Enhancing the role of European SMEs in international trade

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The Committee on International Trade adopted the own initiative report by Cristiana **MUSCARDINI** (UEN, IT) on enhancing the role of European SMEs in international trade, recalling that the European Union's SMEs, defined as enterprises with fewer than 250 employees and a turnover not exceeding EUR 50 million, account for 23 million enterprises (99% of the total) and 75 million jobs (70%) in the Union. However, MEPs note that more than 96% of SMEs in the European Union have fewer than 50 employees and less than EUR 10 Million in annual turnover, which limits their ability to export goods and services outside their national borders, due to the high fixed costs linked to international trade.

The multilateral framework and the WTO: stressing the need for the WTO system to take greater account of the role of SMEs and their interests, MEPs call on the Commission, in the context of the WTO negotiations, to provide for specific simplified rules for SMEs within free trade areas and for special clauses relating to the requirements of SMEs. They also call on the Commission and the Member States to review their priorities at multilateral level by promoting the removal of tariff and non-tariff barriers and to foster international trade through appropriate measures to simplify and harmonise standards.

MEPs consider that the international trade system should be made less onerous for SMEs and therefore call on the Commission and the Member States to endeavour actively to reach a multilateral global agreement on “trade facilitation” to enable European SMEs to benefit fully from globalisation and the opening of third country markets. They support the adoption of a firm stance in the negotiations on trade facilitation procedures, in order to lower the costs of customs procedures (which can account for up to 15% of the value of the goods traded), through transparent and simplified procedures, harmonised international standards, effective recording of the origin of goods, and updated customs controls.

Moreover, the report emphasises the importance of the conclusion of the negotiations on all chapters of the Doha Development Round to SMEs.

The Global Europe communication: although MEPs support the Commission's efforts to provide the European Union with a global strategy covering all external aspects of European competitiveness, they regret the absence of any specific initiatives in favour of SMEs, which provide two thirds of employment in the European Union. They call on the Commission and the Council to remedy this shortcoming without delay and to set ambitious and realistic objectives to safeguard the interests of SMEs and make the necessary means and resources available.

Reform of trade defence instruments: MEPs welcome the Commission's decision to withdraw the proposals for reform of the trade defence instruments, taking the view that the reforms would not only have failed to enhance the external competitiveness of European industry but would have caused further serious damage to those Community industrial sectors jeopardised by foreign products illegally subsidised or unduly favoured by dumping practices.

The report therefore stresses that the Trade Defence Instrument (TDI) system must continue to be a quasi-judicial procedure, based on objective and factual assessments. MEPs consider that, in the absence of internationally recognised rules on competition, the TDI system is the best response to ensure a level playing field for all actors and that it serves to protect the interests of producers and employees against impairment caused by dumping or illegal subsidies. They therefore call on the Commission to increase the transparency, predictability and accessibility of the investigations, in particular for SMEs, and to

accelerate and simplify procedures. In this context, the Commission and Member States are invited to introduce information and training measures for SMEs in order to encourage them to make use of TDIs.

MEPs regret that only a limited number of investigations have concerned industrial sectors with a high concentration of SMEs and therefore call on the Commission to take every possible step, without delay, to rectify the current practice with a view to upholding the rights of SMEs more effectively. The Commission is also called upon to react quickly and in an appropriate manner to third countries that make arbitrary use of TDIs, particularly when these measures affect Community SMEs.

Intellectual property rights and origin markings: the report emphasises that SMEs need effective intellectual property rights (IPR) protection as a precondition for developing new technologies. It draws attention to the significant increase in recent years in infringements of IPR affecting EU SMEs, and to the fact that counterfeiting also affects SMEs, sometimes threatening their very existence. The Commission and the Member States are therefore called upon to commit to preventing and combating counterfeiting by means of appropriate internal policies and international initiatives, at both multilateral and bilateral level.

In particular, MEPs call on the Commission and the Member States to:

- encourage SMEs to make use of instruments, such as patents, in order to protect themselves against copying and counterfeiting;
- monitor and react in the event of IPR infringements and to call on their own trading partners to comply more strictly with the TRIPS agreement and their national intellectual property protection standards;
- improve the control of imports by the customs authorities in order to ensure a more effective level of protection against products which infringe IPR held by EU companies.

Regretting the delayed introduction of the Community origin marking system for certain products from non-European countries, MEPs call on the Member States and the Commission to remove, as a matter of urgency, the obstacles which have so far stood in the way of the entry into force of this legislation and to promote the European origin of such products.

Third-country market access strategy: MEPs welcome the Commission's efforts to provide access for SMEs to third country markets. In this context, the Commission and Member States are called upon to:

- ensure the successful functioning of EU Market Access Teams in third countries (especially in the emerging economies);
- improve the provision of information on third-country markets, establishing sections devoted to SMEs;
- rationalise the Market Access Database, thereby ensuring easier access for SME operators.

The Commission is called upon, in particular, to make the Market Access Database more accessible to SMEs and to initiate measures to publicise such databases. Market Access Teams should also be strengthened and a desk specifically responsible for SME-related issues should be set up within them.

Moreover, MEPs support the creation in the key Indian and Chinese markets of European Business Centres, which work together with national chambers of commerce and business representatives to help SMEs find partners with the relevant skills in order to be able to enter these local markets.

European Small Business Act, competitiveness and international trade: MEPs welcome the Commission's Small Business Act initiative as an important opportunity to gear all EU policies effectively towards SMEs. They consider that the internationalisation of SMEs is a primary objective of trade policy and should constitute a cornerstone of the European Small Business Act. In this context, SMEs should have dedicated employees specifically dealing with internationalisation, but this is rarely the case. The

Commission and Member States should therefore promote the establishment of service consortia to support SMEs in this process.

The report stresses that political and financial support to foster product and process innovation, improving access to finance, and research cooperation and technology transfer, are key elements in increasing the productivity of SMEs. Moreover, MEPs consider that internal market policies should focus on improving the situation of European SMEs by creating an SME-friendly business environment and by ensuring that SMEs can benefit fully from the opportunities offered by the internal market. In this context, the Commission is called upon to consider how the internal market can further help EU businesses to compete internationally.

MEPs also note the importance of skilled and trained entrepreneurs in facing the challenges of international business and therefore call on the Commission and the Member States to increase the provision of training programmes for entrepreneurs on the globalised business environment and for increased cooperation between SMEs and universities in order to improve research and innovation. In this context, MEPs call on the Commission to consider the creation of a special EU exchange programme for young entrepreneurs based on the Erasmus/Leonardo da Vinci programmes.

Free-trade agreements: MEPs call on the Commission to pay closer attention to assessing the impact which the new generation of free-trade agreements negotiated with third countries can have on European SMEs and to take account of this assessment at the negotiation phase. They believe that the Commission should aim to conclude free-trade agreements or other trade agreements that are favourable to the European economy as a whole and to SMEs in particular.

The report also calls on the Commission to pay special attention to SMEs in its trade relations with third countries that are members of the Central European Free Trade Agreement and recommends that it guarantee permanent monitoring of these agreements and intervene without delay in the event of failure to comply with the obligations. It also stresses the importance of geographically closer markets for SMEs and calls on the Commission to pay special attention to SMEs in trade relations with such countries.

Tenders: recalling that public tenders are one of the most promising economic sectors for the European economy and for SMEs in particular, MEPs express concern at the persisting restrictions in many third countries, which refuse to guarantee EU companies similar access to their tender procedures.

MEPs believe that EU SMEs should have the same level of advantages and possibilities as regards public tenders in the main industrialised countries as they enjoy inside the European Union and therefore call on the Commission to guarantee better access to public procurement markets in third countries and fair conditions of competition in the sectors concerned by the tenders, if necessary by applying the principle of reciprocity. The Commission is also called upon to submit realistic and constructive proposals with a view to future renegotiation and strengthening of the WTO Agreement on Government Procurement.

The report welcomes the Commission proposal contained in the Communication on Global Europe to apply targeted restrictions to European tenders for countries which do not offer access to their public markets and calls on the Commission to inform Parliament of the results obtained to-date and the initiatives it intends to take to improve European SMEs access to third country tenders.

Agricultural products and geographical indications: recalling the importance of access to agricultural markets for EU SMEs, MEPs call on the Commission, in the context of the future multilateral and bilateral trade negotiations, not to give up the remaining tariff safeguards enjoyed by the sector.

MEPs consider it unacceptable that the geographical designations and indications of many agri-foodstuffs are too often used to the detriment of EU SMEs and therefore urge the Commission and the Member States to take resolute action vis-à-vis countries which use such non-tariff barriers unduly to protect their

own markets. They support the establishment of an international multilateral register of geographical indications enabling SMEs to protect their own geographical indications and urge the other WTO members to ensure full access for EU products protected by geographical indications and, where appropriate, to withdraw from the market any national products which use such designations without being entitled to do so.

Supporting the internationalisation of SMEs: MEPs consider that national or regional support programmes for the internationalisation of SMEs produce good results and should continue to be co-financed under the European Regional Development Fund. Stressing the importance of access to finance, MEPs believe that Community instruments such as the European Investment Fund, the Competitiveness and Innovation Framework Programme and the 'Joint European Resources for Micro to Medium Enterprises' (JEREMIE) can help develop a better framework for access to finance for SMEs with internationalisation plans. They also call on the Commission to mobilise resources to promote transnational cooperation among SMEs in the European Union.

Final considerations: MEPs call on the Commission and Member States to:

- fully support SMEs in the current financial crisis by ensuring that credit is continuously made available to them;
- cooperate amongst themselves with a view to establishing a coherent and wide-ranging policy enabling EU SMEs to expand their export activities and internationalisation;
- ensure the development of EU SMEs through appropriate political and financial support as regards their modernisation and training for their management and workers.

Lastly, the committee asks to be informed in good time of any future initiative relating to the external competitiveness of SMEs and to be closely involved in any future initiative which the European Union may undertake.