



ENTREPRENEURSHIP
BUILDS A
COMPETITIVE EUROPE

**Federation of Finnish Enterprises'
EU election programme 2024-2029
(long version)**

Yrittäjät

CONTENT

SUCCESSFUL ENTREPRENEURSHIP IS THE CORNERSTONE OF EUROPEAN COMPETITIVENESS	6
1. INTRODUCTION: SMES CREATE SUSTAINABLE WELL-BEING IN THE EU	8
2. WHAT KIND OF EU DO ENTREPRENEURS WANT TO BUILD?	10
2.1. ENTREPRENEURS WANT A COMPETITIVE AND ENTREPRENEUR-FRIENDLY EU	
2.2. ENTREPRENEURS EXPECT HIGH-QUALITY AND PREDICTABLE REGULATION	
2.3. TOWARDS AN ECONOMY THAT CREATES SUSTAINABLE GROWTH	
3. PREREQUISITES FOR A COMPETITIVE, PRO-ENTREPRENEURIAL AND PROSPEROUS EU	12
3.1. A COMPETITIVE EUROPE IN THE SINGLE MARKET AND GLOBALLY	
3.2. PAYING ATTENTION TO MICRO-ENTERPRISES WITH A SMALL ENTREPRENEURS STRATEGY	
3.3. SME ISSUES MUST BE TAKEN INTO ACCOUNT IN A CROSS-CUTTING MANNER	
4. PROACTIVE REGULATION AND SME IMPACT ASSESSMENT ENCOURAGE ENTREPRENEURSHIP	15
4.1. EVERY PIECE OF LEGISLATION ADDS TO THE ADMINISTRATIVE BURDEN ON BUSINESSES	
4.2. LAWS SHOULD BE APPLICABLE TO COMPANIES OF ALL SIZES	
4.3. LEGISLATION SHOULD NOT BE CONSTANTLY CHANGED	
4.4. IMPACTS OF LEGISLATION ON BUSINESS SHOULD BE INVESTIGATED	
4.5. COMPANIES NEED BREATHING SPACE	
4.6. THE RATIONALISATION OF REGULATION MUST CONTINUE	

5. FACILITATING EMPLOYMENT SHOULD BE ADOPTED AS A STRATEGIC OBJECTIVEN	19
5.1. LIGHTER EMPLOYMENT AND SOCIAL REGULATION FOR SMALL BUSINESSES	
5.2. LABOUR MOBILITY AND MIGRANT ENTREPRENEURSHIP MUST BE PROMOTED	
5.3. MAKING THE EUROPEAN SEMESTER A TOOL FOR IMPLEMENTING REFORMS	
6. SUCCESSFUL CONSUMER REGULATION AND STANDARDISATION STRENGTHEN TRUST	22
6.1. MICRO AND SMALL ENTERPRISES CAN BE ASSIMILATED TO CONSUMERS	
6.2. SAME RULES REGARDLESS OF SALES CHANNEL	
6.3. INFORMATION OVERLOAD BURDENS ENTREPRENEURS AND CONSUMERS	
6.4. STANDARDS STRENGTHEN THE COMPETITIVENESS OF COMPANIES	
6.5. THE NEED FOR STANDARDS MUST BE CAREFULLY CONSIDERED	
6.6. SMES TO BE INVOLVED IN SETTING STANDARDS	
7. SMALL ENTREPRENEURS SHOULD BE PROTECTED FROM ABUSE IN CONTRACTS	26
7.1. COLLECTIVE BARGAINING IS NOT A SOLUTION TO SOLE ENTREPRENEURS' PROBLEMS	
7.2. THE POSITION OF SMALL ENTREPRENEURS CAN BE IMPROVED BY REGULATING THE CONTRACTUAL TERMS AND CONDITIONS	
8. EUROPE NEEDS SKILLED WORKERS AND ENTREPRENEURS	29
8.1. SOLUTIONS TO THE SKILLS SHORTAGE CAN ALSO BE FOUND OUTSIDE EDUCATIONAL INSTITUTIONS	
8.2. ENTREPRENEURS' UPSKILLING MUST ALSO BE SUPPORTED	
8.3. MORE INNOVATION PROJECTS FOR SMES	
8.4. EU PROGRAMMES SHOULD BE HARNESSSED TO SERVE SMES	

9. THE EU MUST INVEST IN ITS OWN STRENGTHS	32
9.1. OPEN INTERNATIONAL TRADE MUST BE PROMOTED	
9.2. THE EU'S INTERNAL AND EXTERNAL COMPETITIVENESS GO HAND-IN-HAND	
9.3. THE EU'S SECURITY OF SUPPLY MUST BE ENSURED	
9.4. THE EU MUST COORDINATE THE RECONSTRUCTION OF UKRAINE AND PREPARE FOR ENLARGEMENT	
9.5. IT IS NECESSARY TO PREPARE FOR EU ENLARGEMENT	
10. THE EU'S GREEN AND DIGITAL TRANSITION NEEDS TO BE IMPLEMENTED, WHILE RESPECTING THE ROLE OF COMPANIES	35
10.1. THE MOST EFFICIENT SOLUTIONS ARE MARKET-BASED	
10.2. A KEY ROLE FOR SMES IN TACKLING CLIMATE CHANGE	
10.3. THE CIRCULAR ECONOMY OPENS UP OPPORTUNITIES FOR SMES	
10.4. THE AGRICULTURAL SUBSIDY SYSTEM NEEDS REFORM	
11. THE ACCESSIBILITY OF OUR COUNTRY IS IMPORTANT FOR BUSINESS	38
11.1. FINLAND'S SPECIAL CONDITIONS MUST BE TAKEN INTO ACCOUNT IN TRANSPORT AND LOGISTICS DECISIONS	
12. PROSPERITY FROM FORESTS	40
12.1. SPECIFIC NATIONAL CONDITIONS MUST BE TAKEN INTO ACCOUNT IN FOREST POLICY	
12.2. SUSTAINABLE USE OF FORESTS DOES NOT CONFLICT WITH CONSERVATION	

13. A HEALTHY ECONOMY CREATES THE PREREQUISITES FOR SUSTAINABLE GROWTH	42
13.1. THE BASIC STRUCTURES OF THE ECONOMIC AND MONETARY UNION MUST BE REFORMED	
13.2. MEMBER STATES BEAR RESPONSIBILITY FOR THEIR ECONOMIC POLICY DECISIONS	
14. A WELL-FUNCTIONING FINANCIAL MARKET FOSTERS GROWTH	44
14.1. A CAPITAL MARKETS UNION TO IMPROVE ACCESS TO FINANCE FOR SMES	
14.2. SMALL AND MEDIUM-SIZED ENTERPRISES NEED BANK FINANCING	
14.3. SMES TO BE INVOLVED IN SUSTAINABLE FINANCING	
14.4. AIMING FOR FAIR, EFFICIENT AND GROWTH-FRIENDLY TAXATION	
14.5. VALUE-ADDED TAXATION MUST WORK ALSO FROM THE POINT OF VIEW OF SMES	
14.6. QUALIFIED MAJORITY VOTING IN TAX MATTERS IS NOT FAVORABLE FOR SMALL MEMBER STATES	
15. HELP FOR BUSINESSES IN FINANCIAL DIFFICULTIES	48
15.1. THE EU MUST FACILITATE SECOND CHANCE FOR ENTREPRENEURS	
16. MORE FINNS TO EU CAREERS	50
16.1. THE NUMBER OF FINNS IN EU TASKS SHOULD BE INCREASED	
16.2. FINLAND MUST CONTINUE ITS EFFORTS TO PROMOTE EU CAREERS	



Successful entrepreneurship is the cornerstone of European competitiveness

Europe stands on the threshold of a new era. The crises of recent years have simultaneously brought Europe closer together and divided it. Through swift and united decisions, the EU has demonstrated its ability to respond to the uncertainty caused by the pandemic and Russia's war of aggression in Ukraine. Yet at the same time, deeper concerns about the future of the EU are emerging in the debate, particularly with regard to the challenges of public debt and the loss of European competitiveness.

The European response to these challenges has often been regulation, and this regulation has often been very detailed. On the other hand, the problems caused by over-regulation have been addressed by publicly funded support packages, which is never a sustainable solution in the long term.

The future of Europe will be built on the basis of commonly set and agreed values and objectives, whether it is about fighting climate change, promoting digitalisation or competitiveness. But common objectives must be achievable by all those who are called upon to take action, above all small and medium-sized enterprises, which are the backbone of the European economy. At the same time, Europe's competitiveness problem must be solved; the EU's competitiveness vis-à-vis its competitors, the United States and China, has been declining in recent decades by all indicators.

For Finland, the EU and a well-functioning internal market offer significant opportunities. Finland must be an active solution-seeker in making the internal market work better citizens and businesses. Finland must be at the forefront of efforts to promote business success and competitiveness in the EU market of 450 million people and 25 million companies.

The European Union, and no EU Member State, shall hide responsibility behind the division of competences between EU and the Member states; decisions to improve competitiveness must be taken both in Brussels and in the Member States. In the upcoming EU-term 2024-2029, the Federation of Finnish Enterprises is committed to presenting solutions to build a better-functioning and more competitive Europe. Europe's future success requires bold measures, and FFE is ready to be at the forefront of this work.

Petri Salminen
Chairman
Federation of Finnish Enterprises



1. Introduction: SMEs create sustainable well-being in the EU

Small and medium-sized enterprises play a key role in the economy, functioning and well-being of the EU as a whole. SMEs have been described as the backbone of our European Union and are proud to be so: fulfilling and enabling many of the needs and wishes that are important in our daily lives.

SMEs would be more successful if their energy was not spent on unnecessary regulation, but resources were available to improve the economy and well-being. An entrepreneur's freedom and responsibility should be balanced. The EU must create the conditions for companies to grow, innovate and employ. The EU must ensure the competitiveness of the internal market, while striving to stabilise the world as a strong global player. A strong internal market strengthens the international role of the EU as a whole. A predictable operating environment is the most important enabler of entrepreneurship.

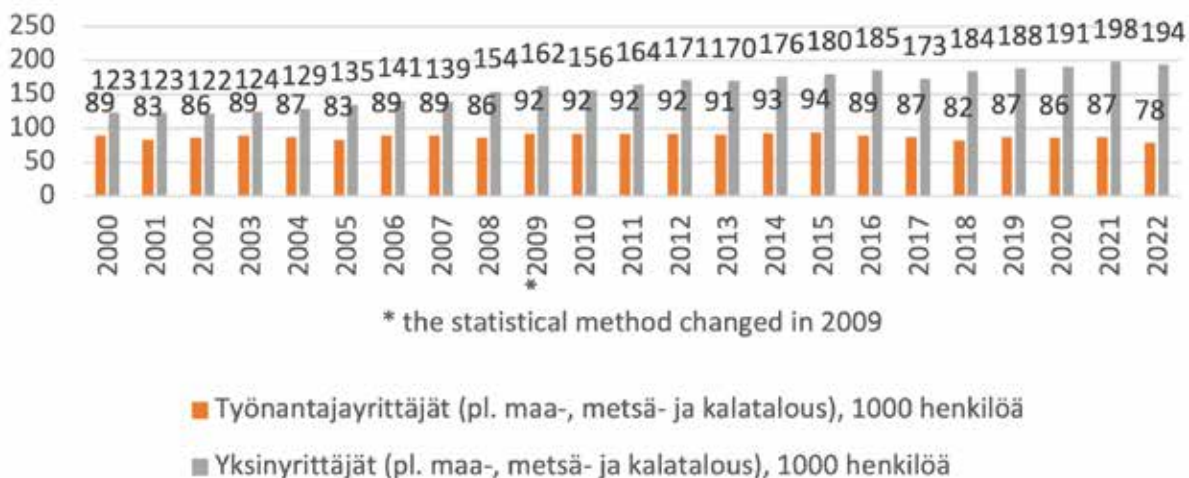
In 2022, the number of employer entrepreneurs decreased by ten per cent in Finland¹. This signifies a structural issue. Entrepreneurs and companies do not have sufficient incentives to take risks, grow and provide employment. It signals an atmosphere that is not conducive to

growth and risk-taking. While the number of employer companies is in decline, the number of sole entrepreneurs has grown significantly. According to Statistics Finland, the number has increased by almost 20% since 2009, reaching 194,000 in 2022².

This is a significant structural change in working life. Alongside the increase in sole entrepreneurship, new forms of entrepreneurship and network entrepreneurship are highlighted, in which entrepreneurs serve their customers in cooperation networks with other entrepreneurs.

The demographic change in Europe and Finland translates into a large number of ageing entrepreneurs. When entrepreneurs retire, it is important to ensure that there is a successor for profitable companies. Thus, the resources and all the years and effort spent on the development of the company do not go to waste. This requires that the right kind of training, encouragement and funding can be found both for starting a new business and for selling and acquiring an existing one. Change of ownership skills should be promoted as an equally good option alongside start-up entrepreneurship.

Number of employer and sole entrepreneurs, thousands
(Statistics Finland 2023)



¹ <https://www.yrittajat.fi/uutiset/tyonantajayrittajien-maara-laski-jyrkasti-viime-vuonna-tama-on-yllattavaa-ja-uhkaa-tyollisyytta/>
² https://pxdata.stat.fi/PxWeb/pxweb/fi/StatFin/StatFin_tyti/statfin_tyti_pxt_13ap.px/



2. What kind of EU do entrepreneurs want to build?

2.1. Entrepreneurs want a competitive and entrepreneur-friendly EU

The European Union was established to strengthen peace and stability, as well as economic and social prosperity, through joint action. The main objective is the continuous improvement of peoples' living conditions as well as the strengthening of the unity of economies. Balancing development aims to reduce disparities between regions and to pool their resources to preserve and strengthen peace and freedom.

To ensure that these goals are achieved, we must see to it that the EU is and continues to be a strong international player and a goal-oriented enforcer of the internal market.

The EU must restore the competitiveness of the European economy and reverse the trend of recent years, which has weakened Europe's competitiveness compared to the rest of the world.

In order to restore the global competitiveness of Europe and its SMEs, it is necessary to ensure competitive access to resources, skilled labour and finance, a level playing field between the internal market and international trade rules and a fair competitive environment for companies of different sizes, guarantee EU regulation and taxation that promotes business and investment, and promote a stable macroeconomic environment.

2.2. Entrepreneurs expect high-quality and predictable regulation

The EU should develop the preparation of legislation. The aim must be better and more functional regulation that is correctly targeted, functional, consistent and understandable.

Legislative work must ensure simple and predictable rules to enable SMEs to invest and assess risks. When drafting legislation that is suitable for SMEs, the impact on small businesses must be better taken into account and therefore the EU SME test must be applied regularly in all of the Commission's legislative drafting. The exclusion of small businesses from the scope of legislation must not be automatic; however, as a rule, EU laws should be written in such a way that they are easily applicable even by the smallest companies.

The EU has pioneered climate, digitalisation and sustainability regulation. It is necessary to ensure that the legislation is sound and feasible so that the EU can improve its competitiveness. Integrating the competitiveness test into EU decision-making is important in order to assess the competitiveness impact of EU initiatives. The impact of legislation should be assessed not only by the Commission but also in the preparatory work of the Council of the European Union and the European Parliament.

The next parliamentary term should focus on the careful implementation of existing regulation. The legislation for a functioning internal market should be based on the "Think Small First" and "Once Only" principles.

2.3. Towards an economy that creates sustainable growth

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 have been seen in various crises.

The 27 EU Member States, including Finland, participate in the Economic and Monetary Union (EMU). Its responsibilities include economic and fiscal policy coordination, a common monetary policy and a common currency. In the Economic and Monetary Union, EU countries coordinate their economic policies through the European Semester.

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 business activities and contributed to maintaining economic growth and building well-being. It is in Finland's interests to strengthen economic policy coordination.



3. Prerequisites for a competitive, pro-entrepreneurial and prosperous EU

3.1. A competitive Europe in the single market and globally

The global geopolitical turbulence challenges the unity of the European Union and underlines the need to strengthen Europe's competitiveness. The stronger the internal market, the more influential the European Union is in the world. When the EU market functions and we work strongly according to our European values, we also have influence outside Europe. Our internal market can only function to its full potential if SMEs thrive.

The EU offers remote Finland access to the global market. 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 business legislation, the internal market should increasingly strive for genuine unity, as the term Single Market implies. In this way, as a business environment, we can also compare to the single large market of the United States. In the coming parliamentary term, the EU should draw up an ambitious plan to deepen the unity and functioning of the internal market.

One of the elements of competitiveness is safety. A safe operating environment increases the attractiveness of becoming an entrepreneur in Europe. Strengthening defence against hybrid threats plays an important role. We must not be overly dependent on a particular country or continent for critical operations. The answer to this is not excessive protectionism, but sensible strategic autonomy, which means that as many critical resources as possible for EU countries can be found within the EU.

One should remember that climate change is already having a significant impact, and the implementation of the green transition cannot be postponed. The green transition and the digital transition should be promoted hand in hand with determination. This twin transition creates huge opportunities for pioneers, for example through green technology investments. The twin transition must go hand in hand with a strong industrial policy to ensure the EU's competitiveness.

- The EU should draw up an action plan to deepen the unity and functioning of the internal market.
- The EU must prepare for hybrid threats and the preparation must be part of the overall security of the EU.
- The availability of critical resources for EU countries, such as components and raw materials, needs to be strengthened in the EU.

3.2. Paying attention to micro-enterprises with a small entrepreneurs strategy

Over the decades, the EU has developed a set of strategies to address the needs and challenges of European SMEs through policy and regulatory action. Strategies and programmes targeting SMEs have been wide-ranging and focused on improving SMEs' access to finance, markets and innovation and reducing the regulatory burden on them.

It is commendable that the Commission takes SMEs into account in its policy measures, but extensive strategies targeting all SMEs are not always able to provide solutions to the needs of the smallest companies. Micro-enterprises are the largest segment of the European business community and deserve tailor-made measures that encourage them to grow. The EU must create its own action plan for small entrepreneurs.

3.3. SME issues must be taken into account in a cross-cutting manner

When making EU decisions, attention must be paid to how SME matters are handled in the EU institutions. The "Think Small First" principle should be implemented across all Commission Directorates-General.

The EU's SME Envoy network is a joint network of representatives of the Member States and the Commission to discuss and share best practices. Its structures need to be reformed to bring real added value to European SMEs.

- The EU must create its own action plan for small entrepreneurs.
- The "Think Small First" principle should be implemented across all Commission Directorates-General.
- The EU SME Envoy network needs to be reformed to better take account of SME feedback and ensure that its work leads to implementation.
- A dedicated commissioner must be appointed as someone who is responsible for SME issues and to put SME issues firmly on their agenda.



4. Proactive regulation and SME impact assessment encourage entrepreneurship

The amount and level of detail of regulation for business has increased in recent years. Depending on the sector, 50–80% of the obligations on companies come from the EU. In addition, there is a lot of domestic regulation. The cumulative effect of regulation, the obligation of companies to be aware of all obligations, and the administrative burden caused by regulation are occasionally disproportionate for small entrepreneurs.

The legislator must identify the effects of its proposal. The impact on SMEs must be carefully investigated and the impact assessment must influence the legislative decisions made. The aim should be to maintain the competitiveness of European SMEs both in the EU's internal market and in external markets. In spite of good goals, companies should not be regulated to death. It must be possible to achieve the objectives of EU regulation simply and lightly, at the lowest cost possible. The EU must provide sufficient incentives for entrepreneurship so that the internal market functions in the best possible way for consumers.

It should also be noted that some EU regulation also has a significant impact on companies outside the EU. Excessive EU regulation puts investments from outside the internal market at risk. The EU must ensure that its regulatory framework does not jeopardise the competitiveness of companies established in the internal market in the global market and that the EU's attractiveness as an investment destination is not compromised.

In addition, the increasing use of delegated acts requires more transparency from the Commission and stronger involvement of stakeholders.

4.1. Every piece of legislation adds to the administrative burden on businesses

Decision-making in the European Union directly or indirectly affects all companies in the Member States. Much of our new national legislation is based on EU regulation. At its best, legislation increases economic activity and improves the EU's competitiveness. On the other hand, regulation can also create administrative and financial burdens for SMEs and drive out investments from outside the EU. The strong popularity of sole entrepreneurship also underlines the need

to simplify and minimise the regulatory burden. The EU must be big on big things and small on small things.

Almost all regulation directed at businesses adds in some way to the administrative burden on businesses and thus to the costs borne by businesses. In order to ensure that companies do not fail under the ever-increasing regulatory burden, careful impact assessments must be made of the legislation already adopted and companies must be given peace to implement the legislation already adopted in their own operations. With regard to future regulation, it is of paramount importance to prioritise projects that must be regulated at the EU level. The EU should refrain from introducing new regulations that are not necessary.

4.2. Laws should be applicable to companies of all sizes

EU legislation should, in principle, be drafted in such a way that it is applicable to companies of all sizes, including sole entrepreneurs. The micro-enterprise and SME exemption should be used if, as a result of the impact assessment, the regulation is not found to be applicable to smaller companies. Even the exclusion of small businesses from the scope of legislation must not be automatic, but, as a rule, EU laws should be written in such a way that they are easily applicable even by the smallest companies.

When carrying out the impact assessment, it must be recognised that, despite exclusions of SMEs from the scope of regulation, obligations may still become a burden on a small company through their value chains. An example of such regulatory proposals with an exemption for micro-enterprises and SMEs, where obligations and administrative burden inevitably also apply to micro-enterprises and SMEs, is the proposal for a directive on green claims and the proposal for a corporate sustainability due diligence directive. Through contractual relations, the due diligence and reporting obligations imposed on large companies by regulation will also flow to smaller companies operating in the supply and value chains of these companies. If smaller companies are not actually able to meet the reporting obligations required by large companies, small companies will fall out of the value chains of large companies.

Some of the proposed regulation on corporate sustainability also does not include exemptions for micro-enterprises and SMEs, such as the proposal for a regulation on the prohibition of forced labour products in the EU. When regulating, it is important to take into account the actual resources of micro-enterprises and SMEs to meet the regulatory obligations, as well as whether they can have actual influence over the objectives of the regulations. European micro-enterprises and SMEs must not be held liable for problems in the world that they cannot solve or manage.

Micro-enterprises and SMEs have significantly smaller resources than larger companies to comply with the regulations from the EU and to bring their operations up to the level required by the legislation. Therefore, micro-enterprises and SMEs must be supported in complying with EU legislation, both financially and through instructions and training. This requirement for Member States' support for SMEs must be written down in the EU legislation. In order to guarantee the equal treatment of companies, such support must also be uniform in all Member States of the EU.

4.3. Legislation should not be constantly changed

The high quality of EU legislation must also be ensured by making sure that the language of the written provision is precise, that the provisions correspond to the true purpose of the legislator and that the terms used are unambiguous. In order to ensure legal certainty for businesses and the equal treatment of businesses established in different Member States, legislation must not leave too much room for interpretation for different Member States and their authorities, as it leads to fragmented application and unequal treatment of businesses across the EU. In addition, legislation targeting businesses should not be amended too frequently to avoid uncertainty for businesses and the business community.

4.4. Impacts of legislation on business should be investigated

Global challenges in environmental sustainability, international trade policy and the rapid development of technology are changing the operating environment for SMEs. EU regulation should

support growth, sustainable development and the adoption of technology, digitalisation and new business models.

Regulation can promote but also slow down the adoption and use of new technologies. When drafting regulation, the effects on all stages of innovation, from research to market, must be taken into account. The legislator's task is to enable fair and sustainable competition between different technologies and business models, not to put certain methods and models in a more advantageous position than others.

Tools need to be developed to assess the impact of regulatory proposals not only on the competitiveness of businesses within the EU, but also on global competitiveness. In addition to the SME test, the competitiveness test must be included in the impact assessment of EU legislation.

The regulatory impact on SMEs should be carefully assessed through the SME test. The European Parliament will also have to carry out impact assessments when proposing significant changes to the Commission's proposals. In addition, an impact assessment of the outcome of the trilogues in the final stages of the EU legislative process could ensure that the effects of the finalised legislative proposal do not differ significantly from the Commission's impact assessments and the intended effects of the legislation.

4.5. Companies need breathing space

Better lawmaking can be achieved through a comprehensive and transparent dialogue between European policymakers and SME organisations. This means that the new structure of the European Union institutions must ensure that the reality of SMEs is taken into account when decisions affecting SMEs are taken.

Recent years have seen a lot of new regulation targeting business. Legislation is currently being implemented in the Member States, where the real impact of regulation will be seen in the coming years. During the next political term, companies must be given breathing space to carefully implement the revised legislation. It is a good idea to look at the next term to see if the 2019–24 choices made are on the right path towards the desired results. Particular attention should

be paid to whether the choices have taken into account all available means developed by the market to achieve emission reductions and the digital transition. In addition, the increasing use of delegated acts requires more transparency from the Commission and stronger involvement of stakeholders.

4.6. The rationalisation of regulation must continue

The change in the operating environment also requires constant review of the functioning and effectiveness of regulation. The European Commission's REFIT programme aims to ensure that EU legislation delivers results for citizens and businesses efficiently, effectively and at the lowest possible cost. The aim of the REFIT programme is to ensure that EU legislation meets policy objectives, is simple and does not create unnecessary bureaucracy.

The EU Fit4Future Expert Group helps the Commission to simplify EU legislation and reduce extra regulatory costs as part of the REFIT programme. It adds a valuable contribution to the involvement of stakeholders in the rationalisation of EU regulation and should therefore be continued.

- The starting point when drafting EU legislation should always be a careful impact assessment so that regulation meets the real needs of entrepreneurs and citizens. The regulatory impact on SMEs should be carefully assessed through the SME test.

- In accordance with the EU principle of subsidiarity, decisions should be taken at the EU level only if it is more effective than dealing with the matter at Member State level. In line with the principle of subsidiarity, the EU must focus more strongly on the priorities where it can deliver the most added value for citizens

and businesses – being big on big things and small on small ones.

- EU regulation should support growth, sustainable development and the adoption of new technology, digitalisation and new business models.

- Where appropriate, exemptions for micro-enterprises and SMEs are to be used, but in principle it is necessary to carry out regulation that is also applicable to small enterprises. It should be recognised that obligations can also apply to small businesses through their supply and value chains. SMEs should be supported to cope with legal obligations.

- The European Parliament should also carry out impact assessments of its amendment proposals that substantially amend the Commission's original proposal. In addition, in the trilogues at the final stage of the legislative process, it may be necessary to carry out a concise impact assessment as to whether the negotiated outcome will achieve the objectives set by the Commission.

- The REFIT programme should be developed and strengthened to achieve the objectives set for it. The activities of the Fit4Future forum as part of the REFIT programme add a valuable contribution to the involvement of stakeholders in the rationalisation of EU regulation. The Forum should continue its work during the upcoming political mandate.

- In addition to the SME test, the competitiveness test must be included in the impact assessment of EU legislation.



**5. Facilitating
employment
should be adopted
as a strategic
objective**

Facilitating employment should be adopted as a strategic objective for employment-related EU regulation. Regulation requires a new balance between the principle of protection of workers and the functioning of the labour market. It is necessary to ensure that rigidities in the labour market are not created at the EU level, but company-level dialogue is promoted in the definition of working conditions.

A skilled workforce is very important. In many industries, labour shortages are a real barrier to business growth and development. The age structure of the European population also requires labour immigration from outside Europe. However, the global competitiveness of companies must be safeguarded and the labour market must not be over-regulated.

5.1. Lighter employment and social regulation for small businesses

In the field of labour and social law, it is important to respect the EU principles of subsidiarity and proportionality and to consider whether it is necessary to create uniform and strict regulations at the EU level for a broad range of areas of working life. Over-regulation of the labour market must be avoided and the principles of better regulation must be taken into account in EU labour and social legislation. EU regulation should be general in nature and set general objectives and guidelines for Member States instead of creating detailed rules.

In recent years, EU directives regulating work-life have invariably included very detailed rights and obligations, which have not been easy to implement to the Member States' systems. Particularly, when drafting EU labour and social legislation, it must be kept in mind that Member States' systems differ radically in their foundations and solutions. These differences must be respected and flexibility in agreeing on terms of employment is necessary to accommodate to the national specificities and the needs of companies of different sizes.

On average, European companies have five employees. The preparation of EU labour and social legislation should be carried out in close consultation with the social partners at the EU level and it should be ensured that different stakeholders, including SMEs, are sufficient-

ly heard and represented in the consultation processes.

5.2. Labour mobility and migrant entrepreneurship must be promoted

In accordance with the principle of free movement of workers employees can move to places where there is a labour and skills shortage. To promote labour mobility in the EU, it is important to ensure that workers and entrepreneurs are adequately covered by social security even in cross-border situations.

For many immigrants, entrepreneurship is a good route to working life and integration. Entrepreneurs with a migrant background often need special support for different stages of entrepreneurship in a foreign environment and language. It is important to develop services for entrepreneurs so that immigrant entrepreneurs also benefit from them and their specific needs are taken into account. It is important to develop and support immigrant entrepreneurship also at the EU level.

5.3. Making the European Semester a tool for implementing reforms

The European Semester is a tool for developing the functioning of the economies of the Member States in accordance with the policy objectives set by the EU. The Semester has proved to be an effective tool for demonstrating the Member States' development needs in the social dimension and providing solutions to them. It should be made into a genuine tool for Member States to exchange good practices and implement structural reforms. With regard to the social dimension, the Semester also makes it possible to take into account the national specificities of the Member States.

- SMEs must be represented in the preparation of labour and social legislation. It is important that all labour and social law initiatives consult broadly with the EU social partners.

- EU labour and social legislation needs to include more specific provisions and/or lighter regulation for small enterprises.

- EU labour and social legislation needs to aim for more general and targeted regulation rather than detailed rules. Member States need to be left room for manoeuvre in labour market reforms.

- A degree of flexibility needs to be ensured in the EU labour and social legislation so that employers' and workers' needs can be taken into account in a way that fits the systems of the Member States. The principles of proportionality and subsidiarity must be respected.

- All EU labour and social legislation must aim at creating growth and new employment. Regulation must be based on a credible impact assessment of regulation. The position of SMEs as employers must be taken into account in the impact assessment.

- The European Semester needs to be developed to encourage Member States to reform their national systems with a social dimension. The Semester and country-specific recommendations provide an opportunity to take into account the specificities of national systems.

- The mobility of workers and entrepreneurs must be streamlined and different forms of work should not be treated differently from the perspective of social security in cross-border situations.

- Immigrants have a lot of entrepreneurial potential and entrepreneurship promotes integration, so services promoting immigrant entrepreneurship should be developed.



6. Successful consumer regulation and standardisation strengthen trust

EU consumer policy and regulation is an important element in ensuring the functioning of the internal market. Consumer spending accounts for more than one-half of the EU economy. Successful consumer regulation strengthens consumer confidence in the internal market and its players, and contributes to economic growth and job creation through increased consumption. EU consumer legislation constitutes a rather complex set of rights and obligations. Their aim is to ensure safe products for consumers, to provide sufficient information about goods on the market to support consumer choice, to safeguard consumer rights in the event of disputes, and to provide tools for efficient and fair dispute resolution.

Too often, the aim of consumer regulation is to only protect consumers' rights. However, the main target of the consumer regulation, a trader operating in consumer trade, is given too little attention. Successful and balanced regulation should equally secure a predictable and balanced business environment for the trader. It promotes healthy business activity and creates a diverse market offering.

The structural change in company sizes must be identified and taken into account when developing EU regulation. A well-functioning internal market needs balanced regulation that considers the position of the smallest companies and their ability to operate in the market. A competitive market, in turn, contributes to there being no room for dishonest and bad business practices if the trader wants to stay in the market.

6.1. Micro and small enterprises can be assimilated to consumers

Currently, the majority of companies are micro and small enterprises that can be assimilated with consumers in terms of their knowledge and skills. The relationship between such contractual partners is, in principle, more balanced. However, when the rights and obligations of the consumer and the entrepreneur in the consumer law are very unbalanced, the capacities of small businesses are quickly run out. The ability of small businesses to meet the obligations of consumer law is weaker than that of large companies. There is a real risk that the consumer's position is weakened

when small companies offering alternatives have to exit the market due to legislative burdens.

6.2. Same rules regardless of sales channel

Due to the diversification of trade, a broader assessment of why there are different rules for on-premises, distance and off-premises sales is also needed. The traditional distinction between on-premises sales and off-premises and distance selling is artificial, inappropriate, and outdated. Companies are subject to different information and other obligations, as well as risks, depending on where and in what kind of operating environment consumer trade is carried out in practice. Significance should no longer be given to where the transaction is physically carried out, but to the fact that the company's duty to provide information is met to a reasonable extent and the consumer thus makes an informed purchase decision on the basis of appropriate information.

The consumer's ability to obtain the necessary information and get acquainted with the product is often considerably better in distance and off-premises sales than in on-premises sales, and therefore the consumer's considerably extensive right of cancellation is not justified.

To simplify and reduce the administrative burden on businesses, regulation should be as location- and technology-neutral as possible, and its suitability for future innovations should also be ensured. In practice, location and technology neutrality means that the same rules apply to everyone regardless of the sales or purchase channel. This is important, among other things, to enable SMEs to take advantage of the huge potential for internationalisation and growth offered by e-commerce.

6.3. Information overload burdens entrepreneurs and consumers

In consumer protection legislation, the overly far-reaching obligation to provide information threatens consumers with an information overload, as a result of which consumers do not read the terms and conditions given to them and the purchase decision is not based on appropriate information. Therefore, the amount

of pre-sale information provided to consumers should not be further increased.

In consumer trade, both the consumer and the entrepreneur must act responsibly in the market. Consumer protection legislation should therefore also be reviewed in terms of how green transition and sustainability obligations concern manufacturers, sellers and consumers. Consumers are now excluded from the obligations. Achieving the EU's green transition goals requires the involvement of consumers and the imposition of obligations on consumers as well. For example, the right of return in off-premises and distance sales in accordance with consumer protection should be critically examined from the perspective of sustainable development and allow companies a legal right to refuse to sell products to a "serial returner" who clearly abuses the right of return contrary to its purpose.

6.4. Standards strengthen the competitiveness of companies

Standards are technical specifications of products, services and processes. Even though standards are, as a rule, recommendations and compliance with them and using them is voluntary for companies, the company may use them to demonstrate that its product or service meets certain quality, safety and reliability criteria. The trust of the consumer and the company's partners increases when the quality and safety of the company's product or service comply with standards.

The company's access to the markets of other countries is also easier when its products or services comply with standards. In this case, the product and service are also compatible and comparable for a foreign customer. Standards can improve the compatibility of products and services. 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 EU should consistently promote the EU standardisation

strategy of 2022 and ensure the EU's leading position in the world in the development of high-quality standards.

6.5. The need for standards must be carefully considered

The digital and green transition, combined with new regulatory requirements, will create a surge of new standard initiatives. At the same time, the normal work of standardisation organisations continues, for example, with regard to personal and protective equipment, construction and machinery. In order to avoid an unreasonable increase in standards, a good overview of existing standards should be prepared to identify and correct any shortcomings. Careful consideration should be given to when standards are necessary in the first place.

Micro-enterprises and SMEs face strong and different types of 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.

6.6. SMEs to be involved in setting standards

The involvement of SMEs in the standardisation process should be strengthened at the national and the EU level. The possibility for SMEs' experts to participate in the development of standards must be ensured with sufficient resources. SMEs and the organisations representing them must be supported financially to enable inclusion.

Harmonised standards with which a company can demonstrate the conformity of its product with EU legislation are of particular importance to SMEs. In order to ensure the functioning of the internal market and a level playing field for businesses, as well as to remove technical barriers to trade, it is important to ensure that the Member States comply with the standards and do not impose additional national requirements on products.

Another challenge is that SMEs often do not have knowledge of standards and how they

would benefit from them. Identifying suitable standards for SMEs from tens of thousands of European and international standards is not always easy. SMEs are finding it difficult to steer through the increasing number of standards developed every year. It is therefore important that SMEs are trained and supported in the adoption and implementation of standards through custom training programmes and guides for SMEs.

- A predictable and balanced business environment should be ensured for traders by taking a more balanced contractual relationship between the consumer and the micro and small entrepreneurs into account in regulation.
- Due to the diversification of trade, traditional location-based regulation should be re-evaluated. Regulation must be location- and technology-neutral in order to reduce the administrative burden on businesses.
- The amount of pre-sale information provided to consumers should not be further increased.
- In order to achieve the objectives of the green transition, obligations must also be imposed on consumers.
- The EU's standardisation strategy should promote ensuring the EU's leading role in the creation of global standards.

- A good overview of existing standards should be prepared to identify and remedy any shortcomings in them. The need for any new standards should be carefully considered.
- In order to take into account the interests of SMEs, the involvement of SMEs at all levels of the standardisation process should be strengthened and ensured with sufficient resources.
- Compliance with the standards in the Member States should be ensured without imposing additional national requirements.
- SMEs should be supported in identifying, adopting and implementing suitable standards through custom training programmes and guides.



7. Small entrepreneurs should be protected from abuse in contracts

As a general rule, companies can agree between themselves on the rules to be followed in their contractual relationship. The principle of contractual freedom is important. However, it is a fact that more than one-half of European businesses are sole entrepreneurs, and the number is growing. Power balance in relations between different companies vary from equal to very unbalanced.

A small company may become dependent on its contractual partner, which can be a supplier, customer or provider of an essential resource for the operation – usually a large company. If there is no alternative to the services provided by the contractual partner (for example, postal or broadband services), the risk increases. A big company's strategy may be to keep prices high and conditions strict in those business areas where there is no competition, and to finance its operations in competitive markets with such revenue. It is therefore important that the EU creates legislation that prohibits unfair contract terms between companies.

In 2018, the Commission adopted a proposal for a regulation on promoting fairness and transparency for business users of online intermediation services. The law regulates contractual relations between platforms and companies operating on platforms. The Regulation remained incomplete from the point of view of small entrepreneurs: an online platform would have the right to demand even the strictest contractual terms from its partners or very freely amend the terms and conditions of the agreement unilaterally, had the right only been recorded in the standard terms and conditions and the amendment notified of sufficiently early. Instead, the Regulation should prohibit clearly unfair contract terms.

7.1. Collective bargaining is not a solution to sole entrepreneurs' problems

The increase in the number of sole entrepreneurs and the increased use of platforms has led to proposals for collective bargaining rights for sole entrepreneurs, i.e. the right to agree on the terms of their employment together with other sole entrepreneurs. The Commission published associated guidelines on collective agreements by solo self-employed in autumn 2022. According to them, EU competition law does not

prevent certain sole entrepreneurs from entering into collective agreements that improve their working conditions.

However, the situation of sole entrepreneurs is legally unclear, as the EU competition rules have not been changed. Collective bargaining is not a solution to the problems faced by sole entrepreneurs. It limits the entrepreneur's ability to sell their services at the best possible price and also limits competing with quality. Restricting competition through collective agreements is particularly detrimental to entrepreneurs who are able to stand out with high-quality products or services. Collective bargaining also limits the growth and development of companies.

7.2. The position of small entrepreneurs can be improved by regulating the contractual terms and conditions

In general, labour law-related elements should not be introduced into relations between companies. An employment relationship is a different legal relationship compared to a relationship between entrepreneurs or companies for a reason. An entrepreneur is free to decide on their contractual partner and the terms and conditions of the agreement. Collective bargaining would limit these freedoms. It is possible to improve the position of entrepreneurs in a subordinated position by directly regulating contract terms and, as regards platforms, by developing an EU regulation to promote fairness and transparency for business users of online intermediation services (the P2B regulation).

In the EU, contractual relationships between companies are also regulated by the Late Payment Directive, which states that companies may not use a payment term of more than 60 days unless there is an explicit agreement to do so. The purpose of regulation is primarily to protect the smaller party in the contractual relationship. In Finland, regulation is stricter than the directive: a payment term of more than 30 days may only be used if both parties agree to it.

The problem has become that the prerequisite for explicit agreement is not always complied with. In practice, a larger company has been able to announce that it will pay its invoices to

a smaller company with a longer payment term than before. This is possible because, in practice, it is difficult for the small entrepreneur to challenge the situation. Therefore, an effective solution is to set up an authority to monitor compliance with the law.

- Although freedom of contract should remain the main rule, it is necessary to regulate business-to-business contractual relations in the EU in certain situations.

- The platform regulation should be reformed so that unfair contract terms are prohibited in contractual relations between companies.

- Collective bargaining among sole entrepreneurs would limit competition and the growth of companies, as well as stiffen the functioning of the market.

- The revision of Late Payment Directive needs to be finalised and Member States need to set up an authority to monitor regulatory compliance.



8. Europe needs skilled workers and entrepreneurs

8.1. Solutions to the skills shortage can also be found outside educational institutions

The shortage of skilled workers is slowing down the growth of SMEs across Europe. Although education matters are justifiably within the competence of the Member States, the EU can strengthen the European human capital by coordinating the education cooperation of the Member States and promoting the mobility of students and more experienced experts. Particular attention must be paid to the principles and practices of the recognition and validation of competences, thereby strengthening labour mobility both within the EU and from third countries.

In order to respond to the worsening skills shortage, the EU must, similar to the Member States, move from traditional education policy towards a skills policy that meets the needs of an information society. In addition to traditional educational institutions, skills policy must take into account broader ecosystems that create competence, including companies and other everyday learning environments. Moreover, more focus should be placed on lifelong learning. Opportunities for on-the-job learning must be strengthened. This development must be accelerated by appointing a commissioner for skills to lead the EU's skills policy.

8.2. Entrepreneurs' upskilling must also be supported

The entrepreneur's own competence is a resource that guides the company to growth and success. Improving entrepreneurs' skills throughout the entrepreneurial journey strengthens companies' competitiveness and customer satisfaction. Entrepreneurs' skills can be complemented with entrepreneurship training, mentoring and accessible learning tools, such as online training. Investments in entrepreneurs' competence is necessary for the green and digital transition to become a reality in smaller companies as well.

Change of ownership expertise must also be strengthened, as a lot of entrepreneurs will retire in the coming years. Skills related to business transfers should be promoted alongside start-up skills among both the younger generation acquiring and the older generation divesting,

in order to get the entrepreneur's life work the right price. The European Commission should also update its recommendations on business transfers.

8.3. More innovation projects for SMEs

Alongside skills, scientific research and the product development and innovation activities that translate it into practice through entrepreneurship are Europe's most important source of growth and well-being.

The EU plays an important role in promoting European cooperation in research and innovation. Besides universities and research organisations, companies are a key part of Europe's research and innovation ecosystems, but SMEs are still too often excluded from partnership opportunities. SMEs are at the heart of regional development and thus no regional innovation development should take place without SMEs. The EU should increase the accessibility of EU innovation projects for SMEs.

8.4. EU programmes should be harnessed to serve SMEs

Key programmes for SMEs, such as the EU's Horizon Europe research and innovation programme and the Digital Europe programme for the deployment of digital technologies, therefore need to be vigorously developed and their resources better harnessed for use of SMEs. In addition, the resources of the Digital Europe programme should be further 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 including several SMEs.

- The Horizon Europe programme's resources should be better utilized by and its accessibility increased for SMEs and start-ups.

- The access of start-ups and SMEs to the EU's Digital Europe programme should be developed and facilitated, and the networks of European digital innovation hubs expanded to SMEs.

- Regional SMEs should be more extensively involved in the building and development of EU innovation ecosystems.

- When developing regulation, the impact of existing and new standards on innovation should be assessed.

- There should be a transition from education policy towards a broader skills policy, and the European Commission must name a Commissioner for skills.

- On-the-job learning should be strengthened in the EU's competence policy objectives and change of ownership skills supported.

- The Commission recommendation on business transfers should be updated.

- The automatic mutual recognition of qualifications and learning experiences needs to be further developed and labour mobility strengthened within the EU and from third countries.



9. The EU must invest in its own strengths

The EU's capacity to generate growth and prosperity is based not only on the internal market, but also on international markets and open and rules-based foreign trade. In order for SMEs to benefit from the opportunities offered by global markets, the EU must actively combat protectionism and promote reciprocal bilateral trade and investment agreements. On the other hand, critical dependencies on countries with political risks must be avoided.

Many crises have highlighted the need to strengthen the EU's capacity to act autonomously in areas of strategic importance and to defend its own interests, as well as its efforts to break away from harmful interdependencies. We need to look at the EU's global role and influence, crisis preparedness and resilience, and its ability to defend itself.

9.1. Open international trade must be promoted

Europe should invest in its own strengths with increasing determination, develop partnerships and reduce harmful dependencies. It is not just a matter of reacting to the current situation, but of preparation for the EU's actions in the long term. This work must be carried out in foreign and security policy, trade and industrial policy, the internal market, digitalisation, research and innovation policy, as well as agricultural, energy, climate and health policy.

The EU should strengthen its strategic autonomy, taking into account the changed operating environment due to the competition between great powers and geopolitical polarisation. At the same time, the development of the international rules-based system is essential. The EU must be able to act decisively to promote its values and objectives, making effective use of all the instruments at its disposal. The EU's strategic autonomy must be based on the development of the EU's 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. The EU should continue to make use of the openness of international trade to strengthen the EU's prosperity.

9.2. The EU's internal and external competitiveness go hand-in-hand

The EU's trade policy is closely linked to the EU's internal market policy. The EU's external and internal competitiveness should be improved through complementary and supportive policies and measures. Deepening the internal market, especially in green and digital products and services, is a way to strengthen the EU's external competitiveness and credibility as a global actor.

A well-functioning trade policy will not only make the EU able to strengthen itself but also make Europe a safe operating environment, which will increase the attractiveness of investing and operating here. This is closely linked to the EU's strategic autonomy, which can strengthen Europe's security and global competitiveness at the same time.

There is no need for a fundamental change in the EU's state aid policy to improve Europe's competitiveness; instead, open and rules-based trade plays a key role in safeguarding the EU's competitiveness.

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

Strengthening the EU's resilience is an important part of strategic autonomy and the EU's ability to act independently. The EU must ensure comprehensive security of supply, especially for critical materials, such as pharmaceuticals and semiconductors. The aim must be to ensure the functioning of critical infrastructure, production and services, so that the basic needs of the population, the economy and defence can be met in all circumstances. At the same time, it is necessary to ensure that the measures are not in conflict with building Europe's sustainable global competitiveness in the long term.

9.4. The EU must coordinate the reconstruction of Ukraine and prepare for enlargement

The Federation of Finnish Enterprises considers it very important that the strong support of Finland and the EU to Ukraine continues throughout the war and in post-war reconstruction. Finland as a country and Finnish

SMEs both have huge competence that will be useful in the reconstruction of Ukraine. SMEs want to help Ukraine and contribute to its reconstruction.

The reconstruction of Ukraine will be an enormous effort, and it will require massive financial efforts in the EU and globally. In addition to existing elements of funding, significant additional support will be needed.

9.5. It is necessary to prepare for EU enlargement

Ukraine's EU candidate status has increased the growing interest in a new round of enlargement. In the coming parliamentary term, the EU must ensure that EU structures and treaties are ready for the possible enlargement in such a way that the enlargement will not complicate European decision-making or compromise European values.

- The EU should develop a strategy of economic security, taking into account the competition between great powers, geopolitical polarisation and the changed operating environment.
- The EU must negotiate and actively participate in trade agreements. SMEs must be advised and supported in taking advantage of the opportunities offered by trade agreements.
- The EU must defend free trade against protectionist tendencies, while effectively protecting its interests by using the available trade defence instruments.
- The EU should support a rules-based international trade regime and support WTO reform, as harmonised rules will facilitate SMEs' access to international markets.

- There is no need for a fundamental change in the EU's state aid policy to improve Europe's competitiveness; instead, open and rules-based trade plays a key role in safeguarding the EU's competitiveness.

- An open and competitive internal market that also functions effectively in a crisis situation is an international competitive advantage for the EU.

- Strategic autonomy must be based on the development of the EU's own strengths, fair competition and participation in the global economy. Separating the EU from global supply chains is not desirable.

- At the same time, the EU must ensure that short-term measures to strengthen strategic autonomy are not in conflict with building Europe's sustainable global competitiveness in the long term.

- The EU must ensure comprehensive security of supply, especially for critical materials, such as pharmaceuticals and semiconductors.

- The EU should openly coordinate support for the reconstruction of Ukraine and ensure equal opportunities for all Member States and companies of all sizes to participate in the project.

- In the coming parliamentary term, the EU must ensure that EU structures and treaties are ready for the possible enlargement of the EU.



10. The EU's green and digital transition needs to be implemented, while respecting the role of companies

The transition to climate neutrality and digital leadership is at the heart of Europe's industrial strategy. The three key objectives of the new industrial strategy are the global competitiveness of EU industry, climate neutrality by 2050 and investing in the digital future. In addition, the strategic autonomy of Europe will be promoted. A key element of industrial policy is an SME strategy dealing with cutting red tape, barriers to the internal market and financial issues.

A sustainable industrial policy requires a predictable and simplified regulatory environment in the EU, faster and adequate access to finance, and a skilled workforce. The strategic autonomy of Europe is promoted by ensuring resilient supply chains. At the same time, it is important that the EU remains open to international trade and investment. Open and rules-based trade plays a key role in safeguarding the EU's competitiveness and supporting the green transition.

10.1. The most efficient solutions are market-based

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. 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.

Clear, high-quality and fast administrative procedures are an essential element in promoting a 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.

In order to be successful, it is important for the sustainable industrial policy to take a comprehensive view of the technology, development and manufacturing needed to produce the clean energy for the industry. Solutions must be sought in ways that renew industry and cause minimum distortion to the functioning of the internal market and competition. The position of emission-free energy sources as part of the big

picture must be ensured in accordance with the principles of technological neutrality.

10.2. A key role for SMEs in tackling climate change

Going forward, the EU must take an even stronger role in international climate and energy policy. Sustainable growth and the green transition require enough inexpensive and clean energy. Emission reductions must be implemented in a cost-efficient and fair manner. This avoids unnecessary costs for the economy and small businesses. Emissions trading is a key tool.

10.3. The circular economy opens up opportunities for SMEs

SMEs play a key role in the fight against climate change and biodiversity loss. In addition to the internal market, the global demand for carbon-neutral technologies is huge. Through its climate and research and innovation policies, the EU can accelerate the transition of companies towards a low-carbon economy and promote their global leadership in low-emission solutions. The transition towards a circular economy is also an important part of climate change mitigation. The circular economy offers SMEs an opportunity to save costs, develop new business models and strengthen the sustainability of their operations.

10.4. The agricultural subsidy system needs reform

The EU's Common Agricultural Policy should be reformed while making the subsidy system output-based. The subsidy system should reward productivity and the strengthening and maintenance of nature and its ecosystem services. Agricultural operators should receive adequate compensation for producing common goods and for the re-allocation of low-yield fields to other uses.

- Building a sustainable industrial policy based on a market-based and technology-neutral approach.

- Supporting the development of cross-sectoral business and innovation ecosystems.

- Creating clear and fast administrative procedures for businesses.

- Emissions trading must be the primary steering instrument of climate policy and its coverage must be further improved.

- 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.

- The EU must ensure that natural capital is taken into account in economic decision-making. Appropriate compensation must be received for the prevention and restoration of biodiversity loss. Efforts should be made to prevent the degradation of ecosystems through ecological compensation and pricing of natural capital.

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

- In order to promote investments in a circular economy, the EU should introduce minimum targets for sustainable public procurement and start measuring sustainable procurement on a regular basis.

- The EU's Common Agricultural Policy should be reformed while making the subsidy system output-based.



**11. The
accessibility
of our country
is important
for business**

For Finland, as a country located far from the continental European market, transport and logistics issues are a more critical competitiveness factor than for many other European countries. Ensuring Finland's accessibility and reasonable transport and logistics costs is a very important issue for the business sector in the entire country.

11.1. Finland's special conditions must be taken into account in transport and logistics decisions

One of the peculiarities of Finland is the very high significance of road transport in both transports and passenger transport, because rail transport does not serve mobility needs as well as in continental Europe, where the rail network is denser. The importance of maritime transport to our foreign trade is huge, but it is also important from the point of view of tourism and the development of the twin cities Helsinki and Tallinn, among other things.

A significant part of the regulation affecting transport and logistics comes from the EU level. In recent years, new EU regulations have been introduced, especially in relation to emissions reductions in transport. In many respects, EU-level regulation makes sense. For example, in transport emissions trading, the Federation of Finnish Enterprises has hoped for European rather than national solutions to ensure fair competition between EU countries. However, it is critical that the EU's transport decision-making is able to take into account Finland's many special circumstances, such as long distances and cold weather conditions.

- The preparation of legislation must take into account the geographical specificities of the Member States and the reasonable flexibility elements required in legislation.

- Technological neutrality should be a key principle in transport policy. Promoting the electrification of transport is a good thing, but other propulsions and emission reduction measures should also be considered 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.

- It must be ensured that the long and heavy but ecological vehicle combinations used in Finland and Sweden will continue to be allowed in cross-border traffic as well, and that the availability of equipment will not decrease or the investment costs increase significantly as a result of new regulation.

- Finland must be more successful in obtaining EU funding for transport infrastructure projects. At the moment, EU funding focuses strongly on rail infrastructure. From the perspective of entrepreneurs, it is important to also obtain 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 in this.



12. Prosperity from forests

Forests are an important natural resource, livelihood and part of culture for Finland. Forests are also key in mitigating and adapting to climate change and as part of biodiversity. Forests are linked to a number of EU policy sectors, such as agriculture, environmental, climate and energy policy. Finland has a lot to offer European forest policy. Finnish forestry is based on the sustainable management and use of forests, taking into account ecological, economic, social and cultural sustainability.

12.1. Specific national conditions must be taken into account in forest policy

The transformed 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. Finland's objective is that the preparation and decision-making affecting the forest sector in the EU should be coordinated and take into account the national specificities of forests.

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 whole of Europe.

12.2. Sustainable use of forests does not conflict with conservation

The Member States need sufficient room for maneuver associated with 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.

Sustainable management and use of forests requires a balanced approach that takes into account ecological, economic and social sustainability. The use of forests does not have to be in conflict with protection; rather, they should be viewed as complementary parts of forest policy.

- Measures aimed at increasing the added value of the forest sector should be promoted.

- The EU forestry strategy should be developed while taking into account the national specificities of the forest sectors in the Member States.

- Alternative ways of pricing nature capital should be investigated.

- Countries and forest owners who have taken care of their forests should be paid fair compensation for the public goods provided by forests, such as carbon sequestration, biodiversity and recreational use.

- Incentives should be created for forest owners to diversify forestry and take advantage of the new opportunities offered by forests in the bio- and circular economy.

- Incentives at the EU level should be introduced to support the introduction of continuous cover forestry in peatlands.

- Forest owners should be given the opportunity and incentives to participate in voluntary forest protection and restoration, such as the Finnish METSO programme.



13. A healthy economy creates the prerequisites for sustainable growth

Sound fiscal policy strengthens the prerequisites for sound economic growth. National errors in fiscal policy can have a significant negative impact on other members of the monetary union, as shown by the financial crisis and the ensuing euro crisis.

13.1. The basic structures of the Economic and Monetary Union must be reformed

The economic crisis showed that the fiscal policy rulebook needs to be reformed and that there are shortcomings in the EMU basic structures. The rulebook must ensure the conduct of sound fiscal policy in the Member States. The basic structures of the Economic and Monetary Union must be reformed. Its development is one of the EU's key projects.

The Commission has responded to this demand by proposing a reform of the EU's economic governance rules. The main objective of the proposals is to strengthen the sustainability of public debt and to promote sustainable and inclusive growth in all EU Member States through reforms and investments. The proposals aim to remedy identified shortcomings in the regulations.

13.2. Member States bear responsibility for their economic policy decisions

The EU needs good crisis prevention and effective crisis management. 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.

Finland must actively participate in the development of the EMU and ensure that the regulations more clearly guide the Member States towards debt sustainability. The most important objective in the development of the EMU is 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.

- The EU should complete the economic governance review with a view to drawing up medium-term structural plans for national public finances.

- The economic governance framework should combine the fiscal reforms and investment policies of each Member State and take into account the specific situation and capacity of each Member State.

- At the same time, fiscal rules need to ensure the sustainability of public finances in the medium term and provide room for appropriate investment for a successful transition to a greener and more digital economy.



14. A well- functioning financial market fosters growth

A well-functioning financial system is one of the foundations of society. The functioning of the financial system can be improved by completing the banking union and filling the gaps identified. The work on the banking union needs to further strengthen banks' crisis management. This must not translate into preventing the basic operations of banks, but rather protecting the real economy from the effects of banks' problems.

The key is to break the link between banks and governments. A well-functioning banking union will ensure the independence of European banks from sovereign debt. This reduces taxpayer risk.

14.1. A capital markets union to improve access to finance for SMEs

The role of capital markets in risk sharing must be enhanced by developing the capital markets union. This will strengthen the European Union's economy and capital markets and promote long-term financing and investment opportunities while safeguarding access to and mobility of capital. The capital markets union will strengthen the EU economy and growth by creating an attractive investment climate.

14.2. Small and medium-sized enterprises need bank financing

Enterprises need funding to develop and grow. Bank financing plays an important role in corporate finance in Europe. The smaller the companies, the more important it is.

Since the financial crisis, the regulation of banks has been increased and amended without a comprehensive impact assessment. This has led to a situation where piece by piece regulation has led to unforeseen interactions and SMEs' access to funding is increasingly conditional on the participation of the public sector. This is not a desirable situation.

14.3. SMEs to be involved in sustainable financing

The EU financial sector has the potential to increase sustainable finance and achieve global leadership in this area. Directing investments towards a sustainable economy is an abso-

lute prerequisite for the implementation of the Sustainable Development Goals and the Paris Agreement.

The EU's goal is to increase private capital to finance sustainable investments. To foster this, the Commission proposes a harmonised classification system that sets out criteria for determining whether an economic activity is environmentally sustainable or not. New incentives must be created to finance sustainable activities that meet these criteria.

14.4. Aiming for fair, efficient and growth-friendly taxation

Taxation falls within the competence of the EU Member States. However, the EU supervises that national tax laws are aligned with certain EU policies. The aim is to promote economic growth, job creation and the fairness and non-discrimination of the internal market.

For the time being, EU Member States have agreed on harmonised tax rules for VAT and certain excise duties. There have also been discussions on increasing the EU's own sources of income through direct EU taxes in recent years. The international tax environment is changing, as digitalisation drives change in business and is related to almost all economic activities. Thus, the question of how countries' tax revenues should be distributed in the future has become the focus of international tax discussions.

When preparing EU legislation, the global operating environment of companies must be taken into account so that companies in EU Member States do not find themselves in an unequal position with non-EU companies.

The OECD's Pillar II-based proposal for a directive to ensure minimum tax regulation in the EU will, if implemented, mark an historic tax reform in Europe. It is important to ensure that the reform will not compromise the competitiveness of single market companies and the EU.

14.5. Value-added taxation must work also from the point of view of SMEs

The European Commission's proposals for VAT provisions in the digital era 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 also 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.

In particular, reducing the administrative burden will help SMEs that typically have the relatively scarce resources and capacity to cope with the costs of regulation. In implementing the reforms, it is important to ensure that the positive goals for companies pursued by the regulatory proposals are also implemented in practice.

14.6. Qualified majority voting in tax matters is not favorable for small Member States

The Commission has published a plan for more effective decision-making and the introduction of qualified majority voting in certain tax matters. The move to qualified majority decisions would take place gradually. This procedure has been justified, inter alia, by the fact that Member States would be able to reach compromises in tax matters more quickly, efficiently and democratically, which would make tax policy on the whole more effective. Qualified majority voting could also, for example, address harmful tax competition by Member States.

In practice, adopting qualified majority voting in tax matters would mean an increase in the control of large Member States over smaller ones. Therefore, from Finland's point of view, it is justified to be critical of the move to qualified majority voting. It would not be in Finland's interest for tax revenues to go to larger Member States.

- SMEs should be provided with simplified VAT procedures.
- When preparing EU tax legislation, the global operating environment of companies must be taken into account so that companies in EU Member States do not find themselves in an unequal position with non-EU companies.
- When agreeing on decision-making procedures in tax matters, it must be ensured that they do not actually lead to a shift of tax revenues from smaller Member States to larger ones.
- Effective risk diversification can be achieved through banking and capital markets.
- The solvency regulation of banks must be amended to reflect their actual risks in terms of risks of a sovereign nature.

- The move to a common deposit guarantee can only be done when risks in the banking sector are significantly reduced and stabilised.

- The EU should deepen the capital markets union to strengthen access to finance for SMEs and a supportive investment climate.

- The EU should pay active attention to the overall impact of financial regulation.

- When developing finance regulation, the impact on SME finance customers must be assessed carefully.

- SMEs should continue to receive financing at an affordable price.

- For sustainable growth, it is necessary to amend banks' solvency and liquidity regulation so that banks are able to finance their customers adequately.

- Sustainable financing steers investors' wealth towards sustainable growth projects.

- The sustainability rating system must not threaten SMEs' access to finance.

- The administrative burden of reporting on sustainable finance must not increase to such an extent that it excludes SMEs that meet the criteria from financing.

- Sustainable financing must not be a justification for risk weight mitigations that increase systemic risk.



15. Help for businesses in financial difficulties

Member States have different insolvency procedures and there is currently no level playing field within the EU. Finnish insolvency and enforcement proceedings are already effective and reasonable in terms of debt collection rate and recovery, and thus predictable for investors and financiers. Effective insolvency systems attract investors and are more likely to guarantee cheaper financing for businesses.

Insolvency proceedings in the EU have recently been harmonised, for example, in relation to business restructuring, early warning services and a second chance after bankruptcy. The changes have been good. The Commission aims to further harmonise the insolvency laws of the Member States (Insolvency III). The objectives of the initiative are worthy of support but would make the Finnish system more uncertain and inefficient. The problems of some Member States should not be solved by changing the functioning systems of other Member States.

15.1. The EU must facilitate second chance for entrepreneurs

In order to avoid unnecessary bankruptcies, the Early Warning model, where companies in financial distress are detected early and supported in their recovery, should be developed. According to the Directive on preventive restructuring frameworks, Member States must ensure that business debtors have access to at least one clear and transparent early warning tool that can detect any event that may give rise to a likelihood of insolvency and that can signal to debtors that action must be taken without delay. The directive has been implemented to different degrees in the Member States. The Commission should ensure that companies have access to effective Early Warning services, regardless of the country.

Bankruptcies are part of business risks and can never be completely avoided. The COVID-19 crisis and the war in Ukraine have had a significant impact on companies' opportunities and profitability. The number of bankruptcies in Europe is on the rise. Therefore, further action should be taken at the EU level to promote a new start for entrepreneurs and to identify barriers to second chance for entrepreneurs in the Member States.

- When harmonising insolvency legislation, the effective practices of the Member States should be taken into account. The proposals should not weaken the recovery rate of creditors or the position of corporate debtors.

- Companies' access to effective early warning tools and support measures, regardless of the country in which they are located, should be guaranteed.

- The Member States should be encouraged and supported in deploying digital early warning tools.

- A comprehensive situational picture should be drawn up of the obstacles to a new start for entrepreneurs in different Member States. On the basis of this, the necessary recommendations to remove the obstacles should be drawn up.



16. More Finns to EU careers

The European Union is an important player for Finland. For example, well more than one-half of the regulation of companies is EU-based. Therefore, it is very important that the EU has as many Finns with a strong knowledge of how different decisions can affect Finland as possible in different positions.

EU advocacy is an integral part of the work of the Federation of Finnish Enterprises. From the point of view of our EU advocacy work in Brussels, Finnish civil servants are worth their weight in gold. They are interested in how different policies are estimated to affect Finland's companies and vitality. In our experience, Finnish EU officials are highly competent and qualified.

16.1. The number of Finns in EU tasks should be increased

There is quite a good number of Finnish civil servants currently employed by the EU. According to a calculation made in May 2022, at that time, the Commission employed 527 Finns, or 1.5% of all Commission employees. Permanent Finnish administrators numbered 255, or 2% of all Commission administrators. Among managerial positions, the share of Finns is slightly higher (2.5%).

The figures seem low, but they are clearly higher than the share of Finns in the EU population, which is 1.07%. However, the situation is rapidly deteriorating, which should ring alarm bells in Finland.

According to the Commission's estimate, almost one in three Finnish EU civil servants will be retiring in 2021–25. In addition to the Commission, the same problem is found in the European Parliament and the Council Secretariat, where the age distribution of Finns is very similar.

At the same time, fewer and fewer Finns are being recruited for EU positions. According to the European Personnel Selection Office (EPSO), Finns participate in selection procedures less than average (77% of the EU average) and their performance in the competitions is below average.

0.5% of Finnish applicants passed the competitions in 2015–21, while the EU average is 0.7%. Country-specific competitions must be intro-

duced to balance the representation of nationalities.

16.2. Finland must continue its efforts to promote EU careers

Fortunately, the government has acknowledged the below described situation. Ministries are making efforts to strengthen the number of Finnish officials in EU tasks in various ways. An EU career path model and assistant programme have been developed. Efforts have also been made to add national experts and trainee civil servants to EU tasks. In addition, investments are made in communication and networking. The work to promote EU careers for Finns must be continued and strengthened.

In addition, it is important that EU tasks are seen as widely interesting and relevant tasks in Finland, with excellent opportunities to influence the development of Europe.

One should remember that important European tasks exist not only in the EU institutions, but also in organisations and companies. There, too, it is possible to build a better Europe.

- Finland must continue active measures to increase and strengthen Finns' EU careers.
- Country-specific competition must be introduced to balance the representation of nationalities.

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