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**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’**

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**1. INTRODUCTION**

The European Union needs to find new sources of growth to create jobs and wellbeing for its citizens. Major non-EU markets such as China, India, Russia and Brazil, with strong growth rates or potential represent significant opportunities for EU companies<sup>1</sup>. Given the current economic context, exports to expanding markets outside the EU can be a solid source of economic growth. Internationalisation beyond the external border of the EU is the step SMEs need to take to go and seize these opportunities.

Promoting and supporting **SMEs’ economic activities outside the EU** is therefore an important part of the Union’s overall competitiveness strategy as outlined in the Europe 2020 flagship Communication on an Integrated Industrial Policy<sup>2</sup>, the reviewed Small Business Act for Europe<sup>3</sup> and the recent EU trade policy communication<sup>4</sup>. This builds on and complements the Commission’s commitment to boost the benefits of the Internal Market for SMEs<sup>5</sup>.

Europe’s 23 million SMEs<sup>6</sup>, account for two thirds of jobs in the private sector and 59% of total value added in the non-financial business economy in 2010. Around 80% of new jobs over the past five years have been created by SMEs. Sectors such as machinery and equipment or chemicals in Brazil or energy in India have already enabled our companies to achieve significant results, and many more examples could be given. To pave this way for businesses, Europe needs to boost their internationalisation process and provide the necessary support to SMEs when going international.

While 25% of EU-based SMEs were involved in exports to the Internal Market and beyond in the last three years, **only 13% of EU SMEs are internationally active outside the EU** through trade, investment or other forms of cooperation with foreign partners<sup>7</sup>.

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<sup>1</sup> According to the OECD, developing and emerging markets are expected to account for 60% of world GDP by 2030.

<sup>2</sup> COM(2010) 614.

<sup>3</sup> COM(2008) 394, reviewed in COM(2011) 78.

<sup>4</sup> COM (2010) 612.

<sup>5</sup> Outlined in the Single Market Act, COM (2010) 608.

<sup>6</sup> As defined in Recommendation 2003/361/EC, which the Commission adopted on 6 May 2003 and has applied since 1 January 2005; [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm).

<sup>7</sup> Report *Internationalisation of European SMEs*, December 2009; [http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index_en.htm).

Efforts are currently deployed to further deepen the Single market and make it more accessible to SMEs as their natural ‘domestic’ market.

The goal of the strategy which is proposed by this document is, on the other hand, creating the conditions to make SMEs equally engaged in markets outside the EU.

Clearly, the activities of many micro-enterprises and of SMEs in non-tradable sectors are inherently local in their nature. However, there remains significant untapped potential in tradable sectors, such as innovative manufacturing and creative industries, to expand outside the EU in search of new and growing markets, export revenues, technology, capital, and productivity improvements<sup>8</sup>. There are indications pointing to a correlation between internationalisation and firms’ competitiveness and innovation capacity when compared to only locally active SMEs<sup>9</sup>. It is this hitherto untapped growth potential of SMEs that the EU needs to unleash in order to boost growth and create employment throughout the European economy<sup>10</sup>.

The recent study ‘Opportunities for the Internationalisation of SMEs’ by EIM Business and Policy Research, published by the Commission in August 2011, finds that out of a total EUR 261.6 bn of EU exports to twelve target markets, including China, Japan, Russia, India and Brazil, SME-dominated sectors accounted for EUR 134.6 bn. Depending on the country, SME-dominated sector exports make up between 39 % and 62 % of the total<sup>11</sup>.

Although international markets, both private and public, offer substantial opportunities for European companies, SMEs face particular obstacles to tapping the global market, not least when it comes to access to market information, locating possible customers and finding the right partners. They also face more complex issues such as compliance with foreign laws, for example mandatory rules of contract law, customs rules, technical regulations and standards, managing technology transfer and protecting intellectual or industrial property rights. In dealing with such challenges SMEs are usually less well equipped with in-house expertise and financial or human resources<sup>12</sup> than larger enterprises.

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<sup>8</sup> A recent report points out that Europe’s SMEs are nowadays primarily seeking to tap into the rapidly expanding middle classes in emerging countries. Previously, many businesses invested in or sourced from emerging markets in order to lower their production costs (EIU: ‘New horizons: Europe’s small and medium-sized companies look to emerging markets for growth’).

<sup>9</sup> Report *Internationalisation of European SMEs*, December 2009; [http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index_en.htm). The information provided by this study refers to SMEs activities in the Internal Market and beyond the EU borders.

<sup>10</sup> Over recent decades, liberalisation of the international movement of goods, services, capital, people and information has led to a more integrated world economy in which cross-border value chains are becoming increasingly important. The share of international trade in global GDP has tripled since the 1950s. Emerging economies in Asia, Latin America and Africa are expected to provide a significant share of future global economic growth (cf. footnote 1); thus many new opportunities for European enterprises will occur outside the EU. It is time for European businesses to harness globalisation to their benefit. European SMEs need to be in a position to benefit from this growth, at the same time contributing to EU growth.

<sup>11</sup> Table 2.1, page 20, ‘Opportunities for the Internationalisation of SMEs’ August 2011, [http://ec.europa.eu/enterprise/policies/sme/market-access/enterprise-europe-network/intern\\_event\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/market-access/enterprise-europe-network/intern_event_en.htm). Henceforth referred to as the ‘*Opportunities Report*’.

<sup>12</sup> ‘Poor access to sufficient human resources’ was a major bottleneck in doing business in seven key countries outside the EU. See Chapter 2 of the ‘*Opportunities Report*’.

Helping European SMEs overcome obstacles to internationalisation and promoting their integration into the global economy forms part of the strategy for smart and sustainable growth outlined in the Europe 2020 agenda. However, public consultations among stakeholders conducted by the Commission in 2009 and 2011<sup>13</sup> revealed widespread concern about the potential dangers of the uncoordinated proliferation of support schemes in this area and the resulting suboptimal use of fiscal resources.

With a view to both our Europe 2020 objectives and these public concerns, **this Communication proposes to review the existing support structures available to SMEs, identifies the main problem areas, proposes a set of measures where European-level action can add most value, and sets out guiding principles for the most coherent and efficient use of scarce financial resources in priority markets such as China, Brazil, India, Russia, the US or Japan.** It aims to establish a more coherent and effective EU strategy for supporting SMEs in international markets, to propose better ways of offering them relevant information and assistance in their attempts to penetrate new markets and search for the right partners, and thus to make better use of existing resources. In this context, it will be of the utmost importance to take into consideration the specificities of SMEs, in particular by size and sector of activity, tackling also the particular difficulties experienced by micro enterprises. The overall guiding principle in this Communication is to create synergies and encourage joining efforts to increase efficiency and bridge gaps between existing private, Member States and EU funded activities that already support SMEs in third countries.

The Commission will play a crucial role in the coordination and governance of this process, also through setting up a periodic ‘SME Internationalisation Forum’ and with a specific focus on this topic at the regular meetings of Member States’ SME Envoys. In all these activities the representatives of the private sector will be involved.

## **2. THE POLICY CONTEXT: EXISTING FRAMEWORK FOR SME SUPPORT**

Significant resources are already devoted to business support at national and EU level. This involves the public as well as the private sector. A recent survey for the Commission provides an inventory of **more than 300 support programmes<sup>14</sup> for the purpose of assisting business internationalisation in the EU and its Member States<sup>15</sup>**. A European strategy for SME internationalisation therefore has to take into account an existing landscape of diverse policies and implementation activities. Any activity or initiative already launched or still to be launched, at any level, should have SMEs as target and its real effectiveness should be measured on its capacity to achieve its objective.

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<sup>13</sup> After the first publication of an Issues Paper in 2009, the final consultation launched in May 2011 based on a series of guiding questions resulted in over 60 responses from a broad range of stakeholders. All the details of the consultation and a summary of the responses can be found at [http://ec.europa.eu/enterprise/policies/international/listeningstakeholders/public-consultation-sme-support/index\\_en.htm](http://ec.europa.eu/enterprise/policies/international/listeningstakeholders/public-consultation-sme-support/index_en.htm).

<sup>14</sup> Programmes with a budget in excess of 2 million euros for the larger Member States.

<sup>15</sup> *Opportunities Report*.

## 2.1. Measures taken at EU level within and outside Europe<sup>16</sup>

The EU's strategy for SMEs, laid out in the Small Business Act for Europe (SBA), launched by the Commission in June 2008, endorsed by the European Council in December 2008 and reviewed in 2011, called on the EU and the Member States to support SMEs and encourage them to benefit from the growth of markets outside the EU, in particular through market-specific support and business training activities. The SBA Review further emphasized the need for the Commission's support in areas such as market access assistance, elimination of non-tariff barriers, guidance on regulatory issues, standardisation and conformity assessment<sup>17</sup>.

In terms of supporting infrastructure, the Enterprise Europe Network not only helps companies and in particular SMEs to reap the benefits of the Internal Market but also provides support for SME internationalisation. The Network partners in Member States are often hosted by business support organisations at national and local level, thereby helping to integrate support structures from all countries. The Network helps SMEs through more than 600 local partners worldwide: typically an SME will look for business support and guidance on its doorstep when it plans to go international, whether it wants to exploit the business opportunities of the single market or reach into non-EU markets.

The Commission's renewed Market Access Strategy<sup>18</sup> with its partnership approach between the European Commission, Member States and the EU business community makes an essential contribution to supporting the internationalisation of European SMEs. SMEs are increasingly active in export markets and often face the greatest challenges in addressing trade barriers. SMEs benefit from the partnership approach both within the EU and in non-EU markets. This is achieved among other things through Market Access Teams in key export markets led by the EU Delegation. The Market Access Database is another important tool under the Market Access Strategy. It provides freely available information on tariffs and important non-tariff barriers in third countries and an exporter guide<sup>19</sup>. The new EU Trade Strategy<sup>20</sup> confirmed the usefulness of the Market Access Strategy and its services to improve access to global markets for EU enterprises.

The European Customs Information Portal (ECIP) provides further practical information for prospective traders alongside e-learning tools and on-line databases<sup>21</sup>.

The EU provides financial assistance to the EU-Japan Centre for Industrial Cooperation and assistance to the EU Gateway Programmes and Executive Training Programmes for Japan and Korea and the China IPR SME Helpdesk. The EU also supports a network of (private) European Business Organisations (EBOs) in more than twenty markets abroad and business bodies in Hong Kong, Malaysia and Singapore. These existing organisations and programmes differ in their purpose and the range of services they provide but share a focus on helping mainly SMEs.

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<sup>16</sup> A more detailed inventory of EU support initiatives can be found in a background document at [http://ec.europa.eu/enterprise/policies/international/files/annexes-to-consultation\\_en.pdf](http://ec.europa.eu/enterprise/policies/international/files/annexes-to-consultation_en.pdf).

<sup>17</sup> COM(2011) 78.

<sup>18</sup> COM(2007) 183.

<sup>19</sup> See <http://madb.europa.eu/>.

<sup>20</sup> COM(2010) 612.

<sup>21</sup> [http://ec.europa.eu/ecip/index\\_en.htm](http://ec.europa.eu/ecip/index_en.htm)

The European Parliament has provided funds to adopt ‘Preparatory Actions’ for ‘promoting business, academic and scientific exchanges’. Some of these funds have been used to set up the European Business and Technology Centre in India and most recently EU SME Centres in China and in Thailand. Their objective is to provide comprehensive services for EU SMEs in non-EU markets. These first Centres in non-EU markets will provide valuable experience for future business support activities.

There is clear evidence that international cooperation activities in research and innovation foster competitiveness and market performance of firms in general and of SMEs in particular. The EU Framework Programme for Research offers financial support for such type of activities, including supporting actions, which can contribute to the internationalisation of SMEs.

## 2.2. Measures taken by Member States<sup>22</sup>

Beyond these efforts at EU level, there is a **broader and even more significant range of business support activity in markets outside the EU offered by Member States, national chambers of commerce and the private sector (business associations and commercial consultants)**. At national and local level, business organisations, SME agencies and trade promotion organisations have developed a wealth of expertise to assist the internationalisation of SMEs. They mostly deal with ‘core’ trade promotion activities such as business matchmaking, trade fairs, business missions and specific market studies. On business-related activities of Member State embassies, there is often some exchange of information through regular meetings at EU level organised by EU Delegations, especially where common interests are obvious, such as in coordinating activities against trade barriers. In other areas, however (e.g. economic diplomacy on large procurement contracts) competitive considerations among EU Member States tend to prevail.

## 2.3. Lessons: the need for better cost effectiveness

The broad rationale for the existing range of internationalisation support appears to be well-founded,<sup>23</sup> but not all international support programmes are equally effective. The large number of measures and bodies contribute to a situation where it is difficult for SMEs to actually identify and make use of the available support.<sup>24</sup> At a time when public finances are scarce, there is a strong case for considering how collaboration and networking within the EU could increase both efficiency and impact of existing measures<sup>25</sup>. Therefore, future action should aim first and foremost at more transparency, more coherence and more collaboration

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<sup>22</sup> See the inventory in the *Opportunities Report*.

<sup>23</sup> A recent survey of EU SMEs with international experience found that over half (63%) of such companies recorded an improvement in performance following participation in an international support programme; results taken from a survey of EU SMEs with international experience in the *Opportunities report*.

<sup>24</sup> The *Opportunities Report* shows that “even among SMEs that are already active on the global scene, only 27% are aware of public support programmes. What is more, only about 7% of internationalised SMEs use public support for their international business activities”.

<sup>25</sup> The example of the cooperation in Russia is a case in point. Action “to improve the overall investment climate and an enabling environment for EU SMEs is already being carried out effectively through cooperation at a high level between the European Commission, the EU Delegation to Russia, embassies, EU business associations, national chambers of commerce, and the Russian government”, see *Opportunities Report*.

to deliver a more cost-effective "division of labour" between existing EU programmes, between the European Union and its Member States, among Member States, and between public and private sector bodies. EU actions should certainly not replace existing policies at national or regional level, but rather complement them, create synergies wherever possible and introduce specific measures only where clear gaps are identified.

There is also scope to assess the effectiveness of existing support measures at European level. A thorough evaluation of the pilot actions concerning EU SME Centres should determine whether similar initiatives would be useful elsewhere. Similarly, with an increasing number of Enterprise Europe Network partners outside the EU, the Network will need to strengthen its governance in order to enhance its services to European enterprises

This Communication therefore proposes a more coherent and integrated approach to SME support, based on a detailed mapping of existing support services in priority markets. It also establishes a set of guiding principles for EU action in this field.

### 3. MAIN CHALLENGES FOR SMEs LOOKING TO INTERNATIONALISE

**EU SMEs are often unaware of the business support services provided by the EU, Member States or the private sector<sup>26</sup>.** Here special attention should be paid to the fact that SMEs look for a first point of contact for business support close to them. The different concepts and methods of business support within the EU and the wide variety of programmes and organisations at national, EU or global level put SMEs in a difficult position, as they lack the human and financial resources to identify or access suitable programmes<sup>27</sup>. Easier access to information already 'at home' for all EU SMEs would provide them with a better chance of finding appropriate services tailored to their needs. This Communication therefore looks at the option of implementing an 'International Business Portal' online, providing a gateway to first-entry, business-relevant information on foreign markets and an overview of available support activities for markets outside the EU.

In particular, **many SMEs, especially from smaller and new Member States, are at a disadvantage** because their government or chamber of commerce is not present in many of the priority markets<sup>28</sup>. They therefore lack information and support and should be encouraged to cooperate and also exchange experience between 'export veterans' and 'newcomers'. Options to incentivise and motivate cooperation and networking among the diverse chambers of commerce and similar organisations in non-EU countries could be enhanced, particularly where the varied cultural and linguistic assets of these organisations can offer substantial value.

**Other challenges are inherent to the nature of SMEs. Services provided by public and private organisations as well as by the EU or Member States may not address all the**

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<sup>26</sup> According to the *Opportunities Report*, 24% of internationalised SMEs are aware of public support programmes for internationalisation that could be used by their enterprise. This awareness increases with the size of the enterprises: micro: 23%, small: 36% and medium-sized enterprises: 37%, but it still represents a minority of SMEs.

<sup>27</sup> 'Out of the 24% of international SMEs that are aware of public support programmes, less than one third of these companies use the programmes for their activities.' *Opportunities Report*.

<sup>28</sup> The number of significant support measures provided by Member States in seven key target countries was found to vary between 4 and 25 in the *Opportunities Report*.

**needs or may not be sufficient to meet the demand from SMEs<sup>29</sup>.** Here a more comprehensive analysis of the local situation within each market is required in order to be able to assess what action might be needed and to explore the scope for increased efficiency and effectiveness from synergies, Europe-wide networking and cooperation. Given that local situations vary widely, a bottom-up approach ‘in the field’ is indispensable in order to identify gaps in the services provided and establish where EU-level action would create additional value.

The Commission’s analysis also shows that the **role of direct communication** with SMEs is of crucial importance. EU SMEs willing to go international first need preparation at home, the right skills and the necessary information physically close at hand and provided mainly by local business organisations<sup>30</sup>, private consultants, or over various online sources. Once operating abroad, their need for assistance in the target market itself is often more difficult to meet. The visibility of the services already in place is not always sufficient and SMEs still face considerable difficulties when it comes to accessing markets outside the EU and entering into business cooperation with international partners. Surveys show that SMEs in general face difficulties in gaining useful information<sup>31</sup>.

#### **4. AN EU BUSINESS SUPPORT STRATEGY FOR SME INTERNATIONALISATION**

##### **4.1. The EU's objectives for a business support strategy**

Building on the recently reviewed Small Business Act for Europe and the EU 2020 agenda, the objective of this Communication is to set out a coherent EU strategy to make business services in support of European enterprises’ integration in the world economy more effective and efficient.

The objectives of the new EU strategy are

- **To provide SMEs with easily accessible and adequate information on how to expand their business outside the EU.**
- **To improve the coherence of support activities.**
- **To improve the cost-effectiveness of support activities.**
- **To fill existing gaps in support services.**

<sup>29</sup> Ibid. ‘In 2009 40 % of SMEs reported a lack of adequate public support as an important barrier to internationalisation.’

<sup>30</sup> Local assistance for internationalisation within the EU provided by the Commission so far is limited to the Enterprise Europe Network, short-term programmes such as ‘Understanding China’ (<http://www.understandingchina.eu>), a few SME Roundtables and seminars in several European cities, among other things to ‘train the trainers’ in chambers of commerce etc., and certain outreach activities of the Brussels branch of the EU-Japan Centre for Industrial Cooperation (<http://www.eu-japan.eu>) to give more visibility to the Centre’s programmes also for EU SMEs. The majority of China IPR SME Helpdesk activities took place within the EU. Providing these services close to SMEs proved to be a key element of success.

<sup>31</sup> ‘44 % of EU SMEs reported a lack of adequate information as an important barrier.’ Report *Internationalisation of European SMEs*, December 2009; [http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index_en.htm).



- **To establish a level playing field and provide equal access for SMEs from all EU Member States<sup>32</sup>.**

The instruments that will be used to achieve these objectives are described in the following sections.

## 4.2. Achieving our objectives

In order to follow the SME from the moment it decides to go international until the moment when it starts operating in non-EU markets, the Commission will work along the following lines.

### 4.2.1. Mapping the support services environment at home and abroad

The Commission will launch an in-depth ‘mapping’ and analysis of existing support services within the EU and in non-member countries. This exercise will involve Member States and Market Access Teams in EU Delegations and is needed in order to identify possible gaps and overlaps in the current services offering<sup>33</sup>; it will provide the basis for assessing the need for any further action<sup>34</sup>. This will initially be done only for priority markets (see 4.2.5.2. below) by applying standard criteria for assessing the scope and availability of the support services in question. This stock-taking will need to cover private and public initiatives at local, regional, national and EU level.

The mapping exercise will provide an overview of existing local services by private and public providers in third countries, including Member States and EU-level bodies. In addition, Market Access Teams should bring together and coordinate local organisations, for example chambers of commerce, European Business Organisations and Enterprise Europe Network partners, in order to identify synergies and gaps in existing local SME support activities. This would improve the networking and facilitate dialogue between the current suppliers of business support, leading to greater coherence and accessibility of services to SMEs from all Member States. In order to achieve a comprehensive overview, the commitment and cooperation of Member States and existing support organisations will be vital.

The mapping of services offered within as well as outside the EU will be updated on a regular basis in cooperation with the Member States and EU Delegations.

During this exercise the Commission will assess the effectiveness of EU support services already operational.

**Within the current Competitiveness and Innovation Programme, the Commission will immediately:**

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<sup>32</sup> As foreseen in the new programme for business competitiveness and SMEs proposed in the Communication of 29 June on the next Multiannual Financial Framework.

<sup>33</sup> Where Market Access Teams do not exist, the role of EU Delegations will consist in providing, if appropriate, basic information to complement the findings needed by the service provider doing the mapping. These Delegations may organize, where appropriate, coordination meetings between businesses and business organizations working on the ground.

<sup>34</sup> According to the *Opportunities Report*, mapping is considered a key task to be taken up for any coordination at EU level.

- launch an in-depth mapping and analysis of existing support services, both public and private, within the EU and in non-member countries with the aim to complete, by the end of 2012, the work on priority markets;**
- identify duplication and fragmentation as well as gaps and potential synergies in existing SME support activities;**
- promote collaboration through Market Access Teams in EU Delegations and Member States' national authorities among existing publicly-funded service providers.**

#### 4.2.2. *Delivering information to the SME's doorstep*

SMEs need easier access to services and expertise and to be able to identify suitable programmes already 'at home' in the first phase of their internationalisation. That is to say, they need a local point of contact in the EU, both physically and virtually.

The Enterprise Europe Network, with its 600 local partners will give SMEs the opportunity to establish direct contact on the ground and to receive professional support services right at their doorstep.

In order to do so, the Commission will work to improve collaboration between the Enterprise Europe Network and all stakeholders in the Member States, thereby fostering its effectiveness. Operationally, a new governance structure involving hosting organisations and relevant stakeholders to a larger degree will be set up to ensure that services are increasingly effectively available to SMEs.

The Commission will launch in early 2012 a content-rich online portal that will integrate and streamline existing content, provide third country- and sector-specific information about target markets and give a detailed overview of the different support services available. This portal will link to online content of the 'one-stop shops' in each Member State and will not duplicate existing information<sup>35</sup>.

Until 2014, the costs for the Enterprise Europe Network will be met from existing budget resources. In parallel, a pilot portal project will be implemented that will include the gradual translation of information into all EU languages. The portal will link existing portals at EU and national level, including the EU Market Access Database and Export Helpdesk, and provide additional information and an overview of different services available.

#### **The Commission will:**

- give a new governance structure to the Enterprise Europe Network, improving its functioning and collaboration with hosting organisations and stakeholders in order to improve the information for SMEs on the ground;**
- launch in 2012 a multilingual online portal that will provide third country- and sector-specific information about priority markets and a detailed overview of the different support services available. The portal will be covered by the existing Competitiveness**

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<sup>35</sup> 'Efficiency gains could be obtained by organising, at EU level, the collection of information on market developments and the legal and institutional environment in foreign markets', see Commission report *Internationalisation of European SMEs*, December 2009, p. 9.

**and Innovation Programme and, building on existing databases such as the Market Access Database, the Export Helpdesk and the European Customs Information Portal, provide Business Opportunity and Risk Profiles comprising indicators such as economic situation, trade barriers, bureaucratic burden, customs procedures, public procurement regimes and other information for exporting SMEs<sup>36</sup> for example providing information about Union legislation which can be used for concluding contracts with parties in third countries<sup>37</sup>. It will be updated regularly;**

**- launch in 2012 an awareness-raising campaign with Member States and stakeholders to familiarise SMEs with available support services.**

#### *4.2.3. Bringing a European dimension to the supply of services for SMEs in priority markets*

SMEs may require specific support once they have begun operations in a third country. For this purpose, the Commission will develop by 2012 at the latest concrete recommendations for improving the efficiency and effectiveness of the entire support system available to European SMEs in non-EU markets.

This initiative will be built on the results of the mapping exercise and the experience gained with pilot projects in business support.

Opportunities for European companies change from one market to the other and it is on this basis that the Commission established Market Access Teams in priority markets<sup>38</sup>.

As the situation in each priority market may vary significantly, a 'bottom-up' approach is required. Under the coordination of the Market Access Teams in the relevant EU Delegations, a platform will be arranged to allow business support programme representatives, including, for example, bilateral chambers of commerce, Member States' export support agencies, business organisations and partners of the Enterprise Europe Network, to meet on a regular basis. This would enable them to raise awareness about their own planned operations, to streamline by specialising and dividing their labour and to devise possible joint operations. By means of improved networking between local organisations, expertise and competences could be pooled and a more effective division of labour could be achieved. As resources are scarce, the efforts by local organisations could be leveraged through this streamlining of efforts and practices in order to create a win-win situation for all participants.

The main advantage of this approach would be to increase the size and visibility of business support operations in non-EU countries and to provide the best available skills and competences at affordable costs. Moreover, the networking of expertise would facilitate reaching out to all economic sectors and also help European clusters as well as export consortia and their SMEs to identify potential partners in non-EU countries.

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<sup>36</sup> Supplementing e.g. the services offered by the WTO member countries' TBT Enquiry Points, whose role includes providing information on technical regulations, standards, and conformity assessment procedures.

<sup>37</sup> See Commission proposal on a Common European Sales Law, adopted on 11 October 2011.

<sup>38</sup> A list of the Market Access Teams which are operational or are intended to be set up is in annexe to this Communication

Based on the results of the mapping, the Commission will, together with Member States, promote, assess and optimise the EU portfolio of business support for SMEs in non-EU countries on the basis of best practice. This should include not only the EU SME Centres and Enterprise Europe Network but also other well-established EU business support programmes for brokerage events (such as Invest in Med, East Invest, AL-INVEST), cluster collaboration initiatives (such as the European Cluster Collaboration Platform and the European Club of Cluster Managers), the National Contact Points (NCPs) of the EU Framework Programme for Research, and networking and individual training programmes in the EU (such as Gateway to Japan/South Korea or the Executive Training Programme).

These tools, with often different legal bases and budget provisions and targeting different markets, will have to be used jointly as part of an integrated concept of support for European SMEs, by establishing working arrangements such as common benchmarks, by achieving synergies and by exchanging their practices, not least on the measurement of their performance (evaluation).

Member States are encouraged to consider opening up their services in non-member countries to all EU SMEs on a voluntary basis<sup>39</sup>. Not only would this better use of existing structures and expertise benefit overall efficiency, it would also provide established Member State organisations with the opportunity to reach out to a larger customer base. Moreover, such availability would be highly beneficial for SMEs based in those Member States which do not have national business support organizations in all third countries' markets.

Where necessary, top-up schemes of financing at EU level should be considered, subject to the future multiannual financial framework, as a means of facilitating cross-border cooperation and access to complementary expertise among service providers, thereby optimising the use of scarce public funds.

In order to steer this entire process, take stock of developments, monitor progress and evaluate the effectiveness of the approach, a periodic evaluation event involving all major stakeholders should take place. This could take the form of an annual forum where the Commission invites stakeholders to share their experience and exchange views. Here all participants could identify possible divisions of labour, the need for new activities and other experiences to learn from each other.

**The Commission will:**

- facilitate cross-border cooperation and access to complementary expertise among service providers, notably through financial incentives that could be covered by the new programme for business competitiveness and SMEs within the proposed multiannual financial framework 2014-2020;**
- subject existing measures to periodic evaluation, involving all major stakeholders;**

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<sup>39</sup> Inspiration could be drawn from Article 20(2)(c) TFEU, which reads: 'Citizens of the Union shall have inter alia: ... (c) the right to enjoy, in the territory of a third country in which the Member State of which they are nationals is not represented, the protection of the diplomatic and consular authorities of any Member State on the same conditions as the nationals of that State'.

**- together with Member States, evaluate, optimise and promote the EU portfolio of business support for SMEs in non-member countries on the basis of best practices<sup>40</sup>.**

#### 4.2.4. Promoting SME internationalisation through clusters and networks

SMEs often need to find the right partners to develop and produce globally competitive products and services. They increasingly tend to grow and innovate not alone but through collaboration by entering into strategic business cooperation and networks with international partners. In this context, the importance of subcontracting is to be recognized.

Clusters, business networks and export consortia can play an important role in helping SMEs to develop such activities and become more internationally oriented. In particular, export consortia play a specific role in relation to internationalisation, representing groups of businesses working together on an export development project. For instance, recent studies have found that newly created SMEs that develop new products and services within a specific niche are often active from the start in international markets and their capacity to export is reinforced through their membership of a cluster<sup>41</sup>.

SMEs hosted in clusters and business networks can benefit from contacts, business connections and formal and informal knowledge flowing within a cluster and a business network, as well as from customised services provided by cluster and network organisations. Such benefits facilitate, among other things, the development of partnerships abroad so that SMEs have easier access to global value chains, develop strategic alliances with research organisations in counterpart clusters or networks, expand their commercial activities abroad, including public procurement, and obtain appropriate skills and tailored professional advice<sup>42</sup>.

In this respect, cluster and network organisations should be recognised in the Member States as important facilitators and therefore be integrated into business support schemes aimed at fostering SME internationalisation<sup>43</sup>. At the same time, transnational cooperation between cluster and network organisations is an important challenge today and should be addressed at all levels<sup>44</sup>, supporting them also through cross-border lending as proposed by the

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<sup>40</sup> This will include not only the EU SME Centres and Enterprise Europe Network but also other well-established EU business support programmes for brokerage events, cluster collaboration initiatives, the Framework Programme's national contact points (NCPs), and networking and individual training programmes in the EU.

<sup>41</sup> See, for example, OSEO/UBIFRANCE study (2010) on the 'Link Innovation-Exports' [http://www.oseo.fr/storage/newsletters/vendredi\\_28\\_mai\\_20102/gauche/actualites/etude\\_oseo\\_ubifrance](http://www.oseo.fr/storage/newsletters/vendredi_28_mai_20102/gauche/actualites/etude_oseo_ubifrance).

<sup>42</sup> *European Clusters Go International: Networks and clusters as instruments for the initiation of international business cooperation*, VDI/VDE/IT, 2011, <http://www.vdivde-it.de/news-en/publications/best-practice/european-clusters-go-international-2013-networks-and-clusters-as-instruments-for-the-initiation-of-international-business-cooperation>.

<sup>43</sup> To this end, at EU level, a specific call for proposals was launched under the Competitiveness and Innovation Programme in March 2011 to stimulate international cooperation through regional and national cluster programmes. See [http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item\\_id=4968](http://ec.europa.eu/enterprise/newsroom/cf/itemlongdetail.cfm?item_id=4968).

<sup>44</sup> In this respect, the European Cluster Cooperation Platform established under the European Cluster Excellence Initiative will be instrumental in promoting better cluster cooperation internationally for the benefit of SMEs. As first steps, Memoranda of Understanding have been signed with partners in Japan, India and Brazil and more are planned. For more information see <http://www.cluster-excellence.eu/collaboration>. Furthermore, transnational cooperation between clusters is addressed by the 'Regions of Knowledge' action in the Seventh EU Framework Programme for Research. The action

Commission in the Communication ‘A budget for Europe 2020’<sup>45</sup>. Cooperation between cluster organisations and the Enterprise Europe Network and other interested EU business organisations should also be strengthened to provide better innovation services and access to international markets for SMEs.

In the longer term, the Commission will develop a broad EU initiative aimed at making more strategic use of transnational cluster cooperation on markets outside Europe in order to build common long-term strategies with international partners across EU Member States.

This cluster internationalisation initiative would contribute to promoting globally competitive clusters in Europe, especially in emerging industries where cluster cooperation has the potential to create new competitive advantages for Europe. This programme may include action to identify strategic interests for further cluster cooperation across the EU.

**The Commission will:**

**- encourage and finance the establishment of training programmes for entrepreneurs, SME managers, and managers of clusters, business networks and export consortia in order to enable them to steer internationalisation operations;**

**- promote the creation of export consortia between SMEs established in different Member States through a range of measures including information campaigns and financial incentives, encouraging synergies.**

**- support cross-border cooperation between cluster/networks through lending backed by EU guarantees.**

#### 4.2.5. Rationalising new activities in priority markets

##### 4.2.5.1. Guiding principles

In order to ensure full use of available resources and avoid overlaps, the Commission strongly reaffirms the following guiding principles.

*Complementarity and additionality.* Action taken at EU level should be complementary to and not duplicate business support activities that are already carried out by Member States and/or private organisations. In line with the principle of subsidiarity and an appropriate division of labour, EU action should serve to fill gaps or reinforce existing support services where needs are not met — or are not sufficiently met — by other public or private organisations. This could be the case, for example, where not all priority markets (for instance newly emerging

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aims to strengthen the research potential of European regions, in particular by encouraging and supporting the development, across Europe, of regional ‘research-driven clusters’, associating universities, research centers, enterprises and regional authorities. Support is available in particular for internationalisation activities and the development of strategies with third countries. [http://cordis.europa.eu/fp7/capacities/regions-knowledge\\_en.html](http://cordis.europa.eu/fp7/capacities/regions-knowledge_en.html)

<sup>45</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, *A budget for Europe 2020 — Part II Policy fiches*, COM(2011) 500, 29 June 2011. The Commission has proposed that for the period 2014-2020 EU loan guarantee facilities should focus not only on the national dimension but also on cross-border lending or multi-country lending.

markets) and not all issues of access are covered by existing service providers, e.g. standards and regulations and other non-tariff-barriers to doing business abroad.

*Sustainability.* EU-level support for business support services should be based on demonstrated demand in the market. It may be financed in the short term by public funds subject to the Financial Regulation, but the aim should be for services to be self-financed to as large an extent as feasible in the longer term in order to mitigate the risk of unwarranted squeezing out of the market of private service providers.

*Efficiency in the use of public funds.* In accordance with the principle of sound financial management, public funds should be used in the best relationship between resources employed and results achieved. For that purpose, specific, measurable, achievable, relevant and timed (SMART) objectives should be set for each activity and an appropriate evaluation planned. The efficient use of public funds may mean that instead of setting up a new physical structure it may be smarter to encourage existing service providers in non-EU markets, such as national or European chambers of commerce or local EU Delegations and Market Access Teams, to broaden the scope of their activities or pool their resources for a better service.

**The guiding principles will be key elements of this strategy and will govern any EU-level initiative in this field both before and after 2014:**

**The Commission commits itself to following these guiding principles for the selection, planning and implementation of support initiatives at EU level.**

**Member States are encouraged to follow, wherever applicable, similar principles and priorities in their external business support.**

#### 4.2.5.2. Geographical priorities

For new action taken outside the EU, the Commission will apply the following criteria to establish geographical priorities, identify priority countries and launch a comprehensive set of specific measures.

This will boost the effectiveness of initiatives, by focusing on the actual needs of SMEs. Over time, the list of priority countries will naturally have to be adjusted. Priorities should be identified based on the following factors in particular:

*Economic potential and size of the market.* Priority markets should include the EU's major trade and investment partners as well as markets with prospects for strong economic growth. Markets that have the potential to produce valuable business partners due to increasing purchasing power and investment opportunities must be monitored to gauge the need for future action.

*Extent of difficulty faced by SMEs in accessing the market.* Some markets are more difficult than others to access for SMEs, partly due to tariff protection, but more often due to differences in the regulatory environment that can have the effect of non-tariff barriers to trade and investment. Difficulty in access to finance can also constitute an obstacle for SMEs that varies from country to country. Efforts should be directed at removing these barriers as far as possible and at assisting SMEs to overcome them.

*Gaps in existing business support.* The mapping of local services currently provided by public or private organisations will help to identify possible gaps in the local support infrastructure

and how best to fill them. Thematic areas not sufficiently covered could include the need for expertise on specific issues such as standards, conformity assessment, technology commercialisation, protection of intellectual property rights, public procurement and tendering, and customs regulations. Priorities may need to be established.

**The EU will identify priority markets for SMEs on the basis of the above criteria. These may include the EU's major current trading and investment partners (US, China, Russia, Japan), the enlargement countries and the European Neighbourhood Policy partners in the East and the South as well as markets generating strong economic growth (emerging markets in Asia, Africa and Latin America).**

#### *4.2.6. Mainstreaming SME internationalisation into other EU policies and creating a favourable environment for SME international activities*

There remains untapped potential to better employ a vast range of existing and emerging EU policies at the service of SMEs that are striving to grow internationally and to enter foreign markets.

All enlargement countries are encouraged to embrace the objectives of the Europe 2020 strategy, including SME related activities. Strengthening the rule of law is a key priority of the enlargement policy, which will help to reinforce the confidence of EU SMEs to invest in these markets. Creating a business friendly operating environment is also an important pillar of our relations with the Eastern Partnership countries.

The historic changes under way in the Southern Mediterranean/North African region make a strong case for EU support for the socio-economic transformation in that region and link up with the EU Neighbourhood Policy. This could include developing and strengthening schemes for business-to-business cooperation between the EU and these countries<sup>46</sup>. Given their vast potential for economic development and in line with the Joint Africa-EU Strategy, African countries in general should be invited to benefit from building on a strong partnership with EU SMEs.

In the context of trade defence investigations, the special situation of SMEs - as importers, users, complainants or exporters - will be addressed and information on the functioning of trade defence instruments will be made more accessible for SMEs.

Autonomous tariff suspensions and quotas are relevant for firms producing in the Union. Special attention is paid to the interest of SMEs. The impact of this tool will be assessed as part of an evaluation of the economic impact to be launched in 2012.

#### **The EU will:**

**- support the creation of a business-friendly operating environment in enlargement, neighbouring and developing countries and in particular for SMEs; such improved**

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<sup>46</sup> For example, through cluster cooperation: cluster partnerships offer concrete possibilities for enhanced business cooperation that could be developed and customised to the particular needs of enterprises in sectors such as tourism and creative industries, which have significant economic potential in Southern Mediterranean countries. Beyond this specific case, the Commission is also considering supporting exchanges between entrepreneurs based in different countries, within and outside the European Union.



**environment will be beneficial for all SMEs, including those wishing to work in a certain specific market;**

**- step up its efforts to remove remaining tariff and non-tariff barriers in non-EU countries;**

**- create in the trade and economic sections of all relevant EU Delegations contact points for SMEs as part of the work of Market Access Teams.**

**- pursue in its regulatory dialogues with partner governments the objective of making markets more open and friendly to small businesses;**

**- make the interests of small businesses in access to international procurement markets a priority in the WTO plurilateral government procurement agreement (GPA) negotiations;**

**-improve the communication to SMEs of the economic benefits to be gained from trading internationally and created by trade policy measures, particularly bilateral free trade agreements;**

**-establish the SME Finance Forum on Africa, an important first step in our new approach to building bridges between European and African businesses by means of a strengthened and permanent dialogue;**

**- raise SME awareness of possible autonomous tariff suspensions and quotas and assess their impact on SMEs as part of an evaluation to be launched in 2012.**

## **5. CONCLUSION**

In the current economic context it becomes urgent to look for new sources of growth. Third country markets, which are in expansion, can provide an invaluable opportunity for EU SMEs. The Commission deems that the approach outlined above can provide SMEs with the necessary tools to successfully engage in business outside the EU. This is based on the premise that cooperation between the EU and Member States, among Member States, and between the public and the private sector will bring clear benefits to EU SMEs.

This new EU strategy sets out six fields of action:

- Mapping the existing supply of support services to allow a more rational and coherent approach in the future;
- Creating a single virtual gateway to information for SMEs wishing to do business beyond the EU borders.;
- Making support schemes at EU level more consistent to raise their impact;
- Promoting clusters and networks for SME internationalisation;
- Orchestrating pan-European collaboration in priority markets to make the most of the public funds spent;

- Leveraging existing EU external policies to accelerate the international growth of European SMEs.

Future efforts should focus on how existing service providers can collaborate more effectively, often across national boundaries, and how incentives can be provided to bring this about. Comprehensive ‘mapping’ of the European supply of support services will lay the foundation for this process. All EU institutions and relevant SME stakeholders, in partnership, will be involved in the implementation of this strategy and should adhere to the priorities and guiding principles set out in this Communication when considering new activities in support of SME internationalisation, in both the short and the longer term.

Member States are encouraged to adopt a similar approach and work in close cooperation with the Commission in strengthening the support environment for European SMEs’ international growth.

Based on the current experience with the process of identifying key market access barriers in third countries (as requested by the Council of the European Union in its conclusions of December 2008), Market Access Teams are operational or are intended to be set up in the following countries:

- Algeria
- Argentina
- Brazil
- Canada
- Chile
- China
- Colombia
- Egypt
- Hong Kong
- India
- Indonesia
- Israel
- Japan
- Kazakhstan
- Malaysia
- Mexico
- Morocco
- New Zealand
- Nigeria
- Norway
- Peru
- Philippines

- Russia
- Singapore
- South Africa
- South Korea
- Switzerland
- Taiwan
- Thailand
- Tunisia
- Turkey
- Ukraine
- United States of America
- Vietnam