

# Small and medium size enterprises (SMEs): competitiveness and business opportunities

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**PURPOSE:** to propose a new partnership to help SMEs seize global opportunities in the framework of the 'Small Business, Big World' initiative.

**BACKGROUND:** the European Union needs to find new sources of growth to create jobs and wellbeing for its citizens. Major non-EU markets such as China, India, Russia and Brazil, with strong growth rates or potential represent significant opportunities for EU companies.

Given the current economic context, exports to expanding markets outside the EU can be a solid source of economic growth. Internationalisation beyond the external border of the EU is the step SMEs need to take to go and seize these opportunities.

Promoting and supporting **SMEs' economic activities outside the EU** is therefore an important part of the Union's overall competitiveness strategy as outlined in the Europe 2020 flagship [Communication on an Integrated Industrial Policy](#), the reviewed [Small Business Act](#) for Europe and the recent [EU trade policy communication](#). This builds on and complements the Commission's commitment to boost the benefits of the Internal Market for SMEs.

Europe's 23 million SMEs, account for two thirds of jobs in the private sector and 59 % of total value added in the non-financial business economy in 2010. Around 80 % of new jobs over the past five years have been created by SMEs.

While 25% of EU-based SMEs were involved in exports to the Internal Market and beyond in the last three years, **only 13% of EU SMEs are internationally active outside the EU** through trade, investment or other forms of cooperation with foreign partners. The goal of the strategy which is proposed by this document is, on the other hand, creating the conditions to make SMEs equally engaged in markets outside the EU.

With a view to both the Europe 2020 objectives and public concerns, this Communication proposes to review the existing support structures available to SMEs, identifies the main problem areas, proposes a set of measures where European-level action can add most value, and sets out guiding principles for the most coherent and efficient use of scarce financial resources in priority markets such as China, Brazil, India, Russia, the US or Japan.

It aims to establish a more coherent and effective EU strategy for supporting SMEs in international markets, to propose better ways of offering them relevant information and assistance in their attempts to penetrate new markets and search for the right partners, and thus to make better use of existing resources.

**CONTENT:** significant resources are already devoted to business support at national and EU level. This involves the public as well as the private sector. A recent survey for the Commission provides an inventory of **more than 300 support programmes for the purpose of assisting business internationalisation in the EU and its Member States**. A European strategy for SME internationalisation therefore has to take into account an existing landscape of diverse policies and implementation activities.

**The need for better cost effectiveness:** the broad rationale for the existing range of internationalisation support appears to be well-founded, but not all international support programmes are equally effective. The large number of measures and bodies contribute to a situation where it is difficult for SMEs to actually identify and make use of the available support. At a time when public finances are scarce, there is a strong case for considering how collaboration and networking within the EU could increase both efficiency and impact of existing measures. Therefore, future action should aim first and foremost at more transparency, more coherence and more collaboration to deliver a more cost-effective "division of labour" between existing EU programmes, between the European Union and its Member States, among Member States, and between public and private sector bodies.

This Communication therefore proposes a more coherent and integrated approach to SME support, **based on a detailed mapping of existing support services in priority markets. It also establishes a set of guiding principles for EU action in this field.**

The objectives of the new EU strategy are:

- to provide SMEs with easily accessible and adequate information on how to expand their business outside the EU;
- to improve the coherence of support activities;
- to improve the cost-effectiveness of support activities;
- to fill existing gaps in support services;
- to establish a level playing field and provide equal access for SMEs from all EU Member States.

The instruments that will be used to achieve these objectives are described in the Communication. Amongst the proposed measures, the following may be noted:

**Delivering information to the SME's doorstep:** the Commission will:

- give a new governance structure to the Enterprise Europe Network, improving its functioning;
- launch in 2012 a multilingual online portal that will provide third country- and sectorspecific information about priority markets and a detailed overview of the different support services available. The portal will be covered by the existing Competitiveness and Innovation Programme and, building on existing databases such as the Market Access Database, the Export Helpdesk and the European Customs Information Portal, provide Business Opportunity and Risk Profiles comprising indicators such as economic situation, trade barriers, bureaucratic burden, customs procedures, public procurement regimes and other information for exporting SMEs;
- launch in 2012 an awareness-raising campaign with Member States and stakeholders to familiarise SMEs with available support services.

**Bringing a European dimension to the supply of services for SMEs in priority markets:**

- facilitate cross-border cooperation and access to complementary expertise among service providers, notably through financial incentives that could be covered by the new programme for business competitiveness and SMEs ([COSME 2014-2020](#)) within the proposed multiannual financial framework 2014-2020;
- subject existing measures to periodic evaluation, involving all major stakeholders together with Member States, evaluate, optimise and promote the EU portfolio of business support for SMEs in non-member countries on the basis of best practices.

**Promoting SME internationalisation through clusters and networks:**

- encourage and finance the establishment of training programmes for entrepreneurs, SME managers, and managers of clusters, business networks and export consortia in order to enable them to steer internationalisation operations;
- promote the creation of export consortia between SMEs established in different Member States through a range of measures including information campaigns and financial incentives, encouraging synergies;
- support cross-border cooperation between cluster/networks through lending backed by EU guarantees.

**Rationalising new activities in priority markets:** the EU will identify priority markets for SMEs on the basis of the above criteria. These may include the EU's major current trading and investment partners (US, China, Russia, Japan), the enlargement countries and the European Neighbourhood Policy partners in the East and the South as well as markets generating strong economic growth (emerging markets in Asia, Africa and Latin America).

**Mainstreaming SME internationalisation into other EU policies and creating a favourable environment for SME international activities:**

- step up its efforts to remove remaining tariff and non-tariff barriers in non-EU countries;
- create in the trade and economic sections of all relevant EU Delegations contact points for SMEs as part of the work of Market Access Teams;
- pursue in its regulatory dialogues with partner governments the objective of making markets more open and friendly to small businesses;
- improve the communication to SMEs of the economic benefits to be gained from trading internationally and created by trade policy measures, particularly bilateral free trade agreements;
- raise SME awareness of possible autonomous tariff suspensions and quotas and assess their impact on SMEs as part of an evaluation to be launched in 2012.

**Further steps:** all EU institutions and relevant SME stakeholders, in partnership, will be involved in the implementation of this strategy and should adhere to the priorities and guiding principles set out in this Communication when considering new activities in support of SME internationalisation, in both the short and the longer term. Member States are encouraged to adopt a similar approach and work in close cooperation with the Commission in strengthening the support environment for European SMEs' international growth.