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SME ACTION DAY “THINKING BIG”, 21 NOVEMBER 2007

CLOSING PANEL “PRIORITIES FOR ACTION”

ARNDT G. KIRCHHOFF

Vice-President,
Ladies and Gentlemen,

European SMEs want to grow, they are ambitious and think big! Half of SMEs target turnover growth of more than 10% over the next three to five years. If they reach their goals, this could result in the creation of *more than 2.5 million additional jobs*.

At the same time, framework conditions for SMEs in Europe are not optimal and they face numerous obstacles to growth and expansion. We have discussed these issues in greater depth in four workshops today. We have also explored how SMEs' paths to success can be further facilitated and defined priorities for action.

- *Priorities for action (possibly to be replaced by conclusions from workshops in real time):*

Half of SMEs remain focused on the domestic market or have difficulties developing markets abroad – this is untapped potential which needs to be released.

Entrepreneurs and SMEs think that it is key to remove remaining internal market barriers. Tax obstacles must be reduced. Tax compliance costs are estimated to account for up to 30% of taxable income for SMEs. Technical and regulatory barriers persist when it comes to commercialisation of products and services in other EU markets. Application of the mutual recognition principle for non-harmonised products, implementation of the services directive and introduction of the European Private Company Statute can help SME expansion into new EU markets and need to become a reality.

Entrepreneurs and SMEs think moreover that better implementation of the “think-small-first principle” in EU and national law-making should become a natural reflex. Why? Regulation and resulting compliance costs as well as red tape rank high as growth inhibitors. Legislators need to be more “SME-friendly”. This starts, for example, with high-quality impact assessments of EU and national legislative proposals that fully include an SME dimension.



Entrepreneurs note with satisfaction the 25% administrative cost reduction target that the Commission has set. It is an important step forward. But action needs to follow, in particular at Member-State level, so that effects can be felt on the ground.

Labour markets and labour law are generally still not flexible enough: we need a variety of contractual arrangements that correspond to the needs of companies and the workforce.

Growth ambitions also need financing. Further efforts to ease access to external sources of finance and diversify the financing offer so that it corresponds better to the needs of very different segments of SMEs – be they micro-businesses or high-growth companies - is important.

European SMEs are undertaking a good part of R&D, and many are focusing on innovation and may be leaders in their field. At the same time, they are generally not growing at the same pace as their US counterparts and less often manage to grow into a large company. Equity, sufficient financing, is a key component for growth of innovative companies. We see however that venture capital markets are not sufficiently well developed in all Member States. The early- and expansion-stage financing offer needs to be increased in many EU countries. Cross-border investments of venture capital funds within the EU should also be facilitated, with a view to creating a truly European venture capital market.

Public and private R&D spending must be increased, so that the objective of raising overall EU research spending to 3% of EU GDP is reached. Currently, the gap between the EU and the US is still considerable: in the US, 120 billion euros more are spent on R&D per year as compared with the EU!

Tax incentives, better access to R&D programmes and cluster and network building are other measures that can stimulate innovation. But the innovation capacity of European SMEs also must be strengthened by putting in place a stronger, more comprehensive and cost-efficient system of IPR. Creation of a truly unitary Community patent remains important.

Environmental legislation can be a driver for innovation, and many European SMEs are at the forefront when it comes to the development of eco-friendly and energy-saving solutions, in the form of new products, technologies and processes.

At the same time, it is important to make sure that environmental rules do not become a competitive disadvantage for European companies and overburden SMEs.

A complex legislative framework, high compliance costs and administrative burdens, make that SMEs call for a reduction of red tape, financial support and free-of-charge expert advice and more information sources to support them in their efforts to comply with environmental legislation.

In addition, the EU and Member States should screen the complex environmental legislative framework within the better regulation agenda, simplify rules, reduce red tape and compliance costs, e.g. through more integrated reporting requirements and streamlined permit procedures.



At EU and national level, information and support services for SMEs should be developed. In particular, programmes to back SMEs' efforts to become more energy-efficient should be developed.

SMEs need to and will address the challenges of increasing their energy and resource efficiency. But despite these efforts, SMEs also need security of energy supply and access to energy, natural resources and raw materials at a reasonable price.

Europe cannot deliver alone on all challenges, though. When it comes to addressing the climate change challenge, global solutions need to be further explored.

For many SMEs, internationalisation not only within the EU but also beyond will become more important in order to grow and stay competitive in a globalised world. In order to facilitate expansion beyond the EU market, it is important to further reduce tariff and non-tariff, tax and regulatory barriers through progress in trade negotiations. For SMEs, it is also crucial that intellectual property rights are protected and enforced. Implementation of the World Trade Organisation's TRIPS agreement, which aims at promoting effective and adequate protection of intellectual property rights in international trade, is important in this respect.

Last but not least, the EU needs to become more entrepreneurial. Europeans are still less inclined than US citizens to take the risk of setting up their own business. The integration of entrepreneurship education into school curricula can help stimulate a more entrepreneurial mindset. So far, results are patchy.

Initiatives to remove the stigma of business failure are important as well. Business successes as well as business failures are an integral part of a market economy. 50% of enterprises do not survive the first five years of life! This shows how important it is that entrepreneurs who have failed once are given the chance to learn from mistakes and start up again much more successfully.

To conclude:

The European economy is stronger than it has been since the launch of the Lisbon strategy in 2000. But forecasts announce slower real GDP growth for 2008. We need to make sure that sustainable growth persists, and SMEs are ready to contribute their share.

The regulatory, administrative, fiscal and financial framework in Europe is not improving sufficiently yet to allow Europe to surpass or even equal the entrepreneurial potential of competitors elsewhere in the world. This needs to change!

Entrepreneurs and SMEs are convinced that the EU and Member States must do more to help them unlock and develop their potential. BUSINESSEUROPE's Entrepreneurship and SME Committee will continue to voice SMEs' expectations, follow-up on developments and act as a sounding board. We will not grow tired of calling you for excellence while we strive for business excellence.

The motto of the Day was: "thinking big" and we have demonstrated that SMEs think big!



The EU and EU Member States need to think big for SMEs as well, and implement the necessary reforms for growth and jobs, and create the right framework conditions for SMEs to prosper.

Let's grow Europe together!

We are now looking forward to hearing your views and ideas, Vice-President.

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