

2019-2024 von der Leyen Commission mid-term assessment

The first half of the 2019-2024 Commission's term has of course been massively impacted by the Covid-19 crisis and the war in Ukraine. Several of the priorities set out by Ursula von der Leyen at the start of her term as European Commission President have inevitably had to be reappraised in response to these considerable social, economic, and geopolitical developments and there will be a need for further recalibration as the recovery from the pandemic is pursued while the consequences of war are felt across Europe.

Eurochambres has assessed the Commission's mandate based on progress over since 2019 and on the implementation of the Commission's six priorities. The purpose of this exercise is to identify areas where there is scope to do more to consider the needs of the business community and to contribute to Europe's economic recovery.

An economy that works for people

- The integrity of the **Single Market** was put under the microscope during the early months of the pandemic in Europe. The EU was not equipped for the pandemic when it reached Europe in early 2020, mainly because of insufficient coordination among Member States. It is in this same spirit that we supported the introduction of the **Digital Green Certificate**, to ensure that travelling could take place again and specially to avoid discriminatory practices and non-proportionate measures.
- Building on the Covid-19 experience, Eurochambres awaits new proposals from the European Commission to make the Single Market more resilient in times of crisis. A **Single Market Emergency Instrument** could bring relief provided that its scope does not go beyond what is strictly necessary. Improved sharing of information and the introduction of mechanisms to safeguard the integrity of the Single Market should be the spearheads of any new initiative.
- Consequently, we need to **deepen the Single market**, a crucial tool in strengthening the European economy. Eurochambres highlights the need for an evidence-based approach based on better reporting on barriers based on feedback from the business community, systematic follow-up on their removing and a more proactive role of the European Commission.
- Based on feedback from the chamber network, national governments should be given further flexibility in reviewing the **Recovery and Resilience Plans** (RRPs) to address the increase in energy prices and the difficulties linked to the supply of raw materials resulting from the current context. Chambers must be involved in more collaborative and constructive dialogue to ensure the sound financial management of the resources and the efficient monitoring of the national RRP. The Council must guarantee that SMEs can benefit from the Recovery and Resilience Facility and ensure that banks and other financial institutions provide more capital to fund their short-term needs, as well as long-term investment projects.

- The **war in Ukraine** is putting a considerable strain on EU's economy and businesses, which in turn means that it must be factored into the Commission's legislative agenda. Many European companies have already been impacted by the crisis, whether by the need to discontinue operations in Russia or Ukraine, by unprecedented supply chain disruptions, or indeed by further increases in already historically high energy, raw material, and commodity prices.
- **A flash survey of Eurochambres members conducted in late March 2022** corroborates this feedback, also underlining concerns about further rises in already unusually elevated levels of inflation across Europe. We must develop a plan to shield European businesses from the impact of the unprecedented package of measures taken against Russia. In this respect, Europe needs a coordinated energy plan, which could encompass investment planning, renewables transition and joint purchasing. Inflation also needs to be controlled, so the ECB should consider all measures at its disposal to do so. The need for further financial support to companies should be considered as well to absorb the impact of rising costs and ongoing supply chain disruption.
- More than 93% of the European chamber network's members are SMEs. The Covid-19 outbreak, and the containment measures introduced to mitigate its effects, severely impacted the **small business community**. Eurochambres calls for the Council to strive for a more **SME-friendly policy environment** and alleviate unnecessary regulatory burdens that may jeopardise the recovery process. Financing and investment are also critical elements for SMEs in their path towards the green and digital transitions.
- **The Capital Markets Union** is also a good upcoming initiative because it will focus on simplifying the access to capital markets to start-ups/scale-ups, which remains cumbersome due to financial regulations. The Proposal for **revision of Solvency II** and proposal on **European long-term investment funds** may provide additional investment opportunities for SMEs. Fair, efficient, and sustainable **taxation** is key to reach a level playing field in the digital sphere.
- The proposal for a **minimum effective corporate tax rate of 15%, in line with the Organisation for Economic Co-operation and Development agreement**, is expected to level the playing field for companies in the EU and across the world. Even though the digital levy tax initiative has been postponed, the relevant work should resume once the implementation of Pillar I and Pillar II will have been finalised, with consideration of any overlaps between the relevant instruments.
- We will continue to develop our work to ensure that the digital skills provision improves in line with the needs of businesses. Eurochambres propose to the Commission to advance on two critical files – **micro-credentials and recommendations for individual learning accounts (ILA)**. Micro-credentials and ILA should now be converted into actions to promote access to training offers that are relevant to the labour market and thus help to reduce the skills gap for both young people and workforce.

A European Green Deal

- The war in Ukraine impacts the pursuit of the **twin digital and green transition as laid down in many EU strategies such as EU Green Deal, the EU updated Industrial Strategy and the EU Digital Strategy**. Ursula von der Leyen still has about two and a half years until the European elections in 2024 to push forward her European agenda. In view of the election calendar, there will be little time left from mid-2022 to conduct many of the different projects. The path towards digital and green transitions must be analysed through a thorough competitiveness check of all proposed legislation within the Fitfor55 framework and the digital agenda.
- With the European Green Deal, the EU aims at making the European economy sustainable and inclusive. Competitiveness for European companies must be ensured, especially if other major economies have not reached and implemented equally ambitious measures in terms of climate policies. However, this new focus on energy dependencies also creates an opportunity for businesses through the **REPowerEU plan**, which contains the long-term goal to phase-out the EU's dependence on Russian gas and to accelerate to renewables and energy efficiency. Affordable and sufficient renewable electricity will be key to industry decarbonisation.
- The **Circular Economy package**, especially the proposed **Eco-design for Sustainable Products Regulation**, can serve as a good basis for standardised sustainable product requirements among Member States.
- Given the uncertainty surrounding the war in Ukraine and future trade relations with Russia, the EU should carefully re-evaluate legislations such as the **Carbon Border Adjustment Mechanism** and **EU Emissions Trading System**. The current system of free allowances needs to be maintained, as it creates a strong incentive for businesses to invest in cleaner technology and maintain the EU industrial base.
- The **European taxonomy and the renewed sustainable finance strategy** need to encourage investments towards a cleaner economy, while ensuring that businesses' access to finance is not hampered and the administrative burden, especially for SMEs, remain proportionate.
- This is doubtful for the **EU's Corporate Sustainability Reporting** legislative file, where Eurochambres advocates a system not out of proportion.
- It is essential that the legal framework on **Corporate Due Diligence** that will be negotiated during the coming months avoids disproportionate reporting burdens. This is more critical than ever in the current context of a European economy recovering from a deep crisis and now absorbing the broad and deep impact of Russia's invasion of Ukraine. In this respect, the elaboration of reporting standards along with guidelines to accompany European companies throughout the fulfilment of their new obligations towards a more sustainable Europe, is of paramount importance.

A Europe fit for the digital age

- In December 2020, the Commission proposed an ambitious reform of the digital space through the **Digital Services Act (DSA) and the Digital Markets Act (DMA)**. We welcome the fact that the previous policy distinction made between the single market and digital single market has been dropped and that the rulebook for e-commerce is being adapted to the realities of today. We are pleased that the DMA compromise reached in triilogue negotiations on 24 March follows Eurochambres' key demands, such as clear and easily enforceable rules, a complaint mechanism for companies in their native language and shorter deadlines for gatekeepers to comply with these new rules. For the DSA, Eurochambres fought to keep in the internal market clause and stressed that SMEs need to have to possibility to use the online space to freely advertise their products and services to the consumers. Eurochambres is working on each of these, and the French and Czech Presidencies of the Council will be instrumental in their progress.
- **Artificial Intelligence** is playing an ever more important part in our lives and constitutes a challenge in the field of economics, international relations, and geopolitics. Therefore, the European Commission launched a proposal for an AI Act. Eurochambres supports the Commission's approach, but at the same time warns that putting too many restrictions to the use of certain types of AI might curb innovation and growth. especially in a strong competitive context where the United States and China state a clear strategy to be the leaders and play with their own rules.
- The current shortages of chips reported by different key sectors justify the proposal for an **EU Chips Act**, a top priority to secure our place in the world in innovative technologies. For the EU to succeed in its goals, Eurochambres advocates for targeted investments in those domains that are the most promising. EU's jobs, technological leadership and strategic autonomy will depend on the development of innovation in the chips industry in Europe. We encourage the EU to promote transatlantic collaboration and coordination among industry, government, and academia, especially in research.

Promoting our European way of life

- With respect to Promoting the European way of life, Eurochambres supports the **New Pact on Migration and Asylum** and its accompanying legal proposals, which aim to make it easier for global talent to come to Europe and for businesses to hire third-country migrants. Eurochambres looks forward to easier Blue Card procedures, the launch of the EU Talent Pool, and the expansion of talent partnerships, which can be inspired by existing successful chamber solutions. The Pact was published in September 2020, but the critical component - **the Skills and Talent Package** is still pending. We recommend the fast implementation of this pact, as it can be used to assist SMEs in making it easier to help integrate war refugees from Ukraine in the EU labour market.

A stronger Europe in the world

- Reacting to the adoption in early 2021 of the Commission's Open, Sustainable and Assertive Trade Policy communication, Eurochambres highlighted the need to maintain a strong **EU trade policy** that opens new doors for European companies, especially SMEs, but also for greater diversification post-Covid-19.
- The von der Leyen Commission has also been dealing with the end of 47 years of UK membership of the EU. Eurochambres warmly welcomed the completion of the **EU:UK Trade and Cooperation Agreement (TCA)** as a basis to minimise the friction in future commercial relations. These relations should be built on a thorough monitoring and an effective implementation of the agreed rules. This includes not only the different provisions in the TCA, but of course equally the effective implementation of the protocol on Northern Ireland, the non-discrimination among Member States, and the full respect of EU's citizens' rights, including business travellers.
- Other crucial trade dossiers need to be actively followed by the European Commission, are the **new Transatlantic Agenda for economic cooperation** with the incoming Biden administration, economic relationship with a growing **China**, the EU Mercosur agreement, as well as closer economic ties with Africa, among others.
- Eurochambres also emphasizes the necessity to establish a clear timeframe for the implementation of reforms leading toward the **EU accession of Western Balkan countries**. To prepare for accession, the EU should support the digitalization of companies, entrepreneurial knowledge, and training through regional partners, such as chambers. The economic benefits for the citizens in the region resulting from these reforms and the reliability of institutions in the Western Balkan region go hand in hand, but it is now time to deliver.

A new push for European democracy

- Finally, concerning better **regulation** a thorough impact assessment for substantive amendments must be prepared as a rule in all three institutions – European Commission, European Parliament, and Council of the EU. Respecting the **'think small first'** principle should be the rule when regulating at EU level as well as better consultation with the stakeholders, including business representatives such as chambers.
- The Commission services must rigorously apply the better regulation guidelines and toolbox, especially the **SME test**, when assessing the effectiveness of a proposed law. Eurochambres developed three editions of SME test Benchmark assessments between 2011 and 2017. The objective of these projects was to assess the application, efficiency, and effectiveness of the SME Test by the Commission, analysing past impact assessment (IAs), and provide recommendations to improve future IAs. In line with the results of the previous editions, the 2017 SME Test Benchmark revealed an unsatisfactory overall picture. Despite the strong emphasis by the European Commission on better regulation and on the economic importance of SMEs, less than one-third of the analysed IAs performed the SME test to a good level.

- In the same vein, the Commission services must take into serious consideration the **opinions of the Regulatory Scrutiny Board**, especially in cases where two negative opinions have been issued, before proceeding with an initiative; if the College decides to proceed with an initiative despite a negative opinion, sufficient evidence should be provided to specifically address any issues pointed out by the Regulatory Scrutiny Board.

Conclusion

This Covid-19 crisis and the war in Ukraine has inevitably had an impact on the Commission's six priorities and its practical capacity to pursue them over its five-year term, but the Commission has chosen not to significantly change these priorities, or reconfigure the portfolios of members of the College in response to these major and unforeseeable developments, as some might have expected.

It is difficult to assign a grade to the half-way report of the 2019-2024 Commission, bearing in mind the extreme disruption to the policy agenda set out by President von der Leyen at the start of the term. It is though clear that the economy has suffered greatly as a consequence of both the pandemic and now the war. During the second half of its mandate, the Commission must remain acutely aware of this and recalibrate its initiatives accordingly and in close communication with the business community.

Our businesses have shown incredible resilience in response to these significant economic impacts and the Commission must be applauded for its efforts to support them financially, notably with the unprecedented NextGenerationEU recovery plan. But this supportive philosophy must be applied also to the legislative agenda as entrepreneurs can ill afford additional administrative or compliance burdens while trying to ensure their survival and to contribute to Europe's recovery.

Further information: Ms Lina Konstantinopoulou, Tel. +32 2 282 08 51, konstantinopoulou@eurochambres.eu
Press contact: Ms. Karen Albuquerque, Tel. +32 2 282 08 72, albuquerque@eurochambres.eu