

## Scaling up European SMEs' potential

### How can the EU institutions deliver legislation fit for a competitive Europe?

The contribution of European small and medium-sized enterprises (SMEs) is of utmost importance to sustain our competitiveness. By operating at every level, be it local, regional, national, or international, SMEs ensure the resilience of the overall economy and the smooth interconnection of all ecosystems.

Despite the European Commission's attempts to achieve a business-friendly environment during the current mandate, SMEs are far from experiencing smooth sailing, as they find themselves grappling with a deluge of legislation and structural obstacles that hinder their entrepreneurial prospects. The risk of Europe losing attractiveness as a manufacturing powerhouse is real and concerted efforts to reverse this worrying trend are needed.

European SMEs continue to deal with considerable regulatory complexity. Although the cumulative impact of EU regulation affects businesses of all sizes, it tends to fall disproportionately on smaller ones, resulting in unnecessarily high compliance costs and regulatory uncertainty. In this sense, the “think small first” principle often proudly proclaimed by the EU institutions – and to which Eurochambres fully subscribes – risks remaining an ideal concept if not systematically applied throughout the whole legislative process.

The not always consistent application of the SME test during the current mandate confirms that legislation often overlooks the broader implications on smaller businesses and European competitiveness. In this regard, the SME test, the competitiveness check, and empirical evidence in impact assessments should assume greater relevance in all policy and law-making processes across the EU co-legislators during the next institutional cycle.

### Administrative complexities inevitably result in further barriers to the scaling up of operations for SMEs. What are other aspects to consider in the equation of competitiveness?

Companies' incapacity to grow is linked to existing thresholds, the benefits and exemptions under the SME definition. Sometimes such thresholds disincentivise SMEs from scaling up and growing into mid-caps. At the same time, mid-caps are themselves held back by EU legislation often drafted from the perspective of very large companies, without taking into account the challenges this entails for middle-market companies.

The lack of deep, integrated capital markets in the EU plays also a key role here. We should scale up our Capital Market Union ambition to unlock financing for the green and digital transitions. Harmonisation of national insolvency frameworks and simplified rules in the European securitisation market are important channels to create investment opportunities and allow banks to free up capitals.

Lastly, entrepreneurs must be enabled to fully capitalise on the advantages of operating within a single, unified, and barrier-free market, thereby promoting increased private investment. The Important Projects of Common European Interest (IPCEIs) framework is very important for the development of large-scale and cross-border industrial projects in strategic fields. They enable breakthrough innovation in key sectors and technologies and support infrastructure investments, that must generate significant positive spillover effects for the

Union economy and society at large. To support such a process, the IPCEIs need to integrate SMEs in all the new value chains in construction and new EU economic policies must percolate in all territories, by involving all stakeholders, with SMEs at the forefront.

**The territoriality dimension of member states influences operational aspects of companies. How can peripheral centres contribute to Europe's competitiveness?**

Europe's peripheral centres are considered less attractive territories for investments. However, they have a strong potential to fuel territorial economic development and social cohesion and are as relevant as innovative cities and centres.

A stronger focus should be placed on their contributions to shaping our communities and fostering vibrant local growth and job creation. A close assessment of their needs should be high on the list of EU political priorities. While innovative and technologically advanced companies are key, we should not promote a dangerous parallel narrative between innovative technological companies and traditional ones. The notion of "innovation" cannot be reduced to the level of technology uptake of a company. Instead, it should include all types of innovation, reflecting the fact that small companies are not necessarily innovative start-ups. More "traditional" SMEs still need to be supported in embracing change, mainly in terms of management. In this regard, the Commission should support SMEs and enable them to redefine their value chain positioning, absorb advanced technologies, and master innovation management.

As business community representatives and support providers, the chamber network has unparalleled expertise and knowledge of the real economy and can therefore effectively contribute to the process by providing fact-finding data on strategic dependencies at local, and regional levels and abroad. Closer connectivity with business and regional policymakers, supported by more accurate regional data, will identify industries and places in which the EU has, or could have genuine comparative advantage, and develop more coherent policies to support them.

Jean-Charles Herrenschmidt  
Eurochambres Economic Policy Committee Chair



Further information: Mr Giacomo Fersini, Tel. +32 2 282 08 89, [fersini@eurochambres.eu](mailto:fersini@eurochambres.eu)

Press contact: Ms. Agatha Latorre, Tel. +32 2 282 08 72, [latorre@eurochambres.eu](mailto:latorre@eurochambres.eu)

All statements are available here: [https://bit.ly/ECH\\_Statements](https://bit.ly/ECH_Statements)