ECONOMIC PRIORITIES FOR THE 2024-2029 EU TERM

EUROCHAMBRES

Eurochambres Economic Priorities for the 2024-2029 EU term

To restore Europe's attractiveness as a business location and its capacity to drive innovation, the EU needs to take immediate and coordinated steps to address the lack of investments for the scale-up of businesses and the decarbonisation process and simplify the burdensome regulatory framework. A new industrial strategy that builds on the contribution of smaller businesses must be the top priority of the next EU mandate to safeguard Europe's competitiveness and ensure economic stability.

1. Summary

For the next legislative period 2024-2029, Eurochambres urges EU policymakers to:

- Strengthen Europe's competitiveness and attractiveness as a business location by delivering a robust horizontal industrial policy agenda.
- Boost SMEs' productivity and entrepreneurs' pioneering spirit.
- Deliver SME-proof legislation and evaluate the impact on EU competitiveness.
- Better law-making is a shared responsibility of EU institutions and member states.
- Streamline reporting obligations and reduce the cumulative impact of legislation on businesses.
- Guarantee a regulatory pause to focus on the correct transposition and implementation of existing legislation.
- Diversify funding opportunities for European businesses and improve digital and financial literacy of entrepreneurs.
- Enhance the dialogue with business organisations, especially with representatives of SMEs.
- Ensure that EU policies percolate in regional and local territories with the support of the chamber network.
- Acknowledge the role of mid-caps and ensure a positive outcome from the revision of the EU SME definition.

2. State of play:

Over the last few years, multiple crises have impacted businesses and tested the resilience of European entrepreneurs. As pointed out in Mario Draghi's High-level report "The future of European competitiveness"[1], much remains to be done to diversify Europe's supply chains, ease bottlenecks in the production and commercialisation of goods and services, and ensure the macroeconomic stability, dynamism, and competitiveness of the EU area.

Actions under the new EU mandate should seek further coordination among member states to regain Europe's dynamic leadership as the driver of innovation and solid manufacturing

[1] EU competitiveness: Looking ahead - European Commission (europa.eu)

powerhouse. The EU institutions need to act swiftly to close the competitiveness gap between Europe and other economic blocs.[2] EU policymakers cannot rely on Europe's past success as a manufacturing base to overcome EU's slower growth. Part of the solution would be a more efficient deployment of funding instruments, especially in support of research, development, and innovation (R&D&I), which is required to become a leader in cutting-edge technologies and innovation. Europe faces important investment barriers to scaling innovative companies, forcing them to relocate where the transition from invention to commercialisation is better supported.

Based on replies from 40.000 entrepreneurs across Europe, the annual Eurochambres Economic Survey[3] registered the sourcing of affordable energy and raw materials as the main obstacle across Europe. Such vulnerabilities have strong repercussions on the productivity of SMEs which, instead, need a positive and predictable outlook to thrive, invest in greening, digitize their production processes, and benefit from economies of scale.

Eurochambres calls on the European Commission, the Council, and the European Parliament to fundamentally renew their commitments to support SMEs, stimulate economic stability and growth, grant entrepreneurial space and freedom for pioneering, and ensure long-term global competitiveness with a New European Competitiveness Deal.

3. Key recommendations:

a) Strengthen Europe's competitiveness and attractiveness as a business location by delivering a robust horizontal industrial policy agenda

European industrial policy should aim to reduce single market barriers and strengthen the competitiveness of the European industrial base by cutting red tape, deploying the necessary infrastructure, creating open markets, accelerating permitting procedures, and promoting innovation – in other words, providing companies with business-oriented and competitive framework conditions.

To boost the competitiveness of the EU, new legislative initiatives should aim at improving the ability of businesses to export, enhancing their productivity levels, and attracting investments both within the EU and from foreign economies.

Future actions should address the horizontal needs of existing industrial ecosystems to accommodate competitiveness and sustainability priorities and put SMEs at the centre of the strategy for industrial transformation. This framework must encourage private-public partnerships for investments, creating space for innovation, new products and services, markets and business models, and new profiles and jobs. The Important Projects of Common European Interest (IPCEIs) mechanism holds the potential to develop large-scale and cross-border industrial projects in strategic fields. However, better coordination between the Commission and member states would guarantee faster notifications, while less bureaucratic procedures would avoid unnecessary delays.

Based on the unique contribution of SMEs to the European economy, more efforts are expected to strengthen their participation in the ecosystems-based dynamics of European industrial policy, in particular in national and regional industry-support policies. Closing the

[2] Wirtschaftsstandort Europa (wko.at)
[3] Eurochambres Economic Survey 2024 EES2024 report

existing information gap between EU decision-makers and businesses on the ground is key to strengthening entrepreneurs' confidence in EU policies. The chamber network is best positioned to support EU decision-makers in bridging the gap and encouraging greater entrepreneurial participation.

b) Boost SMEs' productivity and entrepreneurs' pioneering spirit

The European Commission should continue to support smaller businesses to capitalise on the single market potential, reducing regulatory burden, and improving access to skills, and financing. Eurochambres therefore calls for additional efforts in implementing the actions proposed under the SME Relief Package[4] and further alignment of its objectives with the Communication on the "Long-term competitiveness of the EU looking beyond 2030"[5] and the proposed KPIs.

Domestic and external supply chain risks and barriers in strategic sectors need to be addressed to encourage our businesses to explore foreign markets and internationalize. Member states should also focus on good framework conditions for young enterprises and for business succession. SMEs in particular need entrepreneurial space to be creative and innovative. This is a key condition for business development and growth. As a crucial service provider, the network of chambers of commerce and industry is fully committed to supporting actions towards the success of Europe's businesses. Stronger synergies between institutions at all levels of governance and the chamber network would ensure the efficient implementation of new support measures for millions of entrepreneurs.

c) Deliver SME-proof legislation and evaluate the impact on EU competitiveness

About 80% of initiatives presented in the Commission Work Programme are relevant to SMEs but only around half of impact assessments substantially focused on these companies.[6] The SME test is a key tool for drafting legislation from the perspective of 99,2% of businesses in Europe. Regrettably, Eurochambres assessments of the European Commission's application of the SME test[7] showed significant shortcomings in its implementation, which increases the risk of legislative initiatives creating excessive and unnecessary burdens for SMEs. There is still considerable room for improvement if we are to deliver a proportionate regulatory environment that delivers on the commitment to "Think Small First".

Solid impact assessments are crucial in designing new legislation. To serve their purpose, impact assessments should always report clear and thorough cost/benefit analyses and outline the SME test results. While improvements in the application of the SME test – now more systematic – are to be welcomed, all initiatives identified by the SME filter as "relevant" or "highly relevant" for SMEs must always foresee full impact assessments.

The competitiveness check, another key element for fit-for-purpose legislation, should always be based on solid empirical evidence for all the policy options explored in the impact assessment. Additional checks on specific territorial impacts such as insularity would also safeguard disproportional impact on companies situated in different geographic locations.

[4] SME Relief Package - European Commission (europa.eu)
[5] Communication_Long-term-competitiveness.pdf (europa.eu)
[6] EU competitiveness: Looking ahead - European Commission (europa.eu)
[7] SME Test Benchmark 2022 report

A summary of the reporting obligations on businesses, stemming from the different policy options on the table, should be a mandatory element of impact assessments. This would facilitate political discussions during the trilogues, avoid reducing the SME test to a simple tick-the-box exercise, and ensure more predictability for entrepreneurs.

The Regulatory Scrutiny Board should systematically verify that the SME test and competitiveness check are properly carried out before issuing a positive opinion on an impact assessment. The two elements must be a pre-condition for moving forward with the legislative process.

d) Better law-making is a shared responsibility of EU institutions and member states

The European Parliament and the Council should adhere to better law-making principles also during the negotiation phase. More specifically, the coherence and impact of substantial amendments introduced by the co-legislators should be carefully evaluated.

The co-legislators must improve their impact assessment track record as committed to in the 2019 Interinstitutional Agreement on Better Law-Making, and to respect the “Think Small First” principle. Based on the SME test, the European Parliament should perform impact assessments on the final text for legislative initiatives identified by the Interinstitutional services as “relevant” or “highly relevant” for SMEs[8]. This would ensure that the Commission’s policy objectives are not undermined by amendments driven by political decisions rather than evidence.

At the member state level, gold plating practices should be avoided to achieve better implementation and uniform interpretation of EU law. Disparate contractual and legal practices, varying national service rules, and limited access to information on differing rules/requirements are identified as key barriers by entrepreneurs[9].

e) Streamline reporting obligations and reduce the cumulative impact of legislation on businesses

Regulation is often mentioned as a major obstacle to doing business in the EU. The message coming from the business community is that bureaucracy has increased significantly over the past three years. Due to the large number of new EU rules under the European Green Deal, the tide of red tape is set to rise even further. While the single piece of legislation can be – to a certain extent – harmless, the cumulative regulatory burden on businesses represents a heavy toll. This is the case especially for SMEs as they often lack in-house legal departments and cannot typically identify the origins of reporting or compliance burdens. As a result, entrepreneurs often rely on external compliance support which translates into time-consuming procedures and out-of-pocket costs.

The announced Vice President for Simplification should create an inventory of existing reporting obligations – with the support of all members of the College of Commissioners – to make the reduction of 25% tangible. A clear methodology for identifying and evaluation of the costs must be provided together with a full commitment by all political decision-makers and a clear timeline for removing the costs. The implementation of the “One In, One Out”

[8] Better regulation: guidelines and toolbox (europa.eu)
[9] The e-declaration for the posting of workers and facilitate the cross-border provision of services is an example of much needed simplification measure.

principle has, thus far, delivered very limited results and has certainly not alleviated the burden on companies. Eurochambres therefore calls for a mandatory and binding "One In, Two Out" approach for all EU legal acts to guarantee that the legislative burden on companies is substantially reduced over time.

Legislation needs to achieve objectives in cost-effective and efficient ways and minimise unintended consequences and unnecessary compliance costs on businesses. The Commission should therefore step up its efforts in reviewing the existing stock of regulation to remove redundant or disproportionate regulatory burdens, with priority given to SMEs and those economic sectors critical for Europe's competitiveness. On ex-post evaluations, lawmakers need to remain vigilant as to whether the cost of imposing a particular regulation continues to be justified, understand whether unintended consequences have emerged over time, and assess whether the benefits of legislation continue to outweigh the costs. The Commission should not ignore the dynamic effects of regulation and its impact on innovation, productivity, and potential constraints on EU companies' growth prospects. Without these reviews, the EU lawbook will only continue to grow in length and complexity. Eurochambres calls on the Commission to establish a European Single Portal for national and European reporting requirements on businesses. Such a portal should contain harmonised reporting templates and information to limit incoherence and uncertainty. All member states should make full use of this portal and ensure its uptake at the national level. At the EU level, this portal would serve as a database for the simplification of legislation by collecting data and information regarding the difficulties in reporting.

f) Guarantee a regulatory pause to focus on the correct transposition and implementation of existing legislation

The previous legislative term was marked by a tremendous amount of new legislation which will have to be digested through national implementation over the coming years. Entrepreneurs are simply unable to navigate the legislative labyrinth and constantly adapt their compliance practices and duties. This usually requires time and resources which would be better allocated to increase the productivity of their business.

Further guidance for member states should be introduced to correctly transpose EU legislation into national law and avoid incoherence with existing ones. Member states should follow a similar procedure as the EU (see point 5) to streamline reporting obligations stemming from national laws. The EU should step up its efforts to ensure that cross-border activities are not hindered by differing application of laws. This leads to legal uncertainty and refrains entrepreneurs from exploring potential new markets, reducing intra-EU trade and private investments.

g) Diversify funding opportunities for European businesses and improve digital and financial literacy of entrepreneurs

Europe must continue to be attractive to both foreign and domestic investors. To achieve this goal, the EU and member states should provide incentives for corporate investments, tax relief for SMEs, facilitate the channelling of private investments into start-ups and scale-up of companies, and access to risk capital. In addition, the EU and member states should facilitate the participation of SMEs in public tenders through better implementation of public procurement directive principles and a consolidation of the current framework.

EU funding programmes are often not known, or their application process is perceived as too complicated. The EU should therefore set up standardised and digitalised application and funding processes to simplify the submission of applications. Regular exchanges with companies about their experiences regarding EU funding programmes are necessary to address remaining information barriers.

Digital tools develop at a rapid pace, creating both opportunities and challenges for entrepreneurs. Many SMEs struggle to keep up with technological advancements impacting their growth potential. EU policymakers should promote simplified access to finance through easily accessible loan procedures, digital and financial literacy programmes – drawing on the expertise and offers of local chambers of commerce and industry – , and collaboration between traditional financial institutions and emerging fintech platforms.

In parallel, with electronic invoicing being reinforced through the VAT in the Digital Age project, it will be necessary to raise awareness among businesses and assist them in implementing appropriate solutions to meet this new requirement. Support should first be provided through awareness-raising, followed by assistance for businesses in integrating solutions tailored to their needs.

The lack of deep, integrated capital markets in the EU is a key factor limiting Europe's competitiveness by hindering cross-border risk-sharing and the diversification and expansion of financing sources for European companies. We should scale up our Capital Market Union ambition to unlock financing for stronger growth processes in Europe, not least the green and digital transitions. Accelerating financial market integration would provide better and faster access to private capital. In the banking sector, we need – provided that the remaining regulatory steps are implemented in all member states - to complete the last remaining pillar to achieve the European Banking Union: the European Deposit Insurance Scheme, which would eliminate the current financial fragmentation. However, it must be ensured that differentiated banking structures are maintained that offer SMEs suitable financing options. Simplified rules in the European securitisation market are important prerequisites to create investment opportunities and allow banks to free up capital. Moreover, we need to develop market infrastructures and pan-European financing vehicles and ensure easier access to financial information.

h) Enhance the dialogue with business organisations, especially with representatives of SMEs

Eurochambres calls on the European Commission to deliver on its 2019 announcement to appoint an EU SME Envoy as an absolute priority for the new mandate. Such a role should entail important coordinating powers across all Commission services, access to Commissioners' cabinets, an active role in the RSB's appraisals, and discussions within the Fit for Future Platform (F4F) and the SME Envoy Network. The EU SME Envoy should also ensure that all impact assessments include a thorough SME test.

Eurochambres reiterates the role played by the SME Envoy Network, the Fit for Future platform, and the Industrial Forum in ensuring SME-friendly legislation. In this regard, Eurochambres strongly supports the continuation of such networks during the 2024-2029 EU mandate. The involvement of representatives of member states and business organisations is a crucial channel to support the Commission's efforts to simplify EU laws, ensure the coherence of EU policies with long-term strategic objectives, and assess the industry's risks and needs. Eurochambres welcomes the efforts to analyse the resilience of specific supply chains, especially in areas where European industrial output has decreased e.g., semiconductors or chip design and key technologies, such as cyber security, cloud and edge computing, and data storage.

i) Ensure that EU policies percolate in regional and local territories with the support of the chamber network

The next EU budget should reflect more the needs of entrepreneurs operating in peripherical territories and at the local level as they decisively contribute to local growth and job creation. Cohesion Policy should therefore continue to be the main EU investment policy targeting all regions and cities in the EU, supporting job creation, competitiveness, economic growth, and synergies between actors at all levels of governance.

Chambers of commerce and industry are leading partners at the local level to anticipate transformations and possible synergies (lifelong learning, vocational training, links between enterprises and universities, local clusters, etc.), as they are in very close contact with the regional business community.

Chambers of commerce and industry and the Enterprise Europe Network (EEN) play a key role in advising entrepreneurs, fostering business growth and innovation, and transforming policies into daily reality. The Commission should enhance its cooperation with the chamber network and provide the support – both financial and in terms of staff – necessary to achieve the EEN strategic objectives of strengthening the entrepreneurial ecosystem. The budget allocated to the EEN under the Single Market Programme (SMP COSME) should be considerably reviewed in light of the impact of high inflation and the new challenges of SMEs. More horizontal cooperation and synergies between the varying EU funding programmes and instruments would also be beneficial for SMEs, including initiatives such as the EIC (European Innovation Council) Accelerator and the European Digital Innovation Hubs (EDIH).

j) Acknowledge the role of mid-caps and ensure a positive outcome from the revision of the EU SME Definition

Given the role of European mid-caps on the verge of market leadership in specific sectors, they are best positioned to bridge the technological and productivity gap between innovative and dynamic SMEs and the smaller group of large companies. By being locally present and internationally active, mid-caps hold the potential to boost European open strategic autonomy and strengthen value chains globally by limiting the risk of offshoring.

An EU-wide definition of small mid-cap must factor in the challenges and opportunities of the Industry 4.0 with digitisation and automatisation processes set to bring structural changes into business models of technology-driven companies.

Raising the thresholds of the 2003 definition for SMEs to capture small-mid-caps (e.g. up to 500 employees) should not limit or obstruct the access of SMEs to EU subsidies and financing opportunities designed for smaller businesses. Tailored exemptions and access to funding programmes for small mid-caps should be considered. In addition, the legislative framework should aim at a more balanced and proportional administrative burden for (small) mid-caps, compared to the current complex rules, drafted for large companies.

Eurochambres – the association of European chambers of commerce and industry – represents more than 20 million businesses through its members and a network of 1700 regional and local chambers across Europe. Eurochambres is the leading voice for the broad business community at EU level, building on chambers' strong connections with the grass roots economy and their hands-on support to entrepreneurs. Chambers' member businesses – over 93% of which are SMEs – employ over 120 million people.

Economic Committee Chair
Jean-Charles Herrenschmidt

Committee Coordinator
Giacomo Fersini - Senior Economic Policy Advisor
fersini@eurochambres.eu

@Eurochambres
www.eurochambres.eu

EUROCHAMBRES