

New General Data Protection Regulation of the EU: An unnecessary burden on SMEs.

The EU plans to revise the Data Protection Directive of 1995. Their objective is to standardise data protection for all Member States. The needs of the economy are left out of consideration. And it is likely to turn out expensive.

According to an estimation of the German Federal Statistical Office, the introduction of the General Data Protection Regulation will result in an initial burden of 1.5 billion euros for German companies. Subsequently, an unnecessary burden of another billion euros will hit the economy every year. As the 'Bayernkurier' further reports, the Federal Statistical Office only looked into four out of a total of 30 articles of the Regulation for the calculation of the incremental costs, and it is assumed to be 'entirely possible' that other articles might also lead to cost burdens, as was reportedly stated by sources of the Ministry of the Interior of the Federal Republic.

This development is all the more surprising as it comes against the background of the measures the EU has launched to boost the economy. Indeed, Brussels published the Green Paper <EU Consultation on a Capital Market Union> in February. In it, it is claimed that SMEs should be given better access to capital markets. It is often left out of consideration in this context that businesses, through the provision of trade credit, are themselves providers of one of the most cost effective and flexible forms of finance. According to statements of the German Central Bank the volume of supplier credits, as granted continuously in the form of time for payment, amounts to about 365 billion euros, which is about 50% higher than the volume of all short-term bank lending.

It is vital for any business that is considering offering trade credit that they are in a position to reliably gauge the customer's solvency. Only with an accurate view of the likelihood of getting paid will suppliers be prepared to do without payment in advance. This enables customers to delay payment for goods and services provided, usually ranging between 30 and 180 days. For the capital market it is also important having access to business information: indeed, the General Data Protection Regulation will deteriorate, rather than improve access to these markets. The absolutely essential transparency will be affected, although it is intended that only private individuals are affected.

The impact on online transactions is even more serious. Only a means to check solvency within seconds will make it possible to let smaller businesses use the instruments of payment that are required for a quick and smooth process. It is difficult to understand how this development could be compatible with the commitment to a digital internal market. Of course, they actually aim at companies such as Google or Facebook, although it is in fact the users themselves, in particular in these social networks, who release their own details. Therefore, those restrictive provisions granting consumers a right of veto in the evaluation of data relevant to payment will hit the wrong targets, i.e. the economy, and SMEs in particular.

It would be more important to ask why none of those successful Internet companies was founded in the EU. The answer is simple: The EU fails to provide the necessary basic conditions. If the General Data Protection Regulation under discussion is enacted, innovation will actually even be restricted, while at the same time, an attempt is supposed to be made to encourage e-commerce. This simply cannot work out.

Raoul Egeli

President, Schweizerischer Verband Creditreform