



ENTREPRENEURSHIP BUILDS A COMPETITIVE EUROPE

**Federation of Finnish Enterprises'
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(short version)**

Yrittäjät

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Competitive Europe through entrepreneurship

SMEs create wealth and well-being in the EU

» Entrepreneurs want a competitive, pro-entrepreneurial and prosperous European Union

The EU must establish itself as a strong international actor and a goal-oriented enforcer of the internal market, which creates prosperity for Europe and security for the world. The EU must be able to transform the competitiveness of the European economy into growth. Ensuring competitive access to resources, skilled labour and finance is of key importance in order to restore the global competitiveness of European SMEs and ensure their sustainability. The EU must ensure that the internal market and ground rules of international trade provide a level playing field while also developing regulation and taxation in the EU to promote entrepreneurship, business and investment, and promoting a stable macroeconomic environment.

Make the single market work at its full potential

1. Our internal market can only function optimally if SMEs succeed

The EU should draw up an ambitious plan to deepen the unity and functioning of the internal market. Remaining business barriers in the service and financial markets must be carefully investigated and eliminated.

The more uniform the implementation of legislation in the internal market and the higher the quality of the standards set in the EU, the better it will be for businesses. In terms of businesses legislation, the internal market should increasingly strive for genuine unity, as the term Single Market implies. The legislation regarding the internal market should be based on the "Think Small First" and "Once Only" principles.

Entrepreneurs expect high-quality regulation that boosts competitiveness

2. Stop over-regulation, enable small businesses to comply with requirements

The competitiveness of SMEs must be ensured both within the EU's internal market and in external markets in order to not compromise the EU's attractiveness as an investment destination. Companies should not be over-regulated to death by well-meaning regulation.

» Time should be set aside for implementing laws before starting to prepare new ones

The EU has pioneered climate, digitalisation and sustainability regulation. It is now important to ensure that current and future legislation is fit for purpose in order for the EU to be able to improve its competitiveness. Companies must be allowed room to breathe so that they can carefully implement the revised legislation. Legislation should also be boldly reviewed and dismantled if it does not meet its purpose.

3. Understandable and predictable regulation encourages entrepreneurship

EU regulation must be appropriate, unambiguous and understandable. Regulation must be based on responding to entrepreneurs' and citizens' actual needs. In order to ensure equal treatment of European companies, EU legislation must not leave room for interpretation by different member states and their authorities. Changing business legislation too frequently should also be avoided.

4. The Union needs to focus on the big issues

The EU must be big on big issues and small on small issues. The EU should focus on those issues that can be dealt with more effectively by the Union than by individual member states. A more rigorous application of this principle of subsidiarity will allow the Union to better focus on areas for which it can deliver the greatest added value for citizens and businesses.

5. A small entrepreneurs strategy to focus on micro-enterprises

Extensive EU strategies and operational programmes that target all SMEs are not always able to provide solutions that meet the needs of the smallest companies. Micro-enterprises are the largest segment of the Euro-

pean business community and deserve tailor-made measures that encourage them to grow. The EU should therefore create its own action plan for small entrepreneurs.

6. Entrepreneurs wish that legislators would conduct a careful SME impact assessment

Regulatory work must take into account the effects on small companies throughout the legislative process and carefully examine them through SME and competitiveness tests. The impact assessment carried out must have an impact on legislative decisions.

The European Parliament and Council of Member States should also carry out impact assessments on amendment proposals that substantially amend the Commission's original proposals. In addition, at the final stage of the legislative process, it may be necessary to carry out a concise impact assessment as to whether the outcome negotiated between the various bodies will achieve the actual objectives set by the Commission.

7. The "Think Small First" and "Once Only" principles must be put into action

The burden and costs on companies must be curbed ambitiously. The exclusion of small businesses from the scope of legislation must not be automatic, but rather EU laws should be drafted in a way that makes them easily applicable even to the smallest companies. The legislation must be designed based on the principles Think Small First and Once Only. It must also be ensured that micro-enterprises and SMEs can cope with indirect regulatory obligations.

8. Companies and markets choose the most effective technologies, not the EU

The markets and the companies operating in them innovate the best solutions. EU regulation must leave room for these solutions and must therefore be neutral regarding location and technologies. Technological neutrality refers to the principle that policy measures do not favour or hinder specific technologies, but that different solutions can compete fairly with each other. EU regulation should support growth, sustainable development and the adoption of technology, digitalisation and new business models.

Successful consumer regulation and standardisation strengthen trust

9. Union consumer regulation needs to be balanced and simplified

EU consumer policy and regulation is an important element in ensuring the functioning of the internal market. Consumer spending comprises over half of the EU economy. Successful consumer regulation strengthens consumer confidence in the internal market and its actors and contributes to economic growth.

However, unfortunately EU consumer legislation constitutes a rather complex set of rights and obligations. The main regulatory object of consumer law, that is, a trader operating in consumer trade, is given too little attention.

A well-functioning internal market needs balanced regulation that takes into account the position of the smallest companies and their ability to operate in the market.

10. Micro and small enterprises are comparable to consumers in terms of their knowledge and skills

The majority of companies are micro and small enterprises that are comparable with consumers in terms of their knowledge and skills. Such relationship between contractual partners is, in principle, more balanced. This should be reflected in the balance of consumer regulation. Currently, the statutory rights and obligations of the consumer and the entrepreneur are unbalanced, which causes small businesses to rapidly meet the limits of their capacities. The risk is that the consumer's position is weakened when companies offering alternatives exit the market due to a heavy regulatory burden.

11. Same rules regardless of sales channel

In order to simplify and reduce the administrative burden on businesses, consumer regulation should be as location- and technology-neutral as possible. If the same rules apply to everyone, regardless of the sales or purchase channel, SMEs will be able to make better use of the internationalisation and growth potential offered by e-commerce.

12. Standards boost competitiveness

Harmonised standards are European standards that a company can use to demonstrate that its products

or services meet the requirements of EU legislation. In many industries, compliance with standards has become a factual prerequisite for a business relationship.

In order to ensure the global competitiveness of companies and the EU, the Union should consistently promote its standardisation strategy of 2022 and maintain its leading position in the world when it comes to the development of high-quality standards.

13. Involve SMEs in creating standards

Micro-enterprises and SMEs face intense and varied challenges with regard to standards. SMEs represent 99.8% of all European companies, so it is important to ensure that the standards are suitable for them. The views, concerns and needs of SMEs should be taken into account at all levels of negotiations on standardisation.

In order to take into account the interests of SMEs, their involvement in the standardisation process should be strengthened and ensured with sufficient resources.

Make facilitating employment a strategic objective of the EU

» SMEs must be represented in the preparation of EU labour and social legislation

On average, European companies have five employees. It is therefore important that the EU social partners are extensively consulted in the preparation and that SMEs are adequately represented.

Over-regulating the labour market by EU level legislation must be avoided. EU labour and social legislation needs to aim for more general and targeted regulation rather than creating detailed rules. Member states must be left room to manoeuvre in implementing labour market reforms.

14. Labour and social legislation should aim at creating new work

Legislation must be flexible so that the needs of employers and employees can be taken into account in a way that suits the member states. The principles of proportionality and subsidiarity must be respected. Where necessary, the EU must also include more specific provisions and/or simplified regulation for small employers.

All labour and social legislation must aim at creating growth and new work. They must be based on a credible

impact assessment of the regulation. The position of SMEs as employers must also be taken into account in the impact assessment.

15. The European Semester needs to be developed

The European Semester needs to be developed to encourage member states to reform their national systems with a social dimension, such as social security and the labour market. The Semester and country-specific recommendations will allow for the implementation of structural reforms that enable taking into account the specificities of national systems.

16. Mobility of employees and entrepreneurs needs to be streamlined

The mobility of skilled labour must be promoted, in accordance with the principle of free movement of workers. The EU should ensure that employees and entrepreneurs are adequately covered by social security even in cross-border situations.

17. Entrepreneurship promotes integration

Immigrants have a lot of entrepreneurial potential and entrepreneurship promotes integration. Services that promote entrepreneurship among immigrants must also be developed and supported at the EU level.

Companies competencies must be strengthened

18. Growth along with the digital and green transition require skilled labour

The shortage of skilled labour slows down growth and poses challenges to the digital and green transition of SMEs. To ensure the availability of skilled labour, the EU must also purposefully attract skilled employees from third countries.

19. The identification and recognition of competence must be developed

Knowledge of the internal market must be made more harmonised in order to facilitate mobility within and outside the Union. This can be achieved by developing the identification and recognition of skills and competences.

20. From education policy to competence policy

We need to move away from education policy towards broader competence policy and appoint a European competence Commissioner. The competence Commissioner could strengthen the link between work and education, broaden the offering and opportunities for on-the-job learning and ensure that learners' skills match the needs of businesses.

21. Entrepreneur's own know-how must be fostered

Improving entrepreneurs' competencies throughout the entrepreneurial journey strengthens a company's competitiveness and customer satisfaction. Entrepreneurs' competencies can be complemented with entrepreneurship training, mentoring and accessible learning tools such as online training.

22. Focus on changes of ownership

Many entrepreneurs will retire across Europe in the coming years. Skills related to changes of ownership and mergers and acquisitions should be promoted alongside startup skills among both the younger generation acquiring and the older generation divesting in order to ensure that an entrepreneur's life's work is given the right price. The European Commission should also support transfers of ownership by updating its recommendations regarding them.

23. More innovation projects for SMEs

The EU plays an important role in promoting European cooperation in research and innovation and companies are a key part of related ecosystems. In the future, the EU must improve the accessibility of EU innovation projects for SMEs. EU programmes, such as Horizon Europe, also need to be better harnessed for SMEs.

The EU must invest in its own strengths

24. The EU should strengthen strategic partnerships and prepare for crises

The European Union's strategic autonomy must be based on the development of its own strengths, fair competition and participation in the global economy. The EU has the right to protect itself against unfair trade and actions by third countries, but strategic autonomy must not mean disguised protectionism.

25. The EU's security of supply must be ensured

The EU must ensure comprehensive security of supply, especially for critical materials, such as pharmaceuticals and semiconductors. At the same time, it must be ensured that the measures are not in conflict with building Europe's sustainable global competitiveness in the long term.

26. Fair competition must not be eroded by undermining EU state aid rules

An open and competitive internal market that also functions effectively in a crisis situation is an international competitive advantage for the EU. The competitive advantage must not be undermined by a fundamental change in EU state aid policy in response to short-term competitiveness challenges. Fair and balanced state aid rules are in the interest of the EU as a whole.

The Russian war of aggression and reconstruction of Ukraine

» The EU must support Ukraine throughout the war and in reconstruction after the war

The reconstruction of Ukraine will be an enormous effort, and it will require massive financial efforts from the EU and globally. Finland as a country and Finnish SMEs both have plenty of competencies that should be put to use in the reconstruction of Ukraine.

27. It is necessary to prepare for the enlargement of the EU

In the coming years, we must prepare for the enlargement of the EU. EU structures must be organised in such a way that a possible enlargement round would not hinder European decision-making or jeopardise European values.

Businesses can help carrying out the digital green transition

28. Sustainable industrial policy requires a predictable regulatory environment

Sustainable industrial policy requires a predictable and simplified regulatory environment within the EU, faster and adequate access to finance as well as skilled labour. This is the only way to promote the strategic autonomy of Europe by ensuring resilient supply chains. At the same time, it is of key importance that the EU remains open to international trade and investment.

29. Industrial policy must be market-driven and technology-neutral

The renewal required for the realisation of carbon-neutral industry and future competitiveness require investments in new technology and the development of diverse, cross-sectoral business and innovation ecosystems. To succeed, a sustainable industrial policy must be based on a market-driven and technology-neutral approach that empowers the market to seek the most efficient solutions.

30. Clear, high-quality and rapid administrative procedures form sustainable industrial policy

Diverse experiments, pilots and regulatory test environments play a key role in accelerating the development and adoption of new technologies. At the same time, public procurement and its correct allocation play a key role in promoting a sustainable industrial policy.

It is important to take a comprehensive view of the technology, development and manufacturing needed to produce the clean energy that industry needs. Solutions must be sought in ways that renew industry and cause minimum distortion to the functioning of the internal market and competition.

31. SMEs play a key role in the circular economy and the mitigation of climate change

The transition towards a circular economy is an important part of mitigating climate change and biodiversity loss. Through its climate and research and innovation policies, the EU can accelerate the transition towards a low-carbon economy and promote global leadership in low-emission solutions.

Promoting resource efficiency and recycling of waste and materials creates new business opportunities for companies while moving towards a more sustainable economy.

32. Businesses need enough inexpensive and clean energy

The EU's dependence on fossil energy must be further reduced. The role of emission-free energy sources as part of the overall transition must be ensured in accordance with the principles of technological neutrality. In addition to wind and solar power, the status of nuclear power as a clean and sustainable form of energy must also be ensured.

33. Emissions trading must be the primary steering instrument of climate policy

Emission reductions must be implemented in a cost-efficient and fair manner. Unnecessary costs for national economies and businesses must be avoided.

34. Take natural capital into account in economic decision-making

The prevention of biodiversity loss and restoration must be compensated appropriately. The degradation of ecosystems must be prevented through ecological compensation and pricing of natural capital.

35. Base agricultural policy on output and environmental factors

Agricultural subsidies must reward productivity and the strengthening and maintenance of nature and the ecosystem services it provides. Agricultural operators must receive adequate compensation for producing common good.

Prosperity from forests

36. Forests are an important part of the green transition and the bio- and circular economy

Seeking versatile use of forests in forested member states enables the development of new innovations, products and services, as well as the growth of employment and well-being. This will benefit the entire European Union.

The changed operating environment of the forest sector calls for action at the EU level to support private forest owners and the green transition of the sector. Finland must continue to participate actively and proactively in EU decision-making concerning forests.

37. EU forest strategy must account for diversity of national characteristics

The member states need sufficient room to manoeuvre when it comes to forest management and use. The EU's role is to support member states in achieving common climate and biodiversity objectives and in promoting sustainable forest management. The EU can also promote the sharing of information and best practices of forest use.

Accessibility is vital for business

38. Technology-neutral transport policy

Technological neutrality should be a key principle in transport policy. Promoting electrification is good, but other propulsion systems and emission reduction measures should also be taken into account in the EU's transport policy.

The reform of the Energy Taxation Directive must ensure that the tax treatment of petrol and diesel is not harmonised. The Directive must continue to enable the professional diesel system. Finnish road transport uses more various heavy vehicles than most other European countries, which should be taken into account in the regulation.

39. The EU's potential to strengthen the Finnish transport infrastructure must be utilised

Finland needs to receive more EU funding for transport infrastructure projects than currently. At the moment, EU funding focuses strongly on rail infrastructure. It is important for entrepreneurs to also receive funding for road projects that are important to the business sector.

Russia's war of aggression has weakened Finland's logistical position in many ways. In the coming years, it will be even more important to strengthen Finland's logistics connections to the West and to utilise EU instruments to do this.

SMEs are at the heart of digitalisation and innovation development

40. Make applying for EU funding easier

Although Horizon Europe has been developed in recent years to meet the needs of SMEs, applying for funding is still a painstaking process. The resources and application processes of both the Horizon Europe and Digital Europe funding programmes' need to be further developed to make them more accessible to SMEs and start-ups.

41. Invest in the digital skills of SMEs

The resources of the Digital Europe programme should be refined for the technological development of SMEs and the deployment of digital tools. Successful European Digital Innovation Hubs (EDIHs) must receive further funding and expand into networks of several SMEs.

42. Building innovation ecosystems requires involvement by SMEs

Innovation ecosystems play a key role in creating new innovations and growth. They provide a platform for the development of innovation, products and services in close cooperation between companies, the research sector, public administration and the third sector. Regional SMEs should be involved in the building and development of innovation ecosystems. SMEs are at the heart of regional development.

A healthy economy creates the prerequisites for sustainable growth

43. It is in Finland's interests to strengthen the coordination of economic policy

The economic policies pursued by the member states of the European Union have a major impact on the functioning of the internal market. The consequences of poorly coordinated economic policies has been demonstrated in various crises.

EU member states coordinate their economic policies through the European Semester within the Economic and Monetary Union (EMU). However, given that the current framework has not worked as hoped for, the Commission presented legislative proposals in April 2023 aimed at strengthening the sustainability of public debt and promoting sustainable and inclusive growth in the EU.

Finland has benefitted from EMU membership. It has stabilised the operating environment for Finnish business activities and contributed to maintaining economic growth and building well-being. Finland must actively participate in the development of the EMU and ensure that the regulations more clearly guide the member states towards debt sustainability.

44. Structures of the monetary union need to be reformed

Development of the economic and monetary union is one of the EU's key projects. The objective is to carry out a reform to promote the implementation of sound economic policies in all EU member states. At the same time, it is necessary to make the member states able to make the necessary investments to implement the green and digital transitions.

45. Member states must take responsibility for their economic policies

The EU needs good prevention and effective management of crises. This may require deeper integration, but it must not mean unlimited solidarity. Even in the future, the starting point for the economic policy framework must be the responsibility of the member states for their economic policy decisions.

A well-functioning financial market boosts growth

46. Small and medium-sized enterprises need bank financing

A well-functioning financial system is one of the foundations of society. In Europe, bank financing plays an important role in corporate finance and its importance grows the smaller the companies are. The functioning of the financial system can be improved by completing the banking union and filling the gaps identified.

47. Solvency and liquidity regulation needs to be fixed

Effective risk diversification can be achieved through banking and capital markets. For sustainable growth, it is necessary to amend banks' solvency and liquidity regulation so that banks are able to finance their customers adequately. Solvency regulation with regard to national risk must be amended to reflect the actual level of risk. The move to a common deposit guarantee can only be done when risks in the banking sector are significantly reduced.

48. Impacts of regulation on customers must be assessed

Since the financial crisis, the regulation of banks has been increased and amended without a comprehensive impact assessment. When developing EU financial regulation, the impact on customers must be assessed first and foremost. SMEs should continue to receive financing at a reasonable price.

49. Sustainability rating must not threaten access to finance

Sustainable financing steers investors' wealth towards sustainable growth projects. The administrative burden of reporting on sustainable finance must not increase to such an extent that it excludes from financing SMEs that meet the criteria.

Fair and effective growth-promoting taxation as the objective

50. Competitiveness must not be compromised by the reform of international minimum tax regulation

The implementation of the global minimum tax rules for group companies in the EU, drawn up by the Organization for Economic Co-operation and Development (OECD), will, if implemented, mark an historic tax reform in Europe. It is important to ensure that it does not undermine the competitiveness of European companies.

51. Finland must be critical towards amending decision-making procedures in taxation questions

Plans to change the unanimity requirement to qualified majority voting in EU tax issues would, in practice, mean an increase in the influence of large member states compared to smaller ones. Therefore, from Finland's point of view, it is justified to be critical of this proposal. Changes in decision-making procedures may lead to the transfer of tax revenues to larger member states, which would not be in Finland's interest.

52. Take SMEs into account when reforming VAT

The European Commission's proposals for VAT provisions in the digital era (the ViDA package) aim to foster digitalisation, simplify VAT procedures to lighten the administrative burden and prevent fraud more efficiently. In the reform of the VAT system, it is necessary to ensure that the system works from the point of view of SMEs. Simplified VAT procedures for SMEs will continue to be important and justified in order to support the internationalisation and growth of businesses and improve the functioning of the internal market.

Help for businesses in financial difficulties

53. Effective help for insolvency

In recent years, companies' financial situation has tightened and the number of bankruptcies in the EU has increased. The EU must ensure efficient insolvency systems that attract investors and guarantee cheaper financing for companies.

54. Timely support in case of financial difficulties is needed

Unnecessary bankruptcies should be avoided by developing an Early Warning operating model that ensures timely assistance to a company in financial difficulties. The Commission must ensure that companies in different EU countries have access to assistance.

55. Obstacles to a fresh start for entrepreneurs need to be surveyed

Bankruptcies are part of business risks and can never be completely avoided. At the EU level, further action should be taken to promote a fresh start for entrepreneurs and to carry out a survey of related obstacles in the EU member states.

Focus on EU issues also at home

56. Encourage Finns to take up EU careers

It is important that the EU has as many Finns with a strong knowledge of how different decisions can affect Finland as possible in different positions.

57. Stronger advance EU influence

The development of advance influence EU should move from speech to practice. Stakeholder involvement should start already when the Commission starts preparing a legislative proposal, so that already in the drafting phase, important reform needs for Finland can be identified and, on the other hand, formulations that are not suitable for Finland can be rejected.

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