



12 July 2011

## **INTERNATIONALISATION OF SMEs**

### BUSINESSEUROPE input to the Commission consultation

#### **A. Background**

A public consultation on supporting SME internationalisation been launched by DG Enterprise on 13 May 2011, via the following website:

[http://ec.europa.eu/enterprise/policies/international/listening-stakeholders/public-consultation-sme-support/index\\_en.htm](http://ec.europa.eu/enterprise/policies/international/listening-stakeholders/public-consultation-sme-support/index_en.htm)

The website provides access to a package of documents comprising:

- (i) Consultation document (13 May 2011)
- (ii) Annexes to the consultation document;
- (iii) Guiding questions;
- (iv) A study on SME internationalisation;
- (v) 2009 issue paper on reinforcing support to EU small and medium-sized enterprises in markets outside the EU.

#### **B. General introductory remarks**

As a general remark, it is crucial to take into account the broad nature of the internationalisation of SMEs. It is not only about exporting, it can also be networking and participation in profitable networks, cross-border cooperation, foreign direct investments, setting up a business in another country, carrying construction work in another country, subcontracting and importing.

Secondly, it is crucial that this initiative is implemented in close cooperation with the other relevant processes at EU level. For instance, enhancing R&D activities is one of the most significant factors in SMEs' long-term competitiveness. Internationalisation and global cooperation, in turn, create the base for R&D operations. Referring to that fact, however, at EU level the strategic approach for cooperation on R&D and innovation with third countries is insufficient. To enhance the aim, one of the European Research Area (ERA) high level groups is SCIF (a Strategic European Framework for International S&T Cooperation). We recommend that the Commission should have very close cooperation and coordination with SCIF in this process overall.



### **C. Responses to the guiding questions**

#### **1) Do you agree that SMEs need public support to tap international markets (outside the EU)?**

Expanding its activities on international markets is basically a decision that an SME must be capable of initiating and implementing itself, driven by its own creative thinking. However, this does not remove the need to encourage SMEs to take the step into international markets and helpful tools for this are needed.

Well-designed public support measures are desirable in specific areas to facilitate this decision and its implementation. Examples of particularly relevant areas for public support are set out in the response to question 2.

#### **2) In what areas do you feel public support is particularly essential?**

It is essential to exploit opportunities for public support in the following areas:

- Removing barriers to exports and investments which hinder access to markets. A replication of the SOLVIT initiative should be considered, so that SMEs are advised on paths to solve their problems of access to non-EU markets;
- Providing information about (a) non-EU markets and (b) the regulatory environment in non-EU countries to ensure that companies can access non-EU markets;
- Developing tools and means to facilitate cooperation in exports:
  - Export consortia to provide SMEs with economies of scale;
  - Clustering to develop specialised skills and to reduce externality costs.
- Ensuring availability of trade and export finance, in particular by ensuring that the future Basel III regulations do not unnecessarily hamper the availability of trade and export finance and by ensuring a level playing field globally in the implementation of the Basel III regulations:
  - Credit insurance;
  - Trade finance instruments
  - Export finance.
- Identifying reliable business support services in non-EU markets.

#### **3) Which institutions do you consider best placed to provide such support?**

a) EU level:

- European Commission - Relevant services/programs/initiatives (eg, Market Access Teams);
- European External Action Service, through EU Delegations.



b) Member-State government level:

- Trade support and promotion agencies
- Ministry responsible for enhancing internationalisation of enterprises.

c) Business level:

- European business organisations in third countries;
- Bilateral chambers in third countries;
- BUSINESSEUROPE;
- National or regional industry and employers' federations, based in Europe;
- EU and EU-Member States' sector federations;
- EUROCHAMBRES and its members.

**4) In which areas could activities at EU level be particularly useful (add value)?**

Based on the areas mentioned in question 2), the following activities at EU level could be particularly useful:

- a) Mapping of existing support services for SMEs;
- b) Support (including financial support) to expand existing services for SMEs.

This support should in particular:

- Facilitate improved networking between organisations, resulting in the creation of pools of information and expertise on the regulatory environment in third countries, and on other issues critical for internationalisation (for more details on organisations to involve, see answers to questions 5b and 8);
- Ensure access to these pools of information and expertise for both European SMEs affiliated to the pool contributing organisations and non-affiliated SMEs;
- Help SMEs obtaining adequate trade finance/insurance for SMEs;
- Help SMEs to organise a strong protection of their investments where they could be exposed to higher risks;
- Facilitate the search for partners in third countries to help SME to internationalise, develop their innovation strategy, etc. Implementation of this support must be conceived in a way that takes account of the risks regarding the protection of European companies' intellectual property.
- Be developed in connection with a strengthening of the role of the EU Delegations in third countries, in the spirit of a more active European economic diplomacy. To this end:
  - It would be advisable to identify, via the European External Action Service (EEAS), a contact point for European SMEs in each Commission Delegations located in the



third countries. This contact person should be in charge of (1) offering a basic level information service on markets, legislations, trade finance, intellectual property rights, etc and (2) supplying interested SMEs with a comprehensive picture of the sources of more specialised information and expertise on these issues;

- Promoting the creation of a network of contact points responsible for internationalisation among the Commission Delegations. Having the Commission Delegations operating as one-stop-shops for European SMEs wishing to invest in third countries should be considered;
  - Another option could be the establishment in each target country of a network bringing together public agencies supporting internationalisation and the EU Delegation that would be in charge of analysing problems and obstacles and to seek common solutions, in particular regarding trade policy issues, intellectual property protection, public procurement, customs issues, etc.
- c) Promote best practices in the area of export consortia.
- d) Ensuring that SMEs have information on and access to all relevant markets involving EU-financing, and generally ensuring that SMEs are not excluded from any EU-related markets. Procurement for projects financed by e.g. EU development aid is today largely closed to SMEs, and in fact the trend is that companies must be larger and larger in order to be able to compete in this market. The Commission should fight this trend in order to enable SMEs to take part in this important market (as well as other procurement markets), as success in EU-financed projects would also provide a stepping stone to other markets (aid-financed and non-aid-financed).
- e) Finally, thought should be given to the design of an EU instrument to cope with the fact that trade promotion activities for companies from several Member States towards third countries are today very difficult to finance. This could take the form of a fund that could finance innovative multilateral trade promotion activities on a demand-driven basis. This would foster increased collaboration between SMEs from different member states and help them to enter new markets.

**5) Do you agree with the presumption that SMEs could benefit:**

**a) From greater visibility of available support? How could this be achieved?**

i) Visibility of support available at EU level

It is desirable to increase the visibility of support available from the EU.



The online portal mentioned in the discussion document would be a useful instrument to that end (even when it has to be kept in mind that not all SMEs necessarily have the capacity to find all tools in the internet).

Another useful initiative to help increase visibility would be organisation, in each Member State, of a series of information seminars (these seminars could even be organised at regional level in large countries). BUSINESSEUROPE is willing to draw up proposals in this area if so desired. Such seminars should be done in particular when an EU on-line portal is introduced.

Road shows could also be organised. A good example is the Finnish KiVi-road show project, which has been running in Finland since 2005. (See [http://ec.europa.eu/enterprise/policies/sme/files/support\\_measures/internationalisation/internat\\_best\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/support_measures/internationalisation/internat_best_en.pdf)).

ii) At national level: the need for improving the visibility of the European Enterprise Network (EEN)

The brand of European Enterprise Network and its resources vary greatly in member countries, with the result that SMEs have a more or less positive or a more or less negative degree of satisfaction vis-à-vis the services performed, depending on the country. There are also differences in how well SMEs actually recognise the EEN brand and its services.

There are also differences in how well SMEs recognise the services provided by national Chambers of Commerce, because their membership is not mandatory everywhere. Therefore they do not reach all the SMEs in every Member State.

In some Member States, all public services for enterprises support are gathered under a single portal, including the services linked to SME internationalisation. In such cases, improving the visibility of the EEN means essentially strengthening the EEN brand.

In some other Member States, the EEN services are not well integrated nor well coordinated with existing national and regional initiatives, which has resulted in overlapping and inefficient activities. Here the issue is to improve both the visibility of the EEN and the coordination between the EEN and other national/regional agencies and federations.

This should be done in the context of an assessment, by the Commission, of the EEN's functioning and of the services provided by the local contact points, in order to improve the effectiveness and consistency of their activities and services.

This assessment should be based not only on broad quantitative (statistical) parameters, but also on more refined qualitative elements, helping to assess how the services provided contributed to the internationalisation of SMEs.



BUSINESSEUROPE formulates the following recommendations in particular regarding the future development of the EEN:

- A too generic information approach, as now it is the case, should be avoided while services should be more oriented to companies' needs;
- The EEN should operate closer to private national business associations involving, wherever possible, their local branches. Involving a larger number of business representative organisations in EEN's management (e.g. through the creation of partnerships) would ensure more services to a wider number of companies.
- The existing difficulties in some countries with the setup of the EEN connected services and coordination with other organisations should be solved for a successful move to widening the scope of the EEN.

iii) The need for increased pro-active communication by (semi) public intermediaries in general

The fact that the EEN is proposed to act as "a local contact point" offering information for SMEs about the EU's instruments in third countries does not remove the need that every public and semi-public intermediary working on the internationalisation of SMEs should have the common responsibility to inform their potential SME customers proactively about the possibilities that the EU offers in third markets.

**b) From (improved) cooperation of organisations providing support?**

Yes, SMEs could benefit from (improved) cooperation between organisations providing support. BUSINESSEUROPE very much supports the concept of an efficient division of labour between existing providers of SME support services at local level as outlined in point 5.3 of the Commission consultation document.

I. Who should be involved in a cooperative division of labour?

This cooperative division of labour should involve:

i) EU level:

- European Commission – relevant services/programs/initiatives (eg, Market Access Teams);
- European External Action Service, through EU Delegations.

ii) Member-State government level:

- Trade support and promotion agencies
- Ministry responsible for enhancing internationalisation of companies.



### iii) Business level:

- European business organisations in third countries;
- Bilateral chambers in third countries;
- BUSINESSEUROPE and/or national or regional industry and employers' federations, based in Europe;
- European and EU-Member States' sector federations;
- EUROCHAMBRES and its members.

## II. Guidelines for designing an advanced cooperation model

At the European level, many activities and initiatives supporting internationalisation already exist: market access teams / partnerships, EEN, SMEs IPR helpdesk / business centres, manager exchange programmes. Therefore, a rationalisation of the various activities, in order to offer a consistent and more user friendly services to SMEs, would be appropriate.

BUSINESSEUROPE and its members are willing to reflect on the role they could play as coordinators or facilitators in an information pooling system resulting from a cooperative division of labour. In its answer to question 8, BUSINESSEUROPE elaborates more on the approach for the design of a cooperative division of work.

## III. The need for an overall strategic cooperation perspective

The cooperation between actors should not develop only in the specific context of given markets. It is also necessary to organise a more strategic overall cooperation, taking account of all markets on which a cooperative division of work is to be developed and examining the scope for improving cooperation models in order to respond optimally to SMEs' expectations. By structuring a dialogue between different actors the EU could improve overall effectiveness.

This strategic overall cooperation exists already in an embryonic form, but has the weakness of not being structured.

To remedy this shortcoming, the various European support organisations should be brought together in a focused network or platform.

The European Commission should fund a pilot project examining the practical possibilities for developing such a more structured and more coordinated cooperation. This could involve, for example, organising an annual conference with organisations providing support.

Setting up a pilot platform should make it possible to move ahead with development of the pools of information and expertise referred to in the response to question 4. It should identify ways of ensuring that information offered via the pools is updated regularly, and explore how to have an adequate feedback got on the quality and relevance of the services provided to SMEs in the context of Community initiatives. At the moment, this feedback is not sufficient.



**6) Do you agree that an online portal bringing together relevant information about doing business in certain markets abroad could be a useful tool:**

- a) For intermediaries (providing business support)?**
- b) For SMEs themselves?**

BUSINESSEUROPE is positively disposed towards the idea of a portal bringing together relevant information about doing business in certain markets. It is important not to develop an instrument which is too far removed from SMEs. This could be avoided by having an EU portal with national focal points (which could be national or regional business organisations or even the local contact points of the EEN as mentioned in answer to question 5 a) ii). Attention should be paid to avoiding a proliferation of portals and remaining coherent with the philosophy of “single points of contact”.

BUSINESSEUROPE asks the Commission to carry out thorough studies to see how a portal could provide effective services:

- Both to intermediaries, helping them to give tailor-made responses to the questions posed by SMEs;
- And to SMEs themselves.

The new Portal should be exclusively dedicated to internationalisation – making it different from the European Small Business Portal (which among many other things also offer information in the field of internationalisation) – and made much more visible, accessible and interactive. On the European Small Business Portal (and other Portals for companies, e.g. “Your Europe business”) the information on internationalisation should be available through a link to this new Portal.

The main objective should be to create a “gateway”, available to all SMEs interested in foreign markets and providing them a unique instrument to access existing information and services.

This would allow to overcome the fragmentation among the various existing initiatives falling under the responsibility of different DGs within the Commission and between these and those of the Member States.

As far as the information to be offered is concerned, the Portal could contain:

- A link to the Market Access data base, which provides basic information on import duties, trade barriers,... in third countries
- A complete map of the markets, complemented by country risk analysis and market studies, constantly brought up-to-date with the contribution of the Commission delegations in third countries and in cooperation with all the actors involved (including companies).
- Free access to constantly updated information for SMEs about:
  - Law, tax law, customs law;





- Bilateral agreements
  - Practices or specific “warnings” for doing business
  - Extraordinary or special provisions (e.g. new or suddenly applied tariff or non-tariff barriers in China, a very new document required for exporters in the U.S., the introduction of an increase or decrease in duties in Korea, etc.)
  - Products and services (prices, manufacturers, distributors, local and foreign competitors)
- A constantly updated database, with all the international calls for tenders (including the European ones: e.g. EuropeAid) to which our businesses could participate through an early warning system.

The Portal should also offer EU companies the opportunity to contact partners being interested in the same market and to dialogue with the European Commission indicating specific problems / new restrictions, etc.

In particular, it would be very useful if the portal could facilitate access for intermediaries and SMEs to the pools of information and expertise on the regulatory environment in third countries (mentioned in the response to question 4).

Measures should be taken to ensure that the pool contributing organisations post the updated information they generate rapidly on the portal.

**7) Do you agree that a stock-taking of existing support measures in certain markets is necessary?**

Yes, a stock-taking (or mapping) exercise improving information on existing support services in certain markets is necessary. Strengthening the services of business support providers should happen through efforts based on a common knowledge of what everybody is doing.

**8) Do you think that is a good idea to build on existing structures in markets abroad, such as established national bilateral Chambers of Commerce, to provide initial support to newcomers from anywhere in the EU? Or would you prefer new structures to be established to fill any gaps?**

Yes, it is a good idea to build on existing structures. It is also advisable to build on the EU Business Organisations in third countries (EBOs), which can also provide information/support services. Their management model seems to be fairly capable of the adjustment needed to develop a new pooled information resource accessible by European SMEs and intermediaries.

BUSINESSEUROPE urges the Commission to highlight vis-à-vis Member States the “win-win” aspects of the proposed strategy for promoting SME internationalisation, and to avoid any misunderstandings which could suggest that the intention is to force an opening-up of all existing Member-State services. It is essential to launch a public-private partnership with the partners which feel ready



to make a contribution, and to leave the door open for other partners to join as the merits of the new model become apparent.

The Commission should communicate in an efficient way that putting in place a new portal supplying basic information of common interest could lead to enhanced activity by national public bodies supplying information services.

**9) Do you think that a cooperation and division of labour between existing European support organisations in a given market:**

**a) Would be useful?**

**b) Could be feasible? What needs to be done to bring this about?**

Yes, such cooperation between existing European support organisations would be very useful.

This issue has been commented upon in the responses to questions 5 b) and 8.

**10) Do you agree that cluster and network organisations can play an important role in helping SMEs internationalise and should, therefore, be strengthened?**

Yes, cluster and network organisations can play an important role. In fact, clusters and business networks can contribute to encourage forms of aggregation of SMEs and thus to overcome barriers linked to the size of companies that hinder the penetration of extra-EU markets.

The EU should in particular strengthen its initiatives aiming at fostering cluster cooperation on markets outside Europe. Initiatives should also be taken at national level (for example, introduction of legislation facilitating the setting-up of export consortia, on the basis of the Italian model already supported, at international level, by, inter alia, the United Nations Industrial Development Organisation-UNIDO).

It is crucial to understand the economic interdependences between SMEs and large industrial corporations (leading competence units, LCUs). Due to their high capacity for investments, LCUs play a key role when it comes to added value, employment and R&D - achieved through continuous cooperations with numerous SMEs. The economic interconnection enables LCUs to benefit from the flexibility and the dynamism of SMEs and, conversely, allows SMEs to take advantage of strong industrial networks. Fulfilling the function of economic hubs, LCUs are often vital to SMEs and the economic survival of whole regions. With a view to internationalisation, SMEs need support to be able to follow the expansion strategies of large industrial companies as well as to enter existing economic hubs in foreign markets. Any EU support should target LCUs with a transnational dimension in Europe.



**11) Do you agree with the guiding principles for new EU support activities as set out in the proposal? If yes, would you like to see other bodies (Member States) adhere to such principles as well?**

For new EU support activities, BUSINESSEUROPE supports the principles of:

- Complementarity / additionality;
- Efficient use of public funds.

Concerning the principle of sustainability (i.e. the idea that services must be broadly self-financing in the long term), BUSINESSEUROPE has a two-pronged position:

- Access to (1) basic information on market and legal, tax and administrative environment and to (2) mapping on the availability of information resources as well as the identification of business partners and reliable services providers to business should be free of charge (which implies permanent financing for the information supply structure);
- By contrast, more specialised information could be provided against payment.

**12) Do you agree with the criteria for geographical priorities proposed?**

BUSINESSEUROPE agrees that the identification of the geographical priorities should be based notably on the following factors:

- Economic potential and size of the market;
- Extent of difficulty faced by SMEs in accessing the market;
- Gaps in existing business support.

Where extensive support exists, we must ensure that SMEs from all EU countries can access that support.

**13) Do you miss any important aspects in the overall approach?**

It should be stressed that the most optimal way for the EU to contribute to the internationalisation of SMEs is by fighting barriers to trade and investment. Any initiatives above and beyond this should only be undertaken after a careful study (as mentioned above) of existing activities to avoid duplication.

One issue which is not covered in the consultation document is the role that the Commission should play with a view to exploiting in an optimal way, for trade policy purposes, the concrete information that will emerge on market access difficulties, etc. from the work of the focused network or cooperation platform mentioned under question 9.

In addition, the Commission could provide more user-friendly information about important trade initiatives.

For example: an SME guide book on how to take advantage of ratified free-trade or other agreements would help ensure that SMEs benefit from new opportunities.



It is crucial that the implementation of the internationalisation initiative is done in close cooperation with the other relevant processes at EU-level (in particular in the RD and innovation area).

One missing point is the importance of planning for adequate assessment of policy implementation.

It is also extremely important to make a comprehensive evaluation, in other words, to analyse and examine the usefulness of existing EU instruments in third countries at this moment in time. This all would give us useful insights on how to disseminate information in Member States and also how to develop EU instruments for the benefit of all SMEs in EU.

\*\*\*