔵 **4.5%** - Yes, we delayed the entry

When asked about their **personal experiences regarding whether they ever considered starting or relocating outside of the EU due to complex regulations**, respondents shared a range of perspectives:

- Some **complied with EU regulations without considering relocation.**
- Others admitted to **trying to avoid the EU market whenever possible** due to the regulatory complexity.
- Regions outside of the EU, with less complex regulatory regimes, **allow companies to focus more on innovation and growth.**
- Some respondents mentioned they **might consider relocating after scaling** due to increasing regulatory challenges.
- A few noted that **they had to make a difficult decision** between operating in the EU or the US, weighing regulatory complexity against business growth.

Respondents' comments (as originally written)

We try to avoid the EU market if possible.

*While we have successfully adapted to local data privacy regulations in other regions, **we have delayed or avoided entering the European market specifically due to the complexities of the EU data strategy regulations,** e.g. US, Middle East The demanding requirements of the Digital Services Act (DSA) and Digital Markets Act (DMA) introduce a significant administrative burden for startups like ours, which operate with limited resources.*

*In the early stages, our focus is on product development and scaling, but complying with EU regulations requires extensive legal oversight, reporting, and bureaucracy. **This diverts attention and budget away from building our core product, making it difficult to prioritize entry into the EU market.** As a result, we chose to focus on markets with less complex regulatory landscapes, allowing us to allocate resources towards innovation and growth. While the EU market remains important, we plan to revisit it at a later stage, once we have the capacity to handle the associated regulatory demands more effectively.*

Respondents' comments (as originally written)

We really had to think hard if we were starting the business in Lithuania or in the US. We will still probably need to convert and do the switch to the US company at some point. But regulations have to do a lot with it.

We will go through needed regulations for the EU market. Now we're focusing on clients that are importing to the EU (Ukraine, Asia, North America)

As we are EU based startup and our business is based on EU, it is not easy for us to change EU market, but if we come to the conclusion that operating in EU is impossible because of EU regulations and it effects business very negatively, we will have to change our market from EU to other. To minimise the risk even now we are starting to enter other markets outside EU.

Can be done with significant effort

We wanted to work in Europe, so we just absorbed the costs

We were already operating across the EU.

We following all legal requirements since company is well financed and can afford to hire legal firm for it.

We are from the EU so we had to comply

As we are operating from the EU, we have had to comply from the start.

ANNEX 3.
EU DATA STRATEGY & INNOVATION IN CEE STARTUPS

Survey respondents were asked to comment on **the impact of EU data strategy regulations on their companies' innovation potential**. The majority, 63.6%, believed the regulations hinder innovation, while others shared more varied views:

● **63.6%** - No, it hinders innovation

● **13.6%** - It has no impact on innovation

● **18.2%** - Yes, it creates challenges, but opportunities as well

● **4.5%** - Unsure
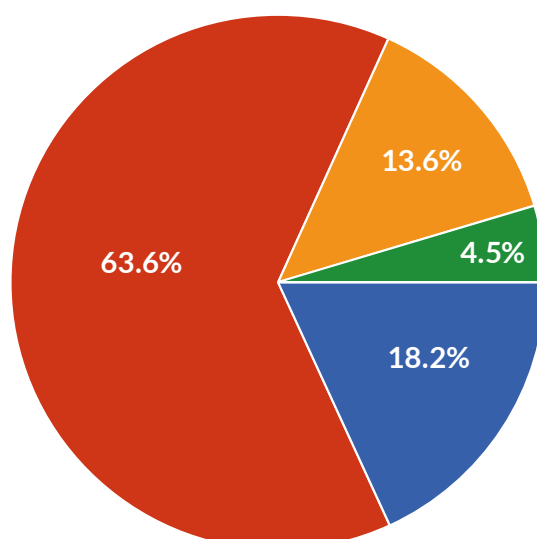
When asked to expand on their opinions, startup representatives offered two distinct perspectives. Some believed that **regulation is not necessarily a barrier to innovation, while others argued that an excessive focus on compliance has an immediate negative impact on innovation potential.**

Several respondents admitted that **many startup founders face the difficult choice of risking non-compliance in order to scale their businesses.**

Key insights from their responses include:
- Some felt that **no regulation can truly support innovation**.
- Many highlighted that the **immediate focus on compliance poses a hurdle to innovation.**
- Many respondents expressed a more pessimistic view, indicating that the **EU data strategy does not help foster innovation** in startups.
- **Startups often have to take risks**, including not fully complying with regulations, in order to grow.
- However, **not all agreed that regulations necessarily hinder innovation.**

Respondents' comments (as originally written)

No regulation can support innovation. Innovation happens outside of regulation.

innovation is about making a product or technology, the regulation is just one of things to consider

*Overall, the EU data strategy supports important principles that are valuable to users and the market, but for startups, the immediate impact can be a more cumbersome path to innovation. **Balancing regulatory requirements with the need for agility and resource allocation is a significant challenge that can affect how effectively startups can drive new ideas and growth.***

***Because if making everything under EU regulation, before starting startup you have to make huge compliance work, make sure that your operations is in compliance and only then start operating/business.** So in one hand, when starting a startup no one has enough resources to make this compliance assessment and prepare necessary documentation, on the other hand if such compliance assessments are made, the result is mostly negative or very restrictive for the businesses. So startups are at the position then they have to take risk, grow business and only at the stage then they have necessary resources and see that company has opportunities, put effort to make business compliance under EU regulations. That obviously is not the purpose of EU legislation, but that is how companies are forced to operate if they want to start business in EU.*

Respondents' comments (as originally written)

Regulations are always seen as something that can potentially hinder innovation. In my opinion secure frameworks create robustness and thus innovations can be built more solid and avoid pitfalls.
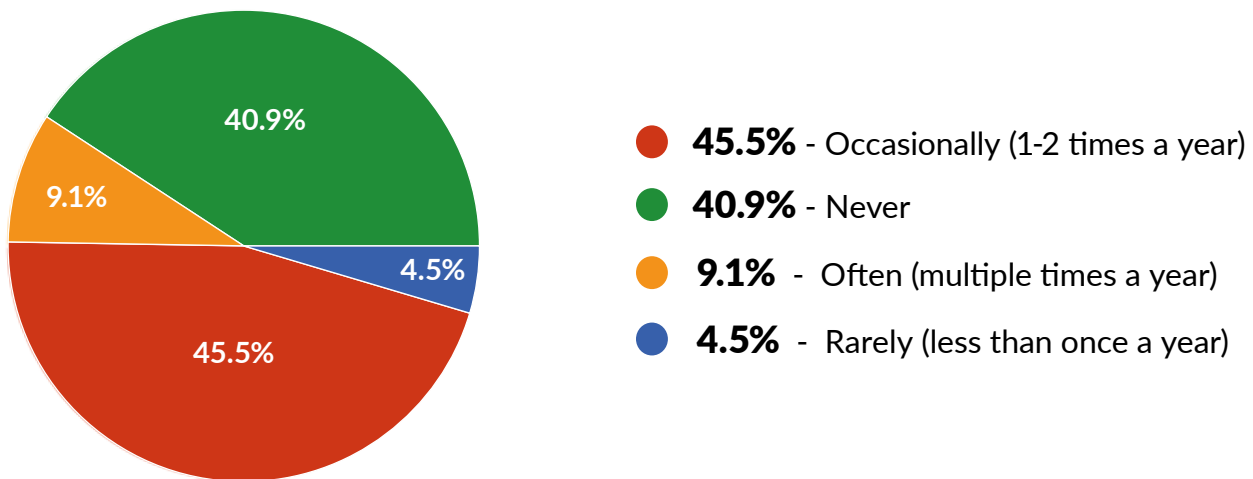
In my opinion, the EU data strategy does not support innovation in startups. While the regulations like GDPR, the AI Act, and others aim to protect consumers and ensure data privacy, they often place a heavy burden on startups. The complexity and cost of compliance can hinder innovation, as startups have limited resources and are forced to prioritize legal and regulatory requirements over product development and scaling. The lack of a truly functioning Digital Single Market also makes it harder for startups to scale across borders, limiting their ability to innovate on a larger scale. While the intent behind the regulations is good, in practice, the fragmented nature of regulations and the high costs involved in compliance create obstacles rather than fostering an environment where startups can innovate freely.

Not sure how small companies and startups can follow that many regulations. Should be some minimum requirements as CCPA has in USA: Scope of CCPA Who Must Comply? The CCPA applies to for-profit businesses that collect and process personal information from California residents and meet at least one of the following criteria: Have annual gross revenue over $25 million. Buy, sell, or share personal information of 100,000 or more California residents, households, or devices annually. Derive 50% or more of their annual revenue from selling California residents' personal information.

ANNEX 4.
CEE STARTUPS' EXPERIENCE WITH EU OR NATIONAL REGULATORY AUTHORITIES

When asked about **the frequency of interactions with EU or national regulators,** only 9.1% of respondents admitted that they often seek guidance or clarification on EU data strategy regulations from EU or national authorities (multiple times a year). The majority - 45.5% - do this 1 to 2 times a year, 9.1% do so less than once a year, and a whooping 40.9% have no interactions with regulators at either the national or EU level.

- **45.5%** - Occasionally (1-2 times a year)
- **40.9%** - Never
- **9.1%** - Often (multiple times a year)
- **4.5%** - Rarely (less than once a year)

On a positive note, only 4.5% of respondents viewed their interactions with the authorities as negative. Meanwhile, 9.1% viewed them positively, 45.5% were neutral, and 40.9% admitted they don't interact with these authorities at all:

- **45.5%** - Neutral
- **40.9%** - We don't interact with them
- **9.1%** - Negative
- **4.5%** - Positive
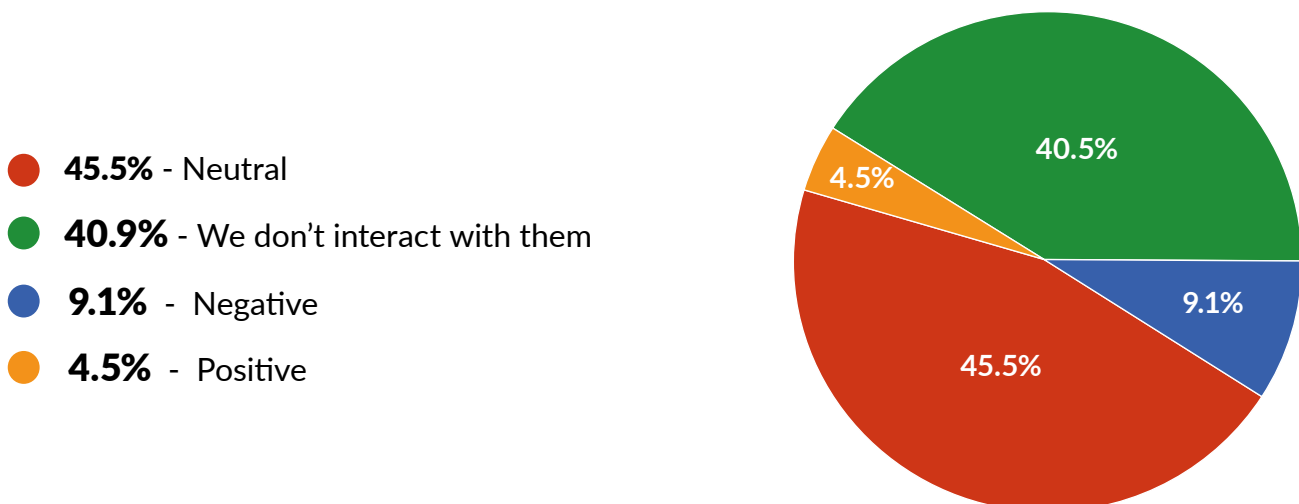
When asked to elaborate on their experiences with national or EU regulators, startup representatives highlighted 5 key aspects:

- There is a visible **willingness from regulators to help** and be supportive.
- However, **the response rate is slow** for the fast-paced needs of startups, with some waiting over a week for replies.
- **Regulators often seem unsure or lack confidence** in explaining regulations, leading to unclear and ad hoc responses.
- Some respondents emphasized **the absence of a 'one-stop shop' for regulatory guidance**, requiring them to consult multiple regulators to obtain clear answers.

Respondents' comments (as originally written)

Usually it takes a lot of time to assemble all required bits and pieces of information from various agencies to understand our unique situation. It just takes time, monet and effort to understand

Responses are usually slow (over a week waiting time)

It seems that authorities are not enough confident or do not know the answers or how to explain regulations because almost every time the answers are not concrete and can be interpreted differently, so the companies are left on her own to make decisions and take the risk

They seem supportive

We have received very professional guidance from the Innovation Agency in Lithuania when we had specific questions.

ANNEX 5.
CEE STARTUP RECOMMENDATIONS FOR POLICYMAKERS AND REGULATORS AT THE EU AND NATIONAL LEVELS

When asked to suggest improvements for the EU's data strategy policies or privacy bodies at the national or EU level, CEE startups made several key recommendations:

- **More simplicity in regulation and reporting processes** - CEE startups expressed the need for clearer guidelines and simplified reporting requirements to reduce the administrative burden on startups.
- **A 'one-stop shop' among national regulators** - many requested either a single agency or better collaboration between regulators to clarify EU data strategy compliance requirements for startups. They also suggested introducing digital tools, possibly powered by AI, to streamline the compliance process for startup representatives.
- **Enhanced cooperation between EU and national regulators** - some see this as crucial for creating more consistent and coherent regulations across different jurisdictions, aiding the move toward a Single Digital Market through practical measures.
- **Exemptions for startups in their early phases** - some respondents advocated for temporary exemptions from regulations during the initial phases of growth, which are critical for startup development.
- **Less regulation helps breed not only unicorns but also decacorns** - some respondents feel that policymakers don't fully understand the challenges of building a globally competitive product and underestimate the burden that regulatory complexity places on that journey. They urge EU and national policymakers to look to the US, where a less restrictive regulatory environment has allowed the rise not only of unicorns but also decacorns
- **GDPR-specific recommendations:**
  - **More incentives for startups** - some respondents believe there is a noticeable lack of incentives from national authorities for startups in the form of practical recommendations, good practice examples, friendly and functioning regulatory sandboxes, checklists and similar practical tools to support innovation while ensuring compliance.
  - **Narrow the scope of personal data** - some respondents believe that the current treatment of almost all data as personal data makes its practical use for product development nearly impossible. Proper anonymization, while intended to help, often renders the data unusable for product development.
  - **Rebalance data subjects' access rights** - some respondents argued that the right to access data is currently too absolute, with local privacy bodies requesting access to data that might include sensitive trade secrets, which could jeopardize business continuity.

Respondents' comments (as originally written)

KISS - keep it simple, stupid. The simpler and straightforward - the easier to understand and implement

Simplified Reporting Processes: Streamlining and simplifying reporting requirements could significantly reduce the administrative load on startups. Clearer guidelines and less complex reporting frameworks would allow startups to focus more on innovation rather than navigating intricate bureaucratic procedures.

*Please, do not make it harder for startups to scale and acquire clients. **It is already hard that we are not in Stanford or Cambridge where the most talent is.***

Work with startups not against them

4. Flexibility in Regulations: Offering some flexibility in the application of regulations for early-stage startups could balance compliance with the need for agility and growth. This could involve adjusting certain rules or providing temporary exemptions for startups in their initial phases.

*We need real protection of privacy. Unfortunately, we do not have that right now. **The biggest threat to an individual's privacy, as history unanimously shows, are the government and state actors which are usually exempt from most of the data and privacy regulations.** What we have right now is a broken web with a zillion of cookie notices that no one reads and everyone just confirms (actually getting them worse privacy), bureaucratic processes that do not have an actual real impact on privacy and security (there has been no decline in security and data breaches even as many companies hired their Data Protection Officers and wrote their policies)*

*To really boost innovation, the EU needs to understand the complexities of each sector. **Right now, it feels like there's too much regulation without fully grasping what it takes to build something scalable.** It's not enough to just protect data — when you see regions like the US producing decacorns, it's clear that too many rules can actually hold businesses back. The focus should be on enabling growth and innovation, not creating hurdles with regulations made by people who haven't built something themselves.*

Few recommendations for GDPR (or how to interpret this regulation) : a) do not explain the meaning of personal data so widely - we have a situation now then almost all data is personal data (direct or indirect), it means that processing of this data, developing the product on such data getting much harder or impossible (annonimisation doesn't help as if it is done correctly, such data can not be used for product development any more) b) data subject's access right - now by local privacy bodies these right are understood as absolute rights and companies' interests are not ensure at all, e.g. the requirement to provide information where the data is obtained from for data subjects even if this information is company's trade secret and providing this data could make huge impact on continuing of business. We need to find balance.

One single agency, maybe AI-enabled, with nice website that can help me understand do we comply and what we need to do to comply

Support for Early-Stage Companies: Providing targeted support, such as advisory services or regulatory guidance specifically tailored for startups, could help ease the transition into compliance. This could include dedicated resources or support networks to assist with understanding and meeting regulatory requirements.

More clarification and digital tools for startups

Enhanced Coordination with Privacy Bodies: Improved coordination between EU-level and national privacy bodies could lead to more consistent and coherent regulations across different jurisdictions. This would reduce the complexity of navigating multiple regulatory environments and help startups scale more effectively within the EU. Overall, these improvements could help reduce the regulatory burden on startups, allowing them to focus more on developing innovative products and less on compliance-related challenges.

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