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EU Digital Sovereignty as Industrial Policy

The Brussels Effect and Regulatory Adaptation Costs in Candidate Countries

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Costs come before access

For a candidate country, alignment is a condition of accession — so the obligation precedes the market access for which it is undertaken, and it binds a state and a business population that had no part in setting it.

Brussels effect

Explains diffusion through firms' interest in market access — less so obligations arising from accession.

Digital sovereignty

Concentrates on change inside the Union, where rules are made by the states that must apply them.

Conditionality

Treats adaptation cost as an input to a government's decision to adopt, not as an outcome distributed across actors.

What stays outside all three: the scale of the costs, their distribution, and the resulting conditions for digital markets.

Regulation doing the work of industrial policy

Rules as the available instrument

The EU hosts no technology firms of global scale through which member states could advance their vision of digital development, so regulation carries the weight.

Industrial-policy functions

Inside the Union those rules set the terms of competition, redistribute influence among market participants and direct their activity towards public policy goals.

Applied beyond the Union

The same requirements reach countries with markedly different institutional and economic capacity — which is where their distributive effect becomes visible.

THE CLAIM

By affecting firms' competitive positions, European rules can operate as an indirect mechanism of industrial policy in candidate countries.

The fixed component of compliance depends little on firm size, so a uniform requirement produces a non-uniform burden.

Two mechanisms at once, four loci of cost

Market pull — on firms

Maintaining parallel standards is uneconomic, so firms extend EU requirements across their operations. Costs fall mainly on business.

Accession obligation — on the state

Legislation, supervisory bodies, staff and enforcement procedures. Systemic public expenditure, incurred before full membership.

In candidate countries both operate simultaneously — which bears on the timing of adaptation and on who bears its cost

C1
Legislative change

C2
Administrative and institutional

C3
Firm-level compliance

C4
Opportunity cost of the transition

C5
Risk of repeated adaptation

Research design

6 cases

Ukraine, Moldova, Albania × data protection and cybersecurity — structured focused comparison

42 grades

Seven categories per case on a low / medium / high ordinal scale; each case coded independently by two authors

No index

The grades form a profile and are not aggregated; cut-off 1 October 2026

Category	What the grade records
C1 Legislative	Residual legislative change still required at the assessment date
C2 Institutional	Additional public resources a reform still needs: posts, funding, equipment
C3 Firm-level	Burden on business, from breadth of coverage and complexity of change
C4 Opportunity	Diversion of budget or staff from other priority measures
C5 Moving target	Risk that EU-side changes require adapting a second time
B1 Market access	Confirmed access to the market and to instruments of EU cooperation
B2 Industry growth	Confirmed development of the digital industry

The profile: three countries, two domains

H high, M medium, L low · **?** low or medium confidence, inferred from the text of the law where the report gives no direct assessment · n/a no evidence located, not an absence of cost

Category	UA data	UA cyber	MD data	MD cyber	AL data	AL cyber
C1 Legislative	H	M	M	M	L	L
C2 Institutional	H	L	M	M	M	M
C3 Firm-level	H?	M?	M	M?	H?	L?
C4 Opportunity	H	H	n/a	L?	n/a	n/a
C5 Moving target	M	M	M	M	M	M
B1 Market access	L	M	L?	M	L?	M?
B2 Industry growth	L	M?	L	M?	L	M

FINDING 1

Legislative and institutional costs do not move in step

In five of the six cells the supervisory authority is graded medium or high, irrespective of the stage the legislation has reached. Supervisory capacity remains the binding constraint even where legislation is fully aligned.

Albania

Data protection law adopted December 2024 in full conformity with the acquis, seven of ten accompanying acts in place — yet institutional costs are medium in both domains.

All three countries

The legal framework for data protection spans the full range — adequate, strengthened, insufficient — but supervisory capacity is assessed identically: it needs to improve.

Caveat

C2 is a residual, not a stock: a low grade is ambiguous between capacity built earlier and resourcing not yet planned.

Findings 2 and 3

FINDING 2

Burden on business tracks breadth of coverage

Data protection applies across sectors irrespective of a firm's main activity; cybersecurity applies to defined categories of entities. The burden is therefore higher in data protection — in Ukraine and Albania, with both domains medium in Moldova.

Timing matters too. Albania's law took effect with no long transition and no SME relief; Moldova allowed some two years before entry into force in August 2026, letting firms spread the outlays.

FINDING 3

Confirmed benefits are fewer and later

No case reached a high grade on either benefit category. In data protection every grade is low; in cybersecurity they are medium, in part with limited confidence.

Obligations are defined through concrete measures and deadlines, whereas expected benefits depend on subsequent decisions or on the practical use of new opportunities — a time lag between adaptation and its results.

Ukraine: a hypothesis, not a finding

High — data protection

Draft laws registered in 2022 remain unadopted; both legislative and institutional requirements are graded high.

Low — cybersecurity

A framework law adopted in March 2025; institutional capacity bolstered, underpinning cyber resilience during the war.

One state, one moment, opposite grades — so a single national measure of administrative capacity cannot account for the variation.

THE HYPOTHESIS

What an adaptation still requires at a given date varies with prior investment in that field and with the salience of the field to the government.

Testing it needs an independent measure of the stock of institutional capacity, built on a uniform method across all three countries, plus data on funding and the sequence of institutional change. The present design does not supply it.

Implications, limits, and what comes next

TWO POLICY IMPLICATIONS

Adoption is a poor indicator

Supervisory requirements persist after legislation is aligned in all three countries, so a law on the books does not show that adaptation is complete.

The transition interval is an instrument

The difference between Albania and Moldova shows that the gap between adoption and entry into force bears directly on how evenly firms can spread the outlays required of them.

LIMITS AND CONTINUATION

- Grades are ordinal and drawn from official documents: they record the burden the rules foresee, not what firms have spent
- The two domains do not exhaust the digital acquis, so the magnitudes are a lower bound
- C4 could be evidenced only for Ukraine; no comparative weight rests on it
- Next: firm-level data on compliance outlays as a share of turnover, by firm size, and an independent measure of institutional capacity

The analysis gains from shifting attention away from whether alignment occurs and towards who pays for it, and when.