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

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The Committee on Industry, Research and Energy and the Committee on International Trade adopted the joint own-initiative report by Paul RÜBIG (EPP, AT) and Iuliu WINKLER (EPP, RO) on Small and Medium Size Enterprises (SMEs): competitiveness and business opportunities.

Su-divided into three parts, the report focuses on the policies relating to SMEs recalling that 85% of all new jobs in the EU between 2002 and 2012 were created by SMEs and that 32.5 million people in the EU are self-employed. This sector is therefore the lung of the European economy.

1. "Small Business, Big World"

Members note the common structural and regulatory challenges faced by SMEs, such as access to finance, human capital and organisational resources, and welcome the fact that the **Commission endeavours to promote and support SMEs' economic activities in the single market and third country markets**. Underlining the importance of internationalising SMEs to improve their competitiveness, Members reject the belief that sheltering EU SMEs from international competition could help them grow and perform better on the international stage. The EU should support a positive agenda benefitting its SMEs in international negotiations in order to lower barriers, on a reciprocal basis, in the interests of SMEs globally. Members consider that internationalisation and protection constitute two sides of the same coin of the globalisation process. They underline that significant differences exist among SMEs, which implies putting **differing polices** in place. Members believe that, the EU, in concert with the Member States, should support and promote incentives to develop SMEs in strategic sectors in a **proactive fashion** by adding value to already existing initiatives, especially when it concerns high-value-added and technologically advanced manufacturing activities offering a competitive edge over emerging economies.

Among the measures proposed, the following are noteworthy:

- **improved information for SMEs:** Members urge the Commission to launch the multilingual online portal for SMEs by the end of 2013, easily accessible and user-friendly and likely to raise the number of EU SMEs that do engage internationally. For increased and more efficient support for SMEs in access to the single and third country markets at the EU, national and regional level, Members consider that the Enterprise Europe Network (EEN) should be strengthened, making sure that the functioning and governance of its constituent organisations is strengthened and awareness of its support services is raised They also urge the adoption of a single network of export helpdesks at a local and regional level, run in cooperation with businesses, chambers of commerce, universities and other interested stakeholders, so that SMEs can have an **easily identifiable single contact point**;
- **mapping of support services:** Members support the proposal that a large number of local, regional, national and EU support schemes should undergo a "mapping exercise"; this exercise should be in place by the end of 2012. In general, they urge that duplication of advisory services is avoided via an inventory of available advisory services and avoiding creating unnecessary new structures;
- **promoting EU clusters and networks:** Members support the Commission's suggestion to enhance cooperation between various company associations, chambers of commerce and other actors active in the single market and in third countries in order to facilitate business partnerships and promote clusters and access to new markets. They consider that the creation of joint ventures or other partnership agreements between or with SMEs should be fostered as a strategy.

Future steps: Members recommend that the Commission consider all dimensions related to internationalisation, namely exporting and importing, including various forms of economic partnerships and cooperation. In particular, they call for **the integration of Union policies in favour of SMEs**.

Members particularly welcome the programme for the competitiveness of SMEs (COSME) and the new measures foreseen by the programme. They propose a **significant increase in the budget for COSME**. They ask moreover for: i) the inclusion, in the programme "Erasmus for all" of a programme for "young entrepreneurs"; ii) the creation of a European standardisation system that includes SMEs more systematically in the decision making processes; iii) an efficient intellectual property rights (IPR) and copyright regime for promoting the internationalisation of SMEs; iv) a simplified and transparent EU regulatory framework for public procurement, so that SMEs gain better access to public contracts both within the EU and in third countries; v) fostering research and innovation; vi) the enhanced value of European production through the adoption of the Regulation on "marking of origin" ("made-in") of products imported into the EU. Members strongly urge the finalisation as soon as possible of an agreement on the **common patent,** and at the latest by the end of 2012.

Members also call for due consideration to the needs of SMEs when reforming the EU's TDIs as well as better access of SMEs to anti-dumping procedures.

2) Administrative burdens

Regulatory approach: Members urge the Commission to review existing legislation and to come up with a new and ambitious reduction target in accordance with the "Small Business Act" (SBA) for Europe. This **new target should be net, measurable and verifiable**. It should achieve a qualitative improvement, for instance by reducing the amount of documentation required from SMEs and ensuring that SMEs are not faced with unrealistic deadlines for submitting documentation. Members stress their disappointment concerning the shallow and inconsistent application of the **SME test** by the Commission and call for its strengthening, including microentreprises.

Several other measures are proposed including:

- improved transposition of EU legislation into national law;
- reduced scope for gold-plating;
- support for the idea of "one in, one out" as a guiding principle for EU single market legislation to ensure that no new legislation which imposes costs on SMEs can be brought in without the identification of existing regulations within a given field and of an equivalent value that can be removed;
- strengthening the role of the SME Envoy network;
- underlining the importance of discussions with the social partners in the planning of national actions aimed at strengthening and promoting small and medium entrepreneurship.

SME definition: Members, in particular, take note of the current evaluation of the SME definition which already covers more than 99 % of all EU businesses. They call on the Commission to examine the impact of: a) increasing flexibility and mitigating disincentives to growth (e.g. by extending transition periods to 3 years), b) adapting the turnover and balance sheet ceilings to economic developments and c) allowing for a more differentiated consideration of each of the sub-categories.

Other measures are proposed with a view to realising a real digital single market by 2015 that favours on-line trade.

3) Reinforcing industrial and SME competitiveness: whilst Members welcome the Communication from the Commission entitled "Industrial policy: Reinforcing competitiveness" and the concept of competitiveness proofing, they urge the Commission to apply this concept consistently and thoroughly.

In general, they call for better promotion of the spirit of enterprise, free trade and access to global markets.

However, Members seek the development of the following points:

- better involvement of SMEs in energy efficiency and environmental plans;
- taking into accounts the views of SMEs in seeking to attain the "Europe 2020" strategy, notably to create employment, in particular youth employment, and the reduction of poverty.
- easier access to micro-credit through the European Microfinance Facility, and the further development of this instrument – in the context of Programme for Social Change and Innovation for the period 2014-2020;
- strengthening entrepreneurship and the right framework conditions for SMEs' competitiveness and growth, including through infrastructure investments such as in green infrastructure;
- efficient safeguards for SME portfolios, in view of the increased capital requirements for banks;
- ambitious programmes to promote entrepreneurship.

For better fund-raising for SMEs: Members call for several measures to ease access to finance for SMEs, especially microenterprises. Notably, they suggest **the reduction to 15 days for the time required to obtain a small loan (less than EUR 25 000).** They call on the Commission to look into new fund-raising initiatives for entrepreneurs and start-ups such as crowd funding and to ensure, in the future multiannual financial framework, easier access by SMEs to European funds. These efforts should also facilitate investment opportunities for innovative start-ups.

In addition, Members consider that the future COSME, Horizon 2020, as well as Structural Funds Programmes under the next MFF, should earmark sufficient amounts to support SME efforts to innovate and generate employment.

Structural funds: Members underline that the Structural Funds, and in particular the European Regional Development Fund (ERDF), are an important instrument for supporting innovative SMEs by boosting their competitiveness and, especially, their internationalisation. In this context, eligibility for such support should therefore be interpreted as broadly as possible. Overall, **Members call on the European Council to preserve the cohesion policy budget for the next programming period,** as the Structural and Cohesion Funds are among the EU's most effective instruments for creating growth and jobs, increasing competitiveness of the European economy and supporting SMEs.

Tax system: lastly, Members call for the establishment of a **"one-stop-shop" for VAT** in order to make it possible for entrepreneurs to fulfil their responsibilities in the business country of origin. They encourage the Member States to establish a level playing field for all forms of finance. They also ask for a **regulatory environment that facilitates business transfers** and removes fiscal barriers (inheritance tax, gift tax, etc.). Overall, they call for lower taxes on labour and investments.