

Position Paper

UEAPME¹ position on the Communication of the European Commission “Towards a Single Market Act”

“For a highly competitive social market economy - 50 proposals for improving our work, business and exchanges with one another” COM (2010) 608 final/2

Introduction

A well functioning internal market is of fundamental importance. Open markets and more cross border trade lay a solid ground for dynamic markets and increased competition. In turn this creates good conditions for more and growing enterprises and increased economic welfare.

The single market is more and more necessary but at the same time more and more misunderstood and not popular amongst enterprises, consumers, citizens and some governments. This is especially unfortunate for many of our SMEs, which are often confronted with the paradox of the potential of economic opportunities in the Single market while they find the positive concrete payback limited. Given this, we welcome the Commission's efforts to improve the functionality of the internal market and to strengthen and revitalise it, especially for SMEs.

The Single Market Act (SMA) presents the current challenges of Europe in an adequate way. It can create a firm basis to meet these challenges. However, there is a need for strong political support throughout the EU institutions, Member States and key stakeholders in order to achieve the ambitious targets set in the communication. UEAPME understands the necessity to balance the needs of different stakeholders in the communication, but wishes to emphasise that this should not be an alternative to the important work to identify best tools. There is almost the same number of business driven proposals on the one hand and actions aimed at restoring consumers' confidence towards the functioning of the single market on the other hand. In UEAPME's opinion, this is not the right approach as the text should not be a game of equal quantities. The aim should be to identify the best tools to deepen and boost the single market. The focus should be more clearly on proposals that contribute to the competitiveness of European SMEs. An excessive focus on the protection and nurturing of consumers could create a situation with an imbalance in the demand and supply side in the internal market. In addition, some elements in the Single Market Act can be detrimental to the development of the single market and to the European legal framework as a whole.

For UEAPME many of the measures proposed by the European Commission in the Single Market Act are important and necessary parts of the work to create a better functioning internal market. Nevertheless, we fear that the Single Market Act as it stands today lacks the necessary vision, ambition and coherence needed to bring Europe's internal market to the next level. As it stands, the text is not really a strategy capable of inspiring the re-launch of the internal market, but a mixed bag of old news and half-baked proposals. The single market needs clear principles, a long term vision and a plan on how to get there.

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

To achieve this, we propose the following improvements:

1. The diversity of SMEs must be taken into account

We appreciate that SMEs received a lot of attention in the Communication. Nevertheless, the Communication has a too narrow and one-sided view on SMEs. The text is patronising for instance when it says that “*small companies of today are the large companies of tomorrow*”. The truth is, most of them will stay small, and that is not necessarily a bad thing as the Commission seems to imply. The Communication needs to appreciate the diversity among the SMEs. As they represent 99.8% of all enterprises in the EU, there are significant differences between the sole tradesman (or woman) and the medium-sized group of companies with 249 employees. This must be taken into account. Some will grow and others stay small, the important thing is to create opportunities that enable for those what wish to grow (in the large sense) to do so.

The Single Market Act also neglects completely the small enterprises embedded in the local environment. They are an essential link in the functioning of the internal market (employment, competitiveness, social cohesion, offer of quality goods and services, etc.). Many of them have a special relationship with the internal market as they have merely to undergo the impact of the internal market without being able to compensate it by benefiting from the possibilities offered by the cross-border dimension. Nevertheless, the full potential of SMEs should be understood and released. The needs of SMEs should be respected accordingly when new policies are designed.

The recently adopted Communication on the Review of the “Small Business Act” stressed rightly the diversity of the SMEs and the need to take this diversity into account in all European policies. As the SMA communication announced this assessment of the SBA (which has now been done), the Commission and the other European institutions cannot neglect the outcome of this assessment.

UEAPME believes that the Single Market Act should be more focused on how to improve SMEs’ level of competitiveness. Based on this, measures regarding standardisation, innovation, IPR and patents, services, access to the international market should be more targeted towards SMEs, especially micro enterprises.

2. To apply the “Think Small First” principle in European policy making

Furthermore, in UEAPME’s view, the implementation of the Single Market Act should apply in practice the “Think Small First” approach at European and national/regional level, rather than limiting it to a simple technical proposal in the SMA (proposal 13). This means that in order to make use of the full potential of SMEs all regulations affecting businesses should take the situation of SMEs as their starting point and thoroughly analyse the impact of the proposed regulation on the different categories of small and medium-sized enterprises.

3. Governance – better implementation is important (Proposal 47)

Since many years UEAPME has been stressing that there is no level playing field yet for SMEs in the internal market. Therefore another key improvement of the SMA should be a real governance of the internal market. Too often, the Commission is not even aware of the state of play of transposition at national level of European directives. This creates a serious democratic deficit, which must be tackled in the first place before even proposing new legislation.

Therefore, UEAPME cannot agree more with the Commission when it states that “*Renewed efforts must be made to implement and respect rules – all the more so because this is a prerequisite for the correct functioning of the single market, since the rules must be the same for all parties.*” In our view it is therefore unacceptable that the Commission has accepted a 0.5% non-implementing rate for directives, as this is in flagrant contradiction with the statement that the rules must be the same for all parties and it creates distortion

of competition. The part on governance of the internal market in the SMA is limited to some well intended statements, which UEAPME fully subscribes to, but lacks substance, concrete proposals and an agreed time frame.

Even the reviewed Small Business Act is going further when it states that “*Member States should avoid ‘gold plating’, i.e. exceeding the requirements of EU legislation when transposing Directives into national law. The Commission confirms its readiness to assist the Member States in this task.*” UEAPME is looking forward to see very concrete proposals of the Commission in this field as well as on the improvement and speeding -up of its infringement procedures. Enforcement is indeed crucial. On the other hand, UEAPME fully supports the “mutual evaluation process” set out in the Services Directives and of future legal acts and excellent tools as SOLVIT and IMI. We propose that the Commission should initiate an accelerated Treaty infringement procedure if an unresolved but well-founded SOLVIT complaint reveals a prima facie breach of Community law.

The implementation of the SMA should be done in close cooperation with the different stakeholders, especially the business organisations.

Assessment of the proposals

On the basis of the consultation among our members, UEAPME considers that, apart from the improvements mentioned above, the following proposals will contribute the most to the competitiveness of European SMEs. Most efficient improvements must be sought from where the most impressive positive impacts can be produced.

Proposal No 1: EU patent, its languages and the unified patent litigation system

It is of utmost importance to respect the proposed timing. Patent policy has a strong impact on innovation and on the competitiveness of European SMEs. Improving the system will have positive impacts also on the society as a whole. It goes without saying that these proposals should be drafted in accordance with the principles of Smart Regulation and Small Business Act (impact assessment, “SME test”).

Proposal No 6: Standardisation

UEAPME welcomes the Single Market Act’s approach on SMEs and standardisation, including related topics such as innovation, IPR, etc. The implementation measures will significantly help SMEs to be more competitive both in the EU market and in our globalised world. Participation in standardisation and usage of standards are key elements to access the European market and to increase companies’ competitiveness. Unfortunately SMEs, especially micro enterprises, are far from being sufficiently informed and involved in general and in comparison with other stakeholders. On one hand, access to markets for SMEs depends to a very large extent on the use of standards, especially when it enables their innovative products to comply with EU legislation. On the other hand, SMEs only benefit from the use of standards when these are fit for them. Standards that are not adapted to their needs can put SMEs out of business. It is extremely difficult for SMEs, especially micro enterprises (93% of European enterprises), to allocate sufficient resources to participate directly in standardisation work. SMEs being the backbone of the European economy, it appears obvious to support their involvement in standardisation by funding SME associations involved in standardisation. There is also a need to find solutions so that SMEs on reasonable conditions can get access to the standards documents.

Proposal No 14: Review of the Accounting Directives

We refer to our position papers² on this issue.

² <http://ueapme.com/spip.php?rubrique56>

Proposal No 17: European public procurement legislation

UEAPME fully supports the ongoing debate on a new legislative proposal.

Proposal No 20: a new VAT strategy

UEAPME fully supports the ongoing debate on a new VAT strategy.

Proposal No 33: Recognition of professional qualifications

UEAPME would like to restate the importance of the directive on the recognition of professional qualifications for the good functioning of the internal market and for facilitating mobility of individuals, in view of a better matching of supply and demand on the labour markets in Europe.

UEAPME is fundamentally in favour of simplification and also of simplifying this directive as long as it respects a number of key principles and notably the freedom for Member States to regulate certain professions. UEAPME is of the view that:

- There is room for improving the directive in terms of advanced administrative cooperation,
- A general overhaul of the directive is not necessary.

We are deeply concerned about proposal 36 and 38. We do not support any privileges to any certain type of group of business entities, as such support will most certainly have a negative impact on normal commercial companies.

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