

# From followers to disruptors? The role of small states in EU digital policy

Blog post by Associate Alessandra Baldacchino, 11 October 2019

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In the past decade, small member states have increasingly been at the vanguard of digital policy debates in the European Union. Most notably, Estonia's digital initiatives have allowed a country of just 1.3m people to reinvent itself as the leading e-government innovator in Europe, perhaps globally. Estonia is not alone. Ireland plays host to most of Silicon Valley's largest companies. Portugal has built its own digital niche in defence tech, is the host of the Web Summit - Europe's premier tech conference - and Lisbon is emerging as a major tech hub. These member states are turning on its head the assumption that a large market of scale is needed to encourage technology investment and innovation. Indeed, they are making a virtue of being small.

Malta is the latest example. It has, for example, put itself on the map by becoming one of the first countries globally to introduce a legal framework for cryptocurrency, in the process branding itself as the 'blockchain island'. I attended Malta's annual international conference last week on artificial intelligence and blockchain. The prime minister, Joseph Muscat, and Silvio Schembri, Parliamentary Secretary for Financial Services, Digital Economy and Innovation, used the showcase event to unveil Malta's strategy and vision for artificial intelligence for 2030. This included the launch of a new certification process to review blockchain-related software to ensure their quality and dependability - the first of its kind in the world, according to the government, with the aim that it will be eventually extended to artificial intelligence and quantum computing.

With companies and research organisations actively seeking out high-profile use cases to pilot and showcase AI projects, the modest size of these small states makes them, in principle, a viable test bed for pilot projects which can be run across an entire country with little investment, in much the same way that Estonia's comparatively small public sector made innovation in e-government more achievable. Malta is aspiring to become the "Ultimate AI Launchpad". Under this strategy, local, and foreign, companies and entrepreneurs can develop, prototype, test and scale AI, and ultimately demonstrate the value of their innovations across Europe. As an integral part of this, the government announced it will be setting up regulatory and data sandboxes for AI to help companies test concepts and solutions in a contained environment.

We must be careful to distinguish between government aspiration and commercial reality, however. As exemplified by its botched SmartCity project in 2007, which is now being transformed into residential units, Malta's ambitions are held back by a lack of space and high-quality engineering workspaces. Critics will also be quick to point to the fact that smaller countries such as Malta, Ireland and Luxembourg have more often achieved prominence due to lower tax rates and light touch regulation, rather than breakthroughs in policy.

Regardless, this positioning by smaller European member states has implications for policymaking in Brussels. With the (broadly speaking) pro-tech UK leaving the EU, and larger member states such as France and Germany increasingly preoccupied by a more defensive digital and industrial policy, advocates of a pro-innovation regulatory framework for digital and AI policy have faced a crisis of diminishing influence.

The response has been the formation of the “Hanseatic League” by mostly northern European member states as a counterweight to Franco-German influence on economic and digital policies. Estonia and Ireland count amongst their number. While Valletta is thousands of miles from the cold waters of Baltic and North Sea, a common ambition for a liberal, innovative EU framework for artificial intelligence could nevertheless see increasing cooperation, coordination and policy positions between the EU’s far north and far south.