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

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The European Parliament adopted a resolution on Small and Medium Sized Enterprises (SMEs): competitiveness and business opportunities.

Subdivided in three, the resolution 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. Parliament also underlines that more than 96% of SMEs in the European Union have fewer than 50 employees and less than EUR 10 million in annual turnover, that their ability to export goods and services across national borders is limited, and that their internationalisation is vital to favour their development.

1. "Small Business, Big World"

Parliament notes the common structural and regulatory challenges faced by SMEs, such as access to finance, human capital and organisational resources, and welcomes 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, Parliament **rejects 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. Parliament considers that internationalisation and protection constitute two sides of the same coin of the globalisation process.

Parliament underlines that significant differences exist among SMEs, which implies putting **differentiated policies** in place. Among other measures, Parliament recommends in particular rethinking the minimum size requirements for SME trade support programmes, which have usually been based on the industry SMEs' export model, under which the firm can expand internationally after reaching a critical size.

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:** Parliament urges 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, it considers 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 It also urges 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:** Parliament supports 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, it urges that duplication of advisory services is avoided via an inventory of available advisory services, funding instruments and the avoidance of creating unnecessary new structures. In particular, Parliament insists that tools currently available to all EU firms when they export, such as the Market Access Database and the Export Helpdesk, should be adapted to suit the needs of SMEs;
- **promoting EU clusters and networks:** Parliament supports 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. It considers that the creation of joint ventures or other partnership agreements between or with SMEs should be fostered as a strategy.

Future steps: Parliament recommends that the Commission consider all dimensions related to internationalisation, namely exporting and importing, including various forms of economic partnerships and cooperation. In particular, it calls for the i**ntegration of Union policies in favour of SMEs**.

Parliament particularly welcomes the programme for the competitiveness of SMEs (COSME) and the new measures foreseen by the programme. It favours **a significant increase in the budget for COSME**. Moreover, it calls for: i) the inclusion, in the programme "Erasmus for all" of a programme for "young entrepreneurs" and the examination of the possibility of an "Erasmus Mundus for entrepreneurs" to offer talented entrepreneurs the opportunity to acquire experience in centres of excellence outside the European Union; 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 (particularly in China); 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. Parliament strongly urges the finalisation, as soon as possible, of an agreement on the **common patent**, and at the latest by the end of 2012, similar to the protection available to their competitors in the US, China and Japan.

It also calls for SMEs' needs to be taken into account in the context of the current WTO trade negotiations and for better, less costly and faster access of SMEs to anti-dumping procedures. In this context, it calls for a clearer definition of **SME priority markets** including high-growth markets, such as the BRIC countries, but also in neighbouring regions.

2) Administrative burdens

Regulatory approach: Parliament urges 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. Parliament is disappointed concerning the shallow and inconsistent application of the **SME test** by the Commission and **calls for it to be made systematic, and to include micro-enterprises**.

Several other measures are proposed including:

- improved transposition of EU legislation into national law;
- **reduced scope for gold-plating**;
- a 'fitness check' of existing EU legislation in order to eliminate inconsistencies and outdated or ineffective rules;

- 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, as well as of civil society organisations.

SME definition: in particular, Parliament calls for the **evaluation of the SME definition** which already covers more than 99 % of all EU businesses. It calls 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. Recognising that e-commerce is an enabling tool for SMEs that want to enter new markets and expand their customer base, Parliament regrets that the EU is lagging behind other global actors, such as Japan and South-Korea, having only 2 % of internet connections operating on fibre.

Parliament also stresses that it is necessary to implement and apply extensive simplification measures, including simplified reimbursement methods, to help SMEs take part in EU-funded programmes.

3) Reinforcing industrial and SME competitiveness

Whilst Parliament welcomes the Communication from the Commission entitled “Industrial policy: Reinforcing competitiveness” and **the concept of competitiveness proofing**, it urges the Commission to apply this concept consistently and thoroughly.

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

Parliament, however, considers the development of the following points to be of importance:

- the better involvement of SMEs in energy efficiency and environmental plans;
- the taking into account of the views of SMEs in seeking to attain the “Europe 2020” strategy, notably to create employment, in particular youth employment, and to reduce poverty;
- the promotion of self-employment and the creation of micro-enterprises as potentially good and flexible options to fight unemployment;
- the 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;
- the 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;
- the transposition of the Directive on Late Payments.

For better fund-raising for SMEs: Parliament calls for several measures to ease access to finance for SMEs, especially micro-enterprises. Notably, it suggests the **reduction to 15 days for the time required to obtain a small loan (less than EUR 25 000)**. It calls 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, Parliament considers 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: Parliament considers 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. **It calls 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, Parliament calls 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. It encourages the Member States to establish a level playing field for all forms of finance. It also asks for **a regulatory environment that facilitates business transfers** and removes fiscal barriers (inheritance tax, gift tax, etc.). It, moreover, calls for lower taxes on labour and investments.