



# **DECLARATION OF ENTREPRENEURIAL RIGHTS**

**Submission to the EU institutions  
on the occasion of the 60<sup>th</sup> anniversary  
of EUROCHAMBRES**

# Declaration of Entrepreneurial Rights

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Since its beginnings over 60 years ago, the EU project has been built on a social market economy model, combining the free market with an extensive social security system. Balance is crucial to this model; social support cannot be assured without a dynamic market, driven by viable, healthy businesses.

Reflecting this need for balance and as a follow-up to the 2014-19 Commission's Pillar of Social Rights initiative, this EUROCHAMBRES submission is entitled the Declaration of Entrepreneurial Rights. The 12 rights relate to pre-conditions for entrepreneurs and businesses in the EU to thrive, prosper and compete internationally and thus to allow us to maintain our social values and standards.

Entrepreneurs are much more than job providers and tax contributors. They are educators, trainers, innovators, creators; they are active members of their local community and driving forces of the EU's broad competitiveness agenda.

Entrepreneurs do not typically talk in terms of their 'rights'. But it is time for politicians and officials to be more proactive in ensuring that the needs of entrepreneurs are not taken for granted and are consistently central to policy processes.

In recent years, the start-up culture has gained considerable momentum across many parts of the EU. This is a success story, but it is just the tip of the iceberg. Europe now needs to implement reforms and deliver measures that will enable our start-ups and crucially also millions of established businesses to flourish and grow.

This EUROCHAMBRES submission sets out key recommendations for such reforms and measures, which could be initiated and taken forward at EU level during the 2019-2024 legislative term.

As EUROCHAMBRES, the association of European Chambers of Commerce and Industry, marks its 60<sup>th</sup> anniversary in 2018, our Declaration of Entrepreneurial Rights is a contribution to the discussions on the future of Europe. The 12 rights also provide a roadmap for the competitiveness agenda for the next EU legislative term. We encourage the European Commission, the European Parliament and the member states to take up the gauntlet and work with Chambers to ensure that Europe is the best place in the world to run a business and to do business.



Christoph LEITL  
President

### **The 12 Entrepreneurial Rights:**

1. A fully functioning single market
2. Fair and favourable trading conditions beyond the EU
3. An adequately skilled, qualified and flexible workforce
4. The effective economic integration of migrants
5. Available and appropriate financing solutions
6. SME friendly drafting, implementation and monitoring of EU legislation
7. Measures to stimulate an entrepreneurial mindset across Europe
8. An ecosystem that facilitates the creation and expansion of businesses
9. A second chance after failure and the facilitation of business transfer
10. An economic and legal environment that allows risk-taking and stimulates innovation
11. Advanced, interconnected and accessible digital infrastructure
12. Affordable and secure supplies of energy and raw materials

**Further comments and specific recommendations in relation to these 12 entrepreneurial rights are provided in the following pages.**

## 1. A Fully Functioning Single Market

### *Context*

The current patchwork of national regulatory regimes continues to undermine the single market. Most worrying is the lack of progress that has been achieved in the services area. According to the Single Market Scoreboard, the average member state trade integration in 2015 for services stood at only 6,6%, compared to 20,6% for goods.

Reflecting the increasing digitalisation of the economy, priority must be attached to ensuring that the internal market is fit for the digital era and takes into account the growing number of micro businesses that trade and collaborate across borders.

Companies, when operating in other member states, are often confronted with different consumer protection rules. SMEs in particular are deterred from offering their goods and services beyond their national borders through concern that they might be held liable according to rules that they are not familiar with.

### *Recommendations*

The Commission should come forward with **ambitious measures to complete the Single Market for services**, an area where there is still huge untapped potential and where SMEs play a prominent role. But this will prove futile if co-legislators do not embrace the need to reduce national barriers in this important sector. The reaction from co-legislators to the Commission's very limited 2017 Services e-Card proposal underlines the worrying level of resistance to further reforms in this economically important sector.

Access to information for businesses should be made much easier. A **proper implementation of the Services Directive**, including a multilingual Point of Single Contact (PSC) in every member state, is crucial to improving this. Some of the PSCs are already fully functional, yet often remain far from user-friendly. This tool must be more intuitive and digital technology provides scope for a far more advanced, timely and proactive approach to helping cross-border service providers ensure that they comply with requirements in other member states.

An **ambitious target to double integration in services compared to the 6,6% 2015 figure should be set by the Commission for the next 5-year term**. This needs to be backed up by similarly ambitious proposals that would, in turn, require the support of co-legislators. Failure to do so would mean that one of the four freedoms of the single market will remain undeveloped, to the EU's socio-economic detriment.

The use of digital processes throughout a companies' lifecycle should be at the centre of the Commission's efforts. In the future, **full online transactionality should be ensured**. The forthcoming Single Digital Gateway is an important component in achieving this aim and to ensuring that 'digital by default' goes hand in hand with 'cross-border by default'.

Policy-makers should revisit the idea of establishing a simple and flexible **European Private Company Statute (SPE)** as an option for businesses with a cross-border component. This has the potential to avoid the complexity of establishing subsidiaries in other EU member states, to increase legal certainty and reduce legal and administrative costs, benefiting

SMEs in particular. As a valuable by-product, this company form would also enhance awareness of 'brand EU' among consumers across the member states.

While more maximum harmonisation initiatives in the area of consumer protection are potentially beneficial to both economic operators and consumers, legislators should realise that too much of something is counterproductive and could have unintended consequences for the desired policy objective. While aligning **online and offline rules** offers more transparency, there is no sense in abolishing rules that have proven their worth. In the area of e-commerce, a thorough assessment is needed of whether obliging traders to sell is indeed serving consumers' interests and of the costs/benefits to businesses.

## 2. Fair and Favourable Trading Conditions Beyond the EU

### *Context*

The wider a business can expand its market, the greater its opportunity to sell and the lower its exposure to fluctuations in market conditions and consumer behaviour. There is also a strong correlation between internationalisation and growth. In fact, those companies that export tend to be more innovative and pay better salaries than those that do not.

However, the world trading order is under its heaviest strain in recent history, as protectionist tendencies grow across the world and populist movements threaten the future of the rules-based multilateral trading system. Additionally, doubts grow over the EU's future trading relations with important commercial partners on either side of the Atlantic.

In a few years, 90% of world growth will be generated outside the EU, so it is more important than ever that EU trade policy ensures that European companies have access to foreign growth centres in order to compete in a globalized economy. SME inclusiveness, not only in trade policy but also in trade promotion and support, is a pre-requisite to meeting this objective.

The EU must work with likeminded partners to uphold and strengthen the multilateral rules based system, achieve legal certainty and coherence of trade rules and protect European firms and citizens from the consequences of unfair trade.

The EU is also embarking on an unprecedented negotiation with an outgoing member state. Given the importance of the UK as a trading partner for a large number of businesses in the EU27, it is essential that the negotiations on future relations between the EU and UK reflect EUROCHAMBRES' repeated call for a 'trade-oriented Brexit'.

### *Recommendations*

The EU must pursue a 'European way' to shape globalization and lead by example in order to adapt to a shifting geopolitical landscape, as well as to evolving expectations of businesses and citizens. For SMEs, it is especially important to **put the 'think small first' principle at the heart of EU trade policy making**. Ambitious SME chapters in all agreements are not enough – simple rules of origins in particular need to be a benchmark, since overly-complicated requirements impede SMEs from making use of them.

As a successful trade policy ultimately depends on its successful implementation, Chambers call on EU heads of state, as well the European Commission and the European Parliament, to **establish an EU wide political target of an average 75% preference utilization rate** for all EU trade agreements.

Dedicated **internal implementation roadmaps must accompany EU trade agreements** so that the benefits of trade reach entrepreneurs and SMEs in particular; implementation always starts at home.

Discussions on post Brexit relations with the UK must focus strongly on limiting the damage to EU27 businesses that have direct or indirect commercial links to the UK. **Minimizing non-tariff barriers, particularly customs requirements and regulatory divergence**, will be significant factors in this. As with other EU trade negotiations, the **Commission must put in place mechanisms that enable representatives of the wide economy such as Chambers to contribute systematically** during the process.

Even without any further delays, the anticipated transition period is short in the context of a trade negotiation and EUROCHAMBRES underlines the danger that businesses will find themselves left in limbo. The Commission must work with business, including Chambers, to ensure that traders know where they stand from 1 January 2021.

### [3. An Adequately Skilled, Qualified and Flexible Workforce](#)

#### *Context*

The 2018 EUROCHAMBRES Economic Survey ranked the lack of skilled staff as the 2<sup>nd</sup> greatest challenge for the year ahead, corroborating various other recent studies and surveys that indicate a growing skills mismatch in the EU.

The cost of persistent skills mismatches and shortages is substantial for individuals, employers and the economy and society as a whole. Skill shortages constrain the ability of firms to innovate and adopt new technologies. Linked to this, skills mismatches reduce labour productivity due to the misallocation of workers to jobs and bring a higher risk of unemployment, lower wages, lower job satisfaction and poorer career development.

If this challenge isn't tackled effectively today through a combination of short and long-term measures, it will increase over time. The accelerating pace of technological, demographic and socio-economic disruption is transforming industries and business models, changing the skills that employers need and shortening the shelf-life of employees' skills sets.

In today's highly dynamic labour market, maintaining a clear understanding of employers' current and projected skills needs is crucial and is surprisingly absent across much of the EU.

It is essential that skills and qualifications are quickly and easily recognised to enhance mobility and employability in Europe. The European Qualifications Framework (EQF), which aims to improve transparency between different qualifications across the EU, still reveals problematic limitations on cross-referencing.

Furthermore, the skills and qualifications of people from non-EU countries can be particularly difficult to assess and therefore to recognise.

### *Recommendations*

Concrete and ambitious initiatives should be adopted by the European Commission to anticipate and prepare the skills needed in the labour market.

Comparable and high quality data on skills demanded by employers across the EU is unavailable. A **Europe-wide skills forecasting tool** should be developed and – critically if it is to have its desired impact – then feed effectively into the design and delivery of education curricula.

Education and training systems must pay closer attention to developing necessary key competences. Employability should be included **as a criterion for measuring the effectiveness of higher education institutions**, which would help ensure that curricula are targeted towards labour market opportunities for graduates.

Evidence shows that countries such as Austria, Germany and Luxembourg where vocational education and training (VET) has the heaviest work-based learning component prepare young people better for the world of work. The EU has recently developed commendable initiatives to improve the quality and visibility of VET and apprenticeship. Nonetheless, much more needs to be done to enhance the attractiveness and quality of VET. A greater focus should also be given to increasing the number of VET students who benefit from extensive work-based learning. **A quantitative target for work-based learning with VET should be set across the EU: by 2024, 50% of VET students should spend a significant proportion of their learning time in the work place**, compared to the current figure of about 25%.

In parallel to efforts focussed on initial VET, the Commission should not overlook the importance of **in-company continuing education and training** to lifelong learning and to helping employees maintain relevant knowledge and skills.

The implementation and impact of the anticipated **revisions to the Blue Card Directive**, particularly in terms of improving Europe's attractiveness for highly-skilled workers and enhancing mobility of such workers between member states, should be monitored closely.

A **greater permeability and synergy between VET and higher education** should be promoted, with more flexible pathways that allow students to switch back and forth between academic higher education and VET.

The **EQF should be consolidated** to become a real tool for transparency, better understanding of qualifications and further comparison.

Regarding the assessment of skills and qualifications of third-country nationals, The **EU Skills Profile Tool** should be updated, taking into account recommendations provided by the different users during its first months of implementation.



## 4. The Effective Economic Integration of Migrants

### *Context*

The refugee crisis of the last two or three years is first and foremost a humanitarian challenge. Nonetheless, history shows that civilisations which open their doors to immigration have grown and flourished as a consequence. If Europe is to benefit similarly, we need to integrate migrants socially and economically.

Given skills shortages and the long-term nature of some of the solutions to this problem, the economic integration of migrants can prove highly beneficial to the EU's business community. This process is extremely complex and thus requires an efficient, coordinated and robust approach, involving a range of public and private sector stakeholders from across the EU.

### *Recommendations*

Building on the 'European Partnership for Integration' that EUROCHAMBRES signed with the European Commission and other social and economic partners in December 2017, a **comprehensive and multi-stakeholder approach should be developed at EU level to integrate refugees in the labour market**. All relevant stakeholders should be involved and cooperate in order to assess refugees' skills efficiently at an early stage, to upgrade those skills through language courses and VET, as well as to ensure pan-European matching with relevant work opportunities. This would be of broad benefit in contributing to the economic integration of migrants and respond to individual businesses' skills requirements.

Linked to this, an **Integration Grant** should be established via the European Social Fund to support in particular SMEs to integrate not only migrants but also the long-term unemployed from other EU member states in their workforce. This process merits specific funding given its considerable complexity and cost to small businesses and at the same time its considerable cumulative socio-economic benefit to the EU.

## 5. Available and Appropriate Financing Solutions

### *Context*

In theory, SMEs have access to a variety of financing tools to maintain and develop their activity, ranging from various forms of debt to equity. In practice, for most SMEs it is still difficult to access new forms of financing from anywhere beyond their established contacts and sources, which indicates low levels of knowledge and limited cross-border capital flows.

Entrepreneurs who state that they have extensive knowledge of financial matters are more likely to perform better than entrepreneurs who say they are less financially literate. It is striking therefore that, according to the 2016 'In Control of the Company' study



conducted by the Netherlands Chamber of Commerce, half of Dutch entrepreneurs are unconfident about their own financial literacy and knowledge of money matters.

The complexity of cross-border financing, searching for investors in another member state and understanding and adapting to new technologies such as fintech add additional layers of complexity to an SME's financial reality.

Late payment remains a significant barrier to cash-flow for many businesses. It can have serious socio-economic knock-on effects, such as investment cuts, redundancies, or even closure. The late payment problem appears to be particularly acute in cross-border scenarios and thus acts as an obstacle to the functioning of the single market. Public administrations alarmingly remain among the main offenders in several member states, but businesses also too often fail to comply with payment conditions agreed with commercial partners.

### *Recommendations*

There is a strong need to equip European businesses with greater knowledge of financing tools in order to help them to continue and scale up. Building on the Netherlands Chamber exercise, the EU should support a **Europe-wide analysis of levels of entrepreneurs' financial literacy**. Tailored support can be developed accordingly, not only for existing entrepreneurs, but also would-be entrepreneurs. As part of this, a **Financial Literacy Week** should be run in collaboration with Chambers and other business support providers across the EU.

Given the continuing difficulties that SMEs encounter in securing bank financing in certain member states, **further efforts are needed to promote and facilitate the availability of alternative sources of finance**. Building on actions such as InvestHorizon, EU level involvement that spreads know-how and best practices can add considerable value in this area, so should be further developed during the next term.

Already a revision of the original 2003 law, **the 2011 Late Payment Directive should again be revisited by policy-makers**, with more robust tools in place to prevent late payment and to strengthen the position of smaller businesses in obliging their debtors – whether public or private – to comply with the agreed payment terms. In parallel, policy-makers should look into behavioural techniques that may deliver the same positive impact quicker and more effectively through 'nudge' techniques.

Finally, it goes without saying that there is a macro-level aspect to the financing of businesses; if the whole economy is in difficulty, this inevitably has a knock-on effect on access to finance for businesses, as we saw with the 2008 crisis and for an extended period thereafter. Policy-makers and regulators have a responsibility not only to ensure the health of the financial sector, but also to **shield the real economy from the impact of potential future crises**.

## 6. SME Friendly Drafting, Implementation and Monitoring of EU Legislation

### *Context*

A prosperous market economy requires a cross-section of businesses, from self-employed entrepreneurs to large multinational corporations. Of these different sizes of businesses, SMEs are disproportionately affected by regulatory and administrative burdens compared to large ones. It is estimated that where a large company spends one euro per employee because of a regulatory requirement, a small business has to spend on average up to 10 euros. To enable a more SME-friendly environment, the Commission introduced in the 2008 Small Business Act the ‘think small first’ principle, according to which legislation should be designed by taking into account SMEs’ characteristics and needs.

The SME test is a key tool to implement this principle. Regrettably, EUROCHAMBRES assessments of the European Commission’s application of the SME test (2011, 2013, and 2017) show significant weaknesses in its implementation. The persistence of flaws in the application of the SME test, both at EU and national level, is detrimental to the policy-making process, increasing the risk of legislative initiatives being tabled that will create unnecessary and excessive burdens for the ‘backbone of the European economy’.

SME tests are not a goal in themselves, nor indeed are the principles of better regulation and evidence-based policy-making. But job creation and growth are very important goals. That is why it is crucial to our competitiveness that legislation relevant to SMEs – 99% of all EU businesses and well over half of employment and value added – is based on a thorough analysis of the impact on them. This cannot be optional; it must be a pre-condition for moving forward with the legislative process.

### *Recommendations*

The Commission’s Better Regulation guidelines explain how to properly carry out a good SME test and how to consult interested stakeholders. What is needed now is that the guidelines are correctly implemented. **Additional support and more robust checks and balances are needed to ensure that SME tests are done properly** and are not just a box-ticking exercise. The officials in charge of a particular dossier should receive greater assistance in conducting the SME test before their impact assessment is submitted to the Regulatory Scrutiny Board. The Board, in turn, should more **systematically verify that the SME test is properly carried out** before issuing a positive opinion on an impact assessment.

As co-legislators, the European Parliament and Council have a responsibility to assess carefully the impact of their often significant amendments to Commission proposals. Both institutions acknowledged this responsibility in the Interinstitutional Agreement on Better Law-Making of 2016, yet examples of them putting this commitment into practice remain rare. During the next legislative term, **the European Parliament and Council must both improve their impact assessment track record and respect the ‘think small first’ principle.**

## 7. Measures to Stimulate an Entrepreneurial Mindset across Europe

### *Context*

In order to achieve economic growth and higher levels of employment, Europe needs more entrepreneurs. Beyond an SME-friendly policy and regulatory environment, this also requires the stimulation of entrepreneurship and the development of entrepreneurial attitudes and skills, starting from an early age.

Entrepreneurship education and training is one of the three pillars of the European Commission's Entrepreneurship 2020 Action Plan, together with the creation of an environment where entrepreneurs can flourish. Despite the Commission's focus on entrepreneurship education and the recommendation to ensure that all young people have a practical entrepreneurial experience before leaving compulsory education, the uptake of entrepreneurship education still has a significant way to go in Europe.

Entrepreneurship should be made more appealing, not only by reducing administrative and regulatory burdens, but also by recognising the role of entrepreneurs within society and raising awareness of the benefits of entrepreneurship. Indeed, a majority of EU respondents to a Eurobarometer survey on 'Entrepreneurship in the EU and beyond' expressed a negative perception of entrepreneurs.

Under the current COSME programme, there are several actions that support entrepreneurship, the most prominent being the Erasmus for Young Entrepreneurs programme, whereby a new or aspiring entrepreneur is hosted by an experienced entrepreneur in another participating country for up to six months. COSME also addresses specific groups that are underrepresented within the entrepreneurial population, such as women and migrants.

### *Recommendations*

Successful programmes such as **Erasmus for Young Entrepreneurs** should be expanded and enhanced with adequate funding ensured during the next financial period.

If the EU is to produce more entrepreneurs, EU citizens need to acquire entrepreneurial attitudes and skills. This is why introducing **entrepreneurship education in curricula at all levels of education** - from primary and secondary school to vocational education and university - is essential. Equally important is the **involvement of the business community** in the design and delivery of programmes and initiatives aimed to support entrepreneurship.

The importance of entrepreneurship education has been underlined by the European Commission, European Parliament and SME Envoy Network regularly during recent years, but this is not yet translating into sufficient tangible progress. We therefore call for a stronger commitment to enable substantive progress and specifically propose a Council Recommendation on entrepreneurship education based on the European Commission's 2016 Entrepreneurship Competence Framework.

Beyond education, there is a general need to promote entrepreneurship more effectively across society. A ‘**European Year of Entrepreneurship**’ would be a positive contribution to this objective and should take place during the next EU term.

## 8. An Ecosystem that Facilitates the Creation and Expansion of Businesses

### *Context*

There is now a vibrant start-up ecosystem across much of the EU. This is a positive development compared to some years ago. Nevertheless, many new businesses do not make it beyond the critical first few years. Moreover, not enough companies move from the ‘start-up’ to the ‘scale-up’ phase. The complexity of (cross-border) regulatory and administrative requirements, e.g. relating to VAT regulations, the fear of failure, difficulties in securing finance, as well as in connecting to the right business partners and in finding skilled workers are some of the obstacles that impede the survival or growth of start-ups. Recognising this, the Commission published the Start-up and Scale-up Initiative in November 2016. This communication revolves around the removal of barriers for start-ups and scale-ups in the single market; the creation of better opportunities for partnerships, commercial opportunities and skills; the facilitation of access to finance.

The 2016 European Parliament of Enterprises also underlined that special measures for micro-businesses may have an unintentionally negative effect: 82% of businesses stated that administrative, legislative or fiscal exemptions discourage businesses from scaling up.

Many Chambers actively support start-ups and scale-ups. According to a recent survey, Chambers offer a wide range of initiatives that connect companies to other stakeholders in the entrepreneurial and innovation ecosystem and offer mentoring and coaching opportunities, as well as information, advice and capacity building services. These services are often offered in collaboration with the Enterprise Europe Network. The Network, in which Chambers represent nearly 30% of the host organisations, is indeed of considerable value in helping SMEs internationalise, grow and innovate.

### *Recommendations*

Key elements in enhancing EU competitiveness should be developed in a more complementary manner across Europe if they are to have a wide scale positive impact. Market access is critical to the scalability of companies and investments alike. Genuine progress towards a single market – for people, capital, goods and services, as well as for online and offline – is thus a sine qua non to a scale-up friendly EU. As previously mentioned, the **effective transposition and business-friendly implementation of existing single market rules** by member states is a basic pre-requisite for such progress and the next Commission must be unstinting in ensuring that this is the case.

Linked to this, it is of paramount importance to ensure follow-up on and delivery of the aims contained in the Capital Markets Union, the Digital Single Market and the Single Market Strategy. Other initiatives that might be taken at EU level will be irrelevant and ineffectual in absence of a more dynamic capital market, a ‘digital by default’ approach

across the EU and a more complete and functioning single market for goods and services, both online and offline.

When envisaging exemptions or other mitigating measures, the potential negative unintended consequences that such measures might have on the growth of individual businesses and on the economy as a whole should be carefully taken into account.

SMEs looking to internationalise within and beyond the EU, regardless of whether they are considered innovative or not, should continue to benefit from the services of the **Enterprise Europe Network**, as they make a significant socio-economic contribution. The governing process of the Network should reflect the co-ownership by the European Commission and the host organisations.

Given the importance of SMEs for economic growth, job creation and competitiveness, the **SME dimension should be central to the next Multiannual Financial Framework**.

## 9. A Second Chance after Failure and the Facilitation of Business Transfer

### *Context*

According to Commission figures, one in two businesses goes bankrupt in its first five years and the related direct job loss due to insolvency reaches 1.7 million/year in the EU. Bankruptcy is often attributed to management errors. The earlier in the process that companies and self-employed entrepreneurs receive guidance on their liquidity position, the better.

Transferring the ownership of a viable business is advantageous to the seller and also to the buyer, for whom it may be an alternative to starting a business. It is also socio-economically efficient if it ensures the sustainability of a business that would otherwise cease to operate. At the same time, transferring a business is an extremely complex process with many facets – fiscal, financial, legal, administrative, not to mention social and emotional. These challenges apply also to family business succession. Business transfer is a process that impacts on 700.000 companies and millions of jobs every year across the EU.

### *Recommendations*

EUROCHAMBRES is currently involved in two EU-funded projects that aim to provide early support to entrepreneurs in difficulty and help second starters. **Targeted actions focusing on prevention of insolvency** are more effective than the harmonisation of the insolvency legal framework at European level. Appropriate levels of EU funding should be made available to Chambers to continue the process of developing prevention centres throughout Europe. On a more strategic level, the European Commission can also play a valuable role in ensuring that such centres are connected and exchange experiences, practices etc.

To ensure that creditors are informed in a timely and transparent manner about the start of insolvency proceedings involving one or more of their debtors, EUROCHAMBRES also calls for the rigorous pursuit of the **electronic interconnection of national insolvency** registers.

This would be beneficial particularly in cross-border cases, as creditors could be informed about the opening of an insolvency proceeding against their debtor in another member state. Such a register, a beta version of which has been developed through a pilot project involving the Italian Chambers of Commerce that is available via the European e-Justice Portal, must be easy to access and to understand.

Some member states are more advanced than others in the field of business transfer, but it is to everyone's benefit that there is general improvement in the procedures. There is also potentially a cross-border component here, so far heavily under-exploited due to the complexity involved. The **EU can play a valuable coordination role in facilitating progress and the exchange of experience on business transfer**. Specific suggestions on this were contained in a May 2017 report to the Competitiveness Council by the Maltese Presidency and these should be pursued by the Commission and co-legislators in the next term.

## 10. An Economic and Legal Environment that Allows Risk-Taking and Stimulates Innovation

### *Context*

Innovation is the main source of growth, competitiveness and improved productivity. As such, innovation must be central to the EU's economic development and therefore to policy-making and procedures. Budgetary constraints in recent years have restricted investment in innovation by both the public and private sector. Innovation is for long-term benefit, not short-term gains, but this must not dissuade policy-makers from putting in place processes, resources and rules that are necessary to stimulate innovation in the EU.

Although innovation tends to be associated heavily with technological developments, policy-makers must embrace a broader vision, covering also processes, services, business models and social innovation. As such, policies to stimulate innovation extend beyond R&D funding and also include the single market, digital infrastructure, company law, education and training, infrastructure, public sector reform and trade and internationalisation.

Fundamentally, EU innovation will only flourish if policy-makers are themselves innovators and willing to take risks. They also need to work with the business community to ensure that the right policies are implemented in the right way.

### *Recommendations*

EUROCHAMBRES advocates the revival and expansion of the **Enterprise Experience Programme**. This initiative previously enabled senior officials from one department of the European Commission to spend time in a small business in order to understand better SMEs' challenges, opportunities and key competitiveness factors. The scope should be expanded to include officials from a wide range of Commission departments. Similar initiatives should be considered for the European Parliament and national administrations



in order to enhance understanding of the business environment among those who take decisions that affect it. Chambers are ideally placed to facilitate such schemes.

On the other side of this business: policy cross-fertilization, there should be greater scope for experts from the business community to take up roles in EU institutions that relate directly to entrepreneurial matters.

National **tax systems must be innovation and R&D friendly**, so the EU should facilitate the sharing and promotion of best practices between member states in this area.

An efficient, affordable patent regime is a key factor in businesses' capacity to innovate and compete globally. That is why Chambers have been strong proponents of the Unitary Patent initiative for many years. Work on such a Unitary Patent, which started in the 1970s, must be concluded. This important reform of the European patent system is long overdue and would boost competitiveness and encourage foreign direct investment in the EU. Businesses have been waiting for 50 years and it is vital that the reform is delivered without further delay.

## 11. Advanced, Interconnected and Accessible Digital Infrastructure

### *Context*

Digitalisation is a key success factor for European businesses. Still, for many companies, internet connectivity is inadequate to capitalize on emerging business models and trends. Cyber security remains a concern, especially for smaller companies that do not have a dedicated IT department. As referred to previously, digitalisation also has implications in terms of skills requirements and here too SMEs in particular would benefit from support.

### *Recommendations*

Access to **high-performing and secure internet** in order to market services and products is increasingly a pre-requisite to businesses' competitiveness. The EU Connecting Europe Facility and European Regional Development Fund provide financing for the necessary infrastructure, be it trans-continental, or regional. These funds should be more focussed on broadband dissemination.

A European approach to internet security is necessary. Based on the findings of the Cyber-Security PPP and ongoing work, the European Union Agency for Network and Information Security should be mandated to provide, in cooperation with member states, the means to **effectively combat cybercrime, counter possible large scale attacks and provide fast and direct help to affected companies.**

The best infrastructure is redundant if it cannot be accessed and capitalized on by businesses. More support should be ensured from EU level down to **enable companies, especially SMEs, to take full advantage of digital infrastructure.** This starts with:

- Training programmes for SMEs and their employees to facilitate digital transformation



- Better pooling of companies' and regions' resources in innovation hubs, comprising of universities, research centres, incubators and accelerators and
- Better support for companies to comply with emerging new legal requirements relating to the digital economy, such as the General Data Protection Regulation.

## 12. Affordable and Secure Supplies of Energy and Raw Materials

### *Context*

Ensuring a competitive, sustainable and secure supply of energy is one of the greatest societal and economic challenges for the years to come. Particularly in the context of the transition towards a low-carbon and more renewable-based economy, businesses need guaranteed access to affordable and reliable sources of energy at all times. The EU is also moving towards a fully functioning circular economy, in which waste becomes a valuable key resource. Both developments hold great potential for EU businesses, but require the right framework conditions in order to boost our global competitiveness, trigger economic growth and generate new jobs.

### *Recommendations*

A market-oriented approach must be strictly applied to energy markets in order to keep costs down for consumers and help maintain public support for the energy transition. Moreover, the EU should create a cost-effective **European support scheme for renewables**, so that investments can be made where they have the greatest economic effects.

The Circular Economy must actively include SMEs, notably by increasing **trust in secondary raw materials** (e.g. through quality standards) and by providing **better framework conditions for investment in green technologies**, e.g. by boosting alternative forms of financing and taking measures to ensure sufficient public support. Standardised and reliable sustainable finance instruments need to be developed to equip private and institutional investors with the necessary tools to invest in innovative technologies across Europe.

**Cross-border trade in secondary raw material markets** should be facilitated by removing regulatory barriers that still exist within the EU. In particular, national end-of-waste criteria should be streamlined and contradictory rules in chemicals, waste and product legislation addressed.

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*The EUROCHAMBRES Declaration of Entrepreneurial Rights was presented to the EU institutions at the association's 60<sup>th</sup> anniversary celebrations on 26 April 2018.*

This document can be accessed via the following link: [bit.ly/12rights](https://bit.ly/12rights)



