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# The S9+ Declaration

D9+ Luxembourg Presidency | 2026

# Sovereignty from Strength: The Europe Effect

## From the Brussels Effect to the Europe Effect

Nearly two years after the Draghi Report, global competitors are accelerating while Europe remains stuck in first gear. Our incremental steps only widen an already significant gap, one that is becoming increasingly difficult to bridge.

“Crossing the chasm” requires a radical and ambitious approach. Europe continues to play defense, fighting unwinnable battles and producing reactive, protective regulation. The barriers designed to safeguard European values have instead become thresholds that impede growth. Offense is the best defense. To defend its values, Europe must export them. To create global winners, we must unlock unprecedented investment and remove friction that slows growth.

In an era where technological power translates into economic and geopolitical power, the playing field is defined by speed, scale, and global competition. Rules do not create power; power shapes the rules.

Sovereignty today is neither self-sufficiency nor protectionism. Sovereignty is about leverage. Europe can achieve this only where it holds comparative advantages in critical technologies - the so-called chokepoints. We must accelerate investment in emerging, defining technologies rather than duplicating mature ones. Creating local substitutes and shielding our markets risks producing a second-tier economy and falling into the trap of the “Autarky Fallacy.”

The Brussels Effect belongs to the past. Europe must now leap forward to restore its position as a global power. This redefined strategic doctrine should henceforth be known as “The Europe Effect,” in which startups are the strategy.

Europe is falling behind not only because others are moving faster, but because we continue to move too slowly. Even when Europe makes the right decisions, implementation and stabilization often take so long that, by the time measures become operational, they are already lagging behind other markets. In technology and innovation, delay has become a structural disadvantage. Europe therefore needs more than sound principles or robust frameworks - it needs speed, ambition, and execution. If sovereignty is to become a reality, we must turn strategic intent into rapid action and create the conditions for startups to build, scale, and lead from Europe within a truly consolidated and integrated Digital Single Market. Its future development must also rely on the services and capabilities offered by startups and scaleups - before we miss the moment once again.

The S9+ is a Coalition between: PULSE Luxembourg Startup Association and House of Startups powered by the Luxembourg Chamber of Commerce (Luxembourg), Startup Portugal (Portugal), Danish Entrepreneurs (Denmark), Adigital and EsTech (Spain), Estonian Founders Society (Estonia), Scale-ups.be (Belgium), Czech Startup Association (Czech Republic), Dutch Startup Association (the Netherlands), Finnish Startup Community (Finland), Startup Poland (Poland), Swedish Incubators & Science Parks (Sweden), Scale Ireland (Associated Member - Ireland), Start-up Slovenia (Slovenia). All are members of Allied For Startups (EU).



## Size Matters: The Single Market

Everything Europe needs to change is ultimately a function of the size and seamlessness of its internal market. A large, consolidated market enables faster growth, higher valuations, and greater risk appetite and investment - ultimately creating global winners.

In this context, digital sovereignty means the ability to create new technologies, turn them into companies, and scale those companies globally from Europe. We cannot secure our future by retreating behind regulatory or technological walls. Instead, we must challenge and redesign our innovation infrastructure so startups can scale faster and compete globally. Innovation thrives through competition, not isolation.

However, the current structure of the Single Market is designed more to preserve the position of incumbents than to enable new entrants to break through and unlock value. At the same time, certain approaches to privacy control risk reinforcing incumbency bias. As a result, scaling remains complex, costly, fragmented, and slow.

The first step toward global competitiveness is fixing fragmentation. Divergent national interpretations, inconsistent enforcement and oversight, and regulatory gold-plating continue to create legal uncertainty and impose a “scale tax” within the EU.

Europe must adopt a “startup first” approach across all aspects of regulation. These companies are the ones capable of scaling fearlessly and helping Europe close the innovation and productivity gap.

### S9+ calls on D9+ to:

- **Scale EU:** Push for a true EU Inc. - a regulatory-based 28th regime that startups choose and investors trust - featuring fully digital incorporation, harmonised and attractive employee equity frameworks, and a uniform, coherent, and business-friendly dispute resolution system. D9+ countries are well positioned to champion a high-standard, fully operational EU Inc. rather than settling for the lowest common denominator.
- **Implement the Once-Only Principle:** Strengthen genuine mutual recognition across the Single Market.
- **Drive Consolidation:** Eliminate and prevent national gold-plating and divergent implementation of digital legislation.
- **Making existing rules work:** Ensure effective and consistent enforcement of existing regulation before introducing new rules.
- **Support the scaling ecosystem:** Build a coherent regional, national, and EU-wide support system for scaling by empowering innovation intermediaries such as incubators, accelerators, and testbeds. Introduce targeted policy measures that help startups transition rapidly into scaleups.

## Putting Europe on a Regulatory Diet

Startups are used to a fast pace and constant change. They iterate with the market to achieve product-market fit before scaling. Markets and technologies are uncertain and constantly evolving.

To compete globally, the EU needs to be able to pivot quickly. New regulations should be treated as “Minimum Viable Policies,” balancing risks against the loss of opportunities. Lengthy processes do not necessarily make regulations better - clarity and shorter cycles do. Political uncertainty is toxic for innovators and investors.

The EU has adopted a broad set of digital rules. While the objectives are legitimate, the cumulative regulatory burden facing startups and scaleups is now unprecedented. For startups, overlapping obligations and fragmented enforcement create significant operational challenges and costs. This complexity slows product development, diverts investment, and reduces Europe’s attractiveness as a place to build and scale companies.

## A Digital Diagnose

The Digital Fitness Check is a pivotal opportunity to restore coherence, proportionality, and predictability to Europe’s digital rulebook. A paradigm shift is needed: moving from an overly risk-averse and prescriptive approach toward a leaner, innovation-enabling model that focuses on the cumulative impact of regulatory burdens on scaling.

### In particular, D9+ should defend that the review:

- **Scale First:** Assess the cumulative administrative burden of EU digital legislation and make impact assessments the cornerstone of EU lawmaking, systematically evaluating how regulation affects startups’ ability to scale and compete, while acknowledging the importance of speed, agility, and lost opportunities in the policymaking process.
- **Mandate Regulators:** Digital regulators, including Data Protection Authorities and authorities designated under the AI Act, should exercise their supervisory powers in a manner that not only ensures a high level of protection but also supports innovation, competitiveness, and legal certainty. Within their existing mandates, regulators should be encouraged to adopt pragmatic, proportionate, and business-friendly approaches, promote constructive dialogue with startups and scaleups, and provide clear guidance that enables innovation and growth in compliance with EU law.
- **Pause Legislation:** Pause new horizontal digital legislation, including the Digital Fairness Act (DFA), until the Digital Fitness Check has been completed.
- **Open Data:** Recognize that data fuels AI startups and ensure broad public data access. Oppose reopening the EU Copyright Directive and any restrictions on personalized advertising proposed under the Digital Omnibus.

## Re-evaluating the Acts

The priority for the AI Act must be coherent and proportionate implementation, not additional regulatory layering. D9+ must resist - and where necessary remove - national gold-plating and ensure that implementing acts do not expand obligations beyond what the legislative text requires. Startups finally deserve regulatory predictability, not compounding uncertainty.

At the same time, digital regulation must not be designed in isolation from the broader conditions required to scale technology companies. Startups, particularly in AI and data-intensive sectors, need access to scalable, resilient, and globally distributed compute resources at competitive prices. They must also be able to benefit from innovation driven by global technological developments. Regulatory choices should therefore reinforce, not undermine, access to digital infrastructure and the ability to operate across borders, while creating the conditions for competitive cloud and AI infrastructure to emerge and scale in Europe.

The upcoming Tech Sovereignty Package, particularly the Cloud and AI Development Act, will be critical. Startups welcome measures that support the development of additional compute capacity in Europe. This capacity enables healthy competition, helps drive prices down further, and ensures customers are not locked in. The priority should be clear: ensure openness, interoperability, and choice; avoid restrictive measures such as data localisation; accelerate investment in digital infrastructure; and make public procurement and testing environments genuinely accessible to startups as a scaling lever across the Single Market. With legal clarity and alignment with existing rules, the package can unlock Europe's cloud and AI potential. Without it, it risks reinforcing existing barriers to scale.

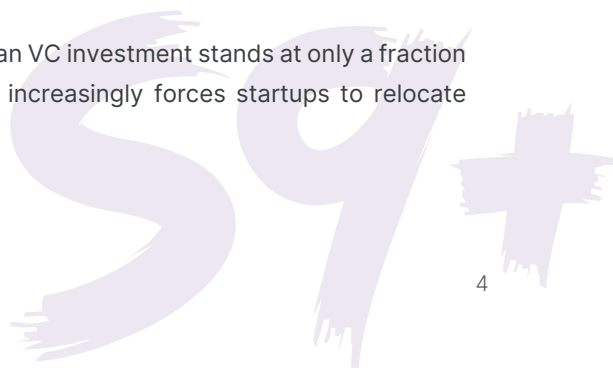
The Digital Fairness Act, if proposed in 2026, should be genuinely targeted: limited to areas not already covered by existing frameworks and where clear, documented harms exist. For startups and scaleups, broad new obligations related to advertising personalisation, subscription models, or AI-driven customer engagement would impose disproportionate compliance costs and constrain the product features that differentiate European digital challengers.

Impact assessments must remain relevant throughout the legislative process, with updates conducted for major amendments. Digital simplification is not deregulation; it is about ensuring that Europe's rulebook remains coherent, enforceable, and innovation-friendly.

## Invest to Win

While Europe matches the US in early-stage startup creation, we are losing the race to scale, resulting in a structural collapse in market capitalisation. Europe's share of global tech market value has fallen from 30% in 2000 to just 7% today (McKinsey & Company, 2025).

This decline is driven by a massive late-stage funding gap. European VC investment stands at only a fraction of US levels - a disparity that has grown to nearly tenfold and increasingly forces startups to relocate (Jacques Delors Centre, 2026).



In the first quarter of 2026, US startups raised \$267.2 billion, averaging around \$40 million per deal, compared with \$25.7 billion for EU startups, averaging approximately \$13 million per deal. Some individual investment rounds in the US, such as those for OpenAI (\$122 billion) and Anthropic (\$30 billion), are larger than the EU's total annual investment and are no longer uncommon (KPMG Private Enterprise, 2026).

This underperformance is dragging down the broader economy, with the EU-US labour productivity gap reaching 38% in 2024. Between 2019 and 2024, productivity grew by 9.7% in the US, compared with only 2.4% in the EU, further accelerating the divergence (SME United, 2025).

## Unlocking Capital, Exit Markets

A coherent and predictable regulatory environment is a precondition for investment. When compliance obligations are fragmented or uncertain, capital is diverted away from growth and product development and toward legal and administrative costs.

### D9+ should advocate for:

- **Strengthen Capital Markets:** Accelerate the Savings and Investments Union and create the conditions for a genuine pan-European IPO market that keeps European growth companies in Europe.
- **Remove Funding Barriers:** Remove regulatory barriers preventing pension and insurance fund allocations into VC and fund-of-funds structures, and harmonise the tax treatment of carried interest.
- **Frame M&A as a Sign of Ecosystem Health:** Ensure that revised Merger Guidelines recognise that M&A exits are often pro-competitive and should be treated as a sign of ecosystem health, rather than presuming anticompetitive harm. This requires shifting away from the current framing of acquisitions in policy discourse.
- **Improve Liquidity:** Facilitate secondary market infrastructure for pre-IPO equity to improve liquidity for founders and early employees.
- **Normalize Risk-Taking and Failure:** Startup support should be recognised as a competitiveness tool, not as a state-aid exception engineered country by country. The revised GBER should create a clear EU-wide safe harbour for proportionate national startup measures and ensure that loss-making, venture-backed startups are not treated as “undertakings in difficulty” solely because of their growth model. Failure in risk-taking should also not be negatively assessed when startups and scaleups apply for public funding, including from national promotional banks and European-level financial institutions.

A healthy startup ecosystem requires viable exit pathways that enable founders, employees, and investors to reinvest. Europe underperforms globally in the depth and quality of its exit markets. Fragmentation and the absence of a deep pan-European IPO ecosystem systematically push European startups toward non-European acquirers or discourage them from scaling.

Strengthening capital markets, enabling diverse exit pathways, and incentivising and rewarding risk-taking are core conditions for building a self-reinforcing cycle of innovation and growth in Europe. Without credible and attractive exit options, the ecosystem cannot sustain itself. True sovereignty means ensuring that European startups are free to choose the best partners, investors, and acquirers, wherever they come from.

## Unlocking Capital, Exit Markets

### **D9+ should advocate for:**

Talent is increasingly becoming a binding constraint on European scaleups, and the conditions required to turn ideas into global companies extend beyond capital and regulation. D9+ should:

- Move toward a genuine EU-wide startup visa and more harmonised work permit frameworks for founders, employees, and their families, alongside simpler procedures for relocating teams across the Single Market.
- Keep “The Europe Effect” sector-neutral so that it applies equally to strategic non-digital sectors where Europe already holds comparative advantages - including clean energy, life sciences, and advanced manufacturing - alongside digital and AI.

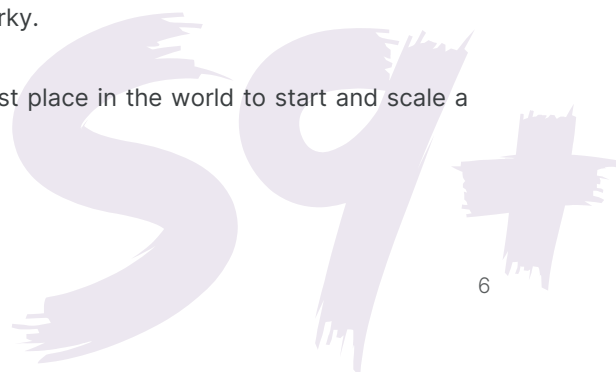
## The Leap Forward

At present, Europe remains in decline, losing both power and position. Europe must act more like a startup: pivot quickly and turn small steps into giant leaps. This requires removing friction, investing boldly, and promoting innovation aggressively.

When European successes scale globally and produce the first of many “Trillion Euro Companies,” The Europe Effect will come to life. Europe will preserve its values and sovereignty while retaining the resources needed to maintain a defining focus on humanity.

Leaping forward is the only way to avoid further decline into autarky.

Europe must act now to remain competitive and become the best place in the world to start and scale a company.





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