

Employers' Group

Newsletter April 2016

What future for EU SME policy?

The outcome of the SME Round Table



EU employers' organisations call for an overhaul of the Small Business Act (SBA) to better accommodate the needs of Europe's more than 21 million SMEs, which have created 85% of new jobs in the past five years.

The Small Business Act "should be revived" and the needs of SMEs must be taken into account in all EU policies by applying the "Think Small First" and "Only Once" principles which help to reduce red tape. Tangible results must be achieved in combatting "over-implementation" (gold-plating). These were amongst the

main messages of the participants of the SME Round Table on 5 April, organised by the Employers' Group of the European Economic and Social Committee. The event took place in Brussels with EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs Elżbieta Bienkowska in attendance.

In his opening remarks Jan Klimek, EESC rapporteur on Family Businesses elaborated on the changing environment that business operates in. He underlined that globalisation, virtualisation and digitalisation of business,



Peter Faross, Secretary General of UEAPME

Christian Verschueren, Director General of EuroCommerce

as well as rapid creation of new business sectors, require extreme flexibility on the part of the entrepreneurs.

The Commission appreciates detailed feedback on SMEs' needs, as it enables us to fit the EU legislation for purpose – stated **Elżbieta Bieńkowska, EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs**. Referring to SME Policy, she emphasised three areas of special importance: access to finance, promotion of entrepreneurship and reducing red tape. She recalled that the Commission had launched public consultations on start-ups and encouraged all employers' organisations to contribute to these consultations in a detailed manner.



Elżbieta Bieńkowska, EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs

The integration of SME aspects into all EU policies is a very positive signal but this cannot be a substitute for a visible SME policy – stated **Peter Faross, Secretary General of UEAPME**. He proposed to organise a joint conference next year on SMEs to present, discuss and to give visibility to existing policy proposals where SMEs aspects have been integrated and to identify the existing policy gaps.

SME policy should have two aims: developing a pro-SME action agenda and energising national SME policies – said **Marta Marti Carrera, Chair of the "Entrepreneurship and SME" Committee, BUSINESSEUROPE**. In her view, the potential of the Small Business Act was underexploited, and so employers were calling for the SBA to be revived. Referring to better regulation, Ms Carrera underlined that there is still room for improvement in numerous administrative procedures at national level. She pointed to the

importance of prompt and effective implementation of SME policies.

Pekka Pesonen, Secretary General of Copa-Cogeca underlined the role of farms and agricultural cooperatives within the SMEs sector. Given the relevant challenges faced by the farming sectors (such as climate change, the circular economy, changing consumer demands) it is fundamental that the EU and Member States fully engage in achieving a fair functional Single Market. Mr Pesonen emphasised the importance of better access to finance, support services, education and vocational training for SMEs operating in agriculture sector.

Valeria Ronzitti, General Secretary of CEEP drew attention to the challenges that local public service providers are facing and called for more inclusive SME policy. 25 000 local public services operators in Europe generate over 280 billion euro of turnover. Ms Ronzitti called for the potential of this type of actors too to be harnessed.

In his statement, **Arnaldo Abruzzini, CEO of EUROCHAMBRES** focused on the internationalisation of SMEs. He argued that the major obstacle to SMEs expanding abroad are flaws in the internal market. He appealed for better harmonisation of regulation and removal of administrative burdens. He also referred to the current migration crisis that the EU is facing. In his view, SMEs could play a major role in integrating migrants in the labour market.

Christian Verschueren, Director General of EuroCommerce listed a number of issues important for the retail sector, such as challenges and opportunities emerging from digitalisation and numerous barriers still existing on the single market. He underlined the crucial role of Member States in reducing these barriers as often

Arnaldo Abruzzini, CEO of EUROCHAMBRES

Valeria Ronzitti, General Secretary of CEEP





Pekka Pesonen, Secretary General of Copa-Cogeca



Businesses elaborated on business transmission – an essential issue for family businesses, and important for maintaining jobs in Europe. In his view, family businesses are not only strong, resilient, and deeply involved in local communities, but also play an important role in supporting an

they are a result of gold-plating, that is over-implementation of the EU regulation.

The representatives of employers' organisations from Malta and Greece raised a number of issues that are important in the context of SME policy at national level.

Anton Borg, President of the Malta Chamber of Commerce, Enterprise and Industry referred to numerous trade obstacles even within the Single Market, that hinder the potential of SMEs. **Dimitris Dimitriadis,**

taking the floor on behalf of the **Hellenic Confederation of Commerce and Entrepreneurship** underlined a major problem that Greek SMEs are struggling with since the crisis: access to finance. He pointed out that in the last 6 years, 250 000 SMEs have gone out of business in Greece.



Anton Borg, President of the Malta Chamber of Commerce, Enterprise and Industry

Patrick Gibbels, Secretary General of the European Small Business Alliance focused on issues important for micro companies, as they were a majority of ESBA members. He underlined the importance of recognising discrepancies across the whole SME spectrum. In his view, policy makers should avoid regulating via numerous exemptions to legislation; if the think small first principle was properly implemented, the needs of a majority of stakeholders would be sufficiently addressed.

Lena Mörttinen, Executive Director of Finnish Family Firms Association underlined that digitalisation is an opportunity for small companies to compete more easily with larger companies. Family firms are very willing to grow and in order to succeed in this, family firms need to invest more, which raises the issue of equity financing.

Jesús Casado, Secretary General of the European Family

entrepreneurial culture.

In a **joint declaration**, representatives of six EU business and employers' organisations (BUSINESSEUROPE, UEAPME, EUROCHAMBRES, EuroCommerce, Copa-Cogeca and CEEP) called for a **reinforced EU SME policy and SME Action Plan** to reinvigorate the SBA – ensuring it is governed, monitored and implemented more efficiently – and energise national SME policies. They identified a number of priorities that

must be addressed, such as promoting entrepreneurship, completion of the Single Market, improving access to finance for SMEs and facilitating trade, including access to non-EU markets.

“SMEs need a business and regulatory environment that is future-proof and encourages innovation and investment instead of stifling it,” noted the joint declaration.

“SMEs are major jobs and growth generators in Europe and their further growth is crucial for the European economy. By organising the Round Table, we wanted to draw the attention of policy-makers to the variety of challenges that SMEs are facing and to propose concrete measures to improve their business environment,” said **Jacek Krawczyk, President of the EESC Employers' Group.**

He underlined that both EU and national employers' organisations are eager to cooperate more closely with the European Commission to make sure that legislation responds to business needs, especially smaller firms which are the beating heart of growth and jobs in the Union.

Patrick Gibbels, Secretary General of the European Small Business Alliance

Jesús Casado, Secretary General of the European Family Businesses



Completing EMU remains a key issue in the European conundrum

Given the awkward situation of the European economy, one might hope that the Council would progressively take decisions deepening the EMU, as advocated in the Five Presidents' Report of June 2015 and discussed in the European Council. But it seems that this desirable process has become bogged down again. Overwhelming events like Brexit and the refugee crisis and political instability in Europe's neighbourhood are distracting attention from Europe's core economic issues. More importantly, concerns about national sovereignty remain a stumbling block for urgent decisions. This trend can be seen in all key areas of EU policy-making. If current attitudes persist, the long-term consequences will be quite serious. The policies that are the cornerstones of the process of building and strengthening the Union's internal coherence remain as important as ever, and they will be equally indispensable for coping satisfactorily with external threats and challenges. These remain decisive arguments for building a robust Eurozone.

That was also the main goal of the Five Presidents' Report, in which the EC announced a series of actions to be taken in the first phase, up to 2017. These actions can be decided upon and implemented under the current Treaty. In addition to a Communication following up the Report, the Commission recently presented a package of three proposals: on the establishment of National Competitiveness Boards, on the European Deposit Insurance Scheme (EDIS) and on the Euro area's external representation. At first sight these subjects do not appear to be interrelated, but in a wider context they definitely are. From different perspectives all of them aim at strengthening cooperation within the Eurozone. A framework of National Boards made up of respected experts providing analysis and policy support will help to improve European coherence. EDIS is the risk-sharing pillar of the banking union that was still lacking. It is complemented by risk-reduction measures - essential for its completion, while the third proposal presents a

roadmap for a single European voice for the euro at world level. All three are building blocks of the future fiscal union that has been under discussion for twenty years. The EESC has adopted opinions on this package, sometimes after a heated debate. In parallel, it has adopted an opinion on economic priority programmes for growth that can, through a reinforced annual Semester, also be seen as a building block of the future fiscal union.

The EESC insists that the completion of the EMU architecture be tackled without delay. In the view of European entrepreneurs and a large majority of leading economists, this should help to put the conditions in place for the threefold objective of fiscal discipline, structural reforms and growth initiatives. This objective cannot be attained overnight, but it is essential that all three elements are seen as inseparable parts of a common approach. It is the only way to promote economic convergence in the Eurozone. It will be very disappointing and counterproductive if this broader perspective is neglected in the political debate, as now seems likely. The question should not be whether any given country rejects a specific proposal. The main question is whether the Eurozone is able to design a common future for its economy and its citizens. If no agreement is reached on the Commission's package in the foreseeable future, doubts will increase among investors and consumers as to the political will to build a robust Eurozone, undermining the already difficult investment



climate. Quantitative easing, low inflation and low energy prices have not led to substantially higher growth. A consistent and reliable policy line, as laid down in the Commission's Deepening EMU Package, combined with progress in other key policy areas, notably the Single Market, can help to overcome widespread scepticism. The EU political leadership has no time to lose.

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Stronger and more efficient external representation of the euro

By Petr Zahradník, EESC rapporteur for ECO/392 - Euro area external representation

The main conclusions and observations

The euro area needs to step up its external representation. This will strengthen its relative weight in international financial institutions and give it a more prominent position in international financial markets. It is rational to treat strengthening the euro area's external representation in the International Monetary Fund (IMF) as a priority. At the same time, however, the European Commission should also draft scenarios for making the links with other relevant international bodies stronger and more effective, taking particular account of their remits. We should broadly agree with the ultimate goal of having a single chair at the IMF by 2025. On this point, we also recommend that the role of the external representation of the euro area be defined clearly and explicitly and that this role be dovetailed into the role of the EU as a whole, with a view to preserving the integrity of the single market. The necessary political pressure must be marshalled to ensure that the obligations and commitments stemming from this for the Member States are fulfilled in a timely manner. We anticipate that the proposed procedure will result in better and deeper coordination between Member States in the area of economic policy and its external dimensions and expect corresponding coordination on this between the relevant EU institutions and bodies, ensuring the utmost transparency.

A set of arguments

There are good reasons why the IMF is the main institution in respect of which the external representation of the euro area should be strengthened. A euro area that had a single chair would also be able to speak to the IMF with one voice on matters where EU policies are to a large extent coordinated,

namely economic and budgetary policy, macroeconomic surveillance, exchange rate policies and financial stability. We highly recommend more consistent and effective external representation of the euro area in the IMF, with the scenario to be agreed as swiftly as possible and implemented step by step. Three stages are proposed in the Commission's scenario.



It could be argued that if external representation of the euro area is not established, then that area's potential for formulating global economic and monetary policy will not be fulfilled and the attractiveness of the euro for transactions, investment and reserve currency in the global context will be restricted.

We think the proposed improved external representation of the EU or euro area is the first step in an entire process that will be followed by a similarly detailed scenario with respect to other relevant institutions – such as the Bank for International Settlements (BIS) or the OECD – that play a role in furthering the goals of a Banking Union and a Capital Markets Union. We propose that the European Commission, while sticking with the priority of strengthening the euro area's external representation in the IMF, should also draft scenarios for making the links with other relevant international bodies stronger and more effective, taking particular account of their remits.

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Building a Capital Market Union requires a diversified approach for SMEs

With its announcement of the Action Plan on Building a Capital Markets Union (CMU) in the autumn of 2015, the Juncker Commission was undoubtedly launching one of its most important flagship projects.

In the words of Commissioner Jonathan Hill: "At its most simple, the goal of the CMU is to connect savings more effectively with growth (...). It will provide more options and better returns for savers and investors. It will offer businesses more choices of funding at different stages of their development (...). It will also help to ensure that the financial system supports growth and jobs."



There is no single measure that will deliver such a Capital Markets Union. Rather, it requires more than 30 building blocks. For now only a limited number of these have been announced, while the others will be revealed in stages (between now and 2018).

These components entail both traditional bank financing and actual market financing. Obviously, this is not a question of one or the other, but of *both*. The two can and should be complementary.

Banking finance will certainly remain very important in the future, especially for SMEs, which are the beating heart of Europe's economy. And banks also play a very important role in capital markets as intermediaries.

It is precisely with regard to SMEs that the EESC has certain concerns pertaining to the effectiveness and relevance of the Action Plan and the proposed initiatives and measures.

There is real reason to fear that the bar for access to capital markets will be too high for a large proportion of SMEs, in particular small and micro businesses. It will be important to find the right incentives and formulas for them to ensure that they always find the financing means that are most suitable for them.

It will have to be ensured that other SMEs can also really benefit from the advantages provided by a single capital market.

Noteworthy here are also the recently issued proposals on further simplifying the requirements in relation to the prospectus that businesses must publish when they enter the capital market.

The proposals are not very clear regarding issues of between EUR 500 000 (below which no prospectus is required) and EUR 10 million. In their current form, no EU harmonisation seems to be provided for.

This situation risks affecting SMEs more than larger businesses, precisely because these companies are the most active in this band. They might consequently find themselves the most bound by national systems missing the benefits of the CMU. It is obviously too early at the moment to pass judgement definitively, but this issue should certainly be considered more carefully.

All in all, the Action Plan should be welcomed. The challenge now is to implement it promptly and resolutely. Action must be taken to gradually establish the CMU. The Member States must also play their part, remove existing obstacles, and pave the way for the future.

Particular attention must also be paid to ensuring an appropriate and diversified approach for SMEs to make it possible for them to really have access to the CMU and reap its benefits.

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The key role of business in EU external policy

A key achievement of the Lisbon Treaty (Article 21, TEU) was to bring together for the first time all the varying aspects of EU external policy (trade, investment, development, enlargement), to ensure much greater coordination by making them more closely integrated and mutually informed - and guided of course by the principles and core values of the EU.

The current College of Commissioners reflects this greater co-ordination. Federica Mogherini, who visited the Committee in March, heads as High Representative and Commission Vice-President a 'Project Team' of Commissioners, "Europe in the World". This includes Cecilia Malmström (Trade and Investment), Johannes Hahn (Neighbourhood and Enlargement), Neven Mimica (International Co-operation and Development) and others.

Although Commissioners do not per se have any decision-making powers – the principle of collective responsibility applies - it is important that any business-led interaction with Commissioners and Commission officials is effectively targeted in the right place. This can often not be completely clear-cut. Trade is covered by Mrs Malmström but economic diplomacy – when matters go wrong in a third country – is the prerogative of the European External Action Service (EEAS), the responsibility of Mrs Mogherini.

Business needs to be involved with EU external policy. After all, business and companies are at the sharp end of trade and investment – it is business involvement that makes this happen – or not. No company will want to trade or invest where the conditions are not right. An active civil society in a third country is a clear sign of the predominance of the rule of law, an independent judicial system and comparatively low levels of corruption. If basic human rights and fundamental freedoms are not respected in a particular country, nor will investment rights.

As the recent Commission Communication "Trade for all" pointed out, over 30 million EU jobs – 1 in every 7 – depends on exports, trade is one of the few instruments available for boosting the economy without burdening state budgets, and 90% of global economic growth over the next 15 years is expected outside Europe. There is a growing interdependence between goods and services and between imports and exports - in parts, components and capital goods like machinery. A high



Debate with Federica Mogherini, High Representative of the Union for Foreign Affairs and Security Policy and Vice-president of the European Commission, EESC Plenary Session, March 2016

proportion of trade is now in intermediate products and services, with a fragmented production process spread across many countries. Developing countries increasingly look to specialize in specific areas of these global value and supply chains.

But business also needs to look wider than just EU trade and investment policy. The wider external relations picture is essential. Neighbourhood policy is key – and many of the EU's nearer neighbours are in crisis, especially around the Mediterranean. To the East there is not only Russia, but also China and other "neighbours of our neighbours". The effects of the Chinese strategic "One Belt One Road" (OBOR) policy, which is partly aimed at the EU, can be seen in greater Chinese investment in Eastern Partnership countries like Georgia, or in Central Asia, where strategic transport and energy links with China also come into play.

At Plenary it was important to demonstrate to Mrs Mogherini how the work of the Committee, with its strong cross linkages, interacted with that of the EEAS, in this instance of OBOR through its work with China, the Eastern Partnership and Central Asia, involving contact with local civil society and its work on transport and energy links.

Over the next 15 years, trade and investment – and business - will play a fundamentally important role if the world is to achieve the UN's Agenda 2030 "Strategic Development Goals" or the goals set by the recent "COP 21" Paris agreement on climate change. UNCTAD estimate that, for the SDGs alone, an extra US\$2.5 trillion will need to be found annually, much of it from the private sector. Business cannot afford to sit back and watch while others take the key decisions for us – we need to be directly involved.

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Upcoming Maltese EU Presidency: the Employers' Group's involvement

Preparations for the upcoming Maltese Presidency of the Council of the European Union were one of the themes for the working visit by the President of the Employers' Group, Jacek Krawczyk, to Malta. President Krawczyk expressed the group's willingness to cooperate actively both with Maltese employers' organisations and with the government to prepare for the Presidency.

All of the major Maltese employers' organisations (the Malta Chamber of Commerce, Enterprise and Industry, the Malta Hotel and Restaurants Association, the General Retailers and Traders Union and the Malta Business Bureau) are involved in preparing for the Presidency. They will identify four main themes to form the employers' agenda for the Presidency, which will then be formally presented to the Maltese Prime Minister and the Parliamentary Secretary as well as to the main employers' organisations in Brussels.

Malta will take on the EU Presidency for the first time in January 2017, following the Slovak Presidency which is scheduled for the second half of 2016.



European Migration Forum

A long-term approach to sustainable labour migration and successful integration – that was a title of the second edition of the European Migration Forum which took place on 6 and 7 April 2016 at the EESC. Participants were looking at the particular challenges faced by low- and medium-skilled migrants, and at issues including undeclared work and exploitation, access to the labour market, and the role of the local level and civil society in the integration process.

The integration of refugees and migrants in our societies is very complex, and if there is one thing that everybody agrees on it is that to succeed there must be cooperation between national and local authorities, employers and trade unions, local people and migrants, refugees and the diaspora. This is the only way, and no effort should be spared, noted Irini Pari, member of the Employers' Group and president of the EESC's Permanent Study Group on Immigration and Integration.

The forum consisted in interactive discussions where participants, organised in small groups, exchanged views on challenges, solutions and good practice. The specific policy outputs identified during the participatory and interactive workshops will feed into upcoming European Commission initiatives such as the EU Action Plan on the integration of third-country nationals.

The European Migration Forum was jointly organised by the European Commission and the European Economic and Social Committee.



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