



*European Economic and Social Committee*

**INT/607**

**Small Business, Big World**

Brussels, 23 May 2012

**OPINION**

of the

European Economic and Social Committee

on the

**Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Small Business, Big World – a new partnership to help SMEs seize global opportunities**

COM(2011) 702 final

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On 9 November 2011 the European Commission decided to consult the European Economic and Social Committee, under Article 304 of the Treaty on the Functioning of the European Union, on the

*Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Small Business, Big World – a new partnership to help SMEs seize global opportunities*  
COM(2011) 702 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 May 2012.

At its 481st plenary session, held on 23 and 24 May 2012 (meeting of 23 May), the European Economic and Social Committee adopted the following opinion by 195 votes to 2, with 7 abstentions.

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## **1. Conclusions and recommendations**

- 1.1 Harnessing the potential of European SMEs to penetrate third-country markets, especially fast-growing ones, could become an important factor in boosting growth and jobs. For this reason, the internationalisation of SMEs must be part of all EU policies relating to such enterprises.
- 1.2 Internationalisation embraces a broad range of activities, such as exports, imports, foreign direct investment, subcontracting and technical cooperation. The Committee regrets that the communication deals mostly with supporting exporters and investors.
- 1.3 Given the close link between internationalisation and innovation, the Committee recommends making the new Horizon 2020 and COSME programmes more accessible and user-friendly for SMEs. The European Social Fund also needs to be enlisted to foster internationalisation.
- 1.4 European support for internationalisation should take account of that offered at national level, which it should not duplicate but complement where this falls within EU competence, i.e., by opening up markets, concluding bilateral and multilateral agreements, dismantling barriers, providing information on customs issues, intellectual property rights protection, investment protection, standards, regulations, public tenders, the fight against corruption and so on.

- 1.5 The EESC calls for better alignment and a joint management of internationalisation policy between the Commission's DGs, the Council, the European External Action service, the European Parliament and the network of national SME Envoys.
- 1.6 The proposed web portal could serve its intended purpose, but only if it covers all available information sources, links up with national portals and provides basic information in every official EU language.
- 1.7 The EESC points out the inadequately harnessed potential of the Enterprise Europe Network and welcomes the proposal to change its management structure. It calls for business associations that are closest to SMEs to be brought into managing the network.
- 1.8 European support to help SMEs enter third-country markets should be closely tied in with their crossborder operations within the single market, since this is where most of them gain their international experience, and should also include help for SMEs in accessing the single market and the removal of barriers impeding this.
- 1.9 One of the biggest shortcomings of the current system of European and national support is that SMEs are scarcely aware of its existence, the information they need is difficult to find and couched in impenetrable language, and access to practical guidance on procedures is difficult. The Committee recommends that SME umbrella organisations, above all, should be enlisted in information activities.
- 1.10 Access to financing is an important precondition for SMEs going international, especially at a time of crisis. The EESC therefore calls on the Commission to create new financing instruments to support SME internationalisation, such as export credit guarantees, insurance for international operations and easy provision of loans via guaranteed credit cards.
- 1.11 The Committee calls for a unification of the conditions for various regional programmes, such as East Invest, AL Invest and Medinvest, which would make them easier for SMEs to use. It also calls for a re-think of the current rules, under which only partner-country SMEs can draw on support for taking part in programme actions.
- 1.12 The EESC proposes a series of tangible measures at European level that could usefully complement existing support, such as introducing a European SME exporter prize, using Europe-wide initiatives such as the European Enterprise Award, promoting SME internationalisation at the SME Week, setting up and maintaining a support providers' database of best practice, and reviving matchmaking initiatives such as Europartenariat or Interprise.
- 1.13 The EESC endorses the idea of convening an annual forum to evaluate progress in going international and calls for this to be a permanent platform in which social partners and other stakeholders, including the EESC, are effectively involved.

- 1.14 The EESC recommends that prospective markets such as the Gulf and South-East Asia be added to the selected BRIC priority territories.

## 2. **Gist of the Commission document**

- 2.1 The European Union needs to find new sources of growth and jobs. Major non-EU markets, especially China, India, Russia and Brazil, are experiencing strong growth and there are opportunities to be had for EU companies. Supporting the operations of SMEs outside the EU thus also helps to boost the Union's competitiveness as set out in the Europe 2020 strategy and other documents<sup>1</sup>.
- 2.2 In November 2011, the Commission published the communication "Small Business, Big World – a new partnership to help SMEs seize global opportunities"<sup>2</sup>, in which it proposed a complete overhaul of support to SMEs for internationalisation at EU level, intended to help extend it and make it more effective and transparent.
- 2.3 While 25% of EU-based SMEs have been exporting to the single market in the last three years, only 13% have been active outside the EU, which flags up substantial unexploited potential for expansion beyond the Union, especially in innovative manufacturing industries and creative sectors.
- 2.4 The Commission defines the goals it want to achieve – providing SMEs with accessible information, making support activities more coherent, improving cost-effectiveness, filling gaps in services provided at national level by the public and private sectors, and ensuring equal access for SMEs from all Member States.
- 2.5 The prime instruments the Commission intends to deploy to achieve these goals are: delivering information to the SME's doorstep, bringing a European dimension to services for SMEs in priority markets, supporting clusters and networks, and rationalising new activities in priority markets. Three principles are to be respected here: complementarity, sustainability, and efficiency in the use of public funds by setting SMART (specific, measurable, achievable, relevant, timed) objectives. The Commission will establish priority territories based on the criteria defined. SME internationalisation should also be part of other EU policies.

## 3. **General comments**

- 3.1 The EESC welcomes the Commission's communication and concurs with most of the analysis and conclusions. It notes that the communication concentrates more on the system for delivering support than on the content and aim of such support. The Committee draws

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<sup>1</sup> Communication on an integrated industrial policy, COM(2010) 614 final; review of the Small Business Act, COM(2011) 78 final; communication on trade policy, COM(2010) 612 final; and on the Single Market Act, COM(2010) 608 final.

<sup>2</sup> COM(2011) 702 final, 9.11.2011.

attention to recent opinions devoted to SME internationalisation – Review of the "Small Business Act"<sup>3</sup>, How to support SMEs in adapting to global market changes<sup>4</sup> and The external dimension of European industrial policy<sup>5</sup>.

- 3.2 The EESC agrees that a policy to help SMEs penetrate non-EU markets should feature in the EU's Europe 2020 competitiveness strategy and other EU policies and it underscores the need to coordinate the deployment of these policies with a view to SME internationalisation.
- 3.3 The Commission communication concerns itself almost exclusively with support for direct exporters to third countries. However, the internationalisation of SMEs embraces exports, imports, foreign direct investment and technical cooperation, subcontracting and other activities, in which SMEs are part of the value chain.
- 3.4 Information and training support must be extended to other facets of internationalisation to deliver the benefits to the broadest possible spectrum of users. A distinction must also be drawn between the needs of different categories of enterprises according to their size and international experience.
- 3.5 The published statistics for the number of SMEs that could be involved in internationalisation merit some caution<sup>6</sup>, since a large portion of SMEs will be meeting only local demands for small services, craft products and so on in local markets.
- 3.6 The EESC notes that a business-friendly environment for SMEs has to be created on a systematic and permanent footing, red tape and overregulation that jeopardise the competitiveness of EU firms in third-country markets must be cut, and all the barriers to SMEs going international must be systematically dismantled.
- 3.7 Innovation stimulates internationalisation, which may, in turn, boost company performance<sup>7</sup>. In the current EU budgetary period, SMEs are only taking up 15% of funding under the FP7's Cooperation programme<sup>8</sup>. The new Horizon 2020 and COSME programmes and the fourth pillar of the European Social Fund could do a great deal to improve competitiveness through innovation and thus foster a healthier environment for internationalising Europe's SMEs and,

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3 [OJ C 376, 22.12.2011, p. 51.](#)

4 [OJ C 255, 22.9.2010, p. 24.](#)

5 [OJ C 218, 23.7.2011, p. 25.](#)

6 See EIM study, p. 5. 25% of SMEs within the EU27 export, of which about 50% also go beyond the internal market (13%); 29% of SMEs within the EU27 import, again 50% import from countries outside the internal market (14%); 7% of SMEs within the EU27 are involved in technological co-operation with a foreign partner, 7% are a subcontractor to a foreign partner; 7% have foreign subcontractors, and 2% of SMEs are active in foreign direct investment.

7 SME Performance Review "Do SMEs create more and better jobs?" EIM, November 2011, p. 77.

8 SME Participation in FP7 Report 2007-2011. European Commission, January 2012.

subsequently, for greater growth and creation of jobs. However, SMEs need to be made aware of, and given access to, these programmes, which must also be made easier to use.

- 3.8 Support for SME internationalisation can only be effective if providers at both European and national levels adopt a new approach and move from one-size-fits-all, standardised services to ones that are targeted, proactive and bespoke, taking account of the sector, life cycle, availability of resources, position amid the competition and the company's intrinsic potential – such as language skills and knowledge of the local culture and business environment<sup>9</sup>.
- 3.9 Business is about profit, growth and market share. Breaking into foreign markets may deliver these, but there is no guarantee of success. While half of SMEs operating abroad experience a growth in turnover, the other half do not. The aim of the support provided should be to minimise the risks of failure due to lack of information and experience.
- 3.10 Fostering the internationalisation of SMEs is a matter for the Member States, which have a raft of over three hundred both publicly and privately funded support programmes<sup>10</sup>. This is why ample consideration must be given to what added value the new support at EU level could deliver, in order to avoid duplication or overlapping of current support. In this respect, regular exchange of information between national authorities providing support for the internationalisation of SMEs and their coordination with relevant Commission directorates would be useful.
- 3.11 Europe's contribution should primarily zero in on opening up markets and making them easier to access, concluding bi- and multilateral agreements, removing tariff and non-tariff barriers and providing information (Market Access Database – MADB) – especially about particular and shared aspects, such as protection of industrial property rights, standards, customs duties, import/export documents, regulations, sanitary, phytosanitary and veterinary rules, the fight against corruption, and public tenders. The EU should systematically require partner countries to validate the national certificates of Member States that are recognised within the single market, thus preventing some Member States being discriminated against.
- 3.12 EU support should also be deployed to create a level playing field when it comes to SMEs from smaller and new Member States that are not able to maintain their own representation in third markets.
- 3.13 The principle of partnership between public institutions and business representatives (chambers of commerce, associations representing the interests of SMEs, business and sector associations) should be followed strictly. The involvement of the social partners, especially at regional and local level, should ensure that policies and resources needed to support SME

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<sup>9</sup> Fabio Antoldi, Can European SMEs really intercept the international paths of fast growth?, presentation at the EP seminar on 24 January 2012, p. 31.

<sup>10</sup> EIM Study: Opportunities for the internationalisation of European SMEs, final report, p. 30.

internationalisation are identified and their proper use monitored. The partnership principle should respect national interests and the various forms of support and free competition between companies and support providers. Government bodies in the Member States, which provide services supporting internationalisation, should not act in competition with organisations representing businesses.

3.14 The EESC would have welcomed a proposal in the communication for better coordination and joint management of internationalisation strategy at European level. When it comes to SME internationalisation, there is no clear demarcation of the competences of the Commission's directorates-general (such as Enterprise and Industry, Trade, Internal Market, Development & Cooperation, and Taxation and Customs Union). Collaboration should also be improved between, on the one hand, these Commission DGs and the European External Action Service and, on the other, the Council, the network of national SME Envoys, the European Parliament, Member State representations in third countries and other bodies that implement internationalisation policy and play a part in shaping it.

#### 4. **Specific comments and recommendations regarding the Commission proposals**

4.1 The proposed mapping of the state of play should focus primarily on gauging the efficacy of current EU support measures and instruments, pinpointing the present gaps in national support systems and closing these with an EU contribution.

4.2 There should be some serious thinking – not least about costs – before setting up a new EU information portal. The following principles should be respected:

- It should not involve duplicating existing national sources;
- The portal should link all existing EU and national information sources so that they are easily available in one place;
- Shared information from European sources should be provided in national languages;
- Information from the EU's own sources should focus on the identification and removal of barriers to market access, customs regulations, certification, sanitary, phytosanitary and veterinary requirements, investment incentives and protection of investment, intellectual property rights (IPR), public procurement, the fight against corruption, etc.;
- SMEs should also be informed about those aspects of the OECD Guidelines for Multinational Enterprises that are also relevant to them<sup>11</sup>;
- Information should accommodate the needs of all those involved in internationalisation: importers, exporters, investors and subcontractors, taking account of the specificities of different sectors.

4.3 The EESC regrets there are no measures to support e-commerce, which could become an important area in SME internationalisation. This requires EU targets for broadband internet to

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<sup>11</sup> OECD Guidelines for Multinational Enterprises, 2000.

be met, especially those concerning coverage of rural and remote areas, which would facilitate SME access to the information needed for internationalisation.

- 4.4 The EESC appreciates the helpful contribution made by the Enterprise Europe Network (EEN) to developing contacts and trade relations between EU firms in some countries. Even so, the site's potential could be much better harnessed, as is testified, for example, by the fact that most of Europe's SMEs appear to have scant awareness of its existence. The services offered by the EEN should be grounded as much as possible in real SME demands and needs. In many regions, SME umbrella organisations are not part of the EEN. The EESC stresses the need, therefore, to restructure EEN governance and calls for business support organisations most closely involved with SMEs to participate in managing the network.
- 4.5 European support to help SMEs enter third-country markets should also include a variety of support to help them enter the single market, along with the dismantling of barriers that continue to impede full exploitation of the opportunities afforded by the single market as laid down in the Single Market Act. It is common for SMEs to first trade internationally within the single market and then branch out into third-country markets.
- 4.6 It is clear from all the research and studies that SMEs have limited knowledge of the support and programmes available. The language used by EU and national institutions should be simple, understandable and tailored to what SMEs are about. The EESC recommends drawing up a clear, succinct guide through the labyrinth of support options, improving the dissemination of information about current support from the European institutions, and involving – in particular – organisations representing SME interests (such as chambers of commerce and sector and SME associations) in transmitting information and raising awareness about support and giving them the required financial support to provide the necessary advisory services.
- 4.7 In the light of the Commission's Action Plan<sup>12</sup>, the EESC would welcome improved SME access to finance, which is vital for their survival, growth and potential internationalisation, especially in the EU's current economic and financial crisis. The EESC calls on the Commission to create new support funding instruments for SME internationalisation, such as export credit guarantees, insurance for international operations and, perhaps, easy provision of loans via guaranteed credit cards<sup>13</sup>.
- 4.8 New regionally focused programmes should be built on identical financial and administrative conditions, unlike current programmes such as East Invest and AI Invest. The Committee calls on the Commission to review the current rules under which only partner-country SMEs can draw on support for taking part in programme actions. They should also facilitate SMEs

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<sup>12</sup> An action plan to improve access to finance for SMEs, COM(2011) 870 final.

<sup>13</sup> See the Széchenyi Card in Hungary, which is guaranteed by the state and enables SMEs to get loans without collateral: [www.iapmei.pt/conferencia/1\\_Laslo\\_Krisan.ppt](http://www.iapmei.pt/conferencia/1_Laslo_Krisan.ppt).

from Member States participating in their implementation by extending support to cover initial costs of taking part in activities.

- 4.9 The Committee welcomes the Commission's endeavour to enable SMEs from Member States that do not have their representations in key third-country markets to access support and information provided by other EU Member States. It points out, however, that configuring such cooperation will be no easy matter. It will have to be clarified whether services subsidised from a country's public purse can be used by SMEs from other Member States.
- 4.10 This hurdle could be surmounted by the gradual establishment in key partner countries of European SME support centres for mutual trade. SME umbrella organisations should be directly involved in decisions about the nature and form of their activities. The EESC therefore recommends that organisations representing SMEs at both national and EU level be given the necessary funding for raising their profile.
- 4.11 The EESC calls for an annual forum to be set up to evaluate SME internationalisation. Participation should be open to organised civil society (employers, trade unions, consumers, chambers and professional associations, SME associations, etc.), including the EESC and organisations such as EUROCHAMBRES, UEAPME, Business Europe, ETUC and possibly European sector associations in those branches that are most important for internationalisation. Acting as a permanent coordination platform, the forum should also keep track of how the considerable resources allocated to various programmes and support are used and monitor their effectiveness on the basis of clear criteria.
- 4.12 The EESC proposes that a European prize for the best SME exporter be instituted and awarded annually at, for example, the forum's assembly.
- 4.13 The European Enterprise Award and the European Entrepreneurial Region prize awarded by the Committee of the Regions could be better used to promote internationalisation achievements by public bodies.

The annual SME weeks should include support for internationalisation and the exchange of best practice in this area between Member States.

The EESC calls for the creation and maintenance of an online database of the best internationalisation practices of European chambers of commerce, SME umbrella associations, and sector organisations and its targeted dissemination via SME umbrella organisations.

- 4.14 The EESC recommends revisiting the tried and tested EU initiatives that many candidate-country SMEs benefited from in the past for their internationalisation, such as Europartenariat or Interprise.

- 4.15 As far as the territorial scope of SME internationalisation is concerned, the EESC agrees with the focus on the BRIC countries, which are recording high economic growth, but recommends that attention also be extended to other prospective markets, such as the Gulf states and South-East Asia. The Committee also recommends establishing sector priorities that SME internationalisation should focus on.
- 4.16 The EESC recommends far greater involvement of SME Envoys in the countries where they operate in the internationalisation of SMEs, which should be made one of the key priorities of national policies to support SMEs.

Brussels, 23 May 2012.

The President  
of the  
European Economic and Social Committee

Staffan Nilsson

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