



*"The voice of crafts and SMEs in Europe"*

## **Brussels Economic Forum: put the real economy first, say SMEs**

**Brussels, 14 May 2009 – The economic landscape that will emerge from the present downturn must cater to the needs of the real economy rather than to those of financial speculators, according to UEAPME, the European craft and SME employers' organisation. Speaking today on the occasion of the Brussels Economic Forum, which will deal this year on how to shape the economic recovery, Economic and Fiscal Policy Director Gerhard Huemer stressed the need for increased supervision and independent risk assessment for financial products as a key lesson learned from the crisis. UEAPME called on Member States to carefully plan their consolidation programmes for the next years and not to deviate from the Stability and Growth Pact and from their reform agendas. An increased coordination of national economic policies is also needed, concluded Mr Huemer.**

*"Financial speculation grew out of control in the last years. Unsupervised activities backed by dubious risk assessment methods moved investments away from the real economy, to the detriment of small businesses and wage earners. This led to a bubble burst that took the real economy down with it. Financial speculation must now be reined in to ensure that it serves the real economy, and Member States should start thinking about the next economic cycle based on the lessons learned as of now",* said Mr Huemer.

First of all, stressed Mr Huemer, no activities in the financial sector should take place out of controlled balance sheets. That is why increased financial supervision is a must. Secondly, financial risk assessment must be made independently from other economic interests. This is particularly true for credit rating agencies, which also provided consulting services and clearly underestimated the risks coming from complex structured financial products. That is why UEAPME supports the proposals made by the De Larosière expert group and the European Commission so far, explained Mr Huemer. Thirdly, a serious debate should start on the taxation of capital flows to stabilise the financial market.

A second key concern in the recovery process is the risk of inflation and hyperinflation. *"The European Central Bank and state central banks have injected a vast amount of capital in the markets to avoid collapses in the last months. This was certainly the best move at the time, but the ECB and its national counterparts must act quickly in the opposite direction when the economy will give signals of restabilisation. Failure to do so would set off inflation and nullify their efforts",* commented Mr Huemer, who also called on Member States to continue in their reform agendas. In this respect, labour market reforms putting in practice the "flexicurity" concept are a clear priority for European small businesses, which would also benefit from an increased attention towards the completion of the internal market and from more attention to innovation, covering not only high-tech but also the more process-oriented activities that are typical of European SMEs.

A third lesson learned from the current crisis is the need for an increased coordination among national economic policies, continued Mr Huemer. The temptation to resort to protectionism and beggar-my-neighbour policies was clearly present in the last months and must be resisted at all costs, he explained. This means not only increased coordination, but also a concerted effort to eliminate tax havens and stop unfair tax competition across different countries.

Finally, Member States must not lose sight of the overall objective to stabilise public spending. *"The Stability and Growth Pact provides the right framework and the necessary instruments to achieve the long term goal of budgetary consolidation, which must not be forgotten despite the changing short term priorities. Every Member State should start preparing its consolidation path as of now and present it in public before the end of the year",* concluded Mr Huemer.

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**EDITORS' NOTES:** UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 83 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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