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Small and Medium Entrepreneurs Union
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Brussels, May 2009

12 SME UNION Priorities for the upcoming Swedish EU Council Presidency¹

Preamble

The SME UNION, the business organization of the European People's Party, has set up 12 priorities for the upcoming Swedish EU Council Presidency. The Swedish Presidency will still on the one hand have to deal with the consequences of the financial and economic crisis and on the other hand have to focus on other upcoming European issues like the formulation of a new Lisbon Strategy for Jobs and Growth after 2010. The SME UNION is confident that the Swedish Presidency will lead the EU in a secure and stable way and will create an economic environment in which entrepreneurial initiatives of SMEs can prosper.

1. Depending on the specific economic situation in the second half of 2009 further measures to ensure SMEs **access to finance and stimulus measures** to support SMEs might be necessary. SME UNION urges the Swedish Presidency and the Commission to constantly monitor the situation of SMEs (incl. their access to finance) in the current crisis.

¹ Adopted by the SME UNION Presidency on 13 May 2009 in Prague.

2. During the Swedish EU Council Presidency immediate regulatory action to **mitigate pro-cyclical effects of Basel II** is necessary as otherwise the crisis would be aggravated by banking regulation. Actions have to become more concrete. SME UNION President Leitl was the first high ranking business representative who pointed out the problem of Basel II pro-cyclicality in the context of the crisis on the European level last year.
3. The increase of **late payments** by public and private clients calls for the need to ensure the swift adoption and rapid implementation of the overdue recast of the Late Payments Directive. The European Commission proposal takes action against late payment and should be strengthened by the Swedish Presidency. Especially in times of economic crisis this can help the internal financing of companies, especially SMEs and would ease business throughout the EU for the companies.
4. Governments should ensure SMEs access to finance, e.g. by providing guarantees for working capital, because loan supply to enterprises could tighten even further. Government intervention to stabilize the financial system has to be made conditional on extending further loans to SMEs. Therefore, the SME UNION urges the Swedish Presidency to set up an **EU Guarantee Fund for SMEs** that provides re-insurance for national and regional guarantee institutions. Due to the leverage effect, a multiple of the guarantee volume could be generated as new loan volume. The volume of the Fund should be 1 billion EUR which means that new loans of up to 50 billion EUR could be generated in the EU. At the same time member states should commit themselves to use this new instrument and therefore establish new guarantee programmes that are directed especially at small and micro enterprises and offer guarantees for 5.000 EUR of loans or equity per SME, which would mean that 10 million SMEs all over Europe could benefit from this new instrument: For projects exceeding 5.000 EUR the proposed instrument could be combined with other state aid actions.

5. In addition to the recent increase of 50 billion EUR of the balance of payment facility the SME UNION requests from the Swedish Presidency to set up an „**emergency fund**“ for **EU candidate and neighbouring countries** which would assist countries in the case of further deterioration of their economic situation. It is feared that these countries, which deserve the solidarity of the international and especially the European community, could suffer even more from the economic crisis. Major economic problems in these states would also reflect on the other European states whose businesses are already very active in that region. This emergency fund could be financed by the EU in cooperation with EIB, EBRD and IMF. This region is and will be a growing market and still has a high potential for companies.

6. The SME UNION demands to take action to **combat climate change** from the Swedish Presidency. High energy prices and the ambitious EU targets on CO2 reduction, renewable and cleaner energy as well as energy efficiency goals are especially affecting small and medium sized entrepreneurs. The SME UNION urges the EU to set up an intelligent strategy in order to avoid de-industrialization, but to continue with de-carbonization. As regards the **emission trading system** implementing the solution of setting up of a **benchmarking model** as well as taking account the risk of **carbon leakage** should give no additional burdens to companies using advanced technical environmental standards.

7. Especially after the Russian-Ukrainian gas conflict the **security of energy supplies** is another import topic within the EU. The SME UNION urges the Swedish Presidency to promote initiatives aimed at enhancing **energy efficiency** and to further exploit **renewable energy** potentials according to cost efficiency considerations. As the 27 EU Member States differ immensely in their perspective about the usage of nuclear energy this issue should be **kept on national level**. Every country should decide on its own energy mix and no preference should be pressed by the Swedish Presidency. Many questions linked

to this issue are not resolved entirely, e.g. common safety standards and how to deal with nuclear waste.

8. Another priority of the SME UNION for the Swedish Presidency is the **reduction of administrative burdens** and the **cut of the red tape** for SMEs. European businesses need a long-term, predictable, transparent and easy regulatory framework to be able to face future challenges. In this regard, the SME UNION has established a “Low Level Group to fight administrative burdens” in cooperation with EUROCHAMBRES and the European Confederation for Junior Enterprises (JADE) to support these initiatives and to come up with concrete proposals. Further details of our 21 suggestions representing a saving potential for EU companies of approximately 2.5 to 3.5 billions EUR can be found in the attached “Low Level Group Report and the Implementation Report” or on www.sme-union.eu/docs.
9. Although further EU enlargement is not the main Swedish priority, the **negotiations with Croatia** must be continued forcefully. A solution must be found on the border issue between Croatia and Slovenia. The border dispute between both countries is threatening Croatia’s accession negotiations as Slovenia has vetoed certain accession negotiations chapters over the border dispute which has not been solved for 18 years. A solution of this problem would be a proven success for Sweden. The SME UNION supports these negotiations as well as those with other Balkan States and the Ukraine and the support of these countries.
10. The **Small Business Act (SBA)** is an ambitious plan to support SMEs throughout Europe and has the potential to finally change European SME policy. In order to gain positive effects for SMEs, the commitments set up in the SBA have to be implemented at European, national and local level. This would give SMEs the opportunity to use their potential in innovation, job creation and growth and overall help them to overcome the economic crisis. Therefore, the SME UNION urges the Swedish Presidency to use their chance to shape this policy in

an even SME friendlier way and to enforce the implementation the commitments made in the framework of the SBA at every level. The “Think Small First” principle has to be considered in legislation and programme planning to have an effect on SMEs which represent the majority of the affected bodies. Independent and specific impact assessments for SMEs, systematic consolation of SME associations, the proportionality principle and the “only-once”-principle are therefore necessary means that should be conducted.

11. Moreover, the SME UNION requests from the Swedish Presidency to **support employment for SMEs**. SMEs have specific problems with labour market regulations, access to social benefit systems and access to training, which they can not solve by themselves. The Swedish Presidency should therefore enforce the implementation of specific measures that helps SMEs benefiting from adapted short time working arrangements combined with effective retraining and re-skilling measures. Such measures ensure that as many people as possible maintain their jobs and it facilitate the transitions of people unemployed due to the current economic crisis.

12. Last but not least, the role of **Rating Agencies** has to be critically reflected. The SME UNION sees the current efforts for a Regulation on Rating Agencies only as a first step. Therefore, the SME UNION demands from the Swedish Presidency to reduce the use of ratings in financial regulations and the reliance on the judgment of rating agencies in general and to support the swift creation of a **European Rating Agency**.

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The SME UNION (Small and Medium Entrepreneurs Union) of the EPP (European People’s Party) is the business organization of the EPP and network of pro-business Christian-Democrat, Conservative and Center Right politicians and political organizations. As officially recognized EPP Association its main objective is to shape EU policy in a more SME friendly way. www.sme-union.org