BUSINESSEUROPE

SPEAKING POINTS

14 November 2012

FIRST SME ASSEMBLY

Nicosia, 15-16 November 2012

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TACKLING STRUCTURAL OBSTACLES WHICH HOLD BACK SME GROWTH

A number of eminent speakers have discussed the specific support measures that should be implemented at EU level for helping SMEs go for growth. I would like to highlight what is needed to remove the obstacles which hold back SME growth. In essence, BUSINESSEUROPE calls for determined action to:

- remove the uncertainties around the Euro
- address structurally low growth in Europe
- adopt an EU budget that reflects a business-driven growth strategy.

1. REMOVE THE UNCERTAINTIES AROUND THE EURO

We urgently need to break the negative feedback loop between the financing of banks and public finance sustainability, which has reduced confidence in the financial system.

For SMEs, it is vital that Europe actions its commitment to agree a specific and time-bound roadmap for further strengthening the Euro. Although long-term in nature, such a roadmap can have an immediate impact in strengthening confidence.

Some positive initial steps have already been made by the EU for delivering such a road map, with:

- The scope given to the ECB for purchasing government bonds;
- Work launched on legislative proposals on the Single Supervisory Mechanism (SSM), to allow the recapitalisation of banks through the European Stability Mechanism.

Additional steps need to be taken by the EU for creating an effective Banking Union and for adopting effective EU measures to guarantee deposits.
However, strengthening the Euro is not a simple matter of technical measures. It is an objective which also calls for immediate and concrete steps towards economic and political integration. Greater fiscal integration should be part of this vision, as a long-term aspiration.

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2. ADDRESS THE SYNDROME OF STRUCTURALLY LOW GROWTH IN EUROPE

2.1 Facts

- Over the last 10 years, economic growth in Europe has averaged around just 1.25%, a year, significantly below other G8 economies.

- EU member states have an average budget deficit of 4.5%, significantly above the 3% maximum limit agreed by EU members as part of the Stability and Growth Pact.

- EU governments spend 10 times more on servicing debt than on funding research and development.

- Structural reforms at national level could boost annual EU GDP by a total of 7% by 2020 and create 11 million jobs.

2.2 What more can Europe do for reversing the trend of structurally low growth in Europe?

Promote structural reforms

BUSINESSEUROPE is convinced that the EU must intensify its role for triggering implementation of ambitious structural reform and fiscal consolidation programmes in Member States. Fiscal consolidation is the foundation for long-term growth, not the alternative.

The European Council needs to send a clear signal regarding the need for reform by adopting Commission country-specific recommendations which identify both key challenges and the need to step up reform implementation.

Priorities include:

- Put in place coherent and credible fiscal consolidation plans to meet targets agreed with the Commission to reduce budget deficits. The focus should be primarily on reducing government expenditure, with any tax reforms carefully designed to be growth-enhancing;
- Rapidly implement labour market reforms to reduce unemployment;
- Address rising youth unemployment, by putting labour market needs at the centre of Education in Europe;
- Undertake product market reform to make it easier for firms and workers to enter markets, driving up competition, productivity and growth.

Adopt an EU budget that reflects a business-driven growth strategy

Removing the obstacles to growth is not only a matter of strengthening the euro, implementing structural reforms and achieving fiscal consolidation. All this needs to be part of a broader plan for growth.

Full completion of the single market part must be at the core of this plan, as must be increased EU efforts to negotiate the elimination of numerous barriers which impede SME access to foreign markets.

As part of such a broad plan for growth, it is also vital to have an EU budget that invests in growth. The EU budget could be seen as a theme that is far removed from the A team's core issues, which are often of a legislative nature. In reality, this is not the case. Having a European budget that supports business-driven growth is in fact an essential element for addressing the obstacles deriving from the Euro crisis and the growth deficit in Europe. BUSINESSEUROPE is very concerned to see the risk that Member States could make cuts to the parts of the future multiannual European budget which offer great potential to boost growth and jobs, i.e. spending on:

- Research and innovation
- Well functioning cross-border infrastructure
- Promoting entrepreneurship and SME access to finance.

BUSINESSEUROPE would like to recall the solemn appeal it addressed to President Van Rompuy, in view of the European budget summit on 22 November 2012, that any budget reductions do not affect these growth-related areas, and in particular the financial pillar of the COSME programme.

3. REMOVE OBSTACLES TO TRADE WITHIN THE SINGLE MARKET

Significant obstacles can still be found within the Single Market, in the following areas:

- Obstacles to the free movement of goods
- Obstacles to worker mobility
- Slow take-up of e-procurement (public procurement)
- Deficit of competition in the area of public services
- Missing links in infrastructure
- Slowness in establishing the digital single market (e-commerce, etc.)
- Obstacles due to 27 different VAT laws and tax administrations
- Lack of a truly integrated EU intellectual property policy
- Obstacles to free movement of services.

Work for removing these obstacles must be accelerated and finalised.

4. REMOVE OBSTACLES WHICH HAMPER SME ACCESS TO FINANCE

It is vital to correct the artificially high SME risk weights included in the Commission proposal for revised bank capital requirements (CRD IV – CRR)

Studies based on historical data suggest that the Basel II and Basel III SME risk weights have been grossly overestimated in the past. BUSINESSEUROPE urges the Council to fully take on board the concept of "SME support factor" adopted by the European Parliament in negotiations on future bank capital requirements. This new parameter would reduce the bank capital requirements for a typical SME loan by 30%, compared with the Commission current proposals.

Given the deterioration in the availability of bank loans, it is essential to take measures at EU and national level to encourage the offer of and demand for alternative types of finance.

BUSINESSEUROPE supports the proposed EU Regulation on Venture Capital funds. However, it is of vital importance to pay close attention to the administrative burdens imposed on fund managers and on portfolio companies by this piece of legislation. Too heavy administrative burdens could hamper venture capital investment activities and/or prevent businesses from seeking venture capital.

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