



7 May 2012

### **European Parliament Committee on Industry, Research and Energy Hearing**

#### **SMEs: competitiveness and business opportunities**

#### **Panel on helping SMEs to seize global opportunities**

#### **Comments by Daniel Cloquet, Entrepreneurship and SME Director, BUSINESSEUROPE**

**8 May 2012**

Ladies and Gentlemen,

I think that there is a broad consensus for saying that the issue of helping SMEs to seize global opportunities very much boils down to an agenda with three key items, namely:

- First: how to broaden the global trade opportunities. This is very much the classical “trade policy” agenda;
- Second: how to strengthen SME competitiveness, making them fit to take part in global competition;
- And third: how to develop an efficient chain of support services for SMEs, with regional, national and European elements working in a complementary way.

I will focus in particular on this last action line, which is at the core of the Commission Communication “Small business, Big World – a new partnership to help SMEs seize global opportunities”.

So, let’s start with the overall support system that is out there to help the internationalisation efforts of SMEs. This system involves 300 public programmes all over Europe. Is it adequate? Is it efficient? Is it truly accessible?

The view of BUSINESSEUROPE is that these public support services certainly represent a significant toolbox to help SMEs to export and invest in non-European countries. However, BUSINESSEUROPE considers that this toolbox is not optimised to enable European SMEs to exploit the full business potential of these countries. There are gaps in the service offer and missed opportunities for synergy between players.



That's why we support the Commission proposal to bring a European dimension to the supply of services for SMEs in a number of priority markets.

One should however not try to develop this European dimension in everything, taking an idealistic starting point and forgetting that the Treaties themselves give broad competences to Member States for trade promotion. This competition between Member States is a fact and will probably remain the only realistic and efficient model for a number of support functions. But all the support functions do not show the same degree of sensitiveness vis-à-vis European cooperation.

While the output of some support services can really be a strategic resource for a firm, other services are more competition-neutral and can be delivered with economies of scale if they are supplied in a cooperative way.

In line with Professor Antoldi (Catholic University of Milan), who spoke at an INTA Committee seminar on 24 January, BUSINESSEUROPE thus recommends that there is cooperation at EU level and implementation of joint support initiatives when two conditions are met:

- Number one: economies of scale exist and joining forces is the best way to reach a minimum efficient scale for the production of some services for SME internationalisation;
- And number two: the output of such initiatives and actions is not a strategic resource on whom the firm bases its competitive advantage.

Activities such as business environment scanning or supply chain management, for example, meet these two conditions.

Against this background, BUSINESSEUROPE very much supports the proposal of the Commission for designing a new division of labour between existing service providers at local level in third countries, based on win-win collaboration models.

We support in particular the idea of facilitating the creation of pools of information and expertise on the regulatory environment in third countries. Access to these pools of information and expertise should be ensured for both European SMEs affiliated to the pool contributing organisations and non-affiliated SMEs. As a principle, one could imagine that basic information on market and legal, tax and administrative environment should be provided free of charge. By contrast, more specialised information could be provided against payment.

In that context, we strongly support the introduction of financial incentives under COSME (the proposed Programme for the Competitiveness of Enterprise and SMEs) for facilitating cross-border cooperation and access to complementary expertise among service providers.

For identifying the opportunities for smart cooperation, it will be essential to set up, in the third countries, local platforms for cooperation between suppliers of services to European SMEs. This is another important proposal in the Commission Communication. Any local platform should involve in particular:



- a) The local working group reporting to the EU Market Access Committee (this working group is coordinated by the local EU Delegation and comprises representatives of public export promotion agencies as well as of some private bodies);
- b) And business networks in Europe, so that SMEs know where to turn to for services in third countries.

We also welcome the idea of the Commission of making a mapping of the existing services with a view to facilitate the identification of opportunities for smart synergies. However we insist that the mapping should include a qualitative assessment of the services provided, with a view to really allowing efficient cooperation.

Talking about the landscape of service providers, let me make some comments about the EEN, the Enterprise Europe Network, which aims to deliver information to the SME doorstep. The EEN comprises 600 partners disseminated all over Europe and beyond, and is planned to be financed by COSME in the future. The Network initially focused its activities on partner search and on information on European programmes, and then broadened its scope to offering services in the area of SME internationalisation.

When we listen to BUSINESSEUROPE members, we find that the brand of European Enterprise Network and its resources vary greatly in member countries. The result is 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.

In some Member States, the EEN services are not well integrated nor well coordinated with existing national and regional initiatives, which have resulted in overlapping and inefficient activities.

We are happy that the Commission is aware of the need to improve the services of the EEN partners in some countries. This need was also underlined at the January INTA seminar. In the future, the EEN service organisations should adopt a more pro-active role, carrying out in their territory an active search for candidates for internationalisation, and not just waiting for SMEs to knock at their door.

To give a sound basis for progress, we need an assessment of the EEN which is based not only on broad statistical parameters, but also on more refined qualitative elements, helping to assess how the services provided contributed to the internationalisation of SMEs.

Enhancing the effectiveness of the EEN will partly depend on designing a new governance model for EEN.

The design of the current EEN management structures does not result in close and effective involvement of EEN partners, and in particular business associations, in the definition of EEN's priorities. This is a problem that must be corrected through an adaptation of its decision-making structures. We welcome the fact that the Commission is working on this issue.



The principle of continuous improvement should in fact be applied across the board. We fully support the Commission intention to assess and optimise the whole EU portfolio of business support instruments for SMEs in non-EU countries, with a view to improving the coherence and cost-effectiveness of support activities.

A broader assessment should include the EU SME Centres, EU business support programmes for brokerage events (such as Invest in Med, East Invest, AL-INVEST), cluster collaboration initiatives, and networking and individual training programmes in the EU (such as Gateway to Japan/South Korea or the Executive Training Programme).

This broader assessment should be done in particular in the context of COSME and clarify whether and where the conditions are met for pursuing current actions and for developing new ones.

One of the instruments that BUSINESSEUROPE very much supports is the promotion of SME internationalisation through cluster, export consortia and enterprise networks.

Export consortia represent one of the best solutions among the instruments SMEs use to export. We therefore welcome very much the Commission planned initiatives concerning the setting-up of transnational consortia and programs to train cluster, consortia and network managers.

Ladies and Gentlemen,

Concluding, I would like to come back quickly to the broader strategic picture, and stress the need for mainstreaming SME internationalisation in many EU policies. It is vital for example that SMEs can obtain adequate trade finance. This point has been overlooked in the proposal for a revised directive on banks' capital requirements and we are happy that the Parliament is working to address this issue. Another worrying issue is the localisation strategies of emerging economies, requiring that large Europe-based companies work with local SME suppliers. The EU should firmly resist such strategies.

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