

Topic: Establishing Support for Entrepreneurs and Small Businesses in EU Markets

INTRODUCTION



Figure 1. Woman paying in cash with euro banknotes. The Scholarly Kitchen, 2018

Entrepreneurship is widely accepted as the backbone of capitalist economies. It is a key tool in sustainable development: creating jobs, driving growth, improving social conditions, and addressing environmental challenges¹. Entrepreneurship and start-ups are also responsible for much technological innovation which benefits many sectors of the economy². Additionally, entrepreneurship acts as a buffer to economic shocks and aids in diversification of economies³. It is no surprise then that policy makers prioritize supporting entrepreneurs and their small and medium

sized enterprises (SMEs). While it is up to each national government how specifically to define a small or medium sized business, the EU recommends these thresholds: micro-enterprises having less than 10 employees and/or dealing with an annual revenue of no more than 2 million euros, small enterprises having less than 50 employees and/or an annual revenue of no more than 10 million euros, and medium sized enterprises having less than 250 employees and/or an annual revenue of no more than 50 million euros⁴. As of 2016, 99.8% of all EU businesses qualified as an SME⁵.

While promoting entrepreneurship is a promising goal, it can be very hard to operationalize. Writing policy to promote equitable access to resources is a multifaceted and difficult task. For instance, it has been shown empirically that regions with healthy social environments are more likely to foster entrepreneurial activity⁶. This implies that fiscal and monetary policy are not the only ways to affect economic growth. There are a myriad of options available to policy makers to go about supporting entrepreneurs and SMEs.

¹ A/RES/75/257

² Linan, 2014, "National Culture, Entrepreneurship and Economic Development: Different Patterns across the European Union."

³ Meyer, 2018, "The Importance of Entrepreneurship as a Contributing Factor to Economic Growth and Development: The Case of Selected European Countries."

⁴ Dilger, 2016, "The European Union's Small Business Act: A Different Approach."

⁵ Ibid

⁶ Meyer, 2018, "The Importance of Entrepreneurship as a Contributing Factor to Economic Growth and Development: The Case of Selected European Countries."

TOPIC HISTORY

Historically, reforms to stabilize and promote growth in European economies have focussed on the supply-side of the economy. This is due to fiscal policy remaining firmly in the hands of national governments⁷. It is difficult for organizations such as the United Nations (UN) or the European Union (EU) to dictate uniform policy as the organizations themselves do not have jurisdiction to impose such regulations. The European Commission, for instance, concentrates on unifying European states to agree to regulatory reforms which remove barriers for cross-border investment⁸.

The Lisbon Agenda 2000 was a summit of the European Commission which sought to make Europe “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.”⁹ It emphasized the necessity to create a favorable environment for creating and developing SMEs, however was largely unsuccessful due to the 2008 Financial Crisis, also known as the Great Recession. Following the Lisbon Agenda came the Europe 2020 Strategy. It included a section dedicated to entrepreneurship policy and placed focus on sustainable and inclusive growth¹⁰.

Analyses of these initiatives and their impacts have been able to reveal some insights into the most and least influential aspects pertaining to encouraging entrepreneurship and supporting SMEs. Some factors which affect entrepreneurial activity cannot be changed easily or at all with policy, such as city size or status as a capitol¹¹. However, there are many which can be influenced by policy, such as access to tertiary/post-secondary education¹². Entrepreneurs prefer to start businesses in cities with higher levels of education, as tertiary education provides not only access to skills and knowledge necessary for entrepreneurship, but also for developing adequate attitudes about the legitimacy of entrepreneurship as a career path¹³. This fact presents two major issues: that of urban bias and the problem of social acceptability.

Especially throughout the process of industrialization, cities were the center of economic activity. However, with emerging technology, this no longer needs to be the case. There still exists the problem, though, of universities being concentrated in urban areas. While technology does not require the physical proximity which cities were once necessary for, they still tend to be

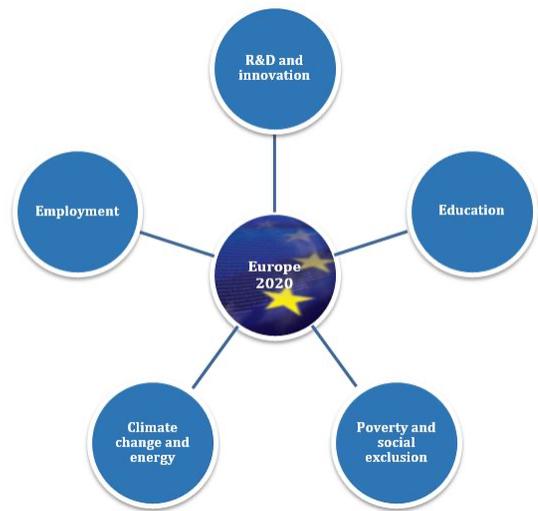


Figure 2. Europe 2020 Concept Map. European Commission, 2016

⁷ Kudrna, 2016, “THE EU’S CAPITAL MARKETS UNION: Unlocking Investment Through Gradual Integration.”

⁸ Ibid

⁹ Garcia, 2014, “Analyzing the determinants of entrepreneurship in European cities.”

¹⁰ Ibid

¹¹ Ibid

¹² Ibid

¹³ Ibid

hubs, with some reasons being access to higher education and more progressive social environments. Urban settings tend to be less traditional than rural environments, creating a culture which embraces innovation and risk-taking— two core pillars of entrepreneurship. It has been found to be extremely important that entrepreneurship is seen as socially legitimate in a region for individuals to be willing to participate in the risky and uncertain option¹⁴.

As such, culture seems to play a large role in the presence of entrepreneurial activity: “Culture shapes the individual’s cognitive schemes, programming behavioral patterns which are consistent with the cultural context.”¹⁵. For this reason, researchers have begun to investigate cultural nuances and how to take them into consideration when planning for sustainable economic development. One study divided Europe into four main “entrepreneurial cultures”: Central/North, the British Islands, the Mediterranean, and Eastern¹⁶. Central/Northern Europe and the British Islands tend to place more emphasis on autonomy and individuality while Eastern

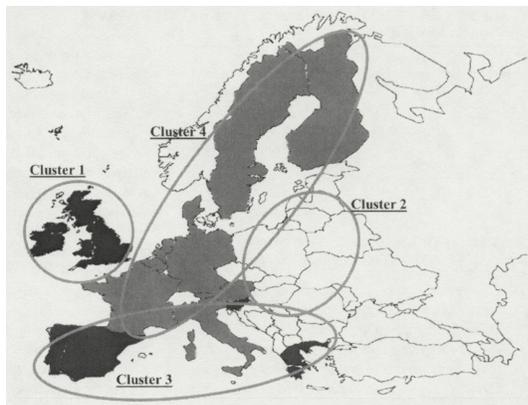


Figure 3. EU Clusters Grouped by Geographical Region. Liñán, 2014

Europe prioritizes embeddedness with emphasis on hierarchy and tradition¹⁷. Knowing these influences helps to create effective policy by being able to target specific aspects of these different areas which may be hindering entrepreneurial activity and/or the successfulness of SMEs.

Due to the Great Recession, the EU experienced a real GDP decline of 4.4% overall, with nine member states experiencing decline in excess of 6%; for comparison the US saw a loss of 2.8%¹⁸. In an effort to combat these losses, in 2008 the European Commission passed the Small Business Act for Europe (also endorsed by the EU). It provided ten “guiding principles” to promote growth of SMEs and keep them competitive in markets by preventing oligopolies and monopolies from forming¹⁹. The Act assists small businesses in certain designated industries such as tourism and technology (specifically space exploration, satellite-based telecommunications, and environmental monitoring/improvement)²⁰. These industries have notoriously high barriers to entry, so providing special incentives and financing is often necessary to spur real growth.

¹⁴ Linan, 2014, “National Culture, Entrepreneurship and Economic Development: Different Patterns across the European Union.”

¹⁵ Ibid

¹⁶ Ibid

¹⁷ Ibid

¹⁸ Dilger, 2016, “The European Union’s Small Business Act: A Different Approach.”

¹⁹ Ibid

²⁰ Ibid

CURRENT SITUATION

While entrepreneurship and small business support have always been key focuses for successful free market economies, the COVID-19 pandemic has brought it to the forefront of recession-prevention and recovery policy discussion. The International Labor Organization (ILO) has estimated that 5 to 25 million jobs will have been lost globally over the course of the pandemic²¹. That is equivalent to between \$860 billion and \$3.4 trillion in lost income, and 70 million individuals are expected to fall back into extreme poverty²². The International Trade Organization is expecting 25% of small businesses in developing economies to close permanently²³.

Some countries in the EU have adopted policies in an effort to combat these losses. Poland has worked to introduce simplified legal forms to fast-track new business creation as well as lift some of the burden off entrepreneurs²⁴. Both the Czech Republic and the Netherlands have piloted subsidy programs to incentivize start-ups and investment into the development of new technologies specifically targeted to aid the fight against the COVID-19 pandemic²⁵. However, these initiatives tend to be short-sighted and focused on immediate relief. While this is necessary, it is important to continue developing sustainable policies alongside these emergency policies. One country who has succeeded in this is Portugal with their Social Innovation Fund which benefits new businesses committed to working towards solutions for social issues²⁶. The UN Conference on Trade and Development also launched a program called EMPRETEC, which seeks to identify individuals with strong entrepreneurial abilities and train them for success using cognitive behavioral approaches, which also works to transform stigma around entrepreneurship in a sustainable way²⁷. While this particular program is not heavily present in EU member states, its structure and goals may serve as an example to emulate.

Of course the most visible, pressing issue at hand is the economic damage inflicted by the COVID-19 pandemic. However, several other problems must not be forgotten, such as inequities affecting women and racial/ethnic minority groups in the world of SMEs. Additionally, we are witnessing a widening “digital divide” as impoverished individuals and areas are being excluded from the market due to inaccess to the internet and other important technologies²⁸. There is also the issue of growing skepticism towards the EU in many countries²⁹. The highly publicized “Brexit” event contributed largely to this.

²¹ A/RES/75/257

²² Ibid

²³ Ibid

²⁴ Ibid

²⁵ Ibid

²⁶ Ibid

²⁷ Ibid

²⁸ Ibid

²⁹ Ribarova, 2012, “Industrial relations transformation in the framework of European Union standards: the case of Bulgaria.”

DIRECTIVE

In the discussion of this topic, this committee should keep in mind that it can only make suggestions to the General Assembly in order to address current issues surrounding support for entrepreneurs and small and medium sized businesses in EU markets. Delegates are encouraged to consider both short term and long term needs of markets in the region and work collectively to produce potential solutions. Many aspects of this broad topic have been touched on in this guide, so delegates may elect to focus on just one or two targeted areas of interest or several. It will be important to keep in mind the various challenges being faced, including but not limited to: the COVID-19 pandemic, the importance of homogenous policies for effectiveness across the region, inequities affecting women and minority groups, geographical disparities, issues with digital/technological inclusiveness, political challenges to collective action, etc. We stand at a crucial point in history where action must be taken to mitigate the setback felt by EU markets due to COVID-19 as well as prevent such shocks from having as drastic of effects in the future. Not only that, EU markets will be expected to grow sustainably after the worst of the crisis is over, so these policy suggestions must be continually viable. Finally, the rest of the world will be looking to Europe and its markets to set the tone for economic recovery and the path forward. Delegates are encouraged to keep this leadership role in mind when working in committee.

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Topic 2: Prevention of Hybrid Wars in Respect to Data Privacy

INTRODUCTION

Don't be so quick to believe what you hear because lies spread faster than the truth. Of course, this is the lesson many students at the University of Missouri quickly remember as they found themselves in a crossfire of a Russian master manipulation. Hundreds of miles away, Russian trolls started targeting communities and groups to generate anger and create chaos. With approximately 70 bots, Russian accounts were able to effectively publicize a hoax.¹ The central goal was to create internal conflict within a community through exacerbating racial issues. Because of this, it was immediately able to gain tremendous traction. The gossip turned into more than just talk. The fact that an organization can use the internet from afar to create such problems is not only impressive but also something to be fearful of. In recent years similar events like this have continued and proved to be successful in polarizing the groups that they target. Now, would this be dangerous on a larger scale?



Figure 1. Social Media Trap. MRSC, 2022

Disinformation is defined by the Commission as “verifiably false or misleading information that is created, presented and disseminated for economic gain or to intentionally deceive the public, and may cause public harm.”² The experience of military conflicts—including those connected with the so-called color revolutions in North Africa and the Middle East—confirms that a perfectly thriving state can, in a matter of months and even days, be transformed into an arena of fierce armed conflict, become a victim of foreign intervention, and sink into a web of chaos, humanitarian catastrophe, and civil war. The very “rules of war” have changed. The role of nonmilitary means of achieving political and strategic goals has grown, and, in many

¹ Prier, L. C. J. (2017). Commanding the Trend: Social Media as Information Warfare. *Strategic Studies Quarterly*, 50–85.

² Lonardo, L., Hummelbrunner, S., Kirchmair, L., Pirker, B., Prickartz, A.-C., & Staudinger, I. (2021). EU Law Against Hybrid Threats: A First Assessment. *Shaping the Future of Europe – Second Part*, 6(2), 1075–1096. <https://doi.org/10.15166/2499-8249/514>

cases, they have exceeded the power of force of weapons in their effectiveness.³ Hybrid threats encompass elements of asymmetry and unexpectedness. Another widely discussed element is the ambiguity of the conflict, as hybrid warfare intentionally blurs the distinction between peacetime and wartime. The term ‘grey zone’ refers to this ambiguity.⁴

TOPIC HISTORY

Admittedly, hybrid threat is an umbrella term, encompassing a wide variety of existing adverse circumstances and actions, such as terrorism, migration, piracy, corruption, ethnic conflict etc.⁵ In the EU’s 2016 Joint Communication the concept of a hybrid threat is defined as a mixture of coercive and subversive activity, using conventional and unconventional methods (i.e. diplomatic, military, economic and technological), coordinated by state or non-state actors to achieve specific objectives while remaining below the threshold of formally declared warfare.⁶

In June 2018, the Joint Communication *Increasing Resilience and Bolstering Capabilities to Address Hybrid Threats* was issued. In this, Cybersecurity is defined critical for both our prosperity and security. As our daily lives and economies become increasingly dependent on digital technologies, we become more and more exposed. Effective cybersecurity in the EU today is hindered by insufficient investment and insufficient coordination. The EU is now seeking to address this by building up capacities through support measures, stronger coordination, and new structures to advance technology and deployment in cybersecurity. The Directive on the Security of Network and Information Systems established a minimum level of security of network and information systems across the Union. Its full implementation by all Member States is essential to enhance cyber resilience: this is a key first step. The General Data Protection Regulation introduces an obligation to notify personal data breach to the competent supervisory authority.⁷

³ Army University Press. (2016). New Challenges Demand Rethinking the Forms and Methods of Carrying out Combat Operations. *The Value of Science Is in the Foresight*, 23–29.

⁴ Bajarūnas, E. (2020). Addressing Hybrid Threats: Priorities for the EU in 2020 and Beyond. *European View*, 19(1), 62–70. <https://doi.org/10.1177/1781685820912041>

⁵ Bachmann, S. D., & Gunneriusson, H. (2015). HYBRID WARS: THE 21st-CENTURY’S NEW THREATS TO GLOBAL PEACE AND SECURITY. *Scientia Militaria - South African Journal of Military Studies*, 43(1). <https://doi.org/10.5787/43-1-1110>

⁶ *ibid*

⁷ European Commission. (2018, June). *Increasing resilience and bolstering capabilities to address hybrid threats* (No. 16). <https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:52018JC0016>

CURRENT SITUATION

Hybrid methods of warfare, such as propaganda, deception, sabotage and other non-military tactics have long been used to destabilize adversaries. What is new about attacks seen in recent years is their speed, scale and intensity, facilitated by rapid technological change and global interconnectivity.⁸ In December 2019 the European Council Conclusions on complementary efforts to enhance resilience and counter hybrid threats were adopted. The Conclusions explicitly noted the need to strengthen the role of and support for the Hybrid Fusion Cell of the EU Intelligence Centre. The Conclusions also place emphasis on the importance of providing continued support to partners in terms of strengthening resilience and countering hybrid threats. In spite of the growing awareness of Russia's actions, there is still a lack of top-level political commitment in the EU and NATO to fight them in earnest. Countering hybrid threats should be one of the top priorities on the agendas of the EU and NATO.⁹



Figure 2. EU Hacker. Shutterstock, 2022

⁸ NATO. (2021, March 16). *NATO's response to hybrid threats*.
https://www.nato.int/cps/en/natohq/topics_156338.htm#:~:text=Since%202015%2C%20NATO%20has%20had,necessary%2C%20will%20defend%20Allies%20concerned

⁹ *ibid*

DIRECTIVES

In the discussion of this topic, this committee should keep in mind that it can only make suggestions to the Council of the European Union in order to address the prevention of hybrid war in respect to data privacy. Hybrid threats pose not only security challenges but also legal ones and only time will tell how Western societies with their military will eventually adapt within their existing legal and operational frameworks.¹⁰ The expansion of the battlefield beyond kinetic operations and infrastructure stacks demands complex use of both traditional force doctrines and new technological and synergistic planning.¹¹ This is because hybrid threats are constantly changing and evolving, which means that our response to them needs to constantly evolve to keep up.¹² Nonetheless, this committee must work together in order to comprehensively address the problems that could arise from nefarious intentions that can potentially be accessed on a daily basis through technology.

¹⁰ Bachmann, S. D., & Gunneriusson, H. (2015b). HYBRID WARS: THE 21st-CENTURY'S NEW THREATS TO GLOBAL PEACE AND SECURITY. *Scientia Militaria - South African Journal of Military Studies*, 43(1). <https://doi.org/10.5787/43-1-1110>

¹¹ Danyk, Y., Maliarchuk, T., & Briggs, C. (2017). Hybrid War: High-tech, Information and Cyber Conflicts. *Connections: The Quarterly Journal*, 16(2), 5–24. <https://www.jstor.org/stable/26326478?seq=1>

¹² *ibid*