

# The EU SME Strategy one year on: Challenges and Opportunities



□ The EU SME Strategy, published exactly one year ago by the European Commission aimed at helping small businesses leading the twin transition, reducing regulatory burdens and red tape, supporting market access and entrepreneurship, and improving access to financing. However, the COVID-19 pandemic is threatening the viability of European SMEs due to serious disruptions of global supply chains, transport and travel restrictions, and the collapse in consumption and consumer confidence.

The EU SME Strategy one year on: Challenges and Opportunities” online event that EUROCHAMBRES co-organised with the Committee of the Regions on 10 March 2021 took stock of the Strategy’s achievements in the preceding 12 months, amid the crisis and recovery process.

Following the introduction by **Gilbert Stimpflin**, Co-Chair of EUROCHAMBRES’ SMEs and Economic Policy Committee, a panel composed by **Hubert Gambs**, Deputy Director-General of DG GROW, **Josianne Cutajar**, MEP and shadow rapporteur of the European Parliament’s report on the SME Strategy, **Eddy van Hijum**, rapporteur for the Committee of the Regions’ opinion on the SME Strategy, and **Wolfgang Grenke**, EUROCHAMBRES Vice President and Co-Chair of the SMEs and Economic Policy Committee, exchanged views about state of play of the Strategy and how to ensure access to support measures. The discussion was followed by closing remarks from the Chair of the Commission for Economic Policy of the Committee of the Regions, **Michael Murphy**.

Mr. Stimpflin highlighted that European SMEs have been hit the hardest by the crisis, facing logistical issues, productivity constraints and demand decline due to lockdown measures, plus a drop in consumer confidence. He reminded that businesses need room to recover and that EU policy interventions need to be sensitive to SMEs, rather than adopting a one-size-fits-all approach.

Building up on this, Mr Gambs underlined the role that the European Commission has had in rapidly channelling financial support towards SMEs to strengthen their short-term resistance to the crisis and reinforce their long-term competitiveness, growth, and employment creation potential. The Commission believes that employment-enhancing measures together with upward convergence strengthened by the Recovery and Resilience Facility will give the SME Strategy new impetus through investments in environment, and digital initiatives.

MEP Cutajar focused on the Parliament’s actions towards monitoring and raising visibility to the SME Strategy in the broader context of Europe’s economic recovery. SMEs have faced hardship and still face uncertainty. The strategy that was published a year ago became outdated overnight and should be adapted to the new reality. She regretted that, 18 months into the von der Leyen Commission, the EU SME Envoy had not yet been appointed, a role that

without doubt could enhance the focus on a systematic and consistent implementation of the “think small first” principle and integrate the Strategy’s coherence and future-oriented approach.

Mr van Hijum stressed that local and regional authorities are best positioned to develop and coordinate place-based policies for SMEs, in close partnership with regional stakeholders and actors of the quadruple helix in their territories. European and national strategies should embrace ‘think small, act regional’ as a guiding principle: build capacity at regional level, link strategic priorities with available funding and match them with SMEs’ needs on the ground.

Vice President Grenke also reminded the participants of the importance of a prompt appointment of a high-ranking SME Envoy to ensure the think-small-first principle is applied throughout all EU legislation and across all Directorates of the Commission. Furthermore, he pointed out that the EU needs to guarantee the integrity of the Single Market by removing remaining unjustified barriers, avoiding the creation of new ones, better implementing, and enforcing existing legislation, and stimulating investment in SMEs through the modernisation of state aid rules.

Mr. Murphy concluded saying that SMEs have always been the backbone of the EU economy and are now in the eye of the storm. It is vital that all SMEs get the financial support that they so badly need in order to be the motors of the recovery. He called for a genuine partnership among the European, national, regional, and local authorities and policy makers on a smooth delivery of the EU recovery plan, to the benefit of SMEs and local communities.

Discussions during the event, attended by more than 200 participants, allowed participants to delve on the vital role that Chambers of Commerce and Industry and EU regions will play in the recovery process. Chambers believe that a co-ordinated policy response at the European, national, and regional levels will need to shift from its initial focus on the survival of small businesses in the short term, towards a medium and longer-term approach driven by sustainability, enabled by technology, and based on upward innovation, internationalisation, and economic growth. Chambers are committed to working together with EU institutions towards helping SMEs in achieving these goals.

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**[Press release – MEPs: Put a carbon](#)**

## price on certain EU imports to raise global climate ambition



On Wednesday, Parliament adopted a resolution on a WTO-compatible EU carbon border adjustment mechanism (CBAM) with 444 votes for, 70 against and 181 abstentions.

The resolution underlines that the EU's increased ambition on climate change must not lead to 'carbon leakage' as global climate efforts will not benefit if EU production is just moved to non-EU countries that have less ambitious emissions rules.

MEPs therefore support to put a carbon price on certain goods imported from outside the EU, if these countries are not ambitious enough about climate change. This would create a global level playing field as well as an incentive for both EU and non-EU industries to decarbonise in line with the [Paris Agreement](#) objectives.

MEPs stress that it should be WTO-compatible and not be misused as a tool to enhance protectionism. It must therefore be designed specifically to meet climate objectives. Revenues generated should be used as part of a basket of own revenues to boost support for the objectives of the Green Deal under the EU budget, they add.

**Mechanism to be linked to a reformed EU Emissions Trading System (ETS)**

The new mechanism should be part of a broader EU industrial strategy and cover all imports of products and commodities covered by the EU ETS. MEPs add that already by 2023, and following an impact assessment, it should cover the power sector and energy-intensive industrial sectors like cement, steel, aluminium, oil refinery, paper, glass, chemicals and fertilisers, which continue to receive substantial free allocations, and still represent 94 % of EU industrial emissions.

They add that linking carbon pricing under the CBAM to the price of EU allowances under the [EU ETS](#) will help to combat carbon leakage but underline that the new mechanism must not lead to double protection for EU installations.

You can watch a video of the plenary debate [here](#).

### **Quote**

After the vote, Parliament rapporteur [Yannick Jadot](#) (Greens/EFA, FR) said:

“The CBAM is a great opportunity to reconcile climate, industry, employment, resilience, sovereignty and relocation issues. We must stop being naïve and impose the same carbon price on products, whether they are produced in or outside the EU, to ensure the most polluting sectors also take part in fighting climate change and innovate towards zero carbon. This is our best chance of remaining below the 1.5°C warming limit, whilst also pushing our trading partners to be equally ambitious in order to enter the EU market.

### **Next steps**

The Commission is expected to present a [legislative proposal on a CBAM](#) in the second quarter of 2021 as part of the [European Green Deal](#) as well as a proposal on how to include the revenue generated to finance part of the EU budget.

### **Background**

Parliament has played an important role in pushing for more ambitious EU climate legislation. It declared a [climate emergency](#) on 28 November 2019 and [wants the EU and its member states to become climate neutral in 2050 and reduce GHG emissions with 60% by 2030](#).

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**[Press release – MEPs: Companies must no longer cause harm to people and](#)**

# planet with impunity



The legislative initiative report (adopted on Wednesday by 504 votes in favour, 79 against and 112 abstention) calls for the urgent adoption of a binding EU law that ensures companies are held accountable and liable when they harm – or contribute to harming – human rights, the environment and good governance. It must also guarantee that victims can access legal remedies. The Commission has announced it will present its legislative proposal on the matter later this year.

## **Sustainability and good governance**

Binding EU due diligence rules would oblige companies to identify, address and remedy aspects of their value chain (all operations, direct or indirect business relations, investment chains) that could or do infringe on human rights (including social, trade union and labour rights), the environment (contributing to climate change or deforestation, for example) and good governance (such as corruption and bribery).

MEPs stress that due diligence is primarily a preventative instrument that requires companies to take proportionate measures based on the likelihood and severity of the impact, the sector of activity, the size and length of the value chain and size of the undertaking.

## **Bringing about change beyond EU borders**

Companies that want to access the EU internal market, including those established outside the EU, would have to prove that they comply with environmental and human rights due diligence obligations.

Parliament calls for additional measures, including a ban on importing products linked to severe human rights violations such as forced or child labour. EU trade agreements should include these aims in their trade and sustainable development chapters. MEPs also ask the Commission to thoroughly

review whether companies based in Xinjiang exporting to the EU are involved in human rights breaches, especially those related to repression of Uighurs.

In order to guarantee effective reparations for victims, companies should be held liable for their actions and be fined for causing harm or contributing to it, unless they can prove that they have acted in line with due diligence obligations and taken measures to prevent such harm. The rights of victims or stakeholders in third countries – who are especially vulnerable – would also be better protected, as they would be able to take companies to court under EU law.

### **Broad scope and help for SMEs**

To create a level playing field, the future legislative framework on due diligence should be broad and apply to all large undertakings governed by EU law or established in the European Union, including those providing financial services. The rules should also apply to publicly listed SMEs and high-risk SMEs, which should receive technical assistance to comply with the requirements.

### **Quote**

“This new law on corporate due diligence will set the standard for responsible business conduct in Europe and beyond. We refuse to accept that deforestation or forced labour are part of global supply chains. Companies will have to avoid and address harm done to people and planet in their supply chains. The new rules will give victims a legal right to access support and to seek reparations, and will ensure fairness, a level playing field and legal clarity for all businesses, workers and consumers”, said rapporteur [Lara Wolters \(S&D, NL\)](#).

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**[Press release – Better cooperation between national authorities on taxation of digital trading](#)**



The legislation, spearheaded through the EP by Sven Giegold (Greens, DE), aims to oblige digital platforms to report the income earned by those selling goods and services on their platforms. Tax authorities would also be obliged share this information with each other. It was adopted by 568 votes in favour, 63 votes against, and 64 abstentions.

#### **Platforms need to register in the EU and can face sanctions**

Non-EU platforms should be required to register and report their activities in the single market in a single member state, and must have substantial economic activities in the chosen member state. Moreover, MEPs opted to provide for harmonised sanctions against platforms that do not fulfil their reporting obligations.

#### **Quicker exchange of requested information**

A tax authority receiving a request for information should provide it no later than three months, rather than six months, from the date it receives the request. By the end of 2022, the Commission should submit a report assessing country-by-country how well the system works, including how effective the information exchanges are.

#### **Scope of the automatic and compulsory exchange of information**

A tax authority should automatically communicate to the authority of another member state not only the information that is available but also that which could reasonably be made available.

As from 1 January 2022, no new bilateral or multilateral advance pricing arrangements should be agreed by member states with third countries that do not permit their disclosure to the tax authorities of the other member states.

#### **Quote of the rapporteur, Sven Giegold (Greens, DE)**

“Extending the directive to cover digital platforms will close one loophole, but others remain wide open. Exchange of information will only be effective once all types of income and assets are consistently included under this directive. Unfortunately, the Council has already decided its position without waiting for the European Parliament’s proposals and has decided to postpone implementing improvements by one year to January 2023. It is irresponsible to forego urgently needed tax revenues in this time of crisis. The EU Commission must take its responsibility in a time of public deficit seriously and propose a strong review of the directive.”

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