



European Economic and Social Committee

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The global role of SMEs in periods of crisis

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THE SMEs in THE EU ECONOMY



- The EU's 23 million SMEs employ 2/3 of private sector employees and many of them are central actors in the development of a competitive, innovative and inclusive EU economy.
- Greater recognition needs to be made of their role in and contribution to the prosperity of the EU and the various social models that characterise the EU's economy.
- Dynamic and innovative SMEs are the backbone of the EU productive system and could increase their contribution to the value added of EU global industrial champions.
- As the world's largest exporter and donor of development aid the EU is globally orientated and so are EU's SMEs.

THE SMEs in THE EU ECONOMY



- The EU is an SME-based economy and SMEs are an important pillar of the EU's social market economy.
- SMEs anticipate change and help in managing change.
- EU's SMEs policies over the years:
 - 1986: SME Action Plan
 - 1994: Integrated Programme + various multiannual programmes
 - the White paper on Competitiveness and Growth and the 1997 European Employment Strategy
 - the 2000 Lisbon Agenda
 - the 2000 S. M. da Feira Small Business Charter
 - the CIP (Competitiveness and Innovation Programme)
 - the Small Business Act for Europe (SBAE).

THE SMEs and EMPLOYMENT

Employment and social affairs

- European Social Policy (including the renewed social agenda)
 - The flexicurity approach
 - The Employment Strategy and the modernisation of the European Social Model has over the years become one of the main pillars of European action reinforced by the integrated Lisbon strategy for growth and jobs.
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- European Social Dialogue
 - Employment and labour market
 - Labour market
 - Equal Treatment
 - Social Protection and social inclusion
 - Tripartite Social Summit
 - Lisbon Strategy for Growth and Jobs

THE SMEs, GLOBAL ACTORS



- Globalisation and internationalisation are important issues even for SMEs that supply only local and regional markets.
- Globalisation has redefined social and industrial relations. Member States and SMEs find themselves in a different environment.
- The current crisis will alter the way in which SMEs are linked to the international system and will require a new set of social relations. The role of the EU and its Member States is to be strengthened.
- Many medium-sized companies are world leaders in their sectors and their importance in the current recession has increased as larger companies outsource a great deal of their activities.
- EU's SMEs trade far less than larger firms both within and beyond the Internal Market. This gives the impression that the EU market is the playing field for large companies, whereas SMEs operate at national level.

THE SMEs, GLOBAL ACTORS



- Figures from before the recession indicate that 8% of EU27 SMEs export, whereas 12% of the inputs of an average SME are purchased abroad.
- The main export obstacle for SMEs was the lack of knowledge of foreign markets (13% of exporting SMEs mentioned this as their prime obstacle), followed by import tariffs in destination countries and the lack of capital (both 9%).
- SMEs are heavily oriented towards the service sector in the EU whilst international trade in manufacturing significantly outweighs international trade in services.
- Service exports account for less than 6% of output compared to manufacturing's 40%. Although services contribute around 70% of the gross value added to the EU27, the total contribution to trade was only 20% during the relatively prosperous period of 2006.

SMEs AND VALUE CHAINS



- The EESC has adopted a number of Opinions, prepared by its CCMI, on outsourcing and value chains, both of which are important characteristics of the current form of globalisation. They have a direct impact on the European economy and especially on the SMEs that operate worldwide.

- SMEs benefit from creating value through these global networks by:
 - sharing the risks of internationalisation,
 - gaining access to new technologies
 - improving their efficiency through further outsourcing, and
 - specialising in their core competencies.

- SMEs also face specific challenges, such as understanding:
 - how they relate to the rest of the value chain,
 - how to protect their own intellectual property within it, and
 - how to progress to more profitable stages of the value chain.

SMEs AND VALUE CHAINS



➤ The EU lacks coherent policies regarding IICs (initial and intermediate companies along value chains). In particular, the following actions should be envisaged, in coordination with stakeholders:

- adopt a new approach towards IICs and improve cooperation and mutual trust among them;
- reduce lock-in/ lock-out effects;
- enforce intellectual property rights;
- combat distortions of competition by a consistent, more efficient and timely use of EU trade defence instruments in order to avoid unfair imports;
- foster entrepreneurship as well as professional and technical skills, adapted to new, sustainable markets both on a regional and international scale;
- attract qualified young people, especially in engineering fields, to IICs;
- implement the EU new-style industrial policy, including its sectoral approach;
- make optimum use of FP7 and technology platforms;
- enact focused legislation and cutting red tape;
- facilitate access to finance;
- comply with prompt payment and good governance criteria.

SOME STRATEGIC ELEMENTS



- The current, unprecedented crisis is reshaping the industry in the world. It is a challenge to rethink the model of public regulation and production strategies of firms.
- The companies that successfully manage this change will be the leaders of the future.
- Competitive advantages are to be exploited fully, e.g.:
 - **Knowledge and human capital**
 - **Optimize value networks and chains**
 - **Fundamental research + enabling and diffusive (=emergent) technologies**
 - **New public goods and social responsibility (health, environment, education, urban quality) as technology drivers.**