

Newsletter

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What Europe's SMEs need



Over the last few years, Europe's 22.5 million micro-, small and medium-sized companies have faced the biggest global crises since the Second World War: pandemics, supply and raw material problems, the war in Ukraine, energy deficits and, lastly, high inflation, the latest onslaughts of which some countries are still experiencing. All these have been serious obstacles that European SMEs have faced with mixed fortune.

SMEs have shown their resilience and they continue navigating transitions in a world where economies are undergoing profound transformations. Europe cannot afford to allow its SMEs to fail to cope with these transformations. Thus, the main challenge for small and medium-sized European companies is to recover and improve their competitiveness, which presents the EU with a number of challenges. We have outlined them below.

The regulatory avalanche is weighing down on SMEs. Over the next five years, Europe's small businesses will be forced to adapt to regulations the concrete impact of which on entrepreneurs is not always possible to predict. That is why we are calling for the EU to follow up on the SME Relief Package commitment to put measures in place to ensure that legislation takes into account the needs and specific features of small businesses. In general terms, we are calling for each new initiative to first assess the possibility of improving existing rules before implementing new ones. This would generate real regulatory simplification.

Another major challenge for European SMEs is access to skills. European SMEs face enormous problems in recruiting staff due to demographic change. Action must be taken to implement measures in all areas: from early-stage education, to dual vocational training and the improvement of hard and soft skills throughout people's working lives; action also needs to be taken in employment policies that enable more workers, especially women and young people, to enter the labour market.

Facilitating access to finance is a third challenge for the coming years. Addressing this challenge means facilitating European SMEs' access to alternative systems of finance and markets and establishing regulations that encourage investment in small businesses, as well as combating the scourge of late payments.

Of course, facilitating the digital and green transitions for businesses is a huge challenge. The process of decarbonising Europe, on the one hand, and digitalising the European economy, on the other, cannot be undertaken without European small and medium-sized enterprises, which are vital for the success of these processes. For this reason, the European institutions must involve European SMEs in these processes and encourage them to play a leading role.

We are also calling on the European Commission, together with the European Parliament and the European Economic and

Social Committee, to undertake a reassessment of where we stand on reaching the targets set by the Green Deal. We feel that such an exercise is required to ensure that the targets set are indeed achievable and, where they are not, to engage in discussions with private enterprise to set new targets with realistic timeframes. An immediate, honest assessment is required.

Lastly, none of that which has been described will be possible without a stable economic framework that creates certainty. In this sense, neither the outlook for inflation, high levels of debt or public deficit offer the best conditions for growth, job creation and investment in Europe. That is why the Union's last great challenge in relation to small companies is to generate this framework of certainty that counters inflation and encourages the adoption of fiscal reforms and bold investment policies in the Member States.

Since the 1940s, Europe's small and medium-sized enterprises have been at the heart of economic growth, social transformation and the transformation of Europe into a global economic power.

As economic and trade balances continue to shift and Europe faces serious competitiveness challenges, we must finally create a Single Market which allows SMEs to reach their full potential.

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Critical Medicines Act urgently needed

Europe can no longer depend on the importation of Active Pharmaceutical Ingredients (APIs) and essential medicines from other parts of the world. The European Union must revive and strengthen production within the EU.

Access to active substances and basic medicines is becoming a "weapon" in geopolitical games. The EU must be independent in producing these strategic resources. We very recklessly decided, years ago, due to lower production costs and environmental protection regimes, to import medicines and



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active substances from non-European countries, mainly Asian countries. State budgets have saved money, but we have lost our own production potential, experienced staff, research

centres and drug safety. The upcoming EESC opinion, CCMI/212, to be discussed at the EESC's December plenary session, explains how to secure Europe's medicine supply.

COVID and post-COVID times have clearly demonstrated this. We were not even able to provide protective medical equipment. Outsourcing the production of active pharmaceutical ingredients (APIs) and finished medicines to Asia has contributed to disruptions in the pharmaceutical supply chain as countries with strong local pharmaceutical industries push foreign demand to the side. In fact, complex, globalised but insufficiently diversified pharmaceutical production and supply chains are already having a negative impact on Europe and will continue to do so in the future.

The growing instability of international relations only intensifies this threat. Until the mid-1990s, Europe and the United States supplied 90% of substances used in pharmaceutical production worldwide. Today it is only 20%. Moreover, non-European manufacturing capacity for APIs and API-related materials is concentrated in one region and within just a few production plants. In 2019, 40% of global APIs were imported from China, and over 50% of global APIs were produced by fewer than five manufacturers certified to European Pharmacopoeia (CEP) monographs. Worse still, the difference in production costs between the EU and Asia is increasing due to rising energy and raw material prices in the EU. An increasing number of companies are reducing their production capacity, which may affect pharmaceutical production.

To strengthen the European pharmaceutical industry, it is necessary to reduce dependence on Asia and the US, increase investment attractiveness, boost research and development efforts, review pricing policy, and create financial and institutional support to restore the production of active substances and essential medicines in the EU, that is generic medicines (using HERA and EMA). The European health data space allows for better planning for needs.

The challenge is medicine wastage. We need to better manage the availability of medicinal products and promote ways of providing pharmaceutical care mechanisms through pharmacies. The intellectual property framework should not hinder the development and marketing of medicine generics/biosimilars or, therefore, price competition. Fair pricing and transparency in drug research and development costs are becoming crucial. The EU is the second largest pharmaceutical market in the world. Unfortunately, over the last two decades the investment gap between the US and the EU has increased to EUR 25 billion.

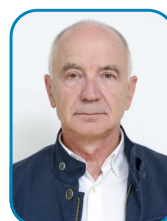


Action

To strengthen the European pharmaceutical sector, it is necessary to provide financial and institutional support (using HERA and EMA) for the production of active substances and essential medicines in the EU. More public-private partnerships, subsidies and greater support for research and development are also needed.

A viable legal framework (e.g. Critical Medicines Act) must be established, supporting entrepreneurs, setting prices for products "made in Europe". It should include provisions on the location of production in public procurement, demonstrating transparency, subjecting supply chains to resilience tests, creating strategic reserves and supplementing them with products from the European Union, creating an attractive environment for scientists, employees and enterprises. It should be remembered that innovation, according to the OECD definition, also includes products that bring significant socioeconomic benefits. Introducing an equivalent (generic and biosimilar) medicinal product to the market changes the structure of this market, making the treatment more affordable and accelerating the country's economic growth. New forms of administering a medicinal product or combining several medicinal substances in one product are also innovation. This improves patients' quality of life and increases compliance with medical recommendations.

Specific investments are needed to restore the production of APIs and finished medicines in Europe on the scale required to ensure that medicines in the EU are safe. The cost of implementing the production of a single active substance, depending on the required synthesis technology, is estimated at EUR 50-180 million, and the implementation time is from 3 to 6 years.



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The strategic importance of the EU financial sector

Inertia will not bring growth. And even less if the inertia seen in Europe is moving very slowly. Some sectors, such as industry, finance and telecommunications, have lost competitiveness at global level. Major structural changes should be considered to place Europe at the front of global competitiveness and to enhance its strategic autonomy.

European institutions and key European actors have finally acknowledged the problem and are ready to take action. In recent months, we have heard promises regarding deregulation, reducing reporting obligations and speeding up industrial permitting process, among others.

In this process, we must remember the link between the banking sector and the real economy as a result of the essential functions provided by banks to companies and households. It is unrealistic to consider European strategic autonomy without a solvent, profitable and resilient banking sector that guarantees credit to the economy in a cycle where significant financial resources are required to facilitate the digital transformation and the green transition.

Banks are the drivers of growth in developed economies. They help people and business prosper.

Since the global financial crisis of 2008, European banks have been lagging behind US banks. The market value of the top 20 banks in Europe at the end of 2007 was 57% greater than the top 20 U.S. players and it is now 43% lower. The market value of JP Morgan is equivalent to the market value of the top 10 European banks, while before the crisis its market value was similar to Banco Santander's. Today, 60% of the investment banking market in Europe is in the hands of four American institutions, while they held no more than 40% 15 years ago.

European banks are suffering low valuations due to, among others, two factors:

a) Market fragmentation. The reasons behind this can be summed up in the absence of a fully-fledged EDIS and the non-completion of the banking union, regulatory barriers preventing cross border consolidation and national discretions among directives that have to be transposed. Better integration would increase financing through securitisation, allowing banks to transfer risk to non-bank players, including insurers, and to generate new lending. Integration would also leverage capital pools outside the banking sector, to help finance the real economy. This integration will be necessary to meet the significant future investment needed to transform European economies.



b) Regulatory instability. We see national governments imposing taxes on “windfall” profits, limiting the ability of banks to build reserves and supervisors limiting dividend distributions. Stability and legal certainty are basic and key to retaining an attractive proposition to investors and to attracting capital from abroad. This is not happening today.

The upcoming Own Initiative Opinion ECO615 to be discussed at the EESC's December Plenary and of which I am the rapporteur, discusses the strategic importance of the EU financial sector.

We as the EESC Employers' Group have been successfully advocating for a competitiveness check, which should also be applied on existing regulation to assess the impact on the performance of the sector as well as the impact on the rest of the economic sectors of the European economy. Considering the high level of interdependence, the way in which the sector supports growth should be one of the pillars of any impact assessment applied to banking regulation. The Capital Markets Union and the Banking Union have to be fully implemented, since they strengthen the EU's financial stability and integration as well as the extended supervision by the ECB of the systemic entities within the European financial system, particularly those institutions that are currently outside its remit and that represent systemic risks given the nature of their interconnectedness and the high volume of their assets, as it is the case of the German Sparkassen.

Improving the competitiveness of the European financial sector is essential to strengthen Europe's position and its strategic autonomy. Banks are enablers of growth, processing payments, providing access to financing and facilitating saving. In the Euro area, they safeguard deposits worth €23 trillion and provide the same amount in loans, including €7.2 trillion to households, and processed 114 billion non-cash payments in 2021, valued at €197 trillion. Their role is particularly relevant in Europe, where households and businesses are dependent on bank financing for 70% of their financing needs, as opposed to the US where around 80% of corporate external finance is provided through capital markets. Additionally, the banking sector itself

is a relevant part of the European economy, employing more than 2.2 million people.

I will conclude by emphasising the importance of a profitable banking sector that is sustainable in the long term. Profits are key to generating capital reserves in an environment where banks are failing to generate a return above their cost of capital and might struggle to tap the markets when in need of

capital. This is especially relevant at a time where a significant amount of financing is needed.



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“Inspiring positive change” MEDA WOMEN ENTREPRENEURS FORUM 2023

The XVth Edition of the “Meda Women Entrepreneurs Forum” was held on 15th November 2023 in Barcelona, led by AFAEMME under the umbrella of the ASCAME Mediterranean Economic Leaders Week. Outstanding business women and high-level female leaders from the public sector came together to discuss how women can finally be fully integrated in the economy.

According to Eurostat, the latest statistics from Q2 2023 show that in the EU 16.2% of men are self-employed, while only 9.5% of women are self-employed. This gap costs the EU ideas, innovation, jobs – and lastly hampers the EU's competitiveness.

The forum analysed the roots of this problem in the Mediterranean region, ranging from cultural factors to insufficient support for women-led businesses, the lack of policy frameworks to address the gender gap and the challenge of promote work-family conciliation, among others.

Another central issue is the difficult access to finance for women entrepreneurs, to ensure business creation and growth. Improving the quality of accompanying non-financial services is needed. This also includes the potential of fintech to improve access to debt and equity financing and the need to scale up measures to support growth-oriented women.



Gender policies should focus on promoting the right mindset to advance gender equality. A mainstreamed approach to gender equality is the way forward to contribute to sustainable progress, across a whole variety of socio-economic, geographic, institutional, policy and sectoral factors and stakeholders. For this to be achieved, countries should work towards ensuring a better representation of women in policy making across all policy areas and sectors, the collection of gender-disaggregated data, the systematic use of relevant governance tools and the necessary administrative capacities.



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SME Assembly 2023

Eleven Employers' Group members joined the SME Assembly 2023 and met with hundreds of stakeholders from business, politics and academia in Bilbao to discuss what SMEs need in order to become core drivers of Europe's competitiveness.

A central topic on the agenda was the completion of the Single Market, which Stefano Mallia discussed with Enrico Letta, MEP Martina Dlabajová, CEO Hilde Rutten and Director Outi Slotboom. The panel was titled "No one can fall in love with a Common Market", after a famous quote by Jacques Delors. All speakers agreed that there is much to love about the Single Market, as it is essentially the best example of how the EU



makes things better, easier and more prosperous. However, it needs to be maintained and renewed to ensure it is fit for purpose.

Industrial policy as an instrument to reduce dependencies and boost an EU market for green products

Resource and energy-intensive industries (REIIs) play a crucial role in decarbonising European production, and while the EU is issuing the challenge of reducing greenhouse gas emissions and transitioning to a green economy, European companies are currently struggling with high energy prices and the need for regulatory simplification, access to funding, skills enhancement and resilient supply chains.

The energy-intensive industry ecosystem covers a broad range of sectors, which represent the starting points of many value chains, employing 7.8 million people in Europe and providing EUR 549 billion of added value.

The upcoming opinion EESC opinion CCMI/210, to be discussed at the EESC's December plenary session, will discuss industrial policy for resource and energy-intensive industries. The decarbonisation of the European economy and society may create opportunities for REIIs as well as for the environment, as increasing the demand for decarbonised products from REIIs could lead to a greener transformation process. However, in order to achieve all these objectives, our industry needs green energy in sufficient quantities at reasonable and predictable prices.

Furthermore, REIIs need to be properly involved in shaping and implementing the EU's climate neutrality ambitions. To this end, the European Commission must increase coordination and coherence between industrial policies, commercial policies and climate policies, avoid overregulation and fully implement the competitiveness check on new legislation. This will also help to attract and retain investments in greening the domestic industrial capacity.

To measure the impact on EU competitiveness and the economic resilience of policies related to REIIs, the EU needs to regularly evaluate decarbonisation policies, with the help of the social partners. For example, the Commission should assess the effectiveness of the CBAM in addressing the carbon leakage risk for goods produced in the EU for export to non-EU countries.



Furthermore, to create a global level playing field, a well-designed trade policy and strong trade defence instruments are essential. In this regard, market surveillance has to be strengthened to guarantee the compliance of imported goods and ensure that their production is in line with EU standards and regulations, including on recycling content.

When given the right framework conditions, REIIs can play a significant role in pushing forward the decarbonisation process though a transition path sustainable from a socio-economic point of view.

During the development of the upcoming opinion "Industrial policy for resource and energy intensive industries" above issues were discussed in depth in the EESC Consultative Committee for Industrial Change and with further key stakeholders, including Nils Redeker, Deputy Director of the Jacques Delors Centre at Herti School of Business, Christophe Tytgat, Secretary General of SEA Europe, Reinhilde Veugelers, Senior Fellow, Bruegel Think Tank, Renaud Batier, Director General of Ceramunie and Peter Handley, Head of Unit, DG GROW.



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["Industrial policy as an instrument to reduce dependencies and boost an EU market for green products in the resource and energy-intensive industries"](#)

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What ways and means for a real strategic autonomy of the EU in the economic field?

NEW STUDY

As the EU is gearing up to respond to challenges that could signal a tectonic shift from the multilateral rules-based trading system that has been the hallmark of the post-World War II era, the EU can ill afford to be vague about what strategic autonomy means.

The study carried out by the Centre for European Policy Studies (CEPS) delves into these complexities, explores Europe's

vulnerabilities and devises a number of recommendations on how to operationalise strategic autonomy.

The study was commissioned by the EESC on request of the EESC Employers' Group and was prepared by CEPS.

Read the new study here: <https://europa.eu/!n98Tdd>

Meeting between President Stefano Mallia and Commissioner Schmit

President Mallia met with European Commissioner for Jobs and Social Rights Nicolas Schmit to present the EESC Employers' Group priorities and highlight the need for strengthening Europe's competitiveness. The meeting took place on 25 October and was also attended by EESC Employers' Group Vice-President Mariya Mincheva.

During the meeting, President Mallia emphasised that Europe should address the issue of skills and labour shortages as one important element to improve EU competitiveness. Mariya Mincheva added that in order to overcome skills gaps and labour shortages, we need an overall policy mix based on a strong, comprehensive and holistic approach.

President Mallia also addressed the Green Deal. He stressed that while there is no question that we need all hands on deck to fight climate change, the Green Deal was conceptualised in a different reality. Now is the time to recalibrate the goals of the Green Deal to ensure that it is indeed achievable and that the green transition will be successful.



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Summarising, President Mallia highlighted that the EU's social dimension should not only be about social policies but also about economic strength of Europe. Especially during these challenging times for European businesses, it is important that the Competitiveness Check is implemented effectively, also when it comes to new legislation in the social field.

EU employers discussed the completion of the Single Market and strategic competitiveness in Valencia

In the year marking the 30th anniversary of the Single Market and the Spanish Presidency of the EU, the Extraordinary Group meeting of the EESC Employers' Group took place in Valencia on 28 November to discuss how the EU can regain competitiveness and complete the still fragmented internal market.

The event titled "Completing the Single Market to ensure the EU's strategic competitiveness" co-organised by the EESC Employers' Group, the Spanish Confederation of Employers' Organisations (CEOE), and the Business Confederation of the Valencian Community (CEV), brought together employers' and company representatives, academics and institutional representatives in a forward-looking discussion about the future of the single market.

"For years, the completion of the Single Market has remained a well-meant intention on paper, but now it is high time to finally turn intentions into actions. And companies are called upon to play a key role in shaping this path towards deepening the Single Market," said EESC Employers' Group President, Stefano Mallia.

The Spanish Presidency has put open strategic autonomy at the centre of its priorities, and the recent Commission Communication of 27 September "Towards a more resilient, competitive and sustainable Europe" focuses on the Single Market.

A promotional banner for an event. It features a globe with puzzle pieces on a blue background. Text includes: "#CompetitivenessAgenda @employers_EESC", logos for CEV (Confederación de Empresarios Valencianos), CEOE (Confederación Española de Organizaciones Empresariales), and the EESC logo. The main title is "Completing the Single Market to Ensure EU's Strategic Competitiveness" and the date/time is "28 November 2023 | 09:30 - 13:00 | Valencia, Spain".

"The European way to competitiveness and open strategic autonomy has to be the way of the Single Market. Faced with a more conflictual, volatile and complex world, renewing the dynamic of European integration, through deepening our Single Market, is the best and most practical solution to improve the EU's competitiveness and thereby allow the EU to remain a global player," ended Mallia.

During a study visit at the port of Valencia, the EESC Employers' Group members got a comprehensive insight into the port's operations and the importance of the ongoing implementation of the Mediterranean Corridor. The second study visit took place at Marina de Empresas – an initiative aimed at training, advising, and financing both current and future entrepreneurs. This initiative, tailored to meet the needs of the Valencian business community, has proven its success through a decade-long collaboration among its three pillars: EDEM for education, Lanzadera for acceleration, and Angels for investment. It has evolved into a talent magnet, attracting entrepreneurs not only from Valencia but also from various cities.

EESC delegation to Ukraine

On behalf of the Employers' Group, I had the pleasure of participating in the EESC visit to Ukraine on November 2-3, 2023. The official delegation was an initiative of the president, Oliver Röpke, who led the delegation consisting of representatives from all three groups in the Committee. The mission also included Lucie Studničná, president of the EESC's Workers' Group, and Séamus Boland, President of the EESC's Civil Society Organisations Group.

The EESC's visit to Ukraine was very well timed, as it took place just before the visit by the head of the European Commission and the publication of the European Commission's Enlargement Package. The EESC has shown solidarity for Ukraine from the first day of the war and was the first institution to call for Ukraine to be granted candidate status for EU membership.

The programme for the visit was in two parts – high-level official meetings, and meetings and consultations with representatives of social partners and civil society. The official part included meetings with Yuliia Svyrydenko, First Deputy Prime Minister and Minister for the Economy; Iryna Vereshchuk, Deputy Prime Minister and Minister for Reintegration of Temporarily Occupied Territories; Oleksandr Yarema, State Secretary of the Cabinet of Ministers, and Oleksandr Korniienko, First Deputy Chairman of the Verkhovna Rada. On behalf of employers, we held consultations with six organisations: the Federation of Employers of Ukraine, the Ukrainian League of Industrialists and Entrepreneurs, the Confederation of Employers of Ukraine, the Union of Ukrainian Entrepreneurs (SUP), the Ukrainian Chamber of Commerce and Industry, and the European Business Association.

During the meetings, we focused on the process of Ukraine's integration into the European Union, including the prospect of



opening negotiation processes and the role of the EESC. In addition, we discussed extensively the issue of social dialogue and engaging civil society in public consultation processes in Ukraine. The Committee presented the Enlargement candidate members initiative. With business partners, we discussed the current needs of the enterprise sector, particularly the SME sector. There was also focus on Ukraine's logistical and transport challenges and expected support.

It is worth emphasising that, for the Employers' Group, this was not the first time supporting Ukraine. Since the beginning of the war, the Employers' Group has focused resolutely on bringing the needs of Ukrainian businesses to the attention of European decision-makers. We have engaged with our employers' counterparts in Ukraine and have pushed our EU policymakers to help Ukraine first to withstand Russia's invasion and then to boost its reconstruction to become a green and digital society. Furthermore, the Employers' Group has been a partner in the Rebuild Together business events held by my organisation (ZPP) in Ukraine several times.



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