

BRIEFING

Requested by the INTA committee



EU actions to overcome challenges of small and medium-sized enterprises (SMEs)



Policy Department for External Relations
Directorate General for External Policies of the Union
PE 653.630 – March 2021

EN

BRIEFING

EU actions to overcome challenges of small and medium-sized enterprises (SMEs)

ABSTRACT

This briefing discusses the actions that the EU could take to properly tackle the challenges that SMEs are currently facing. Several initiatives have already been launched, such as the EU Helpdesk, the Access2Markets Platform and the CTEO. The pros and cons of these initiatives are outlined, and examples and a general assessment are provided. In a second step, several actions of Member States and commerce organisations are highlighted and a detailed classification provided. In a final step, recommendations are formulated for helping the EU to overcome the challenges and concerns of SMEs, to support and improve day-to-day business activities, and facilitate internationalisation.

This paper was requested by the European Parliament's Committee on International Trade.

English-language manuscript was completed on 8 March 2021.

© European Union, 2021

Author(s): Nazareno BRAITO (VVA), Davide CECCANTI (VVA), Frauke DE TEMMERMAN (Deloitte), and Duy HUYNH-OLESEN (VVA)

Officials Responsible: Mario DAMEN, Wolfgang IGLER

Editorial Assistant: Balázs REISS

Feedback is welcome. Please write to: wolfgang.igler@europarl.europa.eu

To obtain copies, please send a request to: poldep-expo@europarl.europa.eu

This paper will be published on the European Parliament's online database, ['Think tank'](#).

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to the Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

ISBN: 978-92-846-7900-3 (pdf)

ISBN: 978-92-846-7901-0 (paper)

doi: 10.2861/395404 (pdf)

doi: 10.2861/656834 (paper)

Catalogue number: QA-02-21-312-EN-N (pdf)

Catalogue number: QA-02-21-312-EN-C (paper)

Table of contents

List of abbreviations	4
1 Ongoing activities by the European Commission	5
2 Activities by EU countries and commerce organisations	9
3 Suggestions for improvement	15
References	19
Articles and papers	19
Websites	20

List of abbreviations

ASEAN	Association of South East Asian Nations
B2B	Business to Business
BAIA	Bulgarian Export Insurance Agency
C2C	Cluster to Cluster
CLASS	Custom Local Area Signalling Services
CN	Combined Nomenclature
COSME	Competitiveness of Enterprises and Small and Medium-Size Enterprises
CTEO	Chief Trade Enforcement Officer
E2E	Education to Export
EABC	European ASEAN Business Centre
EBTC	European Business and Technology Centre
ECCP	European Chamber of Commerce
ECICS	European Customs Inventory of Chemical Substances
ECJ	European Court of Justice
EU	European Union
EUREKA	Exceptional, Unconventional Research Enabling Knowledge Acceleration
FTA	Free Trade Agreement
GASEA	New German Accelerator in Singapore
GIN	Global Incubator Network
GSP	Generalised System of Preferences
HS	Harmonized System
MFN	Most Favoured Nation
OCT	Overseas Countries and Territories
OECD	Organisation for Economic Co-operation and Development
PM	Prime Minister
PUR	Preference Utilisation Rate
R&D	Research & Development
SBA	Small Business Act for Europe
SME	Small and Medium Enterprises
TARIC	Tarif Intégré Communautaire; Integrated Tariff of the European Communities
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization

1 Ongoing activities by the European Commission

The European Commission, along with Member States, has developed a range of tools and online sources to provide SMEs with the information they need to pursue international trade, specifically to countries where a free trade agreement is operating.

1.1 Main instruments regarding international trade information

EU Helpdesk for SMEs

- Enterprise Europe Network – the network helps small businesses make the most of the European marketplace, supporting innovation and international growth. The webpage is the world's largest support network for small- and medium-size enterprises with international ambitions. The platform brings together experts from different member organisations from a range of backgrounds (European Commission, WEB g).
- Trade Defence SME Helpdesk – the helpdesk provides customised advice to SMEs that are affected by Trade Defence Instruments.
- The IPR SME Helpdesk – the helpdesk supports EU SMEs with the protection and enforcement of Intellectual Property Rights in partner countries/regions (China, Latin America, South-East Asia).
- Your Europe – Business – the platform provides multilingual information and online government services for companies looking for business opportunities inside and outside Europe.
- EU SME Centre in China – the platform provides a comprehensive range of hands-on support services to European SMEs, preparing them for business in China (EUSME, WEB).
- European Business and Technology Centre, India – EBTC contributes to the economic ecosystem of the world's fastest growing economy and its natural partners for multilateral cooperation, through collaborations for sustainable technologies and innovations (EBTC, WEB).
- European ASEAN Business Centre (EABC) – the platform aims to facilitate trade and investment in Thailand for EU companies (EABC, WEB).
- EU-Japan Centre for Industrial Cooperation – the platform supports SMEs seeking internationalisation through business with Japan (EU-Japan Centre, WEB).

Access2Markets

Access2Markets is the new portal for EU exporters and importers to find detailed information on tariffs, rules of origin, product requirements, customs procedures and formalities, VAT/excise duties/sales taxes, trade barriers, trade statistics (European Commission, WEB r). (All content was previously available on the Trade Helpdesk and Market Access Database, which have been merged into the Access2Markets portal) (European Commission, WEB r). The Single Entry point to submit complaints to the Chief Trade Enforcement Officer (see 1.3) has also been incorporated into the Access2Markets portal.

The portal is key to facilitating trade between EU companies that want to trade with non-EU companies. In this regard Executive Vice-President Valdis Dombrovskis said: *"We need to help our companies, in particular our SMEs, to derive maximum benefit from our trade agreements. This is why we have created this new portal to help our smaller companies navigate the world of international trade. This one-stop-shop will help*

European firms to make the most of the EU's network of trade agreements and get the best access to the markets, products and inputs they need to grow and to stay competitive.”¹

A separate page on the Access2Markets portal is dedicated to SMEs, giving an overview of online tools and services specifically for SMEs with links and a small description beside each tool/service listed.

1.2 Tools and information pages on the application of FTAs

Classification and quota

- **TARIC** – Integrated Tariff of the European Union, a multilingual database integrating all measures relating to EU customs tariff, commercial and agricultural legislation. Integrating and coding these measures facilitates their uniform application by all Member States and gives all economic operators a clear view of measures to be taken when importing goods into the EU or exporting goods from the EU (European Commission, WEB p).
- **CLASS** – Single access point to different types of classification information (Conclusions of the Customs Code Committees, Classification Regulations, Rulings of the ECJ, CN and CN explanatory notes, TARIC information) (European Commission, WEB c).
- **Market Access Map** – A free analytical portal, partly created by the European Commission, that allows users to access, compare and analyse customs tariffs, tariff-rate quotas, trade remedies and non-tariff measures applicable to a specific good in any market in the world. The web-application is interactive, straightforward and easy to use (International Trade Centre, WEB).
- **ECICS Consultation** – Customs database for identifying chemicals, classifying them correctly in the Combined Nomenclature and finding their names in all official languages of the EU for regulatory purposes (European Commission, WEB f).
- **QUOTA consultation (Tariff quotas and ceilings)** – A database that allows tracking the overall EU usage of ‘first come, first served’ import quotas in force granted to products originating from certain third countries. It displays the balances of each tariff quota applicable in the current year and the previous year. It also indicates the date when a particular tariff quota is used up (European Commission, WEB k, European Commission, WEB q, and EU open data portal, WEB).
- **Surveillance** – A database containing the specific products imported into the EU customs territory during the current and previous years and which are subject to surveillance or control. It is updated at the end of each working day (European Commission, WEB j).
- **Autonomous tariff suspensions and quotas** – Information on suspensions both in force and in preparation as well as on quotas in preparation (European Commission, WEB q, and EU Open data portal, WEB).

Application tool

- **The Registered Exporter System (REX)** – The Registered Exporter System (the REX system) is a system of certification of origin of goods based on a principle of self-certification. The REX IT system has been developed by the European Commission and is made available to Member States of the EU, the Generalised System of Preferences (GSP) beneficiary countries and the overseas countries and territories (OCTs) (European Commission, WEB m).

¹ European Commission, *Commission launches Access2Markets portal to support trade by small businesses*, consulted at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2190>

1.3 Chief Trade Enforcement Officer

Within the EU, a particular role has been created to follow up on trade agreements. The Chief Trade Enforcement Officer (CTEO) enforces and monitors the implementation of EU trade agreements. He takes this forward by, *inter alia*, strengthening the implementation of the EU's different trade agreements and ensuring that countries with which the EU has trade agreements respect their commitments. This designated CTEO is the single entry point² (integrated in Access2Markets platform) where EU companies and trade organisations can submit complaints. The CTEO will initiate further investigation and coordinate disputes between the EU and non-EU countries (European Commission, WEB b).

1.4. Assessment of trade-related information pages, tools and platforms

Methodology

To assess whether the different tools offered by the European Commission could accommodate the needs of SMEs, we base our evaluation on the following criteria:

- Whether the information provided is adapted to the level of expertise (on customs knowledge) of the SMEs
- Accessibility of the information, through:
 - Marketing of the website via different EU/national platforms/search engines
 - Hyperlinks, linking words/tags used to facilitate the search
- The quality and level of (up-to-date) information provided
- User-friendliness: the simplicity of usage of the tool/informative website

Pros

The EU portals specifically designed to procure information on international trade are comprehensive. They provide information on the requirements needed when performing international trade. Additionally, free expertise can be requested by SMEs to a third party (experts with various backgrounds from other organisations). The websites are intuitive and make use of visuals and colours to guide the user. The homepages of the specific websites are explicit and list the information proposed and the services provided. There is a specific page dedicated to SMEs with an overview of SME specific tools and services related to trade.

Through the Access2Markets tool, information is given on the applicable trade regimes/FTA agreements that are in force between the country of destination and the country of departure of the goods. It also delivers information on import procedures and product specific information.

Furthermore, information on the rules of origin of the products is given in a straightforward way. It is possible to test a real-life example via the tool and determine whether a product could benefit from preferential treatment for a particular flow.

Example 1: The Access2Markets database can be considered userfriendly, as it allows the user to type either the name of the product or the HS code in order to get the information needed on the export requirements of its product (origin, the procedure etc.). That option is helpful as many SMEs employees are likely to be unfamiliar with the classification of products. The page often – but not always – provides hyperlinks towards further background information.

² European Commission, Contact, consulted at <https://trade.ec.europa.eu/access-to-markets/en/contact-form#contact>

Cons

The information provided on the information pages is of good quality and reflects the international and European legislation on trade and customs. Furthermore, the information is very detailed on all topics. For SMEs, however, it could be a challenge to understand the legal terminology and trade-specific wording, if the user has no extensive experience in trade. The terminology used to designate certain specific words (i.e. preferential duty rate) vary from page to page, and the website sometimes uses terminology that could be misleading (i.e., EU preferential rate referred to as EU rate). Therefore, consistent terminology could be helpful when users are navigating through the different pages.

Additionally, access to information regarding related tools or related background information could be suggested through links or tags referring to the designated tool. This would help the reader to click through more easily. Via these tags or links, the user has all necessary information at the tip of their fingers.

For example, the principles of the FTA itself are not easily accessible via the tools used to calculate rates and duties. Instead, it is available through another portal. The solution could consist of a button or link, which could be made visible and easier to click through to the relevant tool. In this manner, the theoretical explanation and practical tool could be interlinked.

Example 1: Access2Markets – On Access2Markets the information on the FTA duty rates and procedure of the product is given, but the FTA between the two countries is not named nor briefly explained. Hence, information on the FTA itself is not easily accessible. Our desk research provides the user directly with much technical information on the export without necessarily having to understand the scope of the FTA and its background information.

Additionally, there is no overview of the FTA tariff schedule nor a the list of the goods exempted under the FTA.

Example 2: Access2Markets – While researching goods that benefit from preferential treatment under an FTA, Access2Markets will showcase the preferential and MFN duty rate. During our investigation, the MFN rate appears first, which can be misleading.

The differentiation between FTA preferential rates and MFN could be more explicit. One would need sufficient customs knowledge to differentiate and not confuse the two duty rates. When compared to other similar tools (e.g. the UK customs authorities website/WTO/WCO), the same result was more straightforward. These websites differentiate third country duty and FTA preferential duty rates from the get-go. Also, the EU preferential rate is referred to as 'EU rate' or as stated on other pages 'preferential rate'. This could be misleading and confusing to users that do not have customs knowledge.

Example 3: Access2Markets – When entering a product name rather than an HS code, there is an extensive list of HS codes of goods proposed to the user. The user needs to browse through the list to get access to the information on the origin and the preferential duty rates, etc. As the preferential treatment varies from HS code to HS code, it is important to select the right product. The European Commission designed the CLASS tool specifically to assist exporters to define the right HS code. There is no link or information on this tool on Access2Markets, which could be beneficial if a reference were made. SME users would benefit from this interlinking to use the Access2Markets to its full potential.

1.5 General assessment

SMEs that are looking for specific information on international trade could encounter the website of the European Commission as a source of information on trade with third countries outside of the EU (European Commission, WEB r).

Currently, the homepage of the general European Commission website on trade does not explicitly show all the topics covered, even though extensive information is available on underlying pages. The interface of the website of the European Commission could benefit from a better overview of all information that is available via a drop-down list or structure tree of all trade-related topics and subtopics. Certain websites of national customs authorities or international organisations give such an overview of the information available through a scroll-down list of topics at the top of the page. The Access2Markets portal is advertised as the portal that will help firms to make the most of EU trade deals. Next to visibility, the portal would facilitate the navigation through the different pages. For SME users who is not using the EU's websites and tools on a regular basis, it could be challenging to figure out where to find the relevant information. They could miss access to tools and information simply because they could be confused about where to search for the information. It is worth noting that correlated topics, such as 'Customs' and 'International Trade', are currently divided into two separate subjects and sections, with little to no interlink between them. The design of the homepage could divide 'Trade' and 'Customs' into separate topics with an explanation on which topics, tools, information can be found under which umbrella. As a result, the SME would have a clear overview of potential information/tools/platforms and would not miss out on potential opportunities for its business.

In addition, there are currently limited or no references to the previously described tools and webpages of the European Commission on the national websites of the Member States and/or local customs authorities. Such a reference (or even advertising) could help redirect SMEs towards the necessary information (in the preferred language). Once the user is on the correct page related to a tool/platform or information website, the user-friendliness is high thanks to an intuitive layout. User manuals are made available for the tools and are easily accessible. The information provided is complete and comprehensive.

2 Activities by EU countries and commerce organisations

2.1 Background

EU Members States implement their own sets of policies to foster internationalisation of SMEs. While part of these rely on EU funding and its policy framework, both internationalisation outcomes and policy preferences differ. The context at the national level is highly diversified, as captured by the 10th principle (internationalisation) of the annual SME Performance Review published by the European Commission (2019 e).

This section is divided into four parts. First, it reviews and compares the status of internationalisation in EU countries. Second, it examines existing initiatives implemented by commerce organisations. Third, it provides an overview of national government policies. Fourth, it assesses national policies in relation to their performance, describing best practices.

2.2 Comparative status

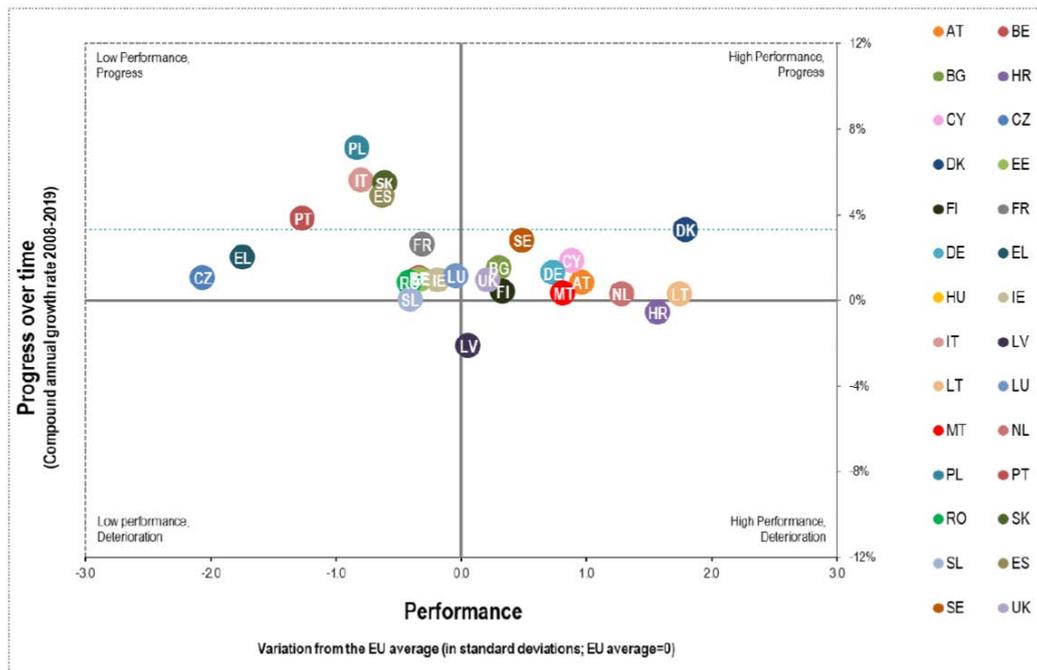
As part of the implementation of the Small Business Act for Europe (SBA) (European Commission, 2008), the European Commission tracks progress of SMEs through a set of thematic indexes³. In particular, the

³ The indicators are combined to obtain the index. In particular: errors and outliers are excluded; missing data are estimated using a hybrid approach; indicators are normalised and reoriented; a simple arithmetic sum is then applied (equal weights); finally, statistical coherence is checked by comparing the variance explained by SBA indicators against principal components (Pedraza, P. and Katsinis, A., 2020).

internationalisation index is composed of nine⁴ indicators based mainly on World Bank and UNCTAD data, while the full SBA database includes six additional variables as described by Pedraza and Katsinis, (2020).

The figure below shows the positioning of EU countries and the UK according to their 2019 performance, relative to the EU average, and their progress⁵ over the monitored period (2008-2019).

Figure 1: Performance and progress in SMEs internationalisation, EU countries and UK



Source: European Commission (2019 b). EU-28 2019 SBA Fact Sheet & Scoreboard

Countries differ considerably in terms of performance (horizontal axis in the figure). Croatia Denmark, Lithuania and the Netherlands are on top of the group, while the Czech Republic, Greece, and Portugal lie at the bottom. At the same time, the vast majority of EU countries saw an improvement over time (vertical axis in the figure), with lagging countries generally showing a strong performance. In particular, a cluster of low-performing countries, that includes Italy, Poland, Slovakia, and Spain, showed the most significant progress since 2008.

2.3 Commerce organisations

EU direct support for the internationalisation of SMEs goes beyond the activities examined in the previous section. EU bodies and institutions support activities implemented by national and local commerce organisations and clusters (European Commission, 2019 e). As shown by Costa et al. (2017), semi-institutional networks are key to supporting internationalisation. In particular, under the 2014-2020 Multiannual Financial Framework, the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME) funded a series of key initiatives: 'Business Beyond Borders', 'Ready2Go', and cluster organisations support (European Commission, WEB e).

⁴ Extra-EU online exporters (%), information availability (scale), involvement of trade community (scale), advance rulings (scale), formalities – automation (scale), formalities – procedures (scale), Border Agency Co-operation (scale), SMEs with extra-EU imports of goods (%), and SMEs with extra-EU exports of goods (%) (Pedraza, P. and Katsinis, A., 2020).

⁵ Measured as compound annual growth rate in 2008-2019 (Pedraza, P. and Katsinis, A., 2020).

Business Beyond Borders, which ran from October 2016 to April 2019, consisted of a series of business events targeting third countries in the framework of 10 major international fairs. Activities included the establishment of business-to-business and cluster-to-cluster partnerships with target markets (e.g. Australia, Chile, India, Iran and South Africa). The consortium implementing the initiative, which was led by Eurochambres, aimed to help SMEs and clusters to develop their cross-border market positioning (Business Beyond Borders, WEB).

Ready2Go was led by the Milan Chamber of Commerce and saw the participation of 11 national chambers of commerce. The project, which ran from October 2016 to December 2018, consisted of providing a step-by-step personalised assistance for up to 30 SMEs to develop activities abroad. The project targeted expansion in five specific third countries: Cameroon, Canada, Chile, India and the US (Ready2Go, WEB).

In addition, the EU supports the creation and initiatives of individual cluster organisations. In particular, COSME regularly publishes calls for proposals, funding opportunities, and other supporting activities (ECCP, WEB). Clusters are in fact an integral element of the European economic landscape and have formed at local/regional, national and pan-EU level. Their main purpose is to incorporate different elements of the value chain in order to create economies of scale for its participants, particularly SMEs, thereby supporting their competitiveness in international markets (European Commission, 2019 c).

2.4 National policies

EU countries have adopted a combined total of around 300 different policy measures over the past decade to sustain SMEs internationalisation. In fact, policies categorised under the internationalisation principle amount to almost 10 % of all policies tracked by SME Annual Reports from 2011 to 2019. According to SBA's categorisation, more than 60 of these were aimed at supporting SME network-building, around 30 were dedicated to coaching activities, almost 40 encouraged SMEs to hire specialist expertise, and about 150 consisted of other measures (European Commission, 2019 b).

As part of the 2017/2018 Annual Report (European Commission, 2018), a survey of SME associations and export promotion agencies identified 105 programmes. Respondents associated each programme with one or more cluster of activities. The most mentioned one was market intelligence activity, comprising knowledge acquisition, market intelligence and information on market opportunities. As confirmed by the literature, this seems to be an effective vehicle for trade expansion (Onkelinx and Sleuwaegen, 2008). Following closely, the second and third clusters were related to training activities for entrepreneurs and their staff and cross-border networking with counterparts, as well as with customers, and participation in international fairs. Although this activity is particularly appreciated by SMEs, academic research shows that while trade missions do facilitate market entry (Ratten et al., 2007), they do not attract companies that are not exporting already (Mayer and Ottaviano, 2007). By contrast, two of the other clusters mentioned by SMEs seems to be among the most effective (Spence, 2003). The first is financial assistance, which may include support grants, export credit or insurance, and tax relief. The second is individual counselling and advice. This may include assistance on legal and administrative procedures, the establishment of branches abroad and competence development (European Commission, 2014).

During the last SBA monitoring period (from the beginning of 2018 to March 2019), over 40 new policy initiatives were adopted across EU countries. For each initiative, the SBA database (European Commission, 2019 d) reports a range of information: the implementation body, key features and objectives, general description, budget, SBA policy measure and category, targeted population, expected impact, and sources. Nevertheless, the degree of detail and completeness varies greatly according to the country and programme examined.

Table 1 shows an overview of all the policies implemented in the EU over this period. For countries where no new initiatives were identified, relevant policies have been selected from previous monitoring

periods. Following the assessment of the relevance for the purposes of this briefing and the completeness of the information provided, four key dimensions are also reported:

- *Type of company targeted*, as reported in national databases;
- *Sector or field targeted*, derived from the description provided in the database and in the primary sources;
- *Financial/non-financial categorisation*, assigned on the basis of the description provided in the database and primary sources;
- *Kind of action supported (coaching/hiring/networking/other)*, as reported in national databases.

Table 1: Key internationalisation initiatives in EU countries, 2018 – first quarter of 2019 Figure 1: Performance and progress in SMEs internationalisation, EU countries and UK

Country	Initiative Name (ENG)	Type of company	Sector or field	Financial/non-financial	Action supported
AT	Internationalisation Strategy	SMEs	All	Non-financial	Other
AT	Expansion of the Global Incubator Network (GIN)	Start-ups	Innovation and Finance	Non-financial	Networking
BE	Walloon Export Agency	All	All	Non-financial	Other
BE	New Flemish web platform www.veroverdewereld.be	All	All	Non-financial	Other
BE	Brussels – subsidy for recruitment for specific export projects	Micro and small	All	Financial	Hiring
BG	Bulgarian Export Insurance Agency (BAIA)	All	All	Financial	Other
CY	Call for proposals for the EUREKA programme	All	R&D	Financial	Networking
CY	Calls for proposals for Dual Targeting and Bilateral Collaboration	All	R&D	Financial	Networking
CZ	CzechMatch and CzechDemo	SMEs and start-ups	All	Financial	Coaching
DE	New German Accelerator in Singapore (GASEA)	Start-ups	All	Non-financial	Coaching
DE	Improvement of export credit guarantees 'Hermes cover'	SMEs	All	Financial	Other
DE	Expansion of the market entry programme	SMEs	All	Non-financial	Other
DK	Export 'sparring'	SMEs	All	Non-financial	Coaching
DK	Strategic Business Alliances	All	All	Non-financial	Networking
EE	Platform for participation in high-level business visits www.Visiidid.ee	All	All	Non-financial	Other
EE	Grant for participating in fairs	SMEs	Manufacturing and smart specialisation	Financial	Other
EE	Business diplomacy strategy	All	All	Non-financial	Other

EL	Technical Assistance Programme	All	All	Non-financial	Coaching
EL	Improvement of the national business portal www.agora.mfa.gr	All	All	Non-financial	Other
ES	Xpande Programme	SMEs	All	Financial	Other
FI	Growth Engines	SMEs	All	Financial	Networking
FR	Team France Export	All	All	Non-financial	Other
HR	Business internationalisation of SMEs – phase II	SMEs	All	Financial	Other
HU	Workshops and guidance for SMEs by HEPA	SMEs	All	Non-financial	Coaching
IE	Brexit: Act On Initiative	All	All	Non-financial	Hiring
IE	Customs courses	All	All	Non-financial	Coaching
IE	Prepare to Export Scorecard	SMEs	All	Non-financial	Other
IE	Online Retail Scheme	SMEs	Retail	Financial	Hiring
IT	Global Start Up Program	Start-ups	Innovation	Non-financial	Coaching
IT	Education to Export (E2E)	SMEs	All	Non-financial	Coaching
IT	Export UP	SMEs	All	Financial	Other
LT	Increasing the completeness of the prospective export sectors	All	IT, Biotech and Pharma, Engineering, Furniture, and Food & Beverage	Non-financial	Other
LT	Export Credit Guarantees	SMEs	All	Financial	Other
LU	Action Plan SME – Cooperation costs aid	SMEs	All	Financial	Networking
LV	Health Services Export Development Plan	All	Health services	Non-financial	Other
MT	Certify (Tax Credit)	All	All	Financial	Other
MT	Cooperate for Growth	All	All	Non-financial	Networking
NL	Start-up liaison support abroad	Start-ups	All	Non-financial	Other
NL	Global Stars: Joint Innovation Programme with Brazil	SMEs	Bio-economy and Health	Financial	Other
NL	Online tool for entrepreneurs	All	All	Non-financial	Other
NL	International Strategic Board Netherlands	All	All	Non-financial	Other
NL	Trade & Innovate NL	All	All	Non-financial	Other
PL	BGK Preferential financial instruments	All	All	Financial	Other
PT	Internationalisation Opportunities Voucher	SMEs	All	Financial	Hiring

PT	Creation of the Fund for Internationalisation Funds	All	All	Financial	Other
PT	Tech Visa	All	Innovation	Non-financial	Hiring
RO	Integrated export services for SMEs in Romania	SMEs	All	Financial	Networking
RO	Supporting the internationalisation of economic operators	SMEs	All	Financial	Other
SE	Support innovation collaboration with India on smart cities	All	Innovation	Non-financial	Other
SE	Promote reliable and accessible information on production conditions in other countries	All	All	Non-financial	Other
SK	Support scheme for export of Slovak franchise concepts	Micro and small	All	Non-financial	Networking
SL	Voucher for promotion of internationalisation	SMEs	All	Financial	Networking

Source: Own elaboration based on the SME Performance Review (European Commission, 2019 b)

Of the 52 policy initiatives displayed in the table above, around 50 % (27) are specifically designed for SMEs, micro and small enterprises, and/or start-ups. By contrast, a vast majority is sector-neutral, with only about 20 % (11) of the policy measures targeting specific segments of the business landscape. In terms of type of initiative, there are slightly fewer financial measures (22) than non-financial ones (30).

As per the kind of action supported according to SBA's categorisation, the distribution is not far from the historical trend: 10 for networking, eight for coaching, five for hiring and 29 other activities. In fact, over the 2008-2019 period, more than 60 of these were aimed at supporting SME network-building, around 30 were dedicated to coaching activities, almost 40 encouraged SMEs to hire specialist expertise, and around 150 consisted of other measures.

2.5 Assessment of Member States initiatives

Out of the many public policies implemented, it is possible to identify common trends and achievements. Among the clearest ones, nearly all EU countries have created an umbrella organisation or single access point combining multiple services and harmonised information from multiple sources (European Commission, 2019 e). The most recent example from 2019 is the 'Team France Export' policy initiative (Team France Export, WEB). The new platform brings together all the public solutions offered by regions, state services, Business France, Chambers of Commerce and Industry, and Bpifrance aimed at supporting internationalisation. As a result, the platform can provide services from 250 advisors located in France, 750 located in foreign markets, and 50 sectorial communities.

A second common policy trend consists of specific assistance for participation in international business events. Trade missions and fairs as well can be a powerful tool to support international expansion of SMEs, on top of attracting foreign investments. For example, Estonia recently launched an official website (Visiidid, WEB) providing the calendar, description, the means of participation of all scheduled visits by high-level officials (e.g. prime minister, president, and national business authorities) travelling with business delegations. The initiative is part of a broader business-diplomacy strategy, which aims to involve businesses in public activities in order to promote Estonia as a reliable export partner.

Despite the commonalities, several countries, as emerged from the comparative analysis above, perform above the EU average. For example, the Danish government in recent years has strengthened financial assistance measures for SMEs internationalisation. In particular, it created new schemes or expanded

existing ones, notably through the Danish Growth Fund (*Vækstfonden*), for loan guarantees, start-up loans, growth loans, consultancy schemes and export guarantees (Vækstfonden, WEB, and OECD, 2016).

Nevertheless, the real strength of Denmark is the efficiency of non-financial services. The trade council (*Eksportrådet*) formed a network with business hubs, commerce organisations and Danish embassies abroad, which provides integrated services that are mostly free of charge for new market entrants in third countries. Similarly, the trade council created, under the Strategic Business Alliances scheme, several strategic alliances with local companies and associations in export markets. By providing guidance on market opportunities and potential mutual gains for domestic and foreign businesses, companies benefit from economies of scale that are normally difficult to achieve for SMEs. Among the most recent programmes implemented in the country, export 'sparring' (*Eksportsparring*) fully subsidises an export programme targeting SMEs, irrespective of their business sector, with no or limited experience in international markets (The Trade Council of Denmark, WEB). The initiative is composed of two tracks. The first one involves export 'sparring' sessions with a trade council adviser, while the second track involves 15 hours of free export counselling with a trade adviser from the trade council. As shown by academic research, this kind of coaching activity is among the most effective policies supporting internationalisation (Wilson, 2005).

The performance ranking analysed above (Figure 1) also revealed a group of countries below the EU average. However, most of them, especially Italy, Poland, Slovakia and Spain, have made considerable progress over the past decade. The Italian case is emblematic. In 2015, the government launched the 'Made in Italy' plan (*Piano Straordinario per il Made in Italy*), with a total budget of EUR 360m until 2019 (Italian Trade Agency, WEB). The plan aimed to increase the number of exporting SMEs, through a series of measures implemented by the Ministry of Economic Development and the Italian Trade Agency: an e-commerce platform for foreign markets; vouchers for temporary export managers; and roadshows to inform companies about available support. During the 2018-2019 monitoring period, the plan introduced a series of additional non-financial measures, including the 'Education to Export' and 'Global Start-Up' programmes.

In addition, the COVID-19 recovery measures saw a growing role for specific agencies of the national investment bank CDP (*Cassa Depositi e Prestiti*) business group, which in 2018 managed a portfolio of EUR 114bn serving over 20,000 companies (98 % of which are SMEs). This was the case with the Italian export credit agency, SACE, and the Italian company for the internationalisation of companies, SIMEST, which mobilised over EUR 4.5bn and activated a series of special assistance measures (CDP Group, WEB).

3 Suggestions for improvement

The EU has concluded an increasing number of free trade agreements (FTAs) with third countries, with increasing focus placed on supporting SMEs in their internationalisation process. Although the European Commission and EU Member States have launched a wide range of initiatives to reduce internationalisation barriers, SMEs are still less likely to engage in business activities in third countries than larger companies. This suggests that SMEs are not benefiting fully from the FTAs concluded by the EU, despite the increased focus on SMEs. It remains a key challenge to make sure that SMEs are also able to reap the benefits of FTAs by reducing the barriers that they face.

3.1 Monitor the correct implementation of FTAs

It remains key to ensure that resources for the implementation of FTAs are sufficient so that companies of all sizes can seize the opportunities they offer. In this regard, the annual report on the implementation of FTAs, which the European Commission launched in 2017, can represent an important tool for the identification of related shortcomings and for measuring progress in tackling them. As mentioned above, one indicator that should be regularly monitored is the preference utilisation rate (PUR). However, up to

now the PUR has been calculated for imports and exports for all companies. In order to track down the utilisation rate for SMEs, it would be beneficial to break down the PUR by company size. This could be done by matching exporting/importing EU firm-level characteristics with customs data from EU trading partners.

Other indicators should also be developed (Business Europe, 2020). For example, the annual report on the implementation of FTAs would benefit from more detailed statistics on trade occurring in the service sector where data are currently limited. The same applies for public procurement. Data available on the impact of FTAs on facilitating the access for European companies to public procurement are still limited. When data are available, it would be important to monitor the volume of partner country's public procurement contracts awarded to EU SMEs as compared to large companies overtime. By doing this, the EU will obtain a clear overview of how the access to public procurement for SMEs has evolved over time and also in which partner country SME access is still limited. This data should also be clearly communicated and distributed to all relevant stakeholders, such as export promotion agencies, commerce organisations and national/regional governments, to show the progress that has been made and the room for opportunities available for SMEs.

3.2 Enforce rights and rules

For SMEs, it would also be important that FTAs are properly enforced with clear rules and guaranteed rights for their foreign operations. In this regard, the Chief Trade Enforcement Officer and his team should establish and coordinate a comprehensive enforcement strategy. Indeed, if not properly implemented and enforced, FTAs are of limited use for SMEs. More specifically, it would be important to achieve a full use of dispute settlement mechanisms in cases where an FTA partner does not comply with the agreement terms or withdraws from FTA commitments (Business Europe, 2020).

When a problem in the implementation of the FTA is reported by Member States or EU delegations in third countries, the Chief Trade Enforcement Officer should act in a timely manner. For this to happen, it is important that the Chief Trade Enforcement Officer is provided with the necessary resources to address potential problems. It is also important that Member States, companies, trade associations and all relevant stakeholders are directly involved and updated on the EU's efforts. By having regular consultations with all of them, the EU can benefit from updated information on potential violations of FTAs. All violations and any implementation issue should be reported and collected in a singular database so that a clear overview of these FTA-related issues can be provided. This will allow progress to be traced and for suggestions for improvement to be made in negotiations on new FTAs.

Finally, it would also be important to modernise investment dispute settlement mechanisms. For example, the creation of a Multilateral Investment Court would encourage SMEs to make investments abroad. Its establishment would address concerns on the complexity and the lack of predictability of investor-state dispute settlement decisions, the time-lengthy and costly procedures deterring smaller partner countries, and the impartiality of arbitrators.

3.3 Increase financial and non-financial support

Financial constraints are often cited as a major obstacle for SMEs when internationalising. Engaging in trade with third countries may entail sunk costs initially and deters SMEs to engage in these activities. The benefits may hence not materialise in the early phases, but only gradually over time. While some Member States have already implemented financial initiatives, such as export and tax credits and support for the recruitment of staff engaging in trade, most initiatives are of a non-financial nature. Supporting SMEs overcoming financial constraints remains an important challenge for achieving the full benefit of EU FTAs.

As shown by the review of national policies, non-financial measures tend to be appreciated by companies that make use of them. Nonetheless, this might reflect a selection bias for specific kinds of policy. In particular, policies supporting foreign networking, business trips, and international fairs, which are implemented in all EU countries, appear to facilitate market entry (Ratten, 2007) only for companies that already engage in foreign markets (Mayer and Ottaviano, 2007). As a result, companies without a previous international presence are neither involved in the policy, nor able to provide feedback on it. Therefore, while it is important to avoid a 'one size fits all' approach, future policy initiatives should be more targeted towards SMEs, which are not yet interested in internationalisation. The aim of new programmes would be to increase the number of companies seeking expansion beyond domestic markets, rather than increasing internationalisation *per se*. Therefore, the operational objective would primarily consist of addressing the lack of interest to internationalise, and eventually in encouraging participation in other support initiatives.

3.4 Raise awareness and disseminate information

As previously discussed, a fundamental step to facilitate the internationalisation process of SMEs is to raise awareness about the benefits arising from EU FTAs. First, Member States should disseminate the agreements among relevant stakeholders in their respective languages so that SMEs can have a facilitated access to them. More importantly, these agreements should be promoted by involving commerce organisations, export promotion agencies and customs authorities. In this regard, it would be beneficial to develop a structured action plan that can guide each Member State in the communication and promotion of concluded FTAs. Also, it would be important that all these stakeholders are informed and involved in the negotiation phase of the FTA such that they can actively contribute by pointing out potential issues in an early phase. Awareness of the benefits arising from FTAs should also be improved for citizens and this could be achieved by providing examples of such benefits on social media or on the EU websites (Business Europe, 2020).

As outlined above, another major obstacle for SMEs is a consistent lack of information on all the benefits that internationalisation can provide and the help that they can receive from the EU. Given the more limited amount of resources at their disposal, the access to information of all the initiatives aimed at stimulating internationalisation put in place by the EU, by EU Member States and Commerce Organisations should be facilitated. As suggested, a first step could be to improve the website of the European Commission, which would benefit from offering an overview of all information that is available via a drop-down list or structure tree of all trade-related topics and subtopics. This will facilitate the access to all content for those SMEs that are unfamiliar with EU initiatives. Next to this, cross-linking of subjects that are related to 'customs' or 'international trade' as well as tagging the tools that support classification and origin calculation could optimise use. Another recommendation would be to put extra effort into communicating the benefits of FTAs for services exporters and importers, since service chapters of FTAs are more difficult to read for non-experts, as discussed above. Attention should be given to the communication of the new possibilities for SMEs operating in the service sector provided by each concluded FTA. Similarly, SMEs are usually confronted with a lack of transparency for public procurement procedures in third countries. Additional efforts could be made by the EU to collect information on tenders in third countries and publish this information on a single dedicated website. This will allow SMEs to reduce resources dedicated to searching and understanding tenders in third countries, thus facilitating their access to the international market.

3.5 Promote clusters internationalisation

Finally, as previously discussed, SMEs that actively involved in business networks and clusters have more opportunities to integrate into global value chains (Measson and Cambell-Hunt, 2013). For this reason, the European Commission has developed several initiatives to promote the internationalisation of

clusters. The aim is to promote international cluster cooperation by intensifying cluster and business network collaboration across borders and beyond Europe. For example, the European Commission has recently launched the third generation 'Clusters go international'⁶ initiative under COSME, which aims to establish and develop European strategic cluster partnerships. Other relevant initiatives aimed at promoting clusters internationalisation are the European Cluster Collaboration Platform,⁷ which facilitates cluster cooperation within the EU and helps clusters access international markets, and the International cluster matchmaking events, which are events offering cooperation opportunities for European cluster organisations with partners within and beyond Europe. All these initiatives are extremely important as they provide great opportunities to SMEs wishing to expand their operations abroad. However, given that SMEs have limited resources and obtaining information for them is too costly, more emphasis should be placed on promoting these initiatives at the local/regional level. By involving commerce organisations and other relevant stakeholders such as export promotion agencies and national/regional governments, more SMEs may become aware of such initiatives and take advantage of them.

⁶ <https://ec.europa.eu/easme/en/section/cosme/cos-clusint-2020-3-01-clusters-go-international>

⁷ <https://clustercollaboration.eu/user/login?destination=>

References

Articles and papers

Costa E. et al (2017), *Institutional networks for supporting the internationalisation of SMEs: the case of industrial business associations*, *Journal of Business & Industrial Marketing* 32 (8), 1182-1202.

Business Europe (2020), *Recommendations on the implementation of EU free-trade agreements*.

European Commission (2008), *Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – ‘Think Small First’ – A ‘Small Business Act’ for Europe*, Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52008DC0394>.

European Commission (2014), *Supporting the Internationalisation of SMEs. Guidebook Series, How to support SME Policy from Structural Funds*, Publications Office of the European Union, Luxembourg.

European Commission (2018), *ANNUAL REPORT ON EUROPEAN SMEs 2017/2018 – SMEs growing beyond borders*, Available at https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en.

European Commission (2019 a), *ANNUAL REPORT ON EUROPEAN SMEs 2018/2019 – Research & Development and Innovation by SMEs*, available at https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en.

European Commission (2019 b), *EU-28 2019 SBA Fact Sheet & Scoreboard*, available at https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en.

European Commission (2019 c), *Final report: Internationalisation of SMEs from the European construction sector in third markets*, consulted at https://ec.europa.eu/growth/content/final-report-internationalisation-smes-european-construction-sector-third-markets_en.

European Commission (2019 d), *SME Performance Review*, consulted at https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en.

European Commission (2019 e), *Support to the internationalisation of SMEs*, consulted at <https://ec.europa.eu/easme/en/support-internationalisation-smes#inline-nav-0>.

Mayer T. and Ottaviano G.. (2007), *The happy few – the internationalisation of European firms*, BRUEGEL Blueprint Series, Volume III.

Measson, N.& Cambell-Hunt, C. (2013), *How SMEs use trade shows to enter global value chains*, *Journal of Small Business and Enterprise Development*, 22(1): 99-126.

OECD. (2016), *Financing SMEs and entrepreneurs 2016. An OECD scoreboard*, Paris: OECD.

Onkelinx, J. & Sleuwaegen, L. (2008), *Internationalization of SMEs*, Flanders DC.

Pedraza, P. and Katsinis, A. (2020), *Monitoring SMEs’ performance in Europe. Methodological assessment of the SME Scoreboard 2019*, Publications Office of the European Union, Luxembourg.

Ratten V. Et al (2007), *Internationalisation of SMEs: European comparative studies*, *International Journal of Entrepreneurship and Small Business* 4(4):361-379.

Spence, M.M. (2003), *Evaluating Export Promotion Programmes: U.K. Overseas Trade Missions*.

Wilson, K. (2005), *Encouraging the internationalisation SMEs in Promoting Entrepreneurship in South East Europe*, OECD Papers 6/12.

Websites

Business Beyond Borders (WEB), consulted at <http://www.businessbeyondborders.info/>.

CDP Group (WEB), *Le misure SACE SIMEST per fronteggiare l'emergenza coronavirus*, consulted at <https://www.sacesimest.it/education/dettaglio/le-misure-sace-simest-per-fronteggiare-l'emergenza-coronavirus>.

EABC (WEB), *European Association for Business and Commerce*, consulted at <http://www.eabc-thailand.org/>.

EBTC (WEB), *European Business & Technology Centre – Enabling Europe India Collaboration*, consulted at <https://ebtc.eu/>.

ECCP (WEB), *COSME Calls For Proposals*, consulted at <https://clustercollaboration.eu/open-calls-programs/cosme>.

EU open data portal, *Suspensions (autonomous tariff suspensions)*, consulted at <https://data.europa.eu/euodp/en/data/dataset/suspensions-autonomous-tariff-suspensions>.

EU-Japan centre, *support for SMES*, consulted at <https://www.eu-japan.eu/support-smes>.

European Commission (WEB a), *Autonomous tariff suspensions & quotas*, consulted at https://ec.europa.eu/taxation_customs/dds2/susp/susp_home.jsp?Lang=en.

European Commission (WEB b), *Chief Trade Enforcement Officer*, consulted at <https://ec.europa.eu/trade/trade-policy-and-you/contacts/chief-trade-enforcement-officer/>.

European Commission (WEB c), *CLASS-Classification information System*, consulted at https://ec.europa.eu/taxation_customs/online-services-and-databases-customs/class-classification-information-system_en.

European Commission (WEB d), *Enterprise Europe Network*, consulted at <https://een.ec.europa.eu/>.

European Commission (WEB e), *COSME, Europe's programme for small and medium-sized enterprises*, consulted at https://ec.europa.eu/growth/smes/cosme_en.

European Commission (WEB f), *ECICS Consultation*, consulted at https://ec.europa.eu/taxation_customs/dds2/ecics/chemicalsubstance_consultation.jsp?Lang=en.

European Commission (WEB g), *Enterprise Europe Network*, consulted at <https://een.ec.europa.eu/>.

European Commission (WEB h), *Entrepreneurship and Small and medium-sized enterprises*, consulted at https://ec.europa.eu/growth/smes_en.

European Commission (WEB i), *EU Open Data Portal*, consulted at <https://data.europa.eu/euodp/en/data/dataset/quota-tariff-quotas-and-ceilings>.

European Commission (WEB j), *List of Surveillances*, consulted at https://ec.europa.eu/taxation_customs/dds2/surv/surv_consultation.jsp?Lang=en.

European Commission (WEB k), *QUOTA – Quotas and tariff ceilings*, consulted at https://ec.europa.eu/taxation_customs/online-services/tariff-quotas_fr.

European Commission (WEB l), *REX – Registered Exporter system*, consulted at https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/generalised-system-preferences/the_register_exporter_system_fr.

European Commission (WEB m), *Registered Exporters*, consulted at https://ec.europa.eu/taxation_customs/dds2/eos/rex_home.jsp?Lang=fr.

European Commission (WEB n), *Suspensions*, consulted at https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/suspensions_en.

European Commission (WEB o), *TARIC Consultation*, consulted at https://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp?Lang=en.

European Commission (WEB p), *TARIC*, consulted at https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/taric_en.

European Commission (WEB q), *Tariff quota consultation*, consulted at https://ec.europa.eu/taxation_customs/dds2/taric/quota_consultation.jsp?Lang=en.

European Commission (WEB r), *Welcome to Access2Markets to Market Access Database users*, consulted at <https://trade.ec.europa.eu/access-to-markets/en/content/welcome-access2markets-market-access-database-users>.

European Commission (WEB s), *Commission launches Access2Markets portal to support trade by small businesses*, consulted at <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2190>.

EUSME (WEB), *EUSME Centre*, consulted at <https://www.eusmecentre.org.cn/>.

International IP SME Helpdesk, *Free business tools to manage your Intellectual Property Rights*, consulted at <https://www.ipr-hub.eu/>.

International TradeCentre (WEB), *Market Access Conditions*, consulted at <https://www.macmap.org/>.

Italian Trade Agency (WEB), *Programma straordinario di promozione del Made in Italy*, consulted at <https://www.ice.it/it/promozione-del-made-italy/programma-straordinario-di-promozione-del-made-italy>.

Ready2Go (WEB), consulted at <http://www.b2match.eu/ready2go>.

Team France Export (WEB), consulted at <https://www.teamfrance-export.fr/>.

The Trade Council of Denmark (WEB), *Inkubator*, consulted at <https://thetradecouncil.dk/services/eksport/inkubator>.

Vækstfonden (WEB), *Project website*, consulted at <https://vf.dk/en/>.

Visiidid (WEB), *Project website*, consulted at <https://visiidid.ee/>.

Your Europe, *Practical guide to doing business in Europe*, consulted at <https://europa.eu/youreurope/business/>.

PE653.630
EP/EXPO/INTA/FWC/2019-01/LOT5/3/C/07

Print ISBN 978-92-846-7901-0 | doi: 10.2861/656834 | QA-02-21-312-EN-C
PDF ISBN 978-92-846-7900-3 | doi: 10.2861/395404 | QA-02-21-312-EN-N