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“HOW ARE YOU DOING – SMEs IN A LARGER EUROPE”

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OPENING REMARKS BY ARNDT G. KIRCHHOFF CHAIRMAN, BUSINESSEUROPE’S ENTREPRENEURSHIP & SME COMMITTEE

Dear Mr Pfaff,

Dear Entrepreneurs,

Dear Guests,

As Chairman of BUSINESSEUROPE’s Entrepreneurship & SME Committee, I am honoured and very pleased to welcome you in such large numbers at our SME event “How are you doing – SMEs in a larger Europe”.

Our event takes place at the very beginning of the First European SME Week, which was launched here in Brussels yesterday.

I must say, I am impressed by the huge interest in this Week. With more than 800 events across Europe, it is a remarkable initiative showcasing European, national and regional programmes in support of SMEs. And it tells me: SMEs are not alone – in case there has ever been any doubt.

Of course, the circumstances of this First SME Week could have been happier. We are meeting in the midst of one of the deepest crises on record. The global economy is in recession and compared with the USA, and other world regions, Europe is hit exceptionally hard.

EU GDP will shrink significantly this year – the Commission published minus 4% on Monday. Companies face severe restrictions in their access to finance – above all working capital and credit insurance. Bankruptcies of viable businesses are on the rise. The effect on labour markets will be significant, with more than 5 million jobs lost this year alone!

The business community is very glad that policy-makers – at the national, European and global level – have already taken bold action to alleviate the impact of the crisis. Saving the banking system and implementing budgetary stimuli have been at the forefront of government action.



And also today, almost 900 km from here, in Prague, BUSINESSEUROPE is participating in the “European Employment Summit” to reflect on possible measures that help us get out of the crisis and limit the impact on employment.

But for any policy-maker in Europe taking decisions in this crisis it must be crystal clear:

Without strong SMEs, there will be no recovery!

Indeed,

- SMEs account for almost 60% of Europe’s value added
- SMEs are the source of more than 88 million private sector jobs – this is more than 65% of the EU total
- SMEs have been the most dynamic job creators over the past 5 years – almost 80% of all newly created jobs originated in SMEs.

Unfortunately, numerous entrepreneurs feel neglected and alone. They fear that governments’ attention is only turned towards banks and large companies.

Therefore I want to stress some important European measures that are first and foremost to the benefit of European SMEs:

- The European Investment Bank, together with the European Investment Fund, has increased the credit envelope earmarked for SMEs to unprecedented levels. 30 billion euros has been set aside for the period 2008-2011. Less administration, products focusing on risk-sharing and mezzanine financing have been developed and are ready to be deployed by commercial partner banks.
- The Commission has temporarily eased state aid rules that allow for more national support to the benefit of SMEs. Block exemptions are granted for SMEs.
- The Commission has started to tackle the problems of “late payments”. The new directive has been published and is ready for discussion in the European Parliament and the Council. Of course, we will push for its rapid adoption and implementation.
- The Commission is working on the reduction of administrative burdens and red tape – the number one obstacle to SMEs’ success.

But I think even more important than these relief measures is recognition and credible implementation of the “Think Small First” principle. It must be the rule of the game for any legislative proposal, not only at the European level, but especially at the national, regional and local level!

The Small Business Act – adopted by the Council at the end of last year – has finally enshrined this principle in European law-making. Now it must be implemented! And I can assure you that BUSINESSEUROPE and its members will watch policy-makers very closely.



Of course, today, in the midst of the crisis, we want to focus on two specific issues that are crucial to facilitate the economic recovery:

First, we need to better stimulate entrepreneurship.

This is not only simple rhetoric. Stimulating entrepreneurship and providing encouraging framework conditions is a truly powerful remedy to the crisis. Recent research over past business cycles suggests that vibrant entrepreneurship has been a decisive factor to shorten the duration and depth of recessions.

But it appears that Europe lacks behind other regions significantly – particularly the USA – as regards company creation, survival rates and expansion.

High administrative burdens discourage new entrepreneurs. Unduly fragmented seed-capital and venture-capital markets impede innovative start-ups from finding the necessary funds for rapid expansion. Obviously, the financial crisis resulting in banks' higher risk aversion and reluctance to lend to start-ups has not improved the situation.

Problems also are at the level of society more generally. Entrepreneurship education, especially at primary and secondary level, is too often inadequate. The "stigmatisation of failure" remains an important hurdle for starting one's own company.

We need to overcome these obstacles rapidly – but not exclusively because of the current crisis. In fact, stimulating entrepreneurship is our best insurance for future prosperity!

Young, dynamic and innovative start-ups are the hidden gems that hold the key to the development of better products and processes. They are at the forefront when it comes to pharmaceutical and biotech development, IT or eco-innovation – the basis for an effective "greening of the economy".

Second, we need to make sure that SMEs can better benefit from the Internal Market.

According to the European Commission only 8% of European SMEs are directly involved in cross-border activities within the internal market. At the same time, experience has taught us that companies that do export tend to be more resilient. They can rely on more than just one single pool of customers, they can diversify their products better and above all they are able to exchange knowledge and know-how.

Of course, the Commission's figures exclude the fact that many European SMEs do participate in trade within integrated supply chains. But still, it is disappointing that only 8% of European SMEs engage in direct cross-border activity.

Yes, administrative obstacles are high. Knowledge of a foreign market is difficult to obtain. Tax systems, standards and norms might differ. And of course, the current crisis has increased mistrust about clients' solvency.



But I think these challenges can and must be overcome. I see plenty of room for improvement! Be it in the form of a better and more efficient exchange of information via the Enterprise Europe Network or be it in the form of more active public support for trade financing. And maybe it must be emphasised more often that for SMEs trade is not a zero sum game!

Dear guests, today, both of these aspects will be addressed by eminent personalities in their respective fields. Personally, I am looking forward to animated and fruitful discussions and of course to concrete recommendations that will enable Europe's SMEs to emerge from currently dire straits even stronger.

Thank you very much and I wish you an interesting morning.

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