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Brussels, 27 January 2012

Dear Mr President, Dear Prime Minister,

**Re: Informal European Council on 30 January 2012**

I am writing to you on behalf of UEAPME, the European craft and SME employers' organisation. I have read with great interest the invitation letter for the informal meeting of the members of the European Council that will take place in Brussels on Monday. We welcome the timely choice of the topics for discussion, which are fundamental at this stage for Europe's enterprises in general and for its millions of SMEs in particular.

On the issue of **youth unemployment**, I have had the chance to hold a frank and in-depth discussion with President Barroso at the beginning of this week, alongside representatives from the other European Social Partners. We are all committed to tackling the worryingly high levels of youth unemployment in Europe at the moment. Action must be targeted towards SMEs, which have created the vast majority of all new jobs in Europe in the last years, and must be taken on the functioning of the labour market on one side and on education and training systems on the other. Countries with work-based learning and well established and functioning vocational education and training systems, based on apprenticeship and demand-led by the economy, are the ones performing better at the moment in bringing young people at work. We hope that the other Member States will follow on this path.

When it comes to the **single market**, despite the progress made in the last years, we believe that more can and should be done to facilitate the activities of companies operating across EU Member States. For instance, a better protection of intellectual property rights is a must, including a single Community patent instead of the 27 different legal systems we have at the moment. The same is true when it comes to standards, public procurement and other issues that must be looked at urgently to improve the competitiveness of small companies in the single market. On the transposition of EU legislation in Member States, it is of the utmost importance that EU legislation is properly applied at national level. Moreover, more must be done on infringement procedures that often hold back SMEs. We believe that the process should be stricter and faster.

Furthermore, the idea of exempting micro enterprises from EU legislation comes back regularly on the agenda. On the contrary, we believe that a rigorous application of the "Think Small First" principle is the way to pursue, as rules made with smaller businesses in mind would avoid the need to carve out exemptions for them. In addition, the possibility for Member States to set up exemptions at national level goes against the single market, creating an uneven playing field between businesses operating in different Member States.

Finally, on **SME finance**, 2012 will be a crucial year for the definition of many programmes and instruments for the 2014-2020 financing period. As you are well aware, European SMEs are very diverse, ranging from traditional family businesses to high-tech and fast growing enterprises and start-ups. Therefore, the next generation of EU financial instruments must cover the whole range and provide tailored support for each company type. Credit and loan guarantee schemes are needed for traditional SMEs, while start-ups and innovative enterprises should have better access to equity and quasi-equity financial instruments such as “mezzanine finance”. We hope that the Council will back the European Commission’s proposals in the field and confirm the budgetary means needed to put into practice its plans on the ground.

The implementation in the European Union of the “Basel III” rules on capital requirements is an additional source of concern, as it risks jeopardising the provision of financing to the real economy. We believe that corrective measures must be put in place in the new EU rules for capital requirements currently under discussion. In particular, the review suggested by the European Commission on risk weights for SME loans should take place immediately, rather than after two years as proposed. In fact, the current weights combined with higher capital requirements would make financing more expensive for SMEs and harder to get for riskier-than-average business ventures. Revising the risk weights after two years would be too late, as the market for SME loans would have dried up by then.

I hope that your debate will secure consensus and commitment from all countries to pursue the necessary steps and make progress on these crucial issues as a matter of urgency.

Yours faithfully,

Andrea Benassi  
Secretary General