ONE23 Startup Manifesto

Europe, Ready for Startups' Vision of the Future?

Innovators, frontrunners, and founders fighting for the
new generation of startups in Europe

Include startups in forming the frameworks of tomorrow, today

The spring of 2023 marks a new chapter for the EU with the presidency of the EU Council arriving in Sweden. Sweden has always been one of the frontrunners in innovation and progress in many fields whether technology, pop-culture, or societal development, and within the last decade especially in launching the most innovative startups and industry disruptors to the world. From the country that is a home for unicorns such as Spotify, Skype, Klarna, Zettle, and many others, a lot can be learned on how to foster innovation and ambitious entrepreneurship.

Startups are the most solution- and customer-oriented businesses out there, with a massive potential to endorse brave entrepreneurship, stimulate innovation and grow the European economy with a positive impact. Startups are changing the age-old industries for the better and have the potential to solve current and future problems - if only the European legislation would encourage, rather than create hindrances for them.

Startups in Europe face similar challenges from the day that their company is established. While growing a startup, raising funds, and expanding to other markets, the first obstacle is the overlapping legislation across the EU and each Member State - all before reaching the US and Asian markets. In the beginning phases, startup founders are not engaged with what's on the EU agenda and therefore only hear from the policies affecting them when the time comes to comply. Fast.

For startups, the complex and overlapping legislative frameworks of the EU and its Member States cause heavy burdens and the outcome is mounting administrative work and hindrances to scale abroad. European policy-makers regulate with the intent of a better Europe based on common European values. However, policy-makers tend to be unaware and overlook the harmful effects legislation causes startups. In the worst-case scenario, they may end up driving European startups out of the EU market.

The key policy issues for the startup community this year are artificial intelligence, data, cross-border ecosystems, net neutrality, and investments in future technology. For Europe to succeed, we need to focus on the harmonisation of legislation to avoid overlap and unnecessary red tape. The ONE23 Startup Manifesto will introduce the concerns of startups and suggest potential actions to foster future entrepreneurship in the EU. The next generations of startups should have a chance to innovate, scale, and prosper in Europe and bring about change.

"The key to improving EU policy for startups is to prioritise the needs of entrepreneurs and innovators. By listening to their feedback, addressing their concerns, and providing them with the support they need to succeed, the EU can create an environment that fosters innovation, entrepreneurship, and economic growth."

Sebastian Fuchs, Co-Founder and CEO of SUP46 and SUP46.org

Our partners

SUP46.org — START-UP PEOPLE OF SWEDEN

DANISH ENTREPRENEURS

ONE23

ITALIAN TECH ALLIANCE

adigital

BESCO — Bulgarian Startup Association

STARTUP POLAND

DANSK ERHVERV

France Digitale — Jouons collectif

STARTUP VERBAND

Startup Hungary

Five pillars for an innovative digital policy framework

Creating a fair and level playing field for artificial intelligence

Artificial intelligence is a tool with the potential to serve society in ways that will make our work smarter, industries more sustainable, and improve our health. However, AI should not compromise values such as individuals' safety and fundamental rights. For startups in the AI field, robust, practical, and well-defined governance, and policies are crucial to bring their AI ideas and innovation to life.

The AI Act is still under negotiations in the EU and current discussions are focusing particularly on the idea of introducing General Purpose AI (GPAI) into the scope. The push on GPAI coming from the EU Council and the European Parliament to add further restrictions around AI, rather than building the regulation on a risk-based approach, causes great concern for AI startups. The GPAI add-on in the AI Act is worrisome especially when it was not considered either in the 2021 draft of the AI Act by the European Commission nor by the accompanying impact assessment.

50% of AI startup founders are concerned about AI Act slowing European AI Innovation

---

The AI Act Impact Survey released at the end of 2022 shows that 45% of the surveyed AI startups would consider their solution to fit the GPAI definition. In the near future, many more startups will inevitably fall into the GPAI scope. With the potential restrictions for the startups qualified as GPAI providers, the EU will create significant entry barriers for smaller startups and consequently push them out of Europe to seek opportunities elsewhere.

The study shows also a concerning consideration of halting AI development or relocating outside of the EU by 16% of the surveyed startup founders. This trend is expected to continue if the new GPAI restrictions are introduced. Additionally, the AI Act will affect AI systems already placed or put into service in the EU market.

The startup community calls on the Swedish presidency of the Council of the EU to engage with policy-makers to maintain a risk-based approach and focus on the specific uses of AI that pose high risks rather than lumping in all the beneficial AI applications. Policy-makers should take into account the potential hindrances and major disincentives created for AI startups in Europe. A much more balanced allocation of responsibilities should be created across the AI value chain to allow AI startups to innovate and flourish.

Fostering data-driven innovation

In the past year, the Commission introduced a framework for regulating data sharing with an ambition to ensure fair use of data and level the playing field for startups in In general, the startup community supports the objectives of the proposed Regulation to stimulate a competitive data market, open opportunities for data-driven innovation and make data more accessible for all. However, several pitfalls can be recognised in the Data Act. The Data Act risks impacting startups negatively by harming European competitiveness, growth potential, and innovation.

The startup community welcomes the efficient process of the legislation but encourages the parliament to strike a balance between efficiency and dialogue with stakeholders such as the startup ecosystem. This ensures that there is sufficient time to discuss, learn and understand the many complexities the legislation will impose on the startups and their operations.

The most concerning factors of the Data Act proposal are its complex regulatory framework, the unclear and vague wording, the scope of data, and the overlapping nature with the General Data Protection Regulation (GDPR). The complexity of the Data Act will require a tremendous amount of legwork from startups who do not have the resources or capacities to grasp all the technicalities and the potential overlaps that the Data Act will potentially impose.

The startup ecosystem is also apprehensive about the proposal's limitation of transferring non-personal data internationally which in practice might create a parallel framework to the existing one for personal data enshrined in the GDPR. The texts in the Council and the Parliament should clarify that international transfers are not an issue per se. Rather, the concern pertains to governmental access in third countries and specifically unlawful access by governments. The additional layer is an unfortunate message to all the startups in Europe to consider relocation of their business outside of the EU and simultaneously it would benefit the already established and strong players in the market with resources to spend on compliance and storing data inside the EU.

From the Data Act, we hope to see a creation of common European and international data spaces which will support startups on their growth journeys to become global champions.

2. https://alliedforstartups.org/2022/02/15/why-enabling-global-data-flows-should-become-an-eu-policy-priority-again/

3. Ibid

From the Data Act, we hope to see a creation of common European and international data spaces which will support startups on their growth journeys to become global champions. The future regulatory framework for data has a lot of potential, however, we wish for the Swedish EU Presidency to encourage the European Parliament and Council to hear and learn from startups what the Data Act will mean for them. The policy-makers should solve existing barriers to data flow instead of creating new ones.

"

"The negotiations are taking a turn from the original risk-based approach, and will inevitably create bigger entry barriers that will only hinder innovation and push startups outside the EU."

Johann Svane, Head of Policy, PR, and Partners at Danish Entrepreneurs

Building cross-border ecosystems

Startups rely heavily on smooth and well-functioning data flows. Well-functioning data flows are a common element in sectors where startups are paving the way, making them an ingredient for success. For the Single Market to succeed, the free flow of data should be secured throughout and beyond the European digital market.

Over 3000 companies, including startups and scaleups, have relied on the Privacy Shield framework before its invalidation in 2020. The companies which have relied on the framework have served countless businesses and consumers and it has enabled startups to compete on a bigger scale across borders. In everyday operations, as Allied for Startups listed, "startups use mass-mailing platforms, analytics services, marketing tools, online name generators, 24/7 customer support services", and such tools and services allow startups in Europe to grow, scale and innovate. Such services are an absolute necessity for small startups to compete and make the best choices for their business to succeed.

For the startups to continue using the best tools and services, we ask the Swedish Presidency of the Council of the EU to be swift in their final adoption of the new EU:US Data Privacy Framework for cross border data flows. Restrictions on data flows will set back European competitiveness on a greater scale and create hindrances to collaborating and competing across borders.

"One of the biggest challenges we face today is that not everyone knows what a startup is. This is particularly true for all those who have not put innovation at the core of their agenda. One of our missions is to raise awareness both among policymakers and society at large about startups and their needs"

Agata C. Hidalgo, European Affairs Manager at France Digitale

Ensuring Net Neutrality as the Foundation for Innovation and Growth

Free and open access internet is key for startups in Europe and a basic principle of the European internet infrastructure. Startups benefit from the principle of net neutrality for making it possible to provide products and services to customers all over the world, generate economic growth, meet the growing consumer demands, and increase consumer choice. The open internet and the current infrastructure offer equal opportunities for all companies to compete, no matter how small or large they may be or how many resources they may have. If the nature of today's internet would be challenged, it would become increasingly difficult for companies and startups in Europe to compete globally and it would potentially cause a negative knock-on effect on market reach and growth opportunities for many.

Innovation to a great extent comes from startups being able to offer their products and services directly to customers and test market opportunities online without additional hindrances. Any regulatory initiatives to restrict access to the internet as it is or reduce the speed would have a distorting impact on the whole startup ecosystem. If net neutrality and open access internet would be challenged it would have a harmful effect on startups' innovation potential, discourage new market entrants and investment, and in the long run cause a negative impact on the future growth of the EU tech industry as a whole.

4. https://alliedforstartups.org/2022/12/19/why-is-net-neutrality-integral-to-a-global-startup-ecosystem/

Embrace collaboration and investment in future technologies

We are at a turning point in the Internet. After years of growth, the entire technology sector is experiencing a reversion to the mean and startups are facing tougher access to capital due to rising interest rates. Meanwhile, future areas such as immersive technologies are showing growing potential to structure the next digital era.

We urge the Swedish Presidency of the Council of the EU to encourage policy-makers to fully embrace emerging technologies, for example through the development of new-tech strategy plans aimed at creating the conditions for European startups to be at the forefront of the global technology sector tomorrow. This will require planning investment in research and development in cutting-edge technologies, as well as facilitating access to capital for future tech startups.

Collaboration is critical to enable innovative startups to thrive. Therefore, we also encourage vpolicy-makers to foster open innovation and create opportunities for startups to collaborate with each other and with well-established companies, research institutions, VCs, and other stakeholders to co-create new technologies and solutions. This can be achieved by providing funding for the development of dedicated innovation clusters and creating tax incentives for the companies that participate in these clusters.

"No politician should start their vision with "I have a nightmare." We should have a positive vision of Europe and push for a positive impact and agenda together with the startup community ahead of the EU Elections in 2024."

Peter Kofler, Chairman of the Danish Entrepreneurs

About the publisher of the ONE23 Startup **Manifesto**

SUP46.org is a policy initiative from the Swedish Startup Hub SUP46 founded in 2013. We bring the Swedish startup community together to advocate for startup-friendly policies across Sweden and the EU and connect founders with policy-makers to bring about change.

The initiative focuses on the most pressing legislative issues for startups and collaborates with other European counterparts to raise startup voices in the policy-making processes. Our aim is to make Europe the winning continent for startups, innovators, and entrepreneurs.

Contributors of the ONE23 Startup Manifesto

The signers of the ONE23 Startup Manifesto represent startups in their native countries and collaborate on raising the voice of startups in Europe, bringing together founders and policy-makers, and advocating for startup-friendly policies in the European Union. This manifesto is a product of four policy workshops and the conclusions are therefore not a final position of every signee but a benchmark of which concerns roam the ecosystem.

Our partners