

COMMISSION OF THE EUROPEAN COMMUNITIES

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SECOND REPORT BY THE COMMISSION

on the realization of the objectives of the Community Action Programme
for small and medium-sized enterprises

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OF THE OBJECTIVES OF THE COMMUNITY ACTION PROGRAMME FOR SMALL AND
MEDIUM-SIZED ENTERPRISES

I. INTRODUCTION

1. In August 1986 the Commission presented to the Council an Action Programme for Small and Medium-Sized Enterprises (SMEs)¹. In November 1986 the Council adopted a resolution on the Programme, approving its main lines of policy and the proposed strategy.

2. The Commission also consulted the European Parliament and the Economic and Social Committee on the Programme. Both the Parliament, which reported in June 1987, and the Committee, which issued its opinion in July 1987, stressed the importance and urgency of the Programme; in some respects they recommended action in favour of SMEs going beyond the provisions of the Programme.

3. The strategy proposed was one of action-based projects with the objective of obtaining relatively rapid and concrete results. In line with this strategy an SME Task Force was established by the Commission to coordinate the implementation of the Action Programme and to initiate new measures within the terms of that programme to improve the business environment and promote the provision of services to business.

4. The Commission has made it clear that the Action Programme should be implemented on the basis of the following principles :

- action at Community level should not duplicate action taken by Member States;
- direct operating subsidies to enterprises are not part of the policy;
- as far as possible existing structures should be used rather than creating new ones.

¹ COM(86) 445

5. In its resolution the Council invited the Commission to report periodically on the realisation of its objectives. In June 1987 the Commission transmitted a first report² in reply to this invitation. This document constitutes the second periodical report and concentrates on developments which have occurred since the previous report.

6. This report is structured along similar lines to the Action Programme, which was built around two broad objectives; the first the creation of a favourable environment for business in the Community; the second the provision of services to SMEs to help their creation and development particularly in the light of the completion of the internal market. It also summarises developments in the area of consultation between the Commission and the business organisations and sets out briefly areas for future policy development.

II. IMPROVING THE ENVIRONMENT OF BUSINESS

7. Improving the environment in which business operates in the Community is a necessary condition for the development of the European economy. Rapid adjustment to continuous technical and economic change is required if the Community's competitiveness is to be improved. This adjustment can only be carried out in an environment which is supportive of change and is not encumbered by complex administrative regulations.

i. The control of administrative and legal constraints on business

8. The Commission feels strongly that its proposals for legislation should not impose unnecessary burdens on firms. It has been aware of the concern in some quarters that some of the legislation which has been designed to pursue various different Community policies has been focussed too narrowly, without sufficient attention being given to the possible consequences of the legislation for business competitiveness and employment. In early 1986 the Commission decided to introduce a system to evaluate the impact of its own proposals on business whereby each proposal for legislation by the Council of Ministers would require an accompanying statement describing its likely effects on businesses. The

² COM(87) 238.

impact assessment statement was introduced as an internal document within the Commission in June 1986 and in November 1986 it was decided to transmit the statement to the Council with each legislative proposal.

9. While the Commission feels that the impact assessment system is working satisfactorily, it continues to press for improvement in the depth and quality of the analysis contained in the statements. Consideration is also being given to the extension of the system to legal provisions which can be decided by the Commission under its own authority and to proposals for amendments emanating from the Parliament.

10. With regard to the constraints imposed on business by existing EC legislation, the Commission is preparing its follow-up to a study which analysed the obligations of such legislation in respect of SMEs. The main conclusions drawn from this study are that businesses are often unaware of or misunderstand Community legislation; that burdens on business often arise from national implementing legislation rather than EC Directives themselves; that some harmonising legislation may be unnecessary and that procedures for consulting business during the preparation of proposals could be improved.

11. In its statement attached to the resolution on the SME Action Programme agreed in November 1986, the Council requested the Commission to establish a regular exchange of information on action undertaken by Member States and the Commission to improve the business environment. The Commission created this group as a Sub-Committee of the Directors General of Industry and two meetings have already taken place. The first area on which the Sub-Committee is preparing a report is the national and Community experience in assessing the cost to enterprises of complying with administrative provisions. This report will be made available to the other Community institutions. These meetings offer national administrations the opportunity to suggest future directions of work in this area.

ii. Internal market

12. The creation of the internal market represents an opportunity and a challenge to business, both large and small. The implementation of the Commission's White Paper on completing the internal market involves a relatively rapid process of change in the legal framework within which firms operate. Many of the changes are of benefit to SMEs, which suffer unduly from difficulties overcoming barriers to trade both within and outside the Community. For example, the simplification of customs formalities, which took effect on 1 January 1988 and benefits all firms, is of particular value to SMEs.

13. In some circumstances, the completion of the internal market requires the establishment of new regulations, for instance, in order to harmonise technical standards. The Commission is concerned that this should proceed with as much flexibility and transparency as possible, which is again of particular importance to SMEs. The "new approach" to technical harmonisation, limiting detailed Community legislation to health and safety requirements and environmental protection, exemplifies this concern. The information procedures for notifying changes in national standards help to provide transparency and to avoid the imposition of new constraints. The Commission's new policy towards testing and certification aims to avoid double-testing and repetition of certification procedures, by applying the principle of mutual recognition of test results.

14. With regard to the opening up of public procurement, the Commission is taking measures to ensure that small as well as large enterprises benefit from the new opportunities. A vademecum on public procurement was approved by the Commission in November. This makes accessible for businessmen the terms and conditions for their participation in public works and supplies contracts, the Community rules in this area and the means of redress. A Consultative Committee for the opening up of public procurement is being set up following the Decision of the Commission of 26 May 1987. This Committee will have specific competence in assessing the problems posed by the opening up of public procurement for SMEs.

Furthermore, a contact point has been set up within the Commission to enable interested companies to obtain information relating specifically to public procurement.

15. The Commission is indeed concerned to provide information to business about the full range of internal market developments. This consists both of documentation and participating in conferences, seminars, etc. with chambers of commerce, professional organisations and other representatives of business, including SMEs. Furthermore, one of the main objectives of the EURO INFO CENTRE project is to inform firms about the internal market. These activities reflect the increased priority which the Commission attaches to providing information to business on Community issues (see below - III i).

iii. Company law and competition

16. In the field of company law, the Commission is developing initiatives in two areas, which are aimed specifically at improving the environment for small and medium-sized companies.

17. The first initiative concerns the application of the accounting directives (4th directive of 25 July 1978 on annual accounts of limited liability companies and 7th directive of 13 June 1983 on consolidated accounts). The Contact Committee set up under the accounting directives examined at its meetings in February and October 1987 the possibilities to further harmonize the derogations provided for in these directives in favour of small and medium-sized companies or to increase the accounting exemptions in their favour.

18. The second initiative concerns the provisions for the creation of a single person company, which are the subject of a draft directive being finalised by the Commission. The objective of the proposal is to encourage individual entrepreneurs to become established in the form of a company, by providing, for instance, for the separation of the company's property from the individual's private property and by limiting guarantees to third parties. Such a measure would be a concrete step in favour of self-employment.

19. With regard to competition policy, in August 1987, the Commission published drafts of proposed regulations exempting know-how licensing agreements and franchising agreements. Such agreements are of considerable importance to SMEs, since they enable small companies to benefit from the technical or commercial know-how of licensors and franchisors, and thus contribute to improving the competitive position of SMEs.

iv. Taxation and insurance

20. As foreseen in the 1985 White Paper on the Internal Market in the field of direct taxation, the Commission will soon publish a separate White Paper on Enterprise Taxation which will pay particular attention to some of the problems of SMEs. In particular one of its principal aims will be to discuss the role of enterprise taxation in the creation of a favourable fiscal environment for investment and risk capital through low tax rates and by simplification of taxation requirements.

21. In addition, work is almost complete on a proposal for the harmonisation of the calculation of the taxable profits of companies. A draft Directive is due to be put forward soon and if adopted would lead to the application of similar principles for the determination of the calculation of taxable profits throughout the Community. This simplification will be of considerable benefit to small and medium-sized companies operating across frontiers and reduce the risk of double taxation.

22. In the area of turnover taxation, the Commission has modified its proposed directive of September 1986 amending Directive 77/388/EEC in respect of the common VAT scheme applicable to small and medium-sized businesses. This proposal is for a Community-wide exemption scheme for very small businesses, together with a simplified scheme for other SMEs. The Commission's proposal is for a compulsory exemption scheme fixed at 10.000 ECU of annual turnover and an optional higher exemption limit of 35.000 ECU. In the initial proposal, the simplified scheme was limited to enterprises with annual turnover below 150.000 ECU.

23. Following the opinion given by the European Parliament on 15 May 1987, the Commission in October 1987 incorporated into the proposal³ three of the modifications put forward by the Parliament. The first amendment accepted by the Commission is to increase from 150.000 ECU to 200.000 ECU the upper limit on the annual turnover of businesses eligible for the simplified scheme. This will allow a greater number of small and medium-sized businesses to benefit from the proposed simplified scheme. The second amendment accepted by the Commission gives SMEs the possibility to choose a return-period of less than one year if that suits better the circumstances of their particular business. Thirdly, the Commission is introducing a provision which enables businesses eligible for the simplified scheme to opt for the normal VAT scheme if they wish.

24. In December 1987 broad agreement was reached in the Council on the directive on harmonisation of national laws concerning direct non-life insurance and the freedom to provide services in this area. Of particular interest to enterprises is the distinction between "larger risks", where the purchasers of insurance are regarded as capable of protecting their own interests and deciding where to buy the insurance within the common market, and "mass risks" for which the consumers are thought to need national protection. Access to the wider market will be achieved in two steps (with some exemptions for certain Member States), depending upon the number of employees, the size of turnover and the balance sheet total of the business buying the insurance.

III. PROVIDING SERVICES TO BUSINESS TO PROMOTE THEIR CREATION AND DEVELOPMENT IN THE INTERNAL MARKET

25. The SME Action programme sets out a series of services to enterprises to be developed, or extended, with Community support in order to improve their flexibility. This aspect is important in the light of the need to help firms, and especially SMEs, to meet the challenge of the completion of the internal market and to maximise the benefit they derive from it.

³ See COM(87) 524.

i. Information

26. The SME Action Programme identifies access to information as crucial to the success of SMEs. The information activities being developed are also an integral part of the Community information policy.

27. The pilot stage of the project to establish Centres for European Business Information ("EURO INFO CENTRES") is now well under way. Thirty-nine centres throughout the Community, which were selected through a call for proposals and a rigorous selection procedure, were set up between September 1987 and the end of the year. The centres are based in existing organisations which already have close connections with the business community and which have experience in providing information and advice to firms.

28. The EURO INFO CENTRES have three major objectives. Firstly, they provide information about all Community issues of interest to enterprises. To assist in this task, the Commission has prepared an information and training package, giving the personnel of these Centres structured access to information on Community R & D and other programmes, internal market developments, sectoral policies, sources of Community finance and all other relevant areas.

29. The second objective is to assist and advise businesses on participation in Community activities. For instance, firms can be helped with their applications for specific programmes or advised on any difficulties encountered with Community measures. The Centres thus also act as a channel for business to communicate with the Commission and can serve as an early warning system for problems arising from Community regulations.

30. The third objective is to create a network of partners who can provide each other with information about national and regional regulations and procedures of direct interest to enterprises. Such a service contributes to the opening up of the internal market.

31. To fulfil these objectives, the centres have been set up with the appropriate equipment to permit access to Community public databases and rapid communication with the Commission and with each other. The centres each have the equivalent of at least two full-time staff devoted to the project. In addition, they are backed up by a team of information officers based in the Commission in Brussels.

32. Monitoring of the project so far, based on monthly reports from each centre, indicates that the completion of the internal market and associated issues are the main focus of enquiries from businesses, together with questions about the research programmes, the structural funds and harmonisation of value added tax.

33. In the light of the experience obtained during the pilot phase, plans will be completed for the main phase of the project, in which an enlargement of the network is envisaged. These will be presented by the Commission in a separate Communication.

34. A number of other activities have been undertaken to improve the flow of information to SMEs about Community activities. An information campaign arranged with the help of European and national business organisations reached more than 150 towns in the Community. A revised practical handbook on Community operations of interest to SMEs has been prepared and is shortly to be published. The "European File" leaflet presenting the Community's SME policy has also been revised. Finally, the newsletter "Euro-Info", providing regular information on new Community developments of interest to SMEs, has been put on a bi-monthly basis and its distribution has reached 40.000 copies per issue.

35. Efforts are also being made to increase the flow of information about SMEs. Together with the statistical offices of the Member States, the Commission is undertaking a statistical analysis of the size distribution of enterprises by industrial sector, using existing data sources. This project will help to make clear the role and relative position and size of SMEs in each sector and each country. In addition, work is continuing on the establishment of a data bank on enterprises.

ii. Business cooperation

36. The need for greater cooperation between firms across national boundaries especially small and medium-sized firms, particularly within the context of the completion of the internal market, is stressed in the SME Action Programme. Owing to their size and frequent difficulty in achieving an overview of the market and of opportunities for cooperation, European small businesses are often faced with problems when involved in interregional or transfrontier operations.

37. The Commission's Business Cooperation Centre (BCC), created in 1973 and now part of the SME Task Force, is developing concrete projects of cooperation between firms in different Member States. It is, of course, recognized that this policy must take account of competition laws as laid down in the Treaty of Rome.

38. One of the functions of the BCC is to help bring together partners for transnational cooperation. To carry out this task more effectively, it has developed an important instrument, the Business Cooperation Network (BC-Net), which is a computerized system based on a network of business consultants located in all the Member States. This network, which was the subject of a separate Communication in July 1987⁴, permits the rapid identification of potential partner firms in other Member States or regions in response to a specific offer of cooperation.

39. The BC-Net will also make it easier for the BCC to promote SME participation in Community programmes, such as BRITE, ESPRIT, SPRINT, to obtain a better understanding of the obstacles to cooperation between firms in different Member States, and to extend its promotion of cooperation to third countries. A number of third countries have already shown interest in the project, and their participation will be considered at a later stage.

⁴ COM(87) 370.

40. The pilot phase of the project is now being implemented. Following a call for proposals, to which there were more than 900 replies, some 350 business advisers have been selected for the pilot phase. At the end of the pilot phase (end 1989), the Commission will assess its success and examine prospects for developing the project.

41. In addition, the BCC has launched some fifteen pilot projects of cooperation between firms, in order to identify suitable models which could later be used on a larger scale. Business cooperation is an important instrument in developing local economies. The Commission has thus decided to organise, in certain regions of the Community with development problems, meetings of businessmen with potential partners from other Member States with a view to establishing cooperation agreements. Such an action entitled "Europartnership 88" is to take place in Ireland later this year. This form of promoting cooperation, which unlike the BC-Net and SPRINT networks does not use business consultants and other intermediaries, can also become a useful instrument for developing the internal market.

42. The Commission has also taken further steps to encourage cross-border sub-contracting. For instance, the preparation of a practical guide on the legal aspects of sub-contracting is now well advanced; in the series of sectoral terminologies, the volume on electronics has been published and four others have been launched; a European documentation centre on sub-contracting is to be established and a European seminar on sub-contracting is organised for May 1988.

iii. Structural funds

43. The Community's structural funds represent an important source of support to SMEs. In view of the increasing importance of structural policy in association with the completion of the internal market, it is essential that SMEs should have satisfactory access to the structural instruments.

44. The principles set out in the Commission's framework proposal for the reform of the funds presented in July ⁵ should enhance the opportunities for SMEs to obtain such access. Three of the five priority objectives for structural action would be of considerable benefit to existing and potential SMEs : promoting the development and structural adjustment of the less developed regions, assisting conversion in declining industrial regions and assisting the adjustment of agricultural structures and the development of rural areas. One of the primary tasks in the context of the first of these objectives is the exploitation of the internally generated development of the regions, employment areas and urban communities concerned. The major focus of this task , and indeed of the other two priority objectives, is the creation and modernisation of the SME sector, a key aspect of regional endogenous potential development. Financial engineering techniques which marshal the resources of the Community's structural funds and lending instruments and bring them to bear more effectively in the overall SME business financing plan will be major features of the Commission's strategy. The proposed new method of intervention through Community support frameworks in response to Member States' plans will ensure a better complementarity between national and Community action. It will also permit a greater degree of partnership in drawing up plans, thus better reflecting local needs. Furthermore, the simplification of the operating rules of the funds will make it easier for SMEs to obtain support.

45. In recent months an important number of structural operations, such as those in the form of Integrated Development Operations, Integrated Mediterranean Programmes and the programme of industrial development in Portugal (PEDIP), containing sizeable packages of measures and experimental actions to strengthen the small business sector, have been approved by the Commission and are now being implemented. The implementation of the Community programmes RESIDER (steel), which now has been approved by the Council, and RENAVAL (shipbuilding) would also be of significant benefit to SMEs operating in the regions concerned.

⁵ COM(87) 376.

iv. Research and development, innovation and technology transfer

46. The Commission is concerned that new technologies should be available to SMEs and that Community programmes supporting research and development, such as BRITE, ESPRIT and RACE, should be accessible to SMEs. The working party on the role of SMEs in new technologies of the Commission's Industrial Research Development Advisory Committee (IRDAC) has concluded its study related to the situation of highly specialized and technologically leading small and medium-sized enterprises in the context of European integration. The final report of the Working Party was approved in principle by IRDAC at its Plenary Session of 16 October 1987. This report concluded in a number of specific proposals for action addressed to the public authorities at the regional, national and Community levels.

47. An important conclusion resulting from the study was that most executives of high-tech SMEs believe that new technology, an intangible asset, is not yet sufficiently understood by the Community and national authorities. Greater account should be taken of the specific problems of technology intensive SMEs and of their outstanding role for the introduction and dissemination of new technology in European industry, and in particular in the mass of 'normal' SMEs whose future capability of survival largely depends on its timely utilisation.

48. An example of efforts already made to promote SME participation in R & D programmes is provided by BRITE, which addresses R & D in production technology and new materials. This programme is of particular interest to SMEs, which cooperate in projects in various ways, namely with other SMEs, with larger firms and with research institutes. They participate in 65 % of the total number of projects and receive 22 % of the total budget. Furthermore, the involvement of SMEs has increased from the first call for proposals in 1985 to the second call for proposals in 1987. This is the result of an increased effort to get in contact with industry in general and with SMEs in particular through information meetings, campaigns to find suitable partners, a more efficient network of national contact persons and improved information material. SMEs from many sectors of industry participate in BRITE, such as mechanical engineering, laser and welding technology, shipbuilding, software houses, etc.

49. Similarly, ESPRIT provides opportunities for SMEs to cooperate with large and other small companies, as well as universities, in the development of advanced information technologies. SMEs participate in close to 60 % of ESPRIT projects and receive 14 % of the total budget; most of these companies devote a significantly greater share of their revenue to R & D than the average in the information technology industry. The ESPRIT management has made considerable efforts to improve the access of SMEs to the project both through improvements to procedures and through increased information. In many cases SMEs show a capacity to convert rapidly the results obtained in ESPRIT projects into commercial products or processes.

50. The SPRINT programme, adopted by the Council in June last, is continuing and extending activities in favour of SMEs previously covered by the "plan for the transnational development of the supporting infrastructure for innovation and technology transfer". More than 150 organisations (from both the public and private sectors), participating in some 60 transnational cooperative groupings, have received Community assistance for promoting technology transfer between SMEs. Other actions associated with these agreements include support for visits of groups of industrialists to technological fairs in other Community regions, exchanges of personnel and the setting up of the Comparative Index of National Standards in Europe (ICONE), which renders more transparent the national systems of technical standards and regulation. These actions to promote transnational cooperation between SMEs have been complemented within SPRINT by others aimed at the diffusion of new technology. Examples are the support given to technology transfer conferences; the linking of 16 networks involving 70 technical industrial centres for Europe-wide dissemination of information on available technology; and numerous actions aimed either at the widespread diffusion of information about design and quality or at improving the links between the research institutes, universities and industry.

51. Efforts are continuing to improve SME participation in other related areas, such as the energy and environmental programmes. In the energy field, for instance, SMEs have participated in some 40 % of the technological development projects in the hydrocarbons sector. In addition, the "Energy Bus" programme aims essentially to help SMEs

economise on energy. With regard to environmental protection, the new regulation (2242/87) on Actions of the Community for the Environment (ACE) has been adopted by the Council. This programme supports demonstration projects for the promotion of new clean technologies, environmental measuring and monitoring techniques, waste recycling processes and techniques for locating and restoring contaminated sites. Special account is taken of applications by SMEs in this programme.

v. Financial engineering

52. One of the objectives set out in the Action programme was to improve the access of SMEs to finance, particularly in order to help them operate on a European scale. Financial engineering should make it possible to satisfy funding needs that are not satisfactorily met by the market. The Commission is undertaking an analysis of the financing needs of SMEs and considering measures to help meet these needs, such as the continuation of the Venture Consort scheme and other ways to promote venture capital and seed finance. The Commission is also preparing a separate Communication on the issues involved in financing transnational projects of technological cooperation.

53. Community action in the form of global loans continues to be a significant source of finance to SMEs. In addition to the allocation of the fourth tranche of the New Community Instrument, which was adopted in March 1987, the level of ECSC loans was important in 1987 and Spain and Portugal began to benefit from these instruments.

54. Within the framework of Integrated Development Operations and the Integrated Mediterranean Programmes (IMPs), experimental actions are being undertaken to help SMEs obtain access to finance. For example, in this context the Community is helping to establish regional venture capital operations and mutual guarantee funds. Equally, the provision of venture capital through the ERDF to assist SMEs in the context of the development of endogenous potential is being actively pursued.

vi. Employment initiatives

55. It is clear that many of the Community activities already referred to in the framework of services to business will have beneficial, if sometimes indirect, effects on employment. In addition, a number of actions targeted more specifically towards ways of boosting the contribution of the small business sector to employment and improving training facilities of SMEs are being undertaken.

56. The Commission has been particularly active in the area of local employment development, in which SMEs play a key role. A two year continuation of the Action Programme on Local Employment Development, which seeks ways of maximising employment creation in local labour markets, has been agreed. Exchange programmes for local development agents, and a seminar on their activities, have been organised. The Commission sponsored, together with the OECD and the Netherlands authorities, an international seminar in December on "The Financing of Local Employment Initiatives and Other New Businesses". The Information Network on Local Employment Initiatives (ELISE) has also expanded its activities in recent months, for instance, by creating a new network of correspondents and by enlarging its databases.

57. In the programme of labour market research, the Commission published in the second half of 1987 a major study⁶ which analyses the role of SMEs in the creation of employment in the Community and reviews the policy initiatives taken at national, regional and local level to stimulate employment creation in SMEs. Another recent study investigated new forms and new areas of employment growth, including the relationship between the growth in small and large enterprises.

58. The Commission has been developing its support for women to set up local employment initiatives and their own businesses. In 1987 grants were provided for 65 projects to help women set up small businesses.

⁶ Job Creation in Small and Medium-Sized Enterprises, D.J. Storey and S.G. Johnson, ISBN 92-825-7164-5.

59. The Commission has submitted to the Council proposals for a five year programme of demonstration projects illustrating the employment creation potential of actions in the environmental field. It is anticipated that SMEs will play a prominent role in this programme, which will focus particularly on transfers of environmental technologies between regions of the Community.

vii. Education and training

60. In March 1987, the Commission presented its proposals to the Council regarding the training and preparation of young people for adult and working life. In addition to raising the standards of training policy through the Community, these proposals were also designed to encourage a greater spirit of enterprise amongst young people so that they may be better prepared for the labour market, and in particular to play their part in small firms. The Commission's proposals were adopted by decision of the Council on 1 December 1987, to be implemented through 1988.

61. Several of the basic objectives of the SME Action Programme are also reflected in the Community's COMETT programme, which is designed to stimulate transnational university-enterprise cooperation in training for technology. COMETT, which is a 3-year programme 1987-89, places a strong emphasis on meeting training needs in SMEs. In its first operational year 1987, 108 university-enterprise training partnerships (UETPs) were created throughout all the Member States, the majority of which are regional consortia of firms and training institutions designed to assess skills needs and training provision. Being locally based, such consortia are intended to provide a conveniently located communication channel for SMEs requiring technology-based training services from the higher education institutions in the region. Additionally, COMETT is already funding several transnational training projects in fields of importance for the Action Programme, notably innovation transfer and management, the growing international dimension of SMEs, and the introduction of technology in SMEs.

62. In the same context, but in addition to the specific activities of COMETT, the Commission is developing an initiative in the area of training for SMEs. In June 1987, the Advisory Committee on Vocational

Training gave its opinion on the contribution of training to SME development and set out guidelines for Community action in this area, taking account of the experience gained from the Community programme relating to vocational training in new information technologies (EUROTECNET). On this basis, the Commission has prepared a draft action programme covering the years 1989-92 for the implementation of a Community strategy for the development of continuing training in firms. This programme will take special account of SME needs, in respect of both Community and national action.

viii. Exporting

63. Community action to help SMEs trade within the Community has been referred to above in the section dealing with the internal market (II ii). Certain measures have also been taken to help SMEs export outside the Community. For instance, the Commission has organised, together with the Confederation of International Trading houses, seminars aimed particularly at Greek and Belgian SMEs to investigate opportunities for exporting. There are also a series of measures to help firms, including SMEs, to penetrate the Japanese market, such as the Commission's Executive Training Programme, and support for European companies to participate in Japanese trade fairs and exhibitions.

ix. Business and Innovation Centres

64. The Community action in developing Business and Innovation Centres (BICs) and their network embraces several of the activities described above. They ensure the optimum use of local endogenous resources - human, financial, natural - and gear them to business creation. As well as assisting the setting up of high calibre growth and export oriented SMEs, BIC services are also directed towards existing SMEs aiming at attaining a similar status. As Community support for BICs is presently limited to areas covered by the ERDF and the IMPs and ECSC employment areas, the Centres represent an important instrument of Community regional policy.

65. BICs are local organisations formed by a private-public partnership. They operate systems of business creation which include the detection and selection of potential entrepreneurs and of innovative business

opportunities; the supply of a comprehensive programme of services necessary for the creation, start-up and success of their new activities - e.g. training, finance, marketing, business planning, technology transfer -; and the supply of managed workspace with common services. BICs have proven to be an effective instrument in mobilising local financial resources as well as catalysts of technical expertise. Based on their own expertise and their links with universities and research centres, BICs ensure the adequate transfer of innovation to the new businesses.

66. In 1987, 14 operations were launched for the preparation of new BICs, as well as a 4-year programme for the creation and development of BICs which was submitted to the Council and is presently under consideration. A total number of 18 Centres have been set up since the beginning of the Community BICs programme in 1984.

IV. COOPERATION WITH ORGANISATIONS REPRESENTING BUSINESS

67. The Commission considers that cooperation with those organisations which represent enterprises, especially small and medium-sized enterprises, is essential if the objectives of the SME Action Programme are going to be accomplished. It is clear that the opinions of the business community need to be heard if the initiatives which are being designed within that programme are to correspond to the real needs of firms.

68. Consultation with business organisations is particularly important in drawing up the impact assessments required with proposals for new Community legislation. The statement itself incorporates information on the forms of consultation that have taken place.

69. Cooperation with the two Contact Groups, regrouping the major European business associations, has continued to develop, as various activities and studies have been carried out in close collaboration with the Commission. Numerous conferences and seminars on subjects of interest to SMEs have been organised together with European and national business organisations. For example, a seminar to discuss industrial cooperation

between European and Latin-American firms was held in Turin in October; in December a conference took place in Lyon to examine the impact of the completion of the internal market on SMEs; a major conference is organised for May in Cologne, in conjunction with the European Association of Chambers of Commerce, to examine different aspects of setting up a business in Europe.

V. FUTURE POLICY TOWARDS ENTERPRISES

70. The Commission is continuing to build upon its SME Action Programme in order to open up new opportunities for business, particularly as the completion of the internal market draws closer. On one hand, it will ensure that Community policy in general is formulated in such a way as to impose upon enterprises a minimum of legal or administrative constraints consistent with the achievement of policy objectives. On the other hand, specific policies to promote the development of businesses in a Community context, while avoiding direct subsidies, will be strengthened.

71. The Commission is preparing a new communication which situates its policy towards enterprises in relation to the other major strands of Community policy, such as the completion of the internal market, the cooperative growth strategy for more employment and measures for greater economic and social cohesion. At a more practical level, it is continuing to develop projects of direct interest to business, such as the EURO INFO CENTRES, BC-Net, the Business and Innovation Centres and COMETT (as set out above). In addition, it has launched a number of studies and pilot projects to help guide the future course of SME policy. The subjects covered include projects of transnational cooperation between SMEs, a study of different forms of "strategic partnering" between large and small enterprises, examination of the means to improve the access of SMEs to the capital market, and analyses of the training needs of SME managers and of systems of industrial relations in SMEs. This research, most of which will be completed and made available in the current year, will lead to a better understanding and Community-wide awareness of opportunities and problems facing SMEs, and in some cases, to concrete proposals for new Community action.