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PERSPECTIVE

Eastern European startup culture: value emerging

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During the height of the pandemic, amidst tremendous uncertainty in terms of both health and business, a wait-and-see environment developed for many entrepreneurs otherwise ready to start up new companies. Today, as U.S. and global growth prospects brighten, companies are in growth mode and finding it in places that may have been overlooked — including Eastern European tech sector.

While we cannot say that prior to the pandemic Eastern Europe was considered a “Silicon Valley outpost” (even though there have recently been more than 10 unicorns emerged out of that region), we can acknowledge that COVID-19 created a new reality for all of us — and the discerning company and its GC can see the massive and largely untapped potential of the region.

Here are three key considerations:

First, lockdowns demonstrated the importance of technology for the economical resilience of a country. States and governments that did not see the priority in supporting the technology development prior to the pandemic have now more fully realized that their economies cannot remain viable without a wide range of tech products and a solid tech infrastructure.

As a result, the governments of different Eastern European

countries have defined or redefined their priorities in the arena of in-country ‘home-grown’ technology development. They have seen a new need for an implementation strategy.

For instance, in Romania, journalists and public actors established that technology development is a public issue and defined the main direction of its development: (1) AI or artificial intelligence; (2) the 5G technology or the fifth-generation technology standard for broadband cellular networks; (3) higher education in tech professions; and (4) smart cities.

The Serbian government realized that the digitization process will enhance the quality of life for hundreds of thousands of Serbian citizens and has thus adopted its “Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the period 2020-2025.”

Slovenia, for its part, has provided for tax benefits to companies that conduct research and development.

Second, investors are only now starting to travel, and global travel remains limited. This means that they are practically limited in their access to the potential investment opportunities in the jurisdictions that are commonly considered to be traditional for investments. Thus, startups registered in Delaware in the U.S. or Georgia the country were forced to take a look at their local markets and look for the opportunities there instead of outside their country.

Third, many technology startups moved in a new direction that was not as readily acces-

sible prior to the pandemic. As we know prior to the pandemic, companies and their founders came to the well-known physical technology hubs, such as London in the U.K. and Silicon Valley, for direct access to the experts that could help grow their company and make it successful. Travel restrictions and lockdowns made this practice impossible and turned remote work and remote consultations into the new reality. Remote conferences became the new normal. Startups and founders therefore got greater access to expert professionals without the need for travel or for a move to another country.

The three new perspectives on technology startups listed above have created a situation where even though being in a physical technology hub has remained valuable, the new game is all-virtual, all-remote and played from one’s own home country – at least for early-stage startups. Entrepreneurs with great ideas and products may look for investors without leaving their home country. Investors seeking a juicy return can now invest in technology within their own country, rather than banking on a physical presence in any of the globe’s technology hubs. Investors and entrepreneurs can leverage local opportunities while still benefiting from highly expert remote workers, advisors and global access.

Since technology is no longer centralized around physical hubs but is more often virtual, remote and global from inception, European investors are

now looking more seriously at the new benefits and real profitability of “staying home.” There are rich opportunities in each Eastern European national market which do not demand travel to ensure a global presence and worldwide impact.

The role of all the nations, national and local governments, professionals (accountants, lawyers, etc.) who service this market is to develop practices and legal mechanisms that would allow the startups to leverage the “remote” economy, while at the same time providing investors the level of comfort and safety that would allow them to continue this newer decentralization of technology development ■

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