

# Joint Report to the TEC Co-Chairs

## European Union–United States SME Best Practices Exchange November 11, 2011

### **Best Practices Exchanges**

In the European Union (EU) and the United States, small and medium-sized enterprises (SMEs) are critical motors of growth and job creation and key sources of innovation.

There are 23 million SMEs in the EU, representing more than 99 percent of all enterprises. SMEs account for about 87 million jobs in the EU.

In the United States, SMEs that export tend to grow faster, add jobs faster, and pay higher wages than SMEs that serve purely domestic markets. There are some 27 million SMEs in the United States, but only a small fraction of these companies export goods or services.

Difficulties in obtaining sufficient human and financial resources and barriers in foreign markets often pose challenges for SMEs. SMEs also struggle more than larger firms with the costs of complying with administrative burdens. A key policy challenge for the EU and the United States is to create conditions in which the potential gains from starting and building an enterprise and exploring export markets outweigh the costs and risks.

Recognizing these challenges, the European Commission and the U.S. Government decided at the December 2010 meeting of the Transatlantic Economic Council (TEC) to collaborate on ways to increase trade and investment opportunities for U.S. and EU SMEs, whose increased participation in international commerce can strengthen enterprises and create and support jobs and growth on both sides of the Atlantic.

Following up on this TEC commitment, the Office of the U.S. Trade Representative, the U.S. Department of Commerce, and the European Commission's Directorate General for Trade and Directorate General for Enterprise and Industry convened two best practices exchanges in 2011, the first in Brussels on June 28-29 and the second in Washington on October 13-14. Both meetings included substantial participation by SME stakeholders.

Based upon the discussions in the June and October meetings, the two sides have decided to take their collaborative work on SMEs forward in several ways.

**First**, the Department of Commerce's International Trade Administration (ITA) and the European Commission Directorate General for Enterprise and Industry will develop a Memorandum of Understanding guiding cooperation between the ITA and the Enterprise Europe Network (EEN) on joint SME trade promotion activities, including support for technological development and innovation and other activities. Examples of cooperation include sharing of SME support network contacts; joint trade shows in Europe and the United States, as well as in

third-country markets, where appropriate; and joint efforts to expand business opportunities and business partnerships.

**Second**, U.S. Government agencies and the Directorate General for Enterprise and Industry will explore opportunities for linking SME regional innovation clusters on both sides of the Atlantic. They will also exchange best practices, such as on cluster mapping and benchmarking activities, as well as on practical tools facilitating business cooperation between clusters.

**Third**, U.S. Government agencies and the Directorate General for Enterprise and Industry will exchange information and best practices relating to their respective resources and programs that provide counseling and training to SME entrepreneurs, such as the U.S. Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and Service Corps of Retired Executives (SCORE); and the EU Erasmus for Young Entrepreneurs Programme, European Network of Female Entrepreneurship Ambassadors (ENFEA), and the European Network of Mentors for Women Entrepreneurs.

**Fourth**, building on the discussions in the two meetings, and particularly on contributions by stakeholders, U.S. Government agencies and the Directorate General for Enterprise and Industry will exchange information and experiences relating to SME finance. These exchanges will cover lessons each side has learned on effective venture capital policies and programs, and models used to provide loan guarantees (including micro credits) to SMEs as well as to venture capital general partners via the Small Business Investment Company Act (SBIC) of the United States. In addition, the two sides will compare the U.S. Small Business Innovation Research (SBIR) Program model with similar systems in use and planned within the EU.

**Finally**, U.S. Government agencies and European Commission services will conduct periodic meetings focusing on trade and other policies of particular relevance to SMEs. Future meetings will devote priority attention to challenges highlighted by SME stakeholders in the June and October meetings, including:

- Protection of intellectual property.
- Participation of SMEs in standard-setting and regulatory processes.
- Discussing challenges in transatlantic trade faced by both U.S. and EU SMEs.
- Participation of SMEs in the respective procurement markets.

To maximize the participation of SME executives in this work, the two sides will explore the possibility of future meetings on specific SME topics in cities outside of Brussels and Washington. The European Commission will also consider the participation of the two sides in a future meeting of the Network of SME Envoys, chaired by the EU SME Envoy.

### **U.S.-EU Consultation on Southern Mediterranean SMEs and on Procurement**

In a government-to-government meeting on October 12, the U.S. Government and European Commission services discussed cooperation on support for SMEs in the Southern Mediterranean region and on the participation of SMEs in government procurement.

With respect to SMEs in the Southern Mediterranean region, and in consultation with partners in the region, the two sides intend to:

- Exchange information on technical meetings of experts in the Southern Mediterranean region, with a view to sharing U.S. and EU best practices for support of SMEs, building upon the work of the TEC SME exchanges.
- Identify opportunities for joint outreach to promote SME trade, including sharing information on the export and import regimes of the United States, the EU, and Southern Mediterranean countries, with the aim of helping SMEs take advantage of trade opportunities.
- Develop cooperation between the International Trade Administration's U.S. Commercial Service and the Enterprise Europe Network on specific SME support and trade promotion activities.

With respect to government procurement, the two sides agreed to continue exchanging information concerning their respective public procurement systems, paying particular importance to SMEs issues, with a view to enhancing mutual understanding of each other's system.