ISSUE 2015 NO. 2

EUROPEAN Entrepreneur

SME europe

TTIP:

AMBASSADOR GARDNER:

„T-TIP PROMISES NEW OPPORTUNITIES FOR U.S. AND EUROPEAN SMES"

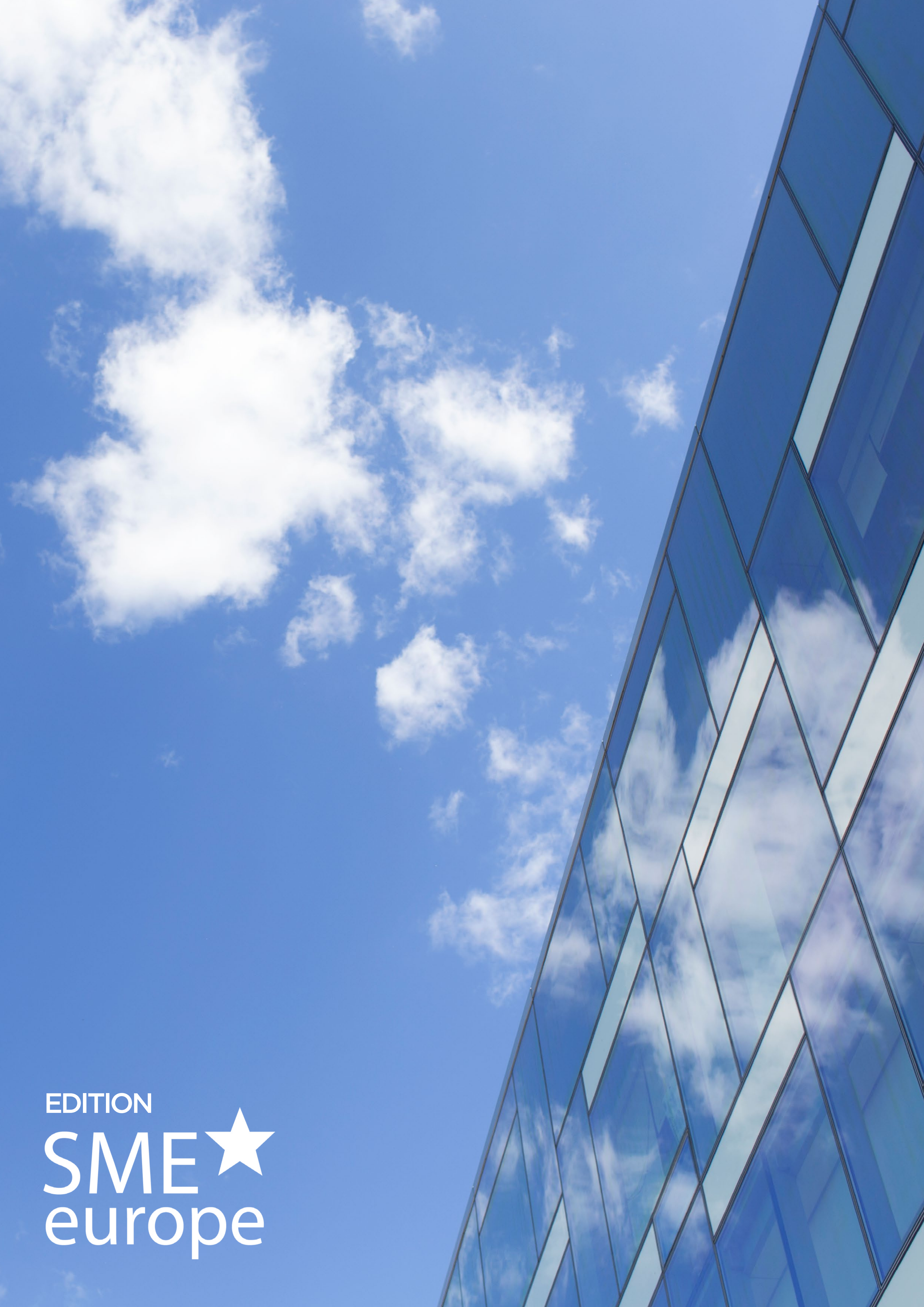
& MORE..

INTERVIEW WITH

COMMISSIONER BIEŃKOWSKA

RAPPORTEUR IULIU WINKLER MEP
EU REGULATION ON CONFLICT MINERALS

RAPPORTEUR ELISABETTA GARDINI MEP
EU REGULATION ON NON-ROAD MOBILE MACHINERY


EDITION
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SME EUROPE – PART OF THE EPP (European People's Party) family

The purpose of ''SME Europe'' (Small and Medium Entrepreneurs of Europe) is to shape EU politcies in a more SME friendly way. SMEs are the backbone of the European economy as it is especially them that create sustainable jobs, growth and prosperity. We closely cooperate with national business organizations and European policy makers within the EPP political family, with a particular focus on the European Parliament. As a pro-active organisation within the political networks of Christian- Democrats and Conservatives, we want to bring a new spirit and a fresh entrepreneurial wind into the political debate. The interests of SMEs are best served when market mechanisms can freely make an impact. It is about time to contain the role of governments, so we need to have less and smarter state intervention. This provides the best framework conditions for SMEs to grow.

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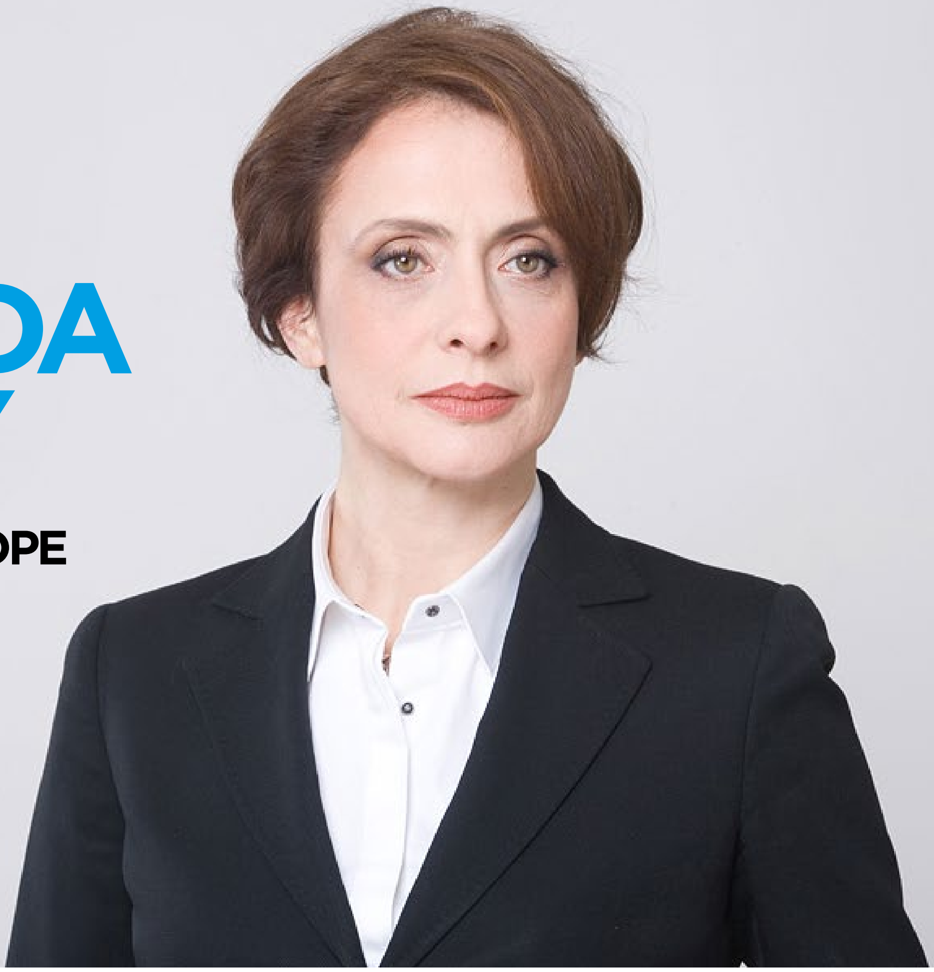

FOREWORD BY

NADEZHDA NEYNSKY

PRESIDENT OF SME EUROPE

Dear Reader!

Following the European elections there was a massive change in the European Parliament as well as in the European Commission: more than half of the European Parliament has been newly elected as well as the Commission under the presidency of Jean Claude Juncker. There is a fresh breeze for SMEs.

The already well-known EU investment plan is aimed to further the thriving of the European Economy within the coming years especially now, at the times of after-effects and consequences of the financial crises. This enormous financial initiative of President Juncker is supposed to unlock public and private investing in the economy of at least 315 billion euro over the next three years. Furthermore the designated Commissioner for Internal Market, Industry, Entrepreneurship and SMEs from Poland ˙Elzbieta Bienkowska is releasing her plan on raising European GDP up to 20% by 2020. Bieńkowska is a strong supporter of SMEs - therefore administrative burdens and barriers will likely be lowered and the access to credits and funds shall become more flexible. The Commissioner has already granted 2.3 billion Euro to the small and medium sized enterprises in order to support the growth of the sector. In preparation for this edition, European Entrepreneur meets Elżbieta Bieńkowska for an interview to find out more about her strategy.

Another major ongoing topic is addressing the Transatlantic Trade and Investment Partnership (TTIP). Despite it is often being criticized

"SME Europe will continue the fight for the often unheard needs and problems of the small and medium enterprises: a fight for less administrative and financial burdens; a fight for more innovation and competiveness."

on national levels where the national media unfairly create tension over the subject by questioning single measures and certain standards, this agreement stands for much more than the question of chlorinated chickens.

We strongly believe the Transatlantic Trade and Investment Partnership is designed to become a doorway to the new chances, especially for SMEs, which are the financial backbone of the European economic system. Small and Medium enterprises, in fact, are 99% of all European businesses. They provide two out of three of the private sector jobs and contribute to more than half of the total added value generated by businesses in the EU. The Commission and the European Parliament are aware of the high importance of SMEs - therefore a start to several working groups is given in order to specify the various needs of the small and medium enterprises. SME Europe keeps supporting and takes a stand for the sector to encourage a blossoming economy.

My colleagues at SME Europe and I will continue our fight for the often unheard needs and problems of the small and medium enterprises: a fight for less administrative and financial burdens; a fight for more innovation and competiveness.

Europe is in need of new entrepreneurs, inventive businesses, and creative young startups that would take the risk of being on their own feet.

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MARKUS FERBER MEP

CHAIRMAN OF WORKING GROUP „SME FINANCE“ OF SME EUROPE

PUTTING SMEs AT THE HEART OF ECONOMIC POLICY

SMEs are the backbone of the European economy. In 2013, there were 21.6 million SMEs in Europe creating almost 90 million jobs. Given this impact for the European economy, one should assume that SMEs are at the heart of European policymaking as well. Unfortunately, quite the opposite is true and more often than not, the particular concerns of SMEs are overlooked in the policymaking process. The "Small Business Act" (SBA) which promotes the idea to "think small first" does not have the priority it deserves. Certainly, the on-going consultation on the revision of the SBA has to tackle this shortcoming.

When it comes to the issue of financial markets regulation, this problem becomes very obvious. In most of its proposals, the European Commission is solely focusing on the big players in financial markets thus often neglecting the special needs of SMEs. The European Parliament's Economic and Monetary Affairs Committee (ECON) has often had a tough time correcting these omissions. A good example for this was the new framework for capital requirements (CRD IV) for the financial institutions. Eventually, the ECON committee succeeded in fighting back the Commission's attempts to treat rock-solid SME loans in a very similar manner to highly speculative investments made by the investment funds or hedge funds. However, the long discussions we have had on this particular topic alone, hint at a bigger problem that needs to be addressed: the lack of understanding of SME's financing needs.

We have already tried to approach the financing question in the framework of the recast of the Markets in Financial Instruments Directive (MiFID II) by introducing a new category of markets that cater explicitly to the needs of small and medium enterprises. Those SME growth markets shall facilitate SME's access to financial markets by applying tailor-made regulatory requirements and raising their visibility for investors.

This attempt can become a good first step to help diversifying the financing model of the European SMEs, which is today still screwed towards bank financing. At the moment, around 80% of SME funding is provided by traditional bank loans, while the equivalent number in the United States is only 50%. This skewed financing model leaves European SMEs vulnerable in times of banking crisis – a situation we have experienced during the crisis from 2008 onwards. When banks had started cutting back their credit exposure and shrinking their balance sheets, SMEs were often the first to suffer. Having a diversified financing model with various channels certainly proved helpful.

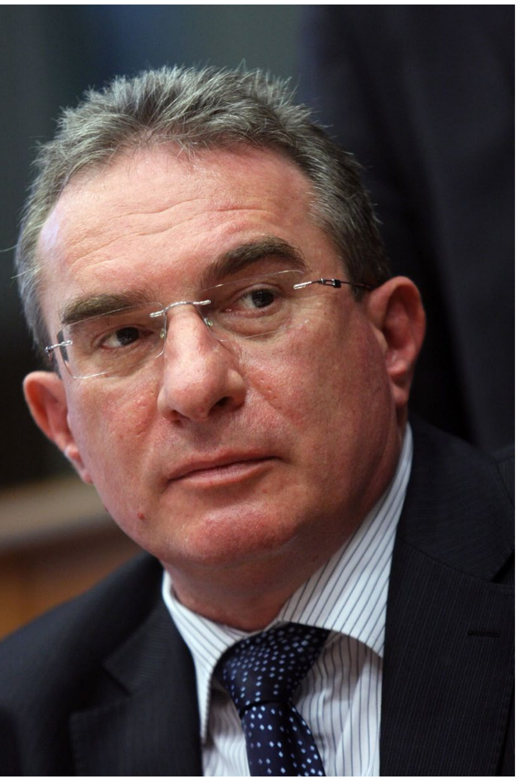
Another important step into making non-bank financing more attractive might potentially be the European Commission's proposals on setting up a Capital Markets Union which is supposed to tear down existing barriers in the European capital markets. If European capital markets were better integrated, they would gain liquidity and efficiency thus make them more attractive for issuers and investors alike. Such a development would benefit particularly SMEs that are currently facing the highest burdens in terms of market access.

Polls among European SMEs consistently show that regulatory barriers are so far the biggest obstacle when it comes to financing via capital markets. Founding specific SME focused exchanges as it was done in MiFID II could help, but those measures need to be accompanied by further improvements such as a revision of the prospectus directive and well-considered efforts to revive European securitization markets. As SME loans are usually among the least liquid assets and therefore comparatively unattractive for banks and institutional investors, a more favorable framework for securitization issuances could help solving SME's financing needs. Recent changes in the calibration of high quality securitization under Solvency II already point into the right direction, but in the framework of the Capital Markets Union more of the same is needed.

The example of Solvency II highlights the importance of implementing measures to create a favorable framework for SMEs in Europe. Unfortunately, this makes a process that is already hard, harder. This is the case because the understanding for SME's financing needs that is not too distinct in the Commission services, is even less noticeable in the agencies drafting the implementing legislation.

This becomes obvious, when looking at the proposals by the European Securities and Markets Authority (ESMA) to treat equity research as a type of inducement while at the same time trying to ban inducements altogether. Arguably, free equity research is vital for small- and mid-cap companies which are covered by fewer analysts, but rely nonetheless on such coverage in order to gain investor attention and thus eventually liquidity.

Once more, this is an area where the European Parliament's ECON committee needs to step in and will do so if ESMA does not attempt to change course on this issue. Other files, which require a lot of attention, are the implementing measures in the framework of Solvency II and CRD IV. If implemented correctly, those provisions can help boosting the framework for investments and SME financing in Europe. But if done wrong, they can cause great harm and could even contradict the whole aim of the Capital Markets Union. Hence, the European Parliament's Economic and Monetary Affairs Committee can and will pay close attention to those issues in order to make the Capital Markets Union work.



IULIU WINKLER MEP

RAPPORTEUR, VICE - PRESIDENT OF SME EUROPE

EU REGULATION ON CONFLICT MINERALS:

WORKING TOWARDS AN EFFECTIVE SOLUTION

The issue of the conflict minerals, more specifically breaking the link between mining and trade in minerals and the financing of local and regional conflicts, is not new on the agenda of the European Parliament. At the beginning of 2014, MEPs adopted a report on promo ting development through responsible business practices, including the role of extractive industries in developing countries, with a special reference to the inter-dependence between armed conflicts and minerals exploitation.

In the second half of the last year, the European Commission sent to the EP its own proposal on an EU Regulation on Conflict Minerals. This intends to set an EU system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold (also called 3TG), originating in conflict-affected and high-risk areas. This proposal has aroused great interest among the European and global stakeholders, political groups, industry associations and NGOs which work in the field of human rights.

The main objective of the EC proposal is to help reduce financing of armed groups and security forces through mineral proceeds in conflict-affected and high-risk areas. According to the draft regulation, which builds on existing international due diligence frameworks and principles, the EU aims at supporting and promoting responsible sourcing practices of European companies in relation to 3TG originating from conflict-affected and high-risk areas.

SHORT SUMMARY

The main objective of the proposal of the European Commission is to help reduce the financing of armed groups and security forces through mineral proceeds in conflict-affected and high-risk areas by supporting and further promoting responsible sourcing practices of EU companies in relation to tin, tantalum, tungsten and gold (also called 3TG) originating from such areas. The proposal is grounded on existing international due diligence frameworks and principles.

Today, international measures exist to promote responsible sourcing of minerals in areas at risk or affected by armed conflicts. The two best-known were adopted in 2011 and 2010 respectively: the OECD Due

The proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict-affected and high-risk areas

COM/2014/0111 final - 2014/0059 (COD)

IULIU WINKLER MEP

rapporteur, vice-president of the SME Europe, declared:

"As rapporteur for the conflict minerals file, I am strongly committed to finding a viable and balanced solution to mediate between the different views of the stakeholders which express legitimate interests, the proposal of the European Commission and the strong expectations of the political groups in the European Parliament.

The trade regulation under debate is one of the three pillars of the EU integrated approach, together with the diplomatic action of the EEAS and the accompanying measures envisaged by the EC and the Council in their joint communication to the European Parliament.

As SME's are of particular importance for European economies, the principle of proportionality should be carefully observed when drawing up the provisions of the new regulation. Existing international responsible sourcing initiatives bring a valuable experience, which should be not wasted; on the contrary a certain degree of harmonisation should be prospected, first and foremost with the OECD initiative on conflict minerals – the Due Diligence Guidance.

The goal of weakening and finally breaking the link between minerals mining and trade and the financing of militias and armed groups can be achieved by the joint effort of many stakeholders. Capacity building on the ground, striving to achieve results on the road to good governance, more responsibility of the industry and an efficient conflict minerals regulation are all needed for a good result ."

There are two best-known international measures which were adopted in 2011 and 2010 respectively: the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and Section 1502 of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act.

The EC has come with a document which is proposing a voluntary system for EU operators importing 3TG into the EU market and defines the conditions for them to be self-certified as responsible importers of the minerals and metals in scope. The proposal is based on a due diligence framework allowing EU importers to apply the principles and processes set out in the OECD Due Diligence Guidance.

Any importer of minerals or metals within the scope of the Regulation may self-certify as responsible importer by declaring to a Member State competent authority that it adheres to the supply chain due diligence obligations set out in the Regulation. The declaration shall contain documentation in which the importer confirms proper adherence to the obligations including results of the independent third-party audits carried out. Member State competent authorities shall carry out appropriate ex-post checks in order to ensure that self-certified responsible importers of the minerals or metals within the scope of this Regulation comply with their obligations. EU importers opting for self-certification will be obliged to integrate all elements of the OECD Due Diligence Guidance in their management system, namely maintaining a system of controls and transparency over the mineral supply chain, which includes inter alia the country of mineral origin and the smelters/refiners; identifying and assessing risks in the supply chain against the OECD model supply chain policy; designing and implementing a strategy to respond to identified risks; obtaining independent third- party audit assurances of supply chain due diligence and reporting publicly on supply chain due diligence.

The EU self-certified importers are required to disclose annually to the Member State competent authority the identity and geographical location of the smelters/refiners in its supply chain. On the basis of the information disclosed to the competent authorities, the EU will publish annually, after consultation with the OECD, a list of responsible smelters and refiners that source according to the Regulation.

This Regulation will be accompanied by measures meant to enhance the impact and to encourage the responsible sourcing of minerals. There are incentives provided for companies to promote responsible sourcing. These include promotion of responsible practices by smelters and refiners. The EU has provided financial support for the implementation of the OECD Due Diligence Guidance since January 2014 and will continue to do so through the Instrument for Stability.

Support will focus on capacity-building and outreach activities, targeting public authorities, the private sector and civil society organisations involved in the supply chain of minerals from conflict-affected and high-risk areas. The Commission intends to explore funding for SMEs to promote the uptake of the future voluntary certification scheme within the COSME - Competitiveness of Enterprises and SME's Programme.

ABOUT IULIU WINKLER MEP

Iuliu Winkler is Member of the European Parliament since November 2007.

Since July 2014 he is Vice-president of the Committee on International Trade in the EP, Member of the Delegation for relations with India, and Substitute Member in the Committee on Regional Development and the Delegation for relations with the People's Republic of China

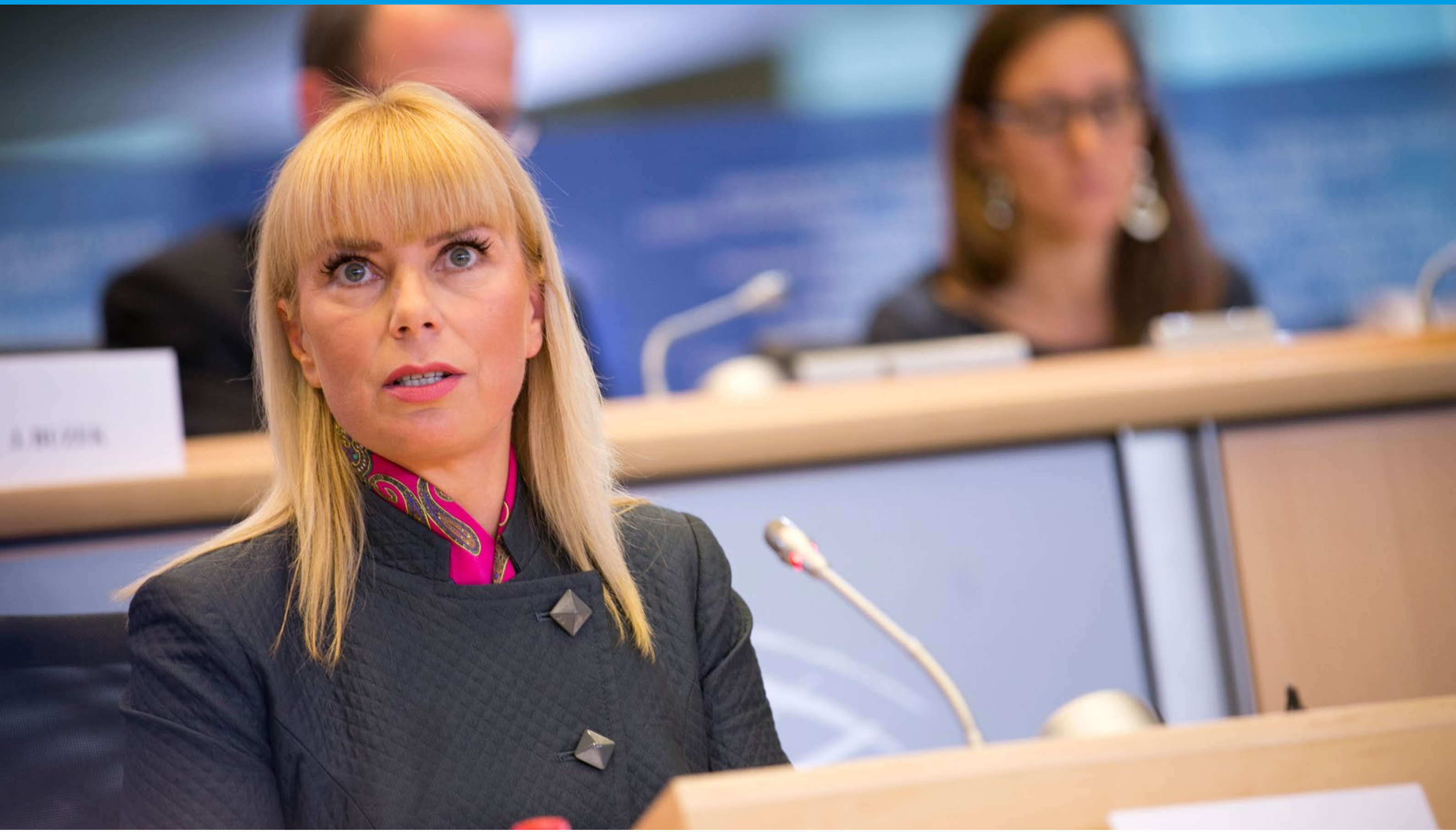
He is Vice-president of the SME Europe, a pro-active organisation within the political networks of the EPP, whose purpose is to shape EU policies in a more SME friendly way.

Between 2004 and 2007 he was Member of the Government of Romania, Minister Delegate for Trade. In 2007, he held the portfolio for Communications and Information Technology.

Winkler was elected in 2000 as Member of the Parliament of Romania, respectively Deputy in the Chamber of Deputies for a mandate of 4 years, being Member of the Committee of Budget, Finances and Banking and of the Committee of European Integration.

In 1996 he was elected on behalf of RMDSZ (Democratic Alliance of Hungarians in Romania, member of the EPP) as member of the Hunedoara County Council. In 1999, he was appointed Deputy Prefect of Hunedoara County.

Iuliu Winkler holds a degree in electronic engineering and one in Finance & Insurance.



ELŻBIETA BIEŃKOWSKA

COMMISSIONER FOR INTERNAL MARKET, INDUSTRY, ENTREPRENEURSHIP AND SMEs

One of your goals is to flourish the European economy by using funds from COSME – which impact on SMEs will your program have?

What is important is that we maintain and create well paid jobs in the EU. To be able to do so, we need to ensure that EU companies – big and small - are present in the global value chains, in those areas where the highest value is added. The COSME funds are a catalyst for financing SMEs, helping them to invest and grow their businesses. 1.4 billion euro of COSME financial instruments should result in up to 21.5 billion euro in debt financing and 3.9 billion euro in equity financing for SMEs. And there is more to the programme than just money.The Enterprise Europe Network helps SMEs to solve problems and access markets. Our IPR helpdesk services support SMEs doing business with China. We are encouraging education for the entrepreneurs of tomorrow. And we are working for a better business environment to ensure that SMEs can spend more time on their business and less on administration.

So far – would you consider the €315 billion investment plan a success?

We all know we need more growth and jobs in Europe. We need to return to the path of stable and sustaiable growth and we need everyone to be strongly committed to this task. The Investment Plan for Europe is our response to the situation, aiming at mobilizing the money that is on the market. We need partners to make it a success, and so far six Member States have indeed announced that they will contribute to the plan.
The momentum is building. Already by the summer, SMEs will be able to benefit from the pre-financing established by the Plan.

What is the key factor of your SME blueprint?

In a Public consultation last year we asked SMEs what they needed, and now we are planning our actions on the basis of the evidence we gathered. We will tackle some of the key problems SMEs face: starting a business, getting licenses, selling businesses and managing business failure. Making sure honest entrepreneurs get a second chance and are able to learn from failures.

Which instruments will you apply on that?

COSME is our main tool. Not just its financial instruments but also the actions to improve the business environment for SMEs. In the long term SMEs will thrive if the investment is there for them, if the administrative burden is lighter, and if the regulatory framework takes SMEs into account. And I can ensure that this is our top priority. It is important to note that a lot of the legislation concerning directly SMEs stems from the Member States. We all need to work closely together to find the best solutions for the companies that constitute more than 90 % of all businesses in Europe.

How would the European Commission reduce administrative burdens and grant an easy access for credits on the national/European level? In terms of SMEs it seems more difficult to access smaller sums or the administrative burden for it is excessive.

I am actively involved in the work of the Commission's better regulation team. We look at the combined effect of different regulations on sectors. We need to cut the red tape. One burden might not be too much for a business. But keep adding them and the business will sink. As for credits, we work with institutions specialized in credit for smaller businesses. Our guarantees mean that those institutions can lend at lower risk, therefore also being able to lend to more businesses.

Which role is e -commerce playing in your strategy for a strong single market in Europe?

E-commerce opens up huge possibilities for enterprises. The Commission initiative on the Digital Single Market aims to tear down barriers in the same way that the 1992 project cleared away customs posts on the borders. In the digital market everybody can have a prime location on a busy high-street. The Commission adopted the Digital Single. Market (DSM) strategy on May 6. I was working closely with Vice-President Ansip in the project team devoted to this task. E-commerce is discussed regularly with my services and this is an issue we aim to address as follow-up to the DSM.

Why is the parcel delivery service a key area in your strategy to support SMEs?

When you are buying and selling over the Internet, the goods have to be delivered. That last link has to work well. Over 50% of businesses who sell cross border – and 60% who don't – cite high prices as a problem. Consumers' interests must be well protected and the prices have to be affordable. On May 6 we launched a Public consultation to collect views from all the interested parties on the main issues and possible areas for improvement. I have just recently met with the CEOs of national postal operators. We need to find common solutions and make parcel delivery work.

Why does the European Commission expect a strong boost for SMEs throughout the TTIP agreement?

Tariffs between the EU and the USA are low for most sectors. The major problems for businesses wanting to cross the Atlantic are technical and regulatory. Those obstacles affect SMEs much more than they do larger enterprises. SMEs don't have the legal resources. TTIP will cut regulatory obstacles and therefore benefit the SMEs.

How exactly would SMEs benefit from your "Single Market Strategy" that is to be announced in autumn this year?

SMEs suffer the most from obstacles, whether it is the cost and delay in getting permissions or the time it takes to find out whom to contact in an administration to get the information they need. The costs of having to adapt to differences in national markets are relatively much higher for a business with ten employees than for one with several thousands. The Single Market Strategy will make sure we can quickly remove barriers that stop companies from expanding beyond their borders. We will also address the information gaps and make sure that businesses will get the relevant information in one place.

E-government is one of your tools to cut the red tape, what are the advantages?

A modern internal market also needs a modernised public administration. E-government tools save time. There are no delays due to posting documents, less chance of applications being filled in wrongly and much quicker feedback. The information is where it can be easily found. E-government tools are in key role in reducing the administrative burden for both citizens and business.

Why is the shared economy a key factor?

Free markets are about making best use of resources. The shared economy is the next step forward. We can make more use of scarce resources. Of course, we have to make sure that the shared economy runs as safely as more traditional activities, but we should welcome disruptive thinking if it brings benefits.

Once you stated to think in bigger dimensions in order to avoid perception of the markets as reserved separated entities. What are your ideas for the "marketplace" Europe?

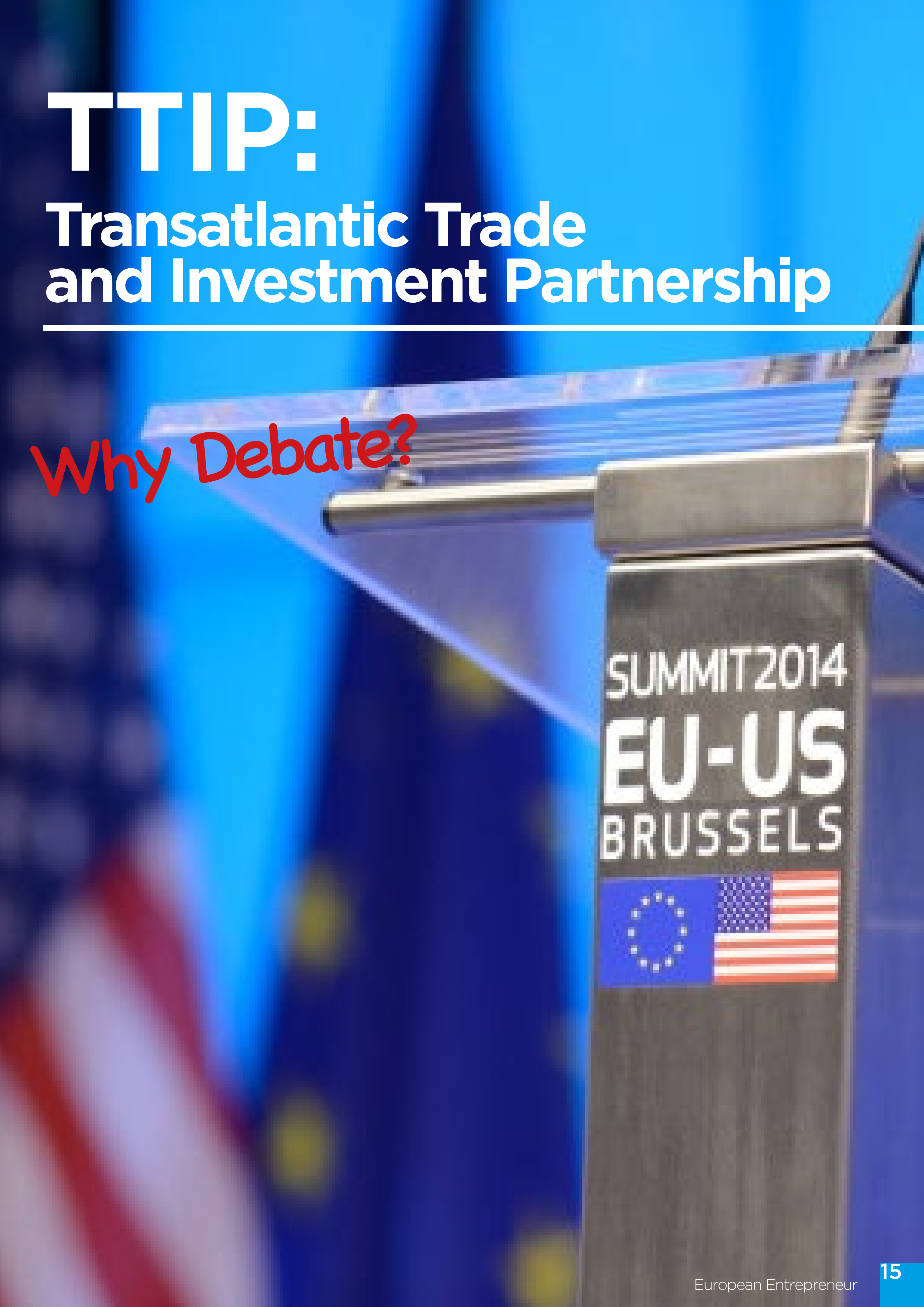
We need to complete the single market for goods and for services, to create a genuine EU market without barriers. The Single Market Strategy will take us a long way in to the right direction. We will reduce the barriers and tackle the obstacles businesses run into when they do business across borders. And when businesses are operating outside of the EU, we are ready to help them to go global. This is the basis of Marketplace Europe – a place of opportunity that is an attractive location in which to produce, invest, trade and work.

Your first approach is to change the policy circle to implement proposal and policy into the European level, how will be politics and policy implemented?

In the current Commission we work across many policy areas in project teams. It means that proposals are looked at from many angles from the very beginning. We won't have one policy for industry, a different one for services and another one for environment. We will have policies for the EU. And when we have established a policy, we will make sure it is put into practice. We will make sure that the rules are effectively enforced. And we will only focus on areas where joint European action can bring results. Fewer proposals, but better. Not more Europe. Not less Europe. But better Europe.

TTIP:
Transatlantic Trade and Investment Partnership

Why Debate?



The debate about the free Transatlantic Trade and Investment Partnership agreement between the EU and the US has been dominating european media landscape in the last few months. Proponents say the agreement would result in multilateral economic growth, while critics claim it would increase corporate power and make it more difficult for governments to regulate markets for public benefit. Here to your attention a short overview about the most contreversial topics:

TTIP and economic growth:

There is still a great deal of disagreement about the effects of TTIP. While the Centre for Economic Policy Research in London expects growth of the European GDP of 0.5% by 2027, the way more optimistic IFO Institute in Munich predicts an increase in the per capita income of Germany by more than 4.5% within the next ten to fifteen years. Likewise, the number of jobs that would be created by TTIP, can vary heavily.
The NAFTA agreement between the USA, Canada and Mexico is often used as a negative example. According to a study of the GUE/NGL Group in the European Parliament, more than 800,000 jobs were lost in the United States meanwhile in Mexico the wealth gap increased tremendously. An alternative viewpoint, in order to promote a more positive perspective, is provided by the free trade agreement between the EU and South Korea. The EU exports to South Korea increased by 35% as a result of the Agreement.

The issue of transparency and legitimacy:

If negotiations are conducted publicaly, then factual arguments are not always in the foreground. For this reason, the majority of committee meetings is conducted without public participation - compromises are much easy to reach that way. In addition, the European Commission publishes a large part of the documents and regularly informs the Parliament, the Council and the public about the current state of negotiations. The Member States are not passed over by the negotiations - they have tasked the European Commission. The future draft treaty is being presented to the European Parliament for voting – nether the less, the transparency and legitimacy is often in doubt.

The influence of TTIP on SMEs and globally active corporations:

To benefit the most from the elimination of tariffs and non-tariff restrictions are SMEs. While large corporations have the opportunity to relocate some of their production to a respective other continent, resulting in the loss of local jobs, SMEs were excluded from such practice for the reason of costs. Through TTIP, SMEs are able to expand their own business to the partner market therefore to benefit from increasing returns scaling through volume effects.

TTIP advantages and disadvantages for the consumer:

The European critics of the FTA are often quoting the chlorine chicken as a symbol of the expected Consumer Protection disadvantages. However, not only the Europeans are worried about their consumers - the United States have reservations about several European products - as for example raw milk cheese. These issues need to be addressed.

The question of arbitration:

The arbitration courts provide plenty of reasons for discussion. Investment protection agreements guarantee the legal equality between foreign and local companies and protect investors against unexpected legal restrictions. After criticism by a part of the public and also from the European Parliament and its relevant technical, new solutions are under discussion - in principle the US wants to stay with the arbitration courts, though.

The European Commission launched a public consultation on a limited set of clauses and in January 2015 published parts of an overview. The debate however continues. An agreement is not expected to be finalized before 2016.

BENDT BENDTSEN MEP

FIRST VICE-PRESIDENT OF SME EUROPE

TTIP – AN IMPORTANT STEP FOR THE SMEs

Small and medium-sized enterprises are the backbone of the economy, but trade barriers often burden SMEs disproportionately, since they have fewer resources to overcome them. Therefore, it is important to make sure that they have the best conditions to innovate, trade and create jobs and growth, not only in their home country, but also globally. The Transatlantic Trade and Investment Partnership will remove barriers and create opportunities in a number of areas, and this will be especially valuable for the SMEs.

One of the most important benefits for the SMEs is the removal of customs duties. Small producers in Europe and the United States produce about 30 percent of goods exports from both markets. Therefore, SMEs are very likely to gain from the removal of tariffs. Even small increases in a product's cost because of tariffs can mean the difference between making and losing a sale for SMEs, and in some cases, the removal of tariffs will give the SMEs the possibility to sell their products across the Atlantic for the first time. In addition, SMEs delivering to bigger export firms will benefit indirectly from the increasing export.

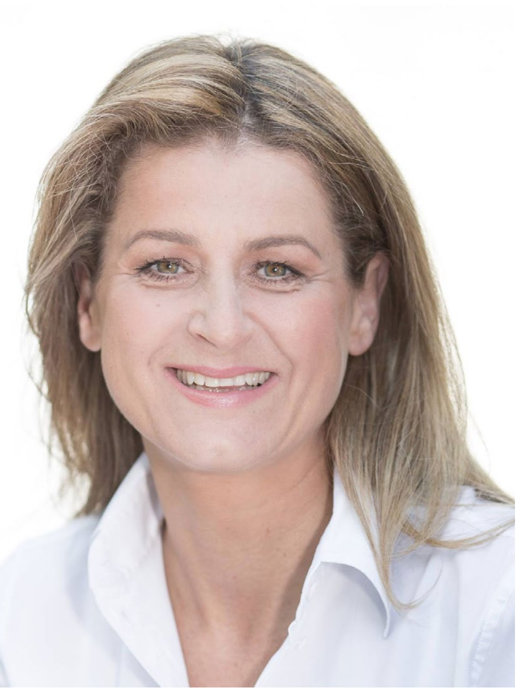
But not only tariffs are a big barrier for the SMEs. Regulatory issues and other non-tariff barriers affect particularly small companies in both Europe and the United States. Compliance with technical rules and regulations for goods can be challenging and resource intensive. The rules in Europe and the United States can be very different, and accessing information about what regulation applies to a product is not always easy. With TTIP unnecessary costs and administrative delays will be reduced, since the agreement will ensure more transparent, efficient, cost-effective and compatible regulations. For SMEs, this will not only reduce costs, but it can potentially open up new markets.

TTIP will also improve the conditions of the SMEs on a number of other areas, for example intellectual property rights, public procurement and electronic commerce. Protection of intellectual property rights is important, especially for SMEs. With their innovation and creativity, SMEs are creating jobs and economic growth, but they are often vulnerable to infringement of their rights. TTIP will ensure a transatlantic commitment of strong protection of intellectual property rights.

In many parts of public procurement, especially SMEs are legally excluded from the marked. But in both Europe and the United States public entities buy a broad range of goods and services from the private sector. Therefore, SMEs will benefit from the improved transparency and access to government procurement markets.

SMEs trading online are reaching a much broader range of foreign customers. Therefore, the TTIP provisions that promote duty-free treatment of digital products and consumer access to services and applications online will help the SMEs increase their numbers of customers.

Finally, TTIP will not only benefit the SMEs exporting directly across the Atlantic. Also the SMEs selling their goods and services to companies that do transatlantic trade will benefit from the removal of both the tariff and non-tariff barriers.



MECHTHILDE WITTMANN MdL

(BAVARIA), RAPPORTEUR FOR THE TTIP WORKING COMMITTEE ON FEDERAL AND EUROPEAN AFFAIRS, SENATOR OF SME EUROPE

TTIP – OPPORTUNITY AND RISK: THE CHALLENGES FOR THE EUROPEAN COMMISSION

The negotiation of the TTIP agreement gives the European Commission the mandate to debate the rules concerning commercial, income, employment, investment and innovation effects with the United States for all the 28 Member States, and thus also for Germany and Bavaria. The negotiators from the other side of the Atlantic must likewise consider the different conditions and wishes of the 50 US states. During the first few months, little information penetrated to the outside due to the very discreet negotiations. This has been criticized in particular by consumer organisations, which now led to greater transparency. The removal of trade barriers is an opportunity for SMEs to expand their specialization and quality onto the American market. The chance of achieving harmonization for technical standards, licensing procedures or import surveillance systems is a great opportunity for businesses which do not have a self-sufficient production facility in the USA. This is a real incentive and must be strongly driven by the EU Commission accordingly. But even here, the pitfalls of this negotiation process show: to date, the US negotiators refuse to give up the so-called "Buy American Clause" in an effort to open up the American market. This is a serious indication of the US expectations towards the European Commission, which should not be acceptable especially in order to defend the interests of European companies. Especially the public procurement markets are a great opportunity for European companies – but if the "Buy American Clause" does not fall, an imbalance in the agreement would occur that cannot be compensated by tariffs and non-tariff trade facilitation. Considering that 50% of global economic output and 1/3 of the world's trade in goods and services are covered by this Agreement, it becomes clear why an impact assessment from the perspective of different economic areas must be considered -besides increasing transparency for those responsible in politics and society. With this agreement a new liberalization round has begun which impacts directly on existing free trade agreements such as NAFTA, the CETA and other existing free trade agreements of both parties in both directions. This may amount to the creation of large margins and new market developments for strong regions within this new economic space.

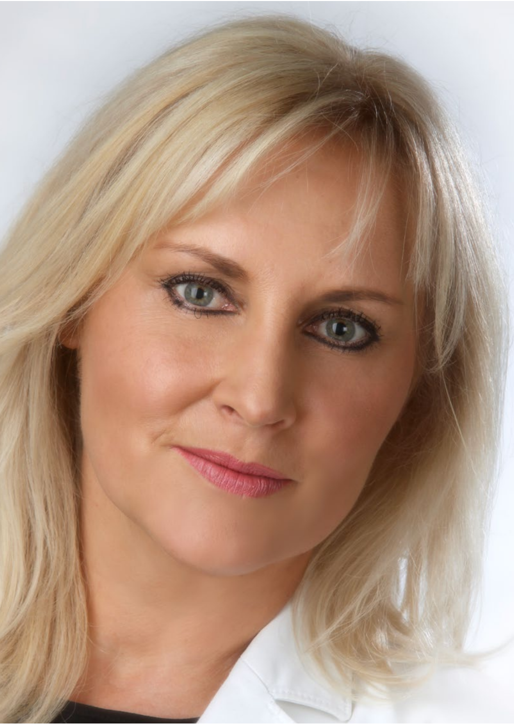
At the same time, however, a corresponding decline in trade is forecasted for the weaker regions, as well as for developing and emerging countries. This fact and the resulting consequences for society must be taken into account.

Nevertheless: the harmonization of standards - as long as the global standard-setting introduces the highest possible standards of protection - could eliminate cost and price-raising trade barriers. This may

mean for the specialists among small and medium-sized businesses an income rise, which is reflected in further investment and jobs in the regional market segment. However, these predictions that the real income would increase and the jobs would be created are viewed with some skepticism, not only by consumer organizations but also in parts of the middle class. Each national framework has a different leverage within its own economic area, which may equalize, enhance or undermine these effects. Therefore, the risk assessment must be carried out soberly in order to really be able to absorb any welfare effects. Only this one sentence is included in the negotiating mandate, which was signed on 30th of April 2007 by the member states, which applies to small and medium-sized enterprises in particular:
„The agreement will include provisions on trade-related aspects of small and medium-sized enterprises."
This also means that the Commission is free to decide on the direction in which these provisions would go. In the 4th round of negotiations the small and medium enterprises were actually an agenda item for the first time. However, the result was just the agreement on the negotiation of a specialized chapter concerning SMEs and the agreement that great benefits are expected specifically for small and medium-sized enterprises from the simplification of import procedures, the reduction of tariffs and setting up of the transparency of the applicable laws. It is precisely the small and medium-sized enterprises which are unable today to fully tap the potential of transatlantic trade - because of high transaction costs, complicated test procedures, existing protection clauses and other aspects which are in particular caused by different legal requirements for products and services. There is still a high level of concern that standards that have reached a demanding, but also partly expensive level within the EU, and here especially in Germany, might be given away as part of the Free Trade Agreement, or that standards could be introduced that are neither common nor accepted in the European culture. This includes the use of growth hormones in animal breeding or environmental requirements in the context of rural agriculture. It will be the task of the Commission to address the concerns of consumers through transparency and also to meet the requirements where quality, organization and procurement are concerned.

Another focus lies on the controversial investor protection clauses paired with the arbitration procedures. If foreign investors can sue countries due to possible arbitrary, this implies vice versa – in an exaggerated way - that domestic investors can influence the political decision-making to the extent that earnings are guaranteed. At the same time a measure of doubt against existing and proven legal systems is spreading what is actually not appropriate in highly civilized countries. Here a distinction between potential contractors must be made. Investor protection makes sense where the legal culture and political system, and possibly also the financial system, are associated with measurable risks – which are long recognized in the financial sector. If the Commission never the less wants to agree on arbitration jurisdiction, it must represent an evolution and pioneering design of the existing arbitration techniques in the context of the WTO, in which the highly developed legal formations come to fruition. The possibilities of an appellation jurisdiction as well as the use of independent judges instead of private law firms, and complete transparency, are examples of a modern legal system which might win the approval of those affected. Not only companies and the governments are affected but also the policy makers and citizens. An investment protection method according to the old style can bind politicians in advance to place economic risks above their decision-making power for the benefit of citizens. This possible approach is not in tune with our understanding of the powers of state, and not a valid approach for local entrepreneurs and investors.

Politically the TTIP as well as the process of developing it remain controversial. The democratically elected representatives of the people do hardly have any opportunity to accompany the negotiation process. Documents are only accessible to selected persons in selected locations. The Member States and the European Parliament have a right to vote on the outcome of negotiations but have no means to influence or change matters during the process of creation. Therefore, the Commission shall be measured on a higher level of responsibility in the future by their negotiating style and results.



DR. ANGELIKA WINZIG MP

(AUSTRIA), NATIONAL COUNCILLOR FOR THE TTIP TRADE AGREEMENT, VICE-PRESIDENT OF SME EUROPE

"To stoke fears has become a business model of media, because we know that by evolution we are calibrated on anxiety and our fear system has not changed in recent times," writes futurologist Matthias Horx in his book "Zukunft wagen".

We are now looking for imaginary enemies – the sabre-toothed tiger of today is among others the trade agreement between Europe and the USA (TTIP).

Our citizens are worried. So it is even more important to carry out a fact-based, serious discussion, because after all, we owe our quality of life to the 60 percent export rate – the United States is thereby our third most important export nation. In numbers this means for Austria: 85,000 jobs are secured - 20,000 new jobs could be created. There are besides the large companies, which are in any case already well anchored in the United States, intensified our Small and Medium enterprises that benefit from facilitating standardization and certification rules as well as from the reduction of tariffs. Thus SMEs can make investments and, subsequently, become more competitive in a global economy.

What are the contentious issues, that are now being addressed and publicly discussed by Trade Commissioner Malmström :

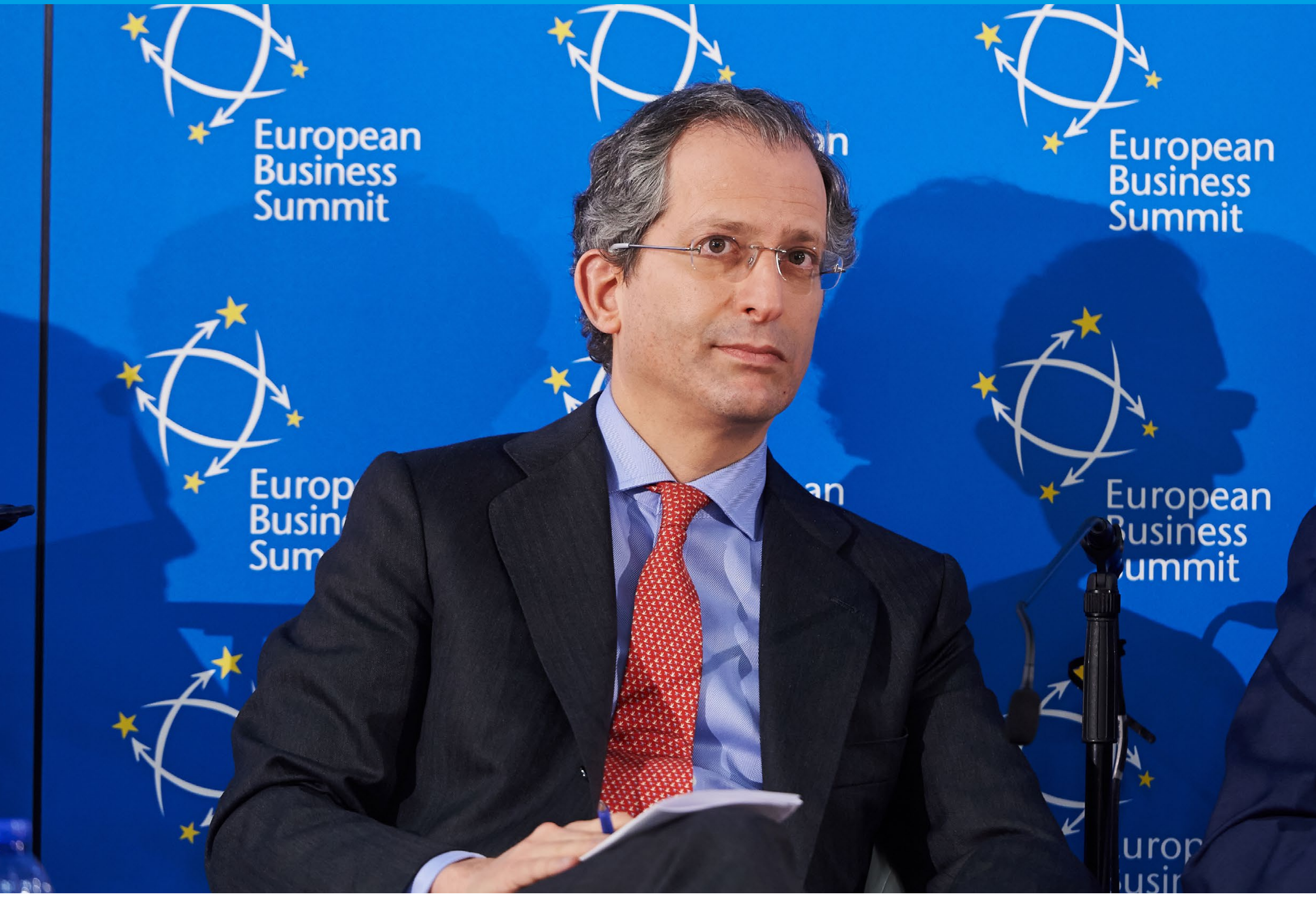
- Standards: In the negotiating mandate it is clarified that the „right to regulate" remains unaffected, furthermore our erratic values and principles are defined in the preamble.
- Increase in transparency: Trade Commissioner Malmström has already taken an important step for the extended release of negotiation documents.
- Modern investment protection: The negotiations concerning the investment protection have been suspended at the end of last year and a consultation mechanism with 150.000 reactions, whereas one quarter coming from Austria, was inducted. I believe the Commission has learned a lesson and realized that something has to be done in this area. Function of a modern investment protection: equal treatment of all entrepreneurs, transparent negotiations, appellate procedure, prevention of a complaint industry of international corporations and the tidy up of the "right to regulate" to protect the political opportunities.

TTIP offers chances for SMEs and for the next entrepreneur generation. Due to the geopolitical crisis in the Middle East, weakened European markets, Russia, which is due to the violation of international law and human rights an unreliable partner, we have to focus on the overseas markets. This is guaranteed especially for entrepreneurs by a high quality trade agreement.

We definitely don´t have to fear the American enterprises anymore because Apple, Nike, Microsoft, Google etc. are already perfectly established in Europe and the large enterprises know how to conduct trade in the USA. I am convinced that in particular this trade agreement will benefit the medium-sized economy, as it concerns the removal of bureaucratic obstacles, complicated import regulations and shadiness at examinations.

A well negotiated TTIP can lead to a successful economic upturn, increase growth and employment. We owe our unemployed citizens in Austria to jump in the chance and use it seriously.

We have got a time window now because Asia is no more in our rear mirror, but beside us on the fast lane, as USA is already negotiating the trade agreement.



ANTHONY L. GARDNER

U.S. AMBASSADOR TO THE EUROPEAN UNION

T-TIP PROMISES NEW OPPORTUNITIES FOR U.S. AND EUROPEAN SMEs

U.S. trade negotiators will "seek to strengthen U.S.-EU cooperation to enhance the participation of SMEs in trade between the United States and the EU." These words are clearly stated in President Obama's letter of March 20, 2013, to the U.S. Congress and the related fact sheet, spelling out for our legislators and the general public that our negotiators for the Transatlantic Trade and Investment Partnership (T-TIP) recognize the importance of small and medium-sized enterprises (SMEs) as engines of growth and producers of jobs. As the USTR fact sheet describing our negotiating priorities puts it, "SMEs are the backbone of the American and European economies… SMEs that export tend to grow even faster, create more jobs, and pay higher wages than similar businesses that do not. T-TIP will enhance already strong U.S.-EU SME cooperation and help SMEs on both sides of the Atlantic seize job-supporting trade and investment opportunities."

Shortly after I arrived in Brussels to start my work as the U.S. Ambassador to the European Union, in March 2014, President Obama came for an EU-U.S. Summit. During his press conference with then President Van Rompuy and then President Barroso, he noted that:

"…part of the suspicion about trade is whether globalization is benefiting everybody as opposed to just those at the top… or large corporations as opposed to small- and medium-sized businesses. I think it is important for us as leaders to ensure that trade is helping folks at the bottom and folks in the middle and broad-based prosperity, not just a few elites. And that's the test that I'm going to apply in whether or not it makes sense for us to move forward in a trade deal. I'm confident we can actually shape a trade deal that accomplishes those things."

During the fourth round of negotiations two weeks earlier, the U.S. and EU lead negotiators for the SME chapter of T-TIP took part in a panel discussion that the U.S. Mission to the EU and the European Policy Center presented on the prospects for SMEs in T-TIP. Representatives of U.S. and European SMEs took part and spoke eloquently on how even reductions of seemingly low tariffs can make the difference between profit and loss for small businesses, who lack the trade volumes and teams of lawyers to absorb the costs of tariff and non-tariff barriers that large corporations have.

Despite this emphasis on SMEs right from the start, a myth persists in some quarters that T- TIP is being negotiated on behalf of large corporations, with no benefits for smaller businesses. This is true in part because some anti-trade activists focus their energy on spreading fear, regardless of whether it is true. But misinformation only works where the fears already exist, perhaps due to a misunderstanding of how important SMEs are to both of our economies – our "backbones" – and how engaged they are in trade already, with so much potential to grow.

We engage in these negotiations well aware of the fact that, in the European Union and the United States, SMEs and start-up enterprises create jobs and drive growth. Ninety-nine percent of European and U.S. companies—over 20 million companies in the European Union and 28 million in the United States—are SMEs. In the European Union, SMEs provide two-thirds of all private sector jobs and have a tremendous capacity to create new employment: 85% of net new jobs between 2002 and 2010 were created by SMEs. Similarly, in the United States, small businesses have provided over half of all jobs and two- thirds of all net new jobs in recent decades. Approximately 97% of U.S. exporting companies are SMEs. On both sides of the Atlantic, SMEs are key sources of innovation, new products, and new services. Many already benefit from transatlantic trade, and we hope that T-TIP will enable many more to do the same.

How will SMEs benefit? Through T-TIP, we seek to provide businesses, especially small- and medium-sized businesses, greater opportunity to export and to have access to cheaper inputs so that they can grow and be more competitive. Tariff reduction not only reduces barriers to enter foreign markets at competitive prices, but can also help to reduce the cost of inputs, an extremely important objective in an increasingly globalized marketplace. Businesses based in Europe already face very high energy costs and, in some places, high labor costs; their ability to succeed in a global supply chain will depend in part on their ability to source goods at the lowest possible price. We're also working to reduce customs paperwork, perhaps even eliminating it for lower-value shipments, and to reduce the amount of time that recipients have to wait for their goods to be released.

For some businesses, especially SMEs, less customs paper work and lower duties could mean the difference between growing through exporting overseas or remaining confined to local markets. Consumers could choose from a wider variety of products and gain from lower costs. Producers could spend less time and resources on meeting duplicative testing requirements and filling out unnecessary customs paperwork.

U.S. and EU negotiators continue to work to ensure that SMEs are in a position to take full advantage of the opportunities that an agreement would provide. As part of this effort, negotiators are discussing the inclusion of a SME chapter in T-TIP. Such a chapter could establish mechanisms for both sides to work together to facilitate SMEs' participation in transatlantic trade after T-TIP takes effect. Provisions could also include an SME committee that would engage with the small business community and the development of other resources to help SMEs understand the provisions of the agreement and how they can benefit from it. A chapter on SMEs could also strengthen existing cooperation between the U.S. Department of Commerce and the European Commission to help SMEs benefit from transatlantic trade and investment through workshops and other programs. Future cooperation under a T-TIP SME chapter could help SMEs take better advantage of commitments in other parts of T-TIP that may have particular importance for them.

Both the Office of the U.S. Trade Representative and the European Commission spend a significant amount of time talking to SMEs on both sides of the Atlantic to determine the greatest obstacles they face to expanding or breaking into transatlantic trade. A recent report by USTR and the European Commission collects some of their stories.

Paulson Manufacturing Corporation of Temecula, California, helps illustrate how duplicate business processes and standards can impact a company's ability to stay competitive. The company develops, manufactures and distributes personal protection equipment for industry, firefighting, military, police and penitentiary personnel. It has 170 employees, including a location in Frankfurt, Germany, and exports of about $4 million, distributing its high quality products throughout the world. Its president notes that "Paulson Manufacturing can potentially benefit from T-TIP through the reduction of customs delays and improved, harmonized business processes and standards."

Here in Europe, France's Medi Thau Maree SAS hopes to sell its high quality oysters and mussels to exclusive restaurants in the United States, as it does in much of the world, but this is not currently possible due to minor differences between EU and U.S. legislation. Its president hopes that T-TIP will enable his company to satisfy U.S. food safety regulations: "If the so-called T-TIP could help on that matter, we would gain access to a new, lucrative market, it would mean for us some additional turnover of 400-500 thousand euro by 2020 and brighter prospects for our company and people that work for us." The situation is similar for ARTICOmed, a small, innovative European company with headquarters and manufacturing facilities in Germany and a distribution center in Poland. Its products—innovative bone and joint surgery instruments—use a diamond hollow grinding technology that does not require any implants, which speeds up the healing process. Its founder states that "Our Germany-made products went through a very strict safety assessment procedure. But the European certification of medical devices is not recognised in the US and vice versa, so this is not enough to make our technology available to the interested American surgeons. I hope that T-TIP will make it easier for companies like ours to get products approved in both markets, so that patients can benefit more easily from our innovative and safe technology."

The Transatlantic Trade and Investment Partnership will create new opportunities for companies like these in both the United States and the European Union. Reductions to barriers to trade will be especially valuable for SMEs, given that such barriers tend to disproportionately burden smaller firms. The elimination of tariffs could allow many SMEs to sell their goods across the Atlantic for the first time. Increasing regulatory and administrative transparency and ensuring that impacts on SMEs are taken into account in the regulatory process, will reduce small companies' costs, and potentially open up new markets for them. Customs and trade facilitation reforms through T-TIP would make it easier for SMEs to participate in transatlantic trade and to support jobs through that trade. The T- TIP negotiations will also seek to open opportunities for SMEs in services, government procurement, and electronic commerce and reduce the red tape of customs procedural barriers.

So don't let anyone tell you that T-TIP is just for big corporations. In the end, the agreement itself will refute such claims and provide concrete and meaningful benefits for SMEs, which are, after all, the most important engines of economic and job growth in both of our economies.

Suggested additional reading:

• President Obama's letter to Congress regarding plans to negotiate T-TIP

• USTR's Fact Sheet on T-TIP Negotiating Objectives

• United States of Trade (a joint report by USTR and the U.S. Department of Commerce)

• USTR and EC T-TIP Brochure: Opportunities for Small and Medium-Sized Enterprises:

Wilfried Martens Centre for European Studies

TTIP AND SMEs: MYTH AND FACTS

IMPACT ON SMES AND START-UPS

The Criticisms:

"[...] Multinational companies operating in other jurisdictions could gain unfair advantages through TTIP from new rules which will not be applicable to SMEs'.

"[...] It is questionable that the SME chapter contains within it the capacity to significantly enhance transatlantic SME trade."

"[...] More has to be done to protect, not undermine, existing pro-SME policies."

The Reality:

99% of Europe's companies are small and medium-sized firms (SMEs) and provide two out of three private sector jobs in the EU. They are the backbone of the European economy and any agreement that reduces tariff burdens, reduces unnecessary regulatory differences and eases bureaucratic procedures for importing and exporting which would spur further growth in jobs in every area of Europe.

SMEs are carrying disproportionate administrative burdens due to their small scale. A future trade agreement, by opening up new markets, would enable many SMEs to become more commercially viable in the international context. Thereby their growth potential in long terms will be significantly improved.

As recognised by the European Commission, even small companies that do not export directly to the US will benefit from TTIP. This will be achieved by selling goods and services to companies that do trade with the US. This 'value chain' effect will create increased trade in many micro-level companies in the EU.

The growth of e-commerce, coupled with TTIP provisions that allow a duty-free treatment of small shipments and of digital products, has the potential to dramatically expand online sales of many European SMEs.

One of the key obstacles to start-up companies in the EU is funding. This is particularly relevant for innovative SMEs in emerging technologies. A transatlantic deal will increase the range of alternative funding mechanisms available (such as venture capital and equity investments) by allowing a greater access to the U.S. of expertise in these areas.

As markets open on both sides of the Atlantic, more opportunities for young entrepreneurs will be created. In the longer run, the reduction in trading costs, allied to a greater choice of funding sources (as highlighted above) will promote an economic environment more conducive to start-up activities.

Transparency and lobbying

The Criticisms:

"[...] TTIP is in a direct contradiction with democratic principles and public oversight.'

"[...] Undemocratic backroom negotiations on TTIP."

"[...] If TTIP includes plans to change regulations which have been fought for decades, our parliaments and our citizens need to know what is at stake."

The Reality:

Backroom deals are legally and practically impossible. The Commission is obliged to consult all 28 governments of the EU member states and the European Parliament on the TTIP process.

Every TTIP clause will be approved or rejected by national parliaments and governments, the European Parliament and the Council – the institutions upon which European democracy is based.

A transparent trade agreement is a key priority of the EU. The new Commission President has called for negotiations to be conducted as transparently as possible. As a first step Jean-Claude Juncker asked that a mandatory lobby register be established.

The Commission also set up a special advisory group of experts representing a broad range of interests, from environmental, health, consumers and workers interests to different business sectors. Together, they provide EU trade negotiators with high quality expert advice. The group frequently meets during negotiation rounds.

Public hearings and consultations have been (and will continue to be) a key pillar of the EU's approach to TTIP. Up to November 2014, four major consultations, several open events for interest groups, eighty written MEP questions and periodic access to the Chief Negotiator have been carried out at the EU level.

The Commission regularly publishes online factsheets, position papers and negotiating texts on a chapter by chapter basis;

Confidentiality aspects are vital and normal characteristics of every negotiation. Besides negotiations do not mean adoption. Not a single clause will be enforced before democratic national and EU institutions have given their approval

Data protection and privacy

The Criticisms:

"[...] Not willing to trade in our liberty for potentially better security.'

"[...] No watered-down compromise but definition and enforcement of stand-

The Reality:

The European Commission President Juncker has clearly stated that no compromise on data protection and privacy will be made as a result of TTIP. The focus of the negotiations is on trade and investment, not on debates regarding key EU principles.

In light of recent revelations concerning the NSA, the EU is reviewing the existing 'Safe Harbour Agreement' with the US, which lays down strict privacy requirements, high data protection standards and personal authorization for the sharing of personal and commercial data between the EU and the US.

ards of data protection and data privacy for all EU citizens.'

"[...] ACTA (Anti-Counterfeiting Trade Agreement) through the backdoor?'

The EU will take full account of any forthcoming judgement from the European Court of Justice like in the case of Facebook vs. Ireland (case number C-362/14) and will implement any proposed changes to existing data protection and privacy agreements if required.

The EU is also negotiating with the US on a 'Data Protection Umbrella Agreement' which will protect personal datas transferred between the EU and the US for law enforcement purposes.

The European Parliament has previously voted against the Anti-Counterfeiting Trade Agreement (ACTA). TTIP agreement will not include the controversial elements of ACTA. More importantly, the Commission has clearly stated that the highly controversial provisions regarding intellectual property rights enforcement in the digital environment will not be part of the negotiations.

Food and agriculture

The Criticisms:

"[...] This is not just about tariffs, which are already low, but an instrument to remove 'obstacles' to free trade – food safety rules that protect us from hormone beef, GMOs, and dangerous chemicals.'

"[...] Do you really think small-scale producers and consumers want further liberalisation of trade in agricultural products?'

"[...] A huge majority of European citizens are opposed to GMOs, and most countries want to prevent their cultivation

The Reality:

The EU's goal is to negotiate the open market access for the European imports to the U.S. This aim does not contradict existing high standards for food quality and agriculture within Europe. The principles of food safety and public health cannot be subjected to negotiations, neither legally, nor practically.

The EU already has the toughest regulations on genetically modified foodproducts in the world. Growing modified crops can be allowed only after the implementation of comprehensive risk assessments by the European Food Safety Authority.

In 2011 the European Parliament voted on legislation that gives Member States 'the flexibility to ban or restrict the cultivation of genetically modified crops'. In addition, these rules prevent contamination of conventional and organic farming methods. Any change to this situation can only lead to a following agreement between the European Parliament and European Council.

The EU and the U.S. food safety regulators have a long history of co-operation as evidenced by the existing EU-US Veterinary Equivalence Agreement and the agreement on the mutual recognition of organic produce labelling.

The EU food and beverage sectors will experience growth in exports as a result of an agreement. At present, high tariffs effectively limit European producers' market penetration in the U.S. The U.S. average tariff on EU agricultural imports is 8%.

Russia's sanctions on EU imports significantly restrict demand for many EU agricultural products. TTIP will therefore help to support employment in many rural areas across Europe.

RALPH KAMPHÖNER

DIRECTOR OF POLICY AT EUROCOMMERCE

TTIP: A VITAMINE FOR EU COMPETITIVENESS, JOBS & GROWTH

The current public debate in the EU on TTIP needs more focus on the rationale of the transatlantic negotiations. As the US are developing commercial relationships with their transpacific partners it is in Europe's own interest to foster its relations across the Atlantic, too. An EU-US deal will allow both partners to secure standards based on their shared values in an increasingly globalised environment.

Ascurrent discussions in Brussels centre on jobs & growth, Europe 2020, the internationalisation of SMEs and other workstreams aimed at improving the EU's economic prospects to the ultimate benefit of European citizens, the potential of TTIP to contribute to these agendas is far from being properly emphasised. A better informed debate is needed to demystify TTIP and to get the focus on deliverables right. To this end, the information made available by both negotiating sides by now already ensures a high level of transparency.

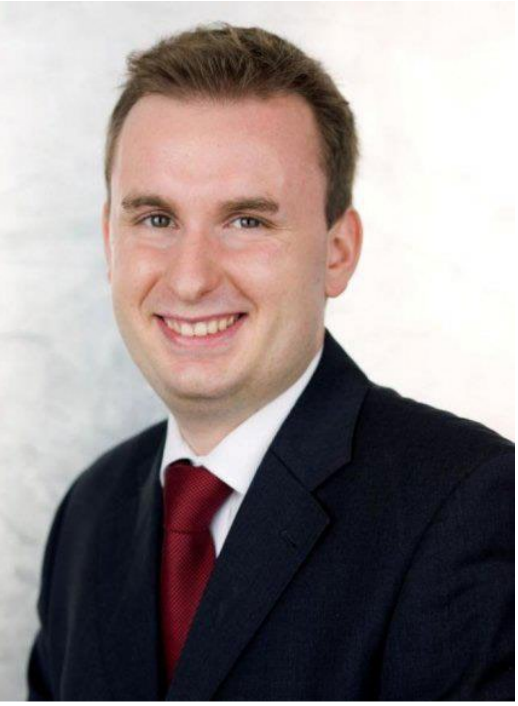
Although the US market is in general open compared to many other regions in the world, some sectors are still facing unnecessary obstacles. Restrictions on direct selling, like the exclusion of distributing some products, are limiting the opportunities for growth and job creation for many companies. A definition of direct selling should be included in the agreement in order to recognise and strengthen the legal and regulatory environment for this business model.

While intra-EU e-commerce trade is growing, sales to US consumers are still very low. Different legal systems hinder the prosperity of e-commerce exports. It is imperative that TTIP includes a "one-stop-shop" for either e-commerce in general or specifically for VAT/sales tax requirements.

US requirements on the state level for physical establishment when companies have stored customer data necessary for transactions defeat the rationale and business model of e-commerce. The need for physical establishment in order to register for a national or local internet domain names hinder the full potential of opportunities for EU based e-retailers, as well as the difficulties to receive reimbursement of customs duties when 3rd country consumers return goods to the companies.

Both the EU and the US have set up high standards on food safety, consumer rights, environmental and social issues. Trade negotiations should by no means lower well-proven standards in place. However, there is room for simplification. For example, textile labelling requirements could be fully harmonised between the EU and the US. SMEs are often confronted with double product testing, conformity assessment and other requirements on both sides of the Atlantic.

According to an Ecorys study, the additional cost incurred amounts to an average of more than 20% - money that could be saved by companies and accrue to the benefit of their customers without lowering European standards. The Centre for European Policy Research estimates that a family of four in the EU could see their annual budget enhanced by more than 500 thanks to the beneficial impact of TTIP. Responsible decision-makers should therefore strive to conclude a meaningful TTIP deal to seize these opportunities.



THOMAS BENEDIKT THALER

SECRETARY GENERAL OF SME GLOBAL

INTERNATIONAL TRADE: Quo vadis?

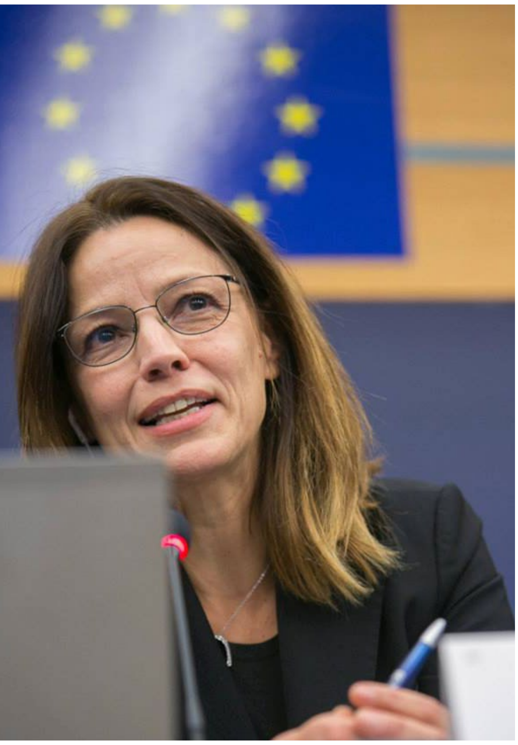
Political debates over the orientation of trade policies have a long history and even were at the core of many armed conflicts. For a long time, protection appeared to be winning the argument over free trade. Still today, many people show great sympathy for isolationist ideas. The fear of the unknown and the comfort of the status quo shape to a large extent their mindset. However, solid scientific evidence shows that the gradual removal of economic barriers lead overall to rising living standards and reduced poverty around the world.

In this line, multilateral trading systems involving as many countries as possible deliver the greatest impacts in terms of wealth generation. According to Ricardo's classical theory on international trade, a truly global free trade framework would encourage all countries to further specialise in economic sectors in which they are best suited to produce in terms of natural resources, transport possibilities, cost structures, etc. Excess production would then be traded with the rest of the world in exchange of the most advantageous products of the respective trading partners.

The World Trade Organization (WTO) serves exactly this purpose, namely it aims at reducing traditional trade barriers, such as tariffs, import and export prohibitions as well as quantitative restrictions. Overall, in the last decades we have seen quite some success stories as a result of successive rounds of multilateral trade negotiations starting in October 1947, when 23 governments signed in Geneva the General Agreement on Tariffs and Trade (GATT). After the end of World War II, tariffs for industrial goods used to be at around 40 per cent – in the meantime this level has fallen to a tenth.

However, the use of non-tariff barriers to trade (NTB) has risen sharply after the significant decrease of tariffs around the world. Legislators continuously refer to various forms of protectionist measures in order to bypass internationally agreed free trade rules. Even though some of these measures were not specifically conceptualised at limiting international trade, they produce exactly this very outcome. The long list of NTBs include special licenses, unreasonable technical standard disparities and testing methods, packaging, labelling and marking requirements, bureaucratic delays at customs with specific documentation needs and fees, unfair government procurement policies, harmful export subsidies, countervailing duties, sanitary and phyto-sanitary measures, etc. During the WTO Ministerial Conference of 1996 in Singapore, four working groups have been set up to find common solutions on the main areas of controversy: transparency in government procurement, trade facilitation and customs issues, trade and investment, as well as trade and competition. Despite some progress through the Bali package, a trade agreement that was concluded in December 2013 at the end of the latest WTO Ministerial Meeting in Indonesia, the Doha Development Round could not yet deliver the desired negotiation results. Protectionist mindset still remains very powerful across the globe.

Given this lack of a major breakthrough in multilateral trade negotiations, many countries decided to opt for a second-best solution, namely to diversify their strategy and to start negotiating on bilateral and plurilateral trade agreements with likeminded countries that are willing to go a few steps further. The abbreviations of these agreements are widely known to a broader public: TTIP, TTP, CETA, etc. Regardless of the specific content of these single agreements, it is important to reflect on their specific nature. Involved countries should see themselves as an avant-garde that push the boundaries of what is still accepted as the protectionist status quo in international trade. However, if other currently still hesitant countries see the benefits of this trade avant-gardism, they should still have the possibility of an opt-in at a later stage. Ideally, achievements of bilateral and plurilateral agreements even should be included at WTO level provided that we will see appropriate windows of political opportunity in the future.



ELISABETTA GARDINI MEP

RAPPORTEUR, SENATOR OF SME EUROPE

EU REGULATION ON EMISSION LIMITS AND TYPE – APPROVAL FOR INTERNAL COMBUSTION ENGINES FOR NON-ROAD MOBILE MACHINERY: EU PAVES THE WAY FOR WORLD'S CLEANEST MACHINERY

On September 25 the European Commission published a proposal for revision of the directive 97/68/EC, covering exhaust emissions reduction for engines installed in non-road mobile machinery, and setting so far the highest standards in the world for agricultural machinery, construction equipment, gardening machines, waterway vessels and other machinery.

MEP Elisabetta Gardini, Chair of the Italian delegation of EPP and member of the ENVI committee at the European Parliament, officially became rapporteur of this dossier on February this year.

Mrs Gardini what was your very first impression while dealing with this file?

The first striking aspect of this file is the variety of the different sectors concerned under the scope of the regulation. The NRMM covers a large variety of combustion engines installed in different machines ranging from small handheld equipment, construction machinery and generating sets, to railcars, locomotives and inland waterway vessels. All these segments have inner and specific requirements that reflect their complexity and they need to be considered separately although consistently.

What is the big newness of this Regulation?

The first innovation is indeed the fact that we are dealing with a new Regulation and not a Directive. This means that NRMM Regulation will repeal the currently in force Directive 97/68/CE and at the same time it will replace altogether a patchwork of 28 national laws. This will provide a fresh update to the state of the art technology as well as a coherent, binding and inclusive approach.
The second aspect is the staggered and broad methodology proposed: for the first time, all the non-road mobile machines spanning from 19kw to 560KW are covered under the scope of the legislation. However, the various power ranges impacted by the new legislation will not adopt stricter emissions limits all at the same time, but - and this angle will be particularly underlined in my proposal - step by step on the basis of a fixed calendar. This should allow manufacturers of machines, for instance, to re-design the products on the basis of a more reasonable schedule.

What were the reactions from the Small and Medium Sized enterprises of the sector to this proposal?

All manufacturers - regardless the size or nationality - urged from the very beginning to go for a swift adoption and, by this, provide legal clarity by the end of 2015. This will help secure the fundamental period of 3 years lead-time that is needed ahead of the legislation being applied. Again as in other fields the legal certainty is considered pivotal to business.

Anything else?

Manufacturers also caution that not all the relevant issues have been satisfactorily taken into consideration in the proposal. Each new emissions stage requires major investments to renew and redesign machines. Thus a balance must be struck between securing Europe's competitiveness and the environmental benefits the society demands. If we think that emissions mass limits of EU Stage IV are substantially lower than pre-regulated engine emission levels we have to be cautious in pushing the bar too high, especially since the economy recovery is still staggering and technology progressions at current levels is costly and hardly to reach .

You were visiting Intermat - a very important trade fair which took place in Paris. What were your impressions?

I very much appreciated the opportunity to see de visu all the machines. Not only because the visit was interesting as such - being Intermat the third largest sector fair in the world - but particularly because it gave me a grasp on the reality of an extremely potential sector. Moreover, I was positively surprised to acknowledge that, despite the ambitious standards and the provisions defined by the European Commission proposal, manufacturers are on track for developing the next generation of emissions-reduction technology for the so called Stage V.

One of the main concern for the SMEs affected by this regulation seems to be the replacement engine. Is it correct?

One of the biggest novelty introduced by the Commission in this new proposal is the deletion of the possibility - which was granted under the previous Directive - for manufacturers to deliver an engine of the same emissions stage, in case the machine's engine should be replaced.

There are serious arguments in favor and against this new provision. SMEs believe that this loophole could have major consequences and could undermine the whole customer relations system, on the other hand the Commission services believe that this would represent a major step forward towards innovation and reduction of emissions.

I think we need to find a solution. The draft report of my colleague Jiri Prospisil -Rapporteur of the IMCO opinion on the same dossier - includes an interesting suggestion and I think we can use it as a starting point and work to propose a balanced approach. I know that the Council, under the coordination of the Latvian Presidency, is already working on this issue, and I hope both Parliament and Council can agree on a solution that is suitable for both the environment protection and the business.

A vote on the report is planned to take place in ENVI committee in July 2015.

EUROPEAN BUILDERS CONFEDERATION

A BUSINESS-FRIENDLY ENVIRONMENT FOR CONSTRUCTION SMEs: WHAT IS THE CONTRIBUTION OF THE NEW EUROPEAN PARLIAMENT?

On 19th November 2014 the European Builders Confederation (EBC) organised a business breakfast in the European Parliament to present the new MEPs with its priorities for the next five years.

EBC is the European professional organisation representing national associations of craftsmen and SMEs working in the construction sector. Through its national members, EBC represents 2 million micro, small and medium-sized enterprises from the construction sector. Its priorities consist of concrete measures on how to contribute to sustainable economic growth in Europe and overcome the crisis in the construction sector. Around the chairmanship of SME Circle president, MEP Markus PIEPER, more than ten MEPs - including Paul Rübig - representatives from the European Commission and other EU trade associations participated in the breakfast and contributed to the debate.

Small and medium-sized construction businesses believe there is much at stake in the current European legislative term. Five years of economic slowdown harshly damaged small builders, but the housing sector has big potential for the European economy. The European construction sector makes up around 10% of the GDP of the European Union and employs roughly 13 million workers. Small and medium-sized businesses produce 80% of the construction industry's output, create local jobs and have huge potential to absorb youth unemployment. Therefore, the economic recovery would be more difficult without taking into consideration appropriate policy measures for this sector.

MEP Markus Pieper highlighted that the SME Circle and the European People Party are committed to supporting SME policy, which produces tangible results for entrepreneurs. They will combine their efforts with those of Frans Timmermans for better regulation and enhanced application of the subsidiarity principle. SMEs need simplification first!

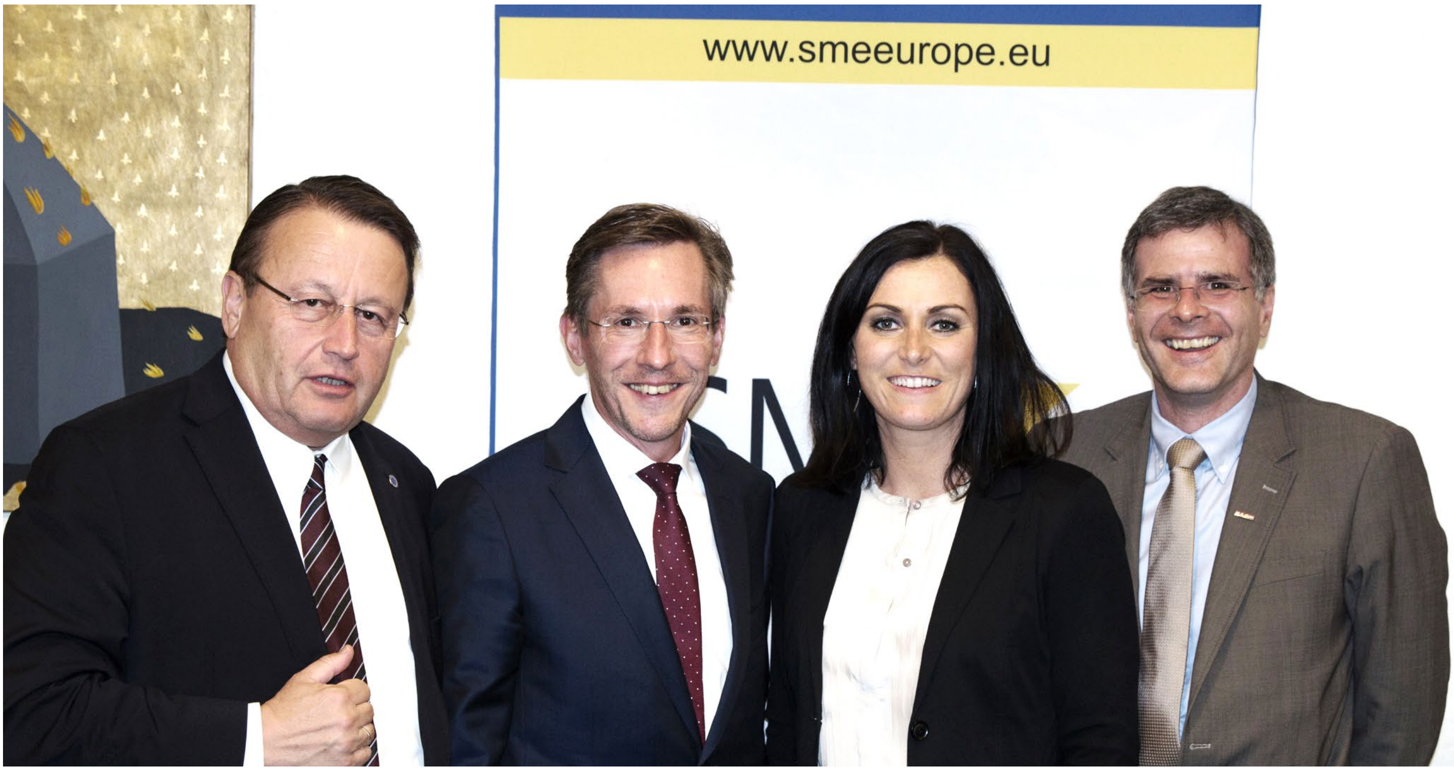
EBC Secretary General Riccardo Viaggi pointed out that Juncker's 300 billion investment plan is a positive initiative but it won't work without public investment. He underlined that construction entrepreneurs need an SME-friendly business environment, which really "thinks small first". They need a proper way to access finance and cover risk guarantees, relevant fiscal measures such as reduced VAT rates, and financial support for housing renovation. They need common rules at the European level and instruments to reduce unfair competition arising from social dumping and undeclared work. Moreover, entrepreneurship education should be integrated in the vocational education and training curricula to facilitate business transfers and youth employment. Last but not least, the Council and the European Parliament should engage in carrying out an "SME test" during the legislative process and check whether European legislation is appropriate for SMEs. These are some of the provisions EBC would like to see put in place by the European Parliament over the next 5 years in its contribution to making Europe an SME-friendly business environment.

EVENTS

SME europe

WORKING LUNCH "EMERGING CONFLICTS BETWEEN EXTENDED PRODUCER RESPONSIBILITY AND EUROPEAN COMPETITION POLICY"

ON WEDNESDAY, JUNE 25, 2014, SME EUROPE HOSTED WORKING LUNCH: "EMERGING CONFLICTS BETWEEN EXTENDED PRODUCER RESPONSIBILITY AND EUROPEAN COMPETITION POLICY".



Dr. Paul RÜBIG MEP, Committee on Industry, Research and Energy and Honorary President of SME Europe, opened the discussion with the question how Europe and the Member States will handle energy and waste in the future and how they could be even more effective in environmental areas and in recycling.

Dr. Hanno WOLLMANN, Partner at Schoenherr Attorneys at law, emphasized the rising tensions between the European Commission and the subsidiarity of the Member States. In the field of packaging, Extended Producer Responsibility (EPR) has been regarded a successful approach to environmental protection and resource efficiency. Altstoff Recycling Austria AG (ARA) is the leading non-profit compliance scheme for packaging in Austria.
Following a complaint filed by a competitor, DG COMP opened formal antitrust proceedings against ARA in 2011. Since then, DG COMP has conducted an inquiry into the suspected abuse of a dominant market position. According to the Statement of Objections (SO), ARA has allegedly prevented competitors from accessing its household collection infrastructure. In the response to the SO, ARA made clear that ARA has never prevented competitors from using the collection infrastructure as agreed with DG COMP already in 2004. On the contrary, ARA provided for this partial shared-use model in all contracts with waste companies and municipalities.

But contrary to its 2003 exemption decision, DG COMP now regards the household scheme as an essential facility and demands not partial, but total shared use. Under this model, the collected packaging waste must be simply handed over to competitors on a pro-rata basis with no participation in system planning, R&D or communication and without any incentive for efficiency. All planning and managerial efforts would have to be done by the incumbent operator only, at its own cost and risk. This contradicts fair and also more effective models of competition in Member States. The German competition authority warns that shared-use solutions are advantageous for consumers. Consequently, the recent amendment of the Austrian Waste Management foresees a lottery model to create economic incentives for competing compliance schemes.

With the intended provisions based on the assumption of "essential facility", DG COMP is intervening in the implementation of the EU Packaging Directive in the Member States: If the household collection infrastructure was an essential facility in Austria, it would apply to all Member States. The measures render obsolete DG ENV's attempts to establish a Guidance on Extended Producer Responsibility. While DG ENV tries to identify best practices for EPR according to the local situation, DG COMP aims at total shared use only. Thus the proceedings have far-reaching implications for the implementation of the EU Packaging Directive in all other Member States.

The main goal for the consumer should be a better service with sinking costs, as achieved by ARA over 20 years with an increase in recovery and recycling by 34% while reducing unit costs and process by more than 60%. ARA spends 5 million euros annually on information activities to increase awareness and to support recycling. DG COMP's doctrine of a mandatory "total shared use model" could potentially remove all incentives for innovation, efficient collection and campaigns to promote public awareness.

Mag. Markus STOCK, Head of EU Office, Austrian Federal Economic Chamber, stated that the main challenges are not only environmental issues but also waste management costs and quality. The big challenge was to find companies willing to invest in the system, considering that 20 years ago no one wanted to take the risk and establish a collecting and recycling system. EPR means that producers should bear the cost of collection and recycling, where the industry wants cost efficient solutions. Thus the future expectations are fair competition, on-going innovation and cost efficiency. A key element of cost efficiency is a low free rider level. Talking about competition, standards, environmental protection and efficiency, a discussion arose that there is no one-fit-all-solution. Bob Schmitz from Cabinet Schmitz pointed to investigations held in France, Italy and Germany, where all those national systems work differently. He also asked why the European Commission/DG COMP is looking for a general solution, as there is no model of unity.

Mathieu HESTIN from BIO Intelligence summarized for all participants the main results of the study 'Development of guidance on Extended Producer Responsibility'. This study has been commissioned by the European Commission, DG ENV, in order to identify best practice/golden rules for the implementation of EPR in the Member States. Informing the present stakeholders that the study, based on 36 case studies, has just been finished.The best way how to design and implement EPR schemes is influenced not only by the specificities related to every product category and waste stream, but also by organisational, historical and cultural aspects.

Joachim QUODEN from the Extended Producer Responsibility Alliance (EXPRA) is worried about a "new layer of monopolistic approach" in the role of clearing houses. Karl-Heinz Florenz MEP added that we have to increase the quality of recycling. Finally the representative from the Commission (DG Environment), Marianne Muller stated, that the goal is common rules about competition, and the competition has to be fair and environmental. Moreover, the reduction of costs is not unconditionally good and that some problems can be solved with the quality of the recycling, the recycling quotas and more control with waste and packaging, said Peter Kurth from BDE e.V.

Dr. Christoph SCHARFF, CEO of ARA, reminded that DG Comp has already made up their mind. Total shared use as the one-size-fits-all model for EPR, based on the still unjustified assumption the household collection infrastructure as an essential facility. The ARA case just serves as the vehicle for a precedent. He encouraged all delegates to contact their representatives and commissioners to raise the awareness for this arising conflict between EU environmental targets and competition policy and the massive threat to the subsidiarity principle.

DINNER DEBATE ON "SUSTAINABLE INDUSTRIAL RENAISSANCE – THE ROLE OF THE RAW MATERIALS"

ON THE 24TH OF SEPTEMBER 2014, MEP PAUL RÜBIG HOSTED A DINNER DEBATE IN COOPERATION WITH SME EUROPE AND EUROMINES ON "SUSTAINABLE INDUSTRIAL RENAISSANCE".

Dr. Paul RÜBIG MEP pointed out that the European Union is still the most important and biggest market in the world, holding 25% of the worldwide production and about 50% of the social contribution being made in the European internal market. In times of economic and international instability, it is important to have a credible commitment to economic policies. Especially to energy independence which is one of the most important things for a successful and prosper future of the European Union. Furthermore, Dr. Rübig MEP stated that raw materials approximately worth 200 billion Euros are imported to Europe. He underlined that a directive on Europe 2050 would be a possibility to make sure that areas for mining, industry and infrastructure have a secure space to develop.

Mark RACHOVIDES, President of Euromines, stated that mining is essential for job creation, investment and economic prosperity. To achieve this, the political establishment has to enable a stable energy market and long-term policies. Therefore, a fruitful environment for scientific progress should be guaranteed as well as a policy that supports the needs of the mining industry.

Gwenole COZIGOU, Director for Chemicals, Metals, Mechanical, Electrical and Construction Industries, Raw Materials in the European Commission Enterprise and Industry DG, emphasized the role of Europe's high quality production. Mentioning that the only practicable solution is to concentrate on the resource in order to be competitive. "It is all about the three Keywords: Simplicity, stability and efficiency." Europe has to be more competitive for the future markets – especially in Asia. To preserve the domestic production, there is a need of a stable European policy. In regard to the high level, fundamental knowledge of European science, he accentuated that instead of guaranteeing Europe's competitiveness on all production markets, we have to invest more in the skills of the next generations.

Followed by the first statement discussions representing different European Regions ensued with **Franc Bogovic MEP**, **Adam Gierek MEP**, **Jusi Halla-Aho MEP**, **Costas Mavrides MEP**, **Bogdan Wenta MEP**, **Olle Ludvigsson MEP** and **Neoklis Sylikiotis MEP**.

DINNER DISCUSSION "SERBIA MEETS THE EUROPEAN UNION"

ON MONDAY, DECEMBER 1, 2014 MEP PAUL RÜBIG HOSTED A DISCUSSION DINNER IN COOPERATION WITH SME EUROPE AND CHAMBER OF COMMERCE AND INDUSTRY OF SERBIA IN THE EUROPEAN PARLIAMENT ON THE TOPIC "SERBIAN BUSINESS MEETS EU".

Dr. Horst HEITZ, Executive Director of SME EUROPE, opened the network cocktail, which was a great opportunity for all representatives to specify the chances and synergies with a special focus on small and medium sized enterprises.

Highlighting the importance of the progressively developing economic negotiations and relationships between Serbia and the European Union, Dr. Heitz welcomed the **Minister of Economy of Serbia, Željko SETRIC**, underlining the long, successful collaboration of SME EUROPE and the Serbian Business Associations and its Chambers of Commerce.

Maria SPYRAKI MEP emphasized that the integration of all Balkan countries, in particular of Serbia to the European Union has to be one of the main priorities on both sides. She also stated that the planned support funds of 1 billion Euros for candidate countries should be invested in infrastructure projects.

Continued by **Željko STERIC** who underlined that the Serbian government will try to involve as many businessmen in the negotiations with EU as possible, in order to accelerate the accession process to the EU. Furthermore he stressed the endeavour of the Serbian government to undertake a range of activities, to bring the Serbian economy closer to the EU Single Market. Moreover, he also pointed out the ensured favourable economic market in Serbia as well as the low tax rates, especially for new established companies, strong competitiveness in every sector of economy etc.

In accordance with the integration to the EU he drew attention to the high standards and high grade of the competitiveness on the European level. The Minister also reminded that almost two-thirds of the negotiation chapters with the EU is related to the economy and economic issues. "If we want real changes, we have to work together very sustainably"Afterwards Mr. Jean-Eric PAQUET, Director for Albania, Serbia, BiH and Kosovo in DG Enlargement, European Commission pointed out the effectiveness of the Enlargement Process of the EU related to Serbia. As Serbia is another candidate country in the fast developing region, Mr. Paquet ensured, that European Commission will provide strong political and economic support in the implementation of the social and economic reforms in Serbia.

In conclusion Dr. Paul RÜBIG MEP, the honorary President of SME Europe and Member of the EP Committee on Industry, Research and Energy, drew the attention to the developing relations between European Union and Serbia. The Serbian infrastructure is strong, the tax rates are too low and it is an ideal place to invest. Mr. Rübig mentioned that export is playing an important role in the EU and that self-employment is a main topic and has to be ensured. Regarding SMEs, which are the backbone and strong in export, he emphasized that 80 % of tax is adjunctive with them. He also drew the attention to the Framework Program 2020 and Erasmus Program for young entrepreneurs.

WORKING BREAKFAST "EU REGULATION ON CONFLICT MINERALS: WORKING TOWARDS AN EFFECTIVE SOLUTION"

ON 20TH JANUARY 2015, MEP IULIU WINKLER, VICE-CHAIR OF THE COMMITTEE FOR INTERNATIONAL TRADE, HOSTED A WORKING BREAKFAST ON THE TOPIC "EU REGULATION ON CONFLICT MINERALS: WORKING TOWARDS AN EFFECTIVE SOLUTION".

Iuliu WINKLER MEP introduced the topic by highlighting the necessity of strong and effective accompanying measures on the ground, the need for clarity on the definition of conflict areas, introduction of the importers list, the need for a new European authority, and the creation of strong mechanisms under the review clause.

Signe RATSO, Director of DG Trade Strategy and Analysis, Market access – European Commission, introduced the main principles of the European Commission's proposal, which a voluntary EU system of self-certification for importers of tin, tantalum, tungsten and gold. The EU proposal is in line with the OECD voluntary Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. She mentioned the necessity of introducing accompanying foreign policy measures and the interest in responsible sourcing. To evaluate the effectiveness of the EU Regulation, the 3 years review clause will be important the COSME-Programme will aim to help Small and Medium Enterprises to cope with the Regulation's requirements.

Guy THIRAN, Director General (Eurometaux) stressed the non-ferrous metal industry's support for the objective of moving towards increased transparency in trade of minerals with conflict-affectedareas. Their primary objective is to reach an effective and workable solution that does not put the competitiveness of European industry at risk. Even though such initiatives are pretty complex, many companies are already involved in numerous sector-specific programmes, heading towards more transparency. Thus emphasising the importance of the EU´s self-certification scheme, he stressed that the EU system should ensure consistency with the already existing US Dodd-Frank Act.

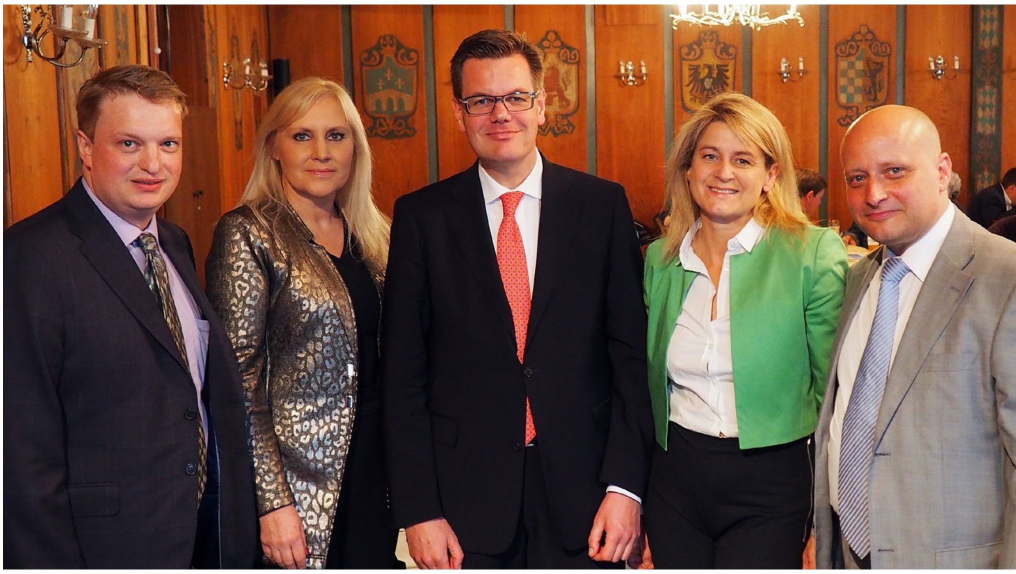
Mr. Marius BAADER, Head of Department Markets, Analyses Raw Materials, Statistics of the German Association of the Automotive Industry (VDA) pointed out the necessity of introducing concrete and effective foreign policy and development co-operation activities in conflict-affected areas, in order to make the EU system effective.

Luisa SANTOS, Director of International Relations – BUSINESSEUROPE, clarified that a single regulation could not solve the problem, with NGOs and producing companies also requiring measures that focus on the developmental pillar. She continued to clarify areas that should be further clarified, like the 'conflict-affected and high-risk areas', ensuring a harmonised implementation at the level of Member States and specifying how the 'performance clause' on public procurement requirements will work in practice. Ms. Santos closed her speech by mentioning the need to implement measures that will help SMEs to cope with due-diligence obligations.

Judith SARGENTINI MEP (European Greens), mentioned that the current EU draft proposal does not contain enough incentives for smelters and the necessity of having a product-based approach, in order to have the system efficient and to create a level-playing field with third countries.

TTIP DEBATE IN THE REGIONS: THE PERSPECTIVE OF THE US-EU AGREEMENT IN THE GERMAN-SPEAKING COUNTRIES

THE SME ASSOCIATION OF THE CSU, THE MITTELSTANDSUNION TOGETHER WITH THE CSU MUNICH INVITED, THE AUSTRIAN WIRTSCHAFTSBUND AND THE SME EUROPE OF THE EPP TO JOIN THE DEBATE IN THE FAMOUS HOFBRÄUHAUS IN MUNICH. MORE THAN 70 GUESTS IN THE WAPPENSAAL FOLLOWED A FASCINATING DISCUSSION ABOUT ADVANTAGES AND CHALLENGES OF THE TTIP AGREEMENT BETWEEN THE EUROPEAN UNION AND THE UNITED STATES OF AMERICA.



After introductory remarks by **Dr. Horst Heitz**, executive director of the SME EUROPE of the EPP, **Ralph Kamphöner**, representative of the wholesale and retail advocacy EuroCommerce, board member of the CDU Brussels and member of the Wirtschaftsbund Vienna, explained the position of the industry. He emphasized the particularly critical attitude that he sees in the German and Austrian press and society, while in other European countries the benefits of TTIP are perceived more strongly than the negative aspects. Especially in the German-speaking countries there should be an increased interest to benefit from the global value chain. The simplification of licensing procedures and regulation is of particular importance, especially for SMEs. A very difficult point in the negotiation is the establishing and legitimacy of arbitral tribunals for investment protection, where he still sees a lot of open questions and challenges to be solved.

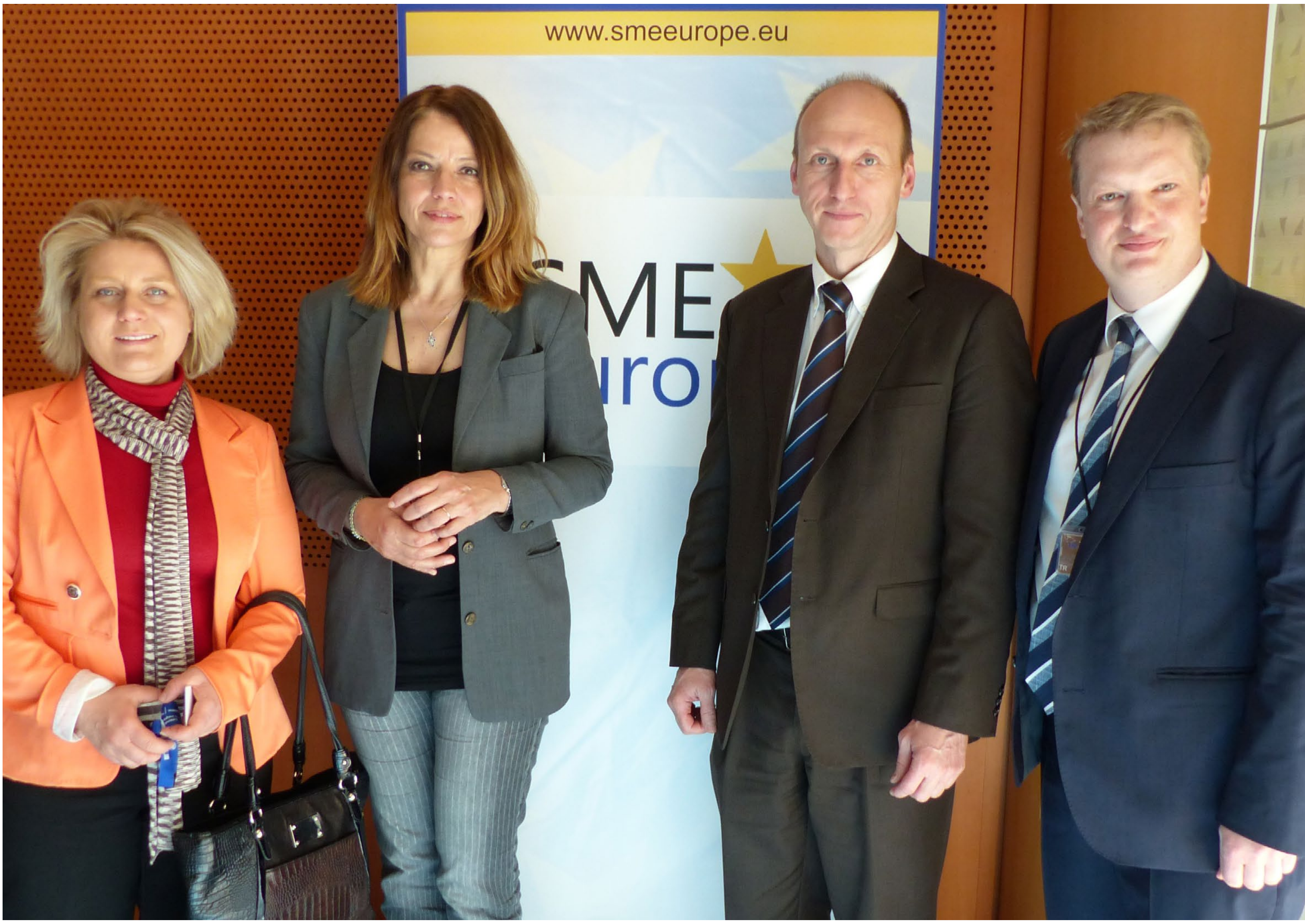
The entrepreneur **Dr. Angelika Winzig MP** as a representative of the National Council of Austria, the ÖVP expert for TTIP in the National Council and Vice-President of SME EUROPE of the EPP took up the discussion about investment protection. The preclusion of discrimination against foreign enterprises by local regulations is a challenge for both sides. On the one hand, there is no legislation in the United States which prohibits discrimination against foreign companies; on the other hand, there are also countries in the European Union where a significant delay at first instance may occur. Therefore, such tribunals are generally desirable. The question is - how is such a court designed? Austria deems an international investment Court the best solution.

Mechthilde Wittmann MdL as Rapporteur of the Bavarian State Parliament for TTIP and Senator of the SME Europe of the EPP initially addressed the press issue. She criticized the scaremongering of the media on the example of "chlorine chicken", the counterpart in the US being the scaremongering due to the antibiotics which are often found in European meat products. Basically, it is a question of trust in the mediator - especially in Germany confidence in the negotiations by the US government and the European Commission is low. It ignores the fact that not only the Commission is negotiating for 28 countries, but that the US negotiators also need to represent the interests of 50 states. Crucial point for Ms. Wittmann is the "Buy American" clause that precludes European SMEs from the award of State contracts in the USA as a rule, since only corporations have the resources to produce in the United States. Ms. Wittmann also voiced doubts on the mandate of the Commission, since the Lisbon Treaty only permits negotiations by the European Commission in pure trade issues. However, the current draft of TTIP also includes areas beyond trade issues - hence an open debate at all levels is necessary, and not just a simple yes or no of the European Parliament, which has no mandate to influence the TTIP by itself.

The final discussion revolved mainly around the question of arbitral tribunals and their staff and legitimization, and the possible impact the TTIP will have on other parts of the world.

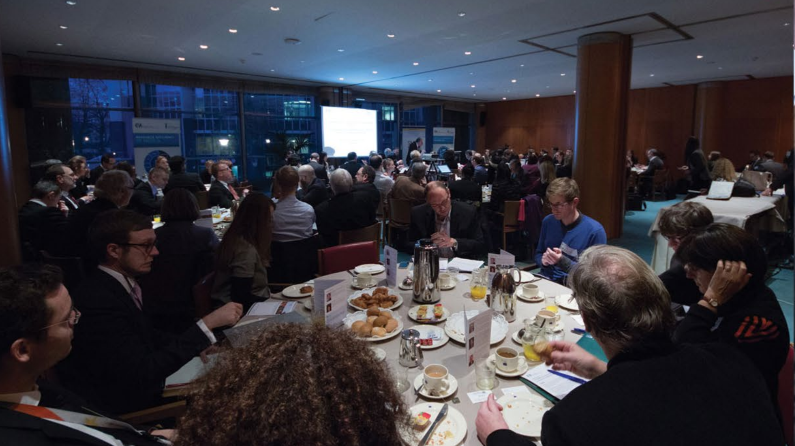
WORKING BREAKFAST "EMISSION LIMITS AND TYPE –APPROVAL FOR INTERNAL COMBUSTION ENGINES FOR NON-ROAD MOBILE MACHINERY"

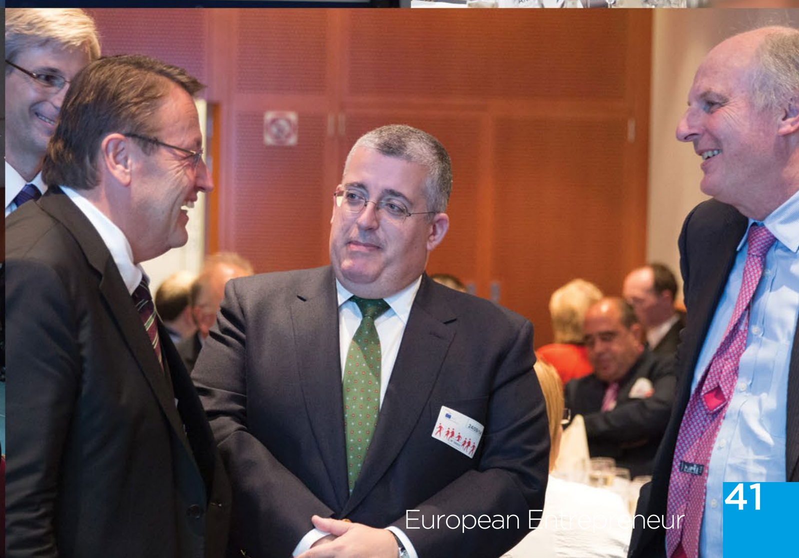
ON WEDNESDAY, MAY 6TH, SME EUROPE ORGANIZED A WORKING BREAKFAST TO EXCHANGE VIEWS OVER THE DIRECTIVE ON THE REQUIREMENTS RELATED TO EMISSION LIMITS AND TYPE-APPROVAL FOR INTERNAL COMBUSTION ENGINES FOR NON-ROAD MOBILE MACHINERY. THE EVENT WAS HELD IN THE EUROPEAN PARLIAMENT.

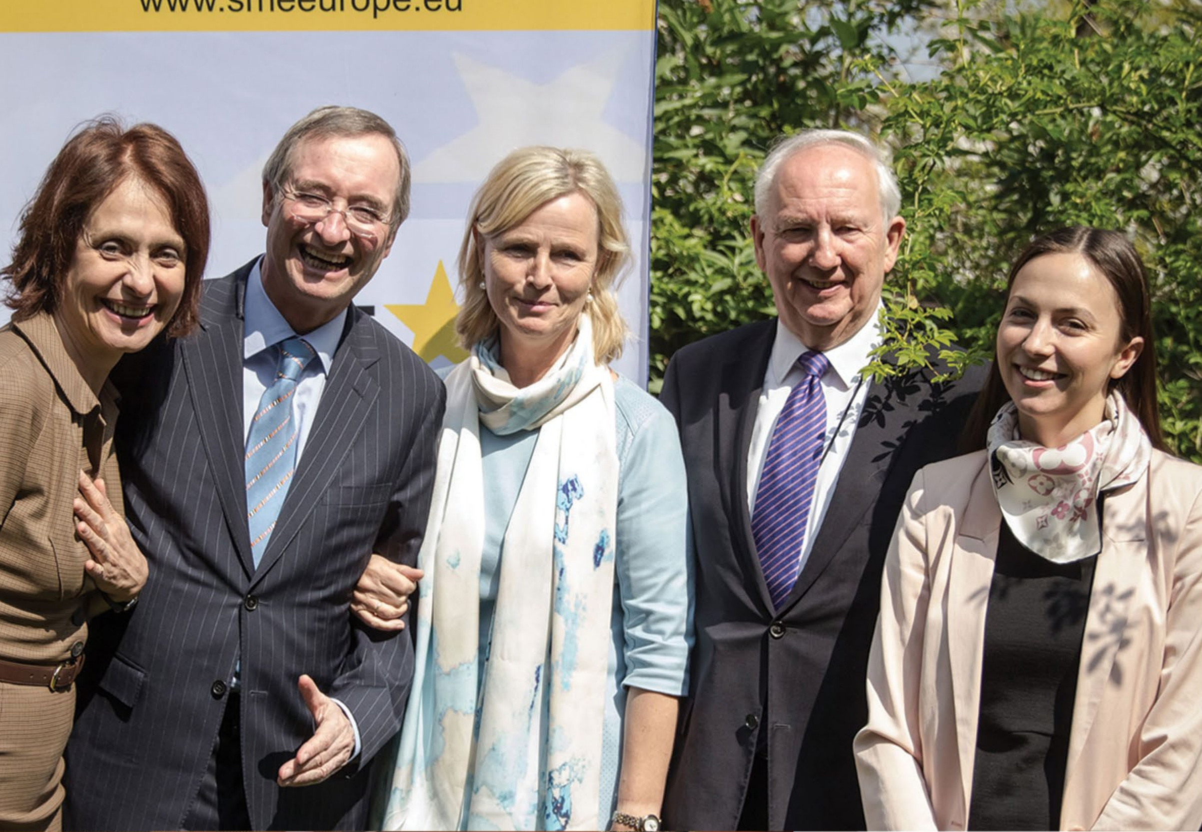


Dr. Horst HEITZ welcomed **Elisabetta GARDINI MEP,** Rapporteur of the Directive and Senator of SME Europe and **Dr. Philipp TROPPMANN** from DG Enterprise, who were giving statements on the topic. Moreover first Vice-President of SME Europe, **Bendt BANDTSEN MEP** and **Norbert LINS MEP**, Member of ENVI joined the symposium. During the key speech, Mrs. Gardini MEP stressed the need of finding a balance for emission regulations in Europe. In regard to the implementation of the proposal, Mrs. Gardini mentioned that "enterprises need more time to get used to the new regulations that is why more time should be given".
Following the Statement of Dr. Troppmann, who pointed out the main purposes of the regulation. The focus of this proposal is to adapt limits, adjust the European legislations to the US and simplify the process. Concerning SMEs Dr. Troppmann made clear, that the proposal brings more clarity for small and medium sized enterprises, as they have a different access to engines and export then the big industries.
The keynotes were followed by an intensive discussion.

IMPRESSIONS



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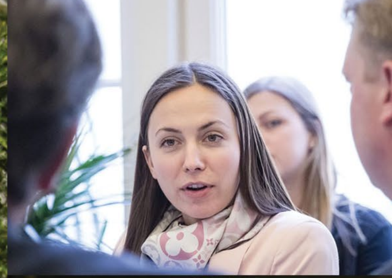
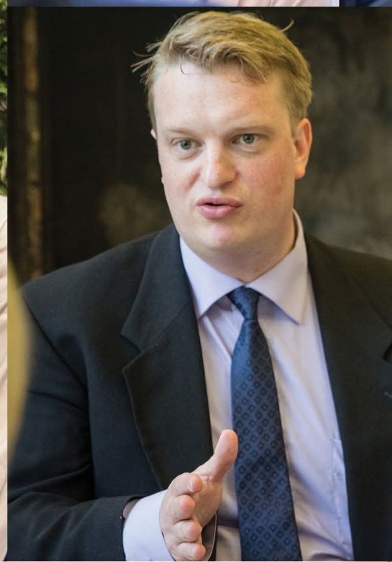
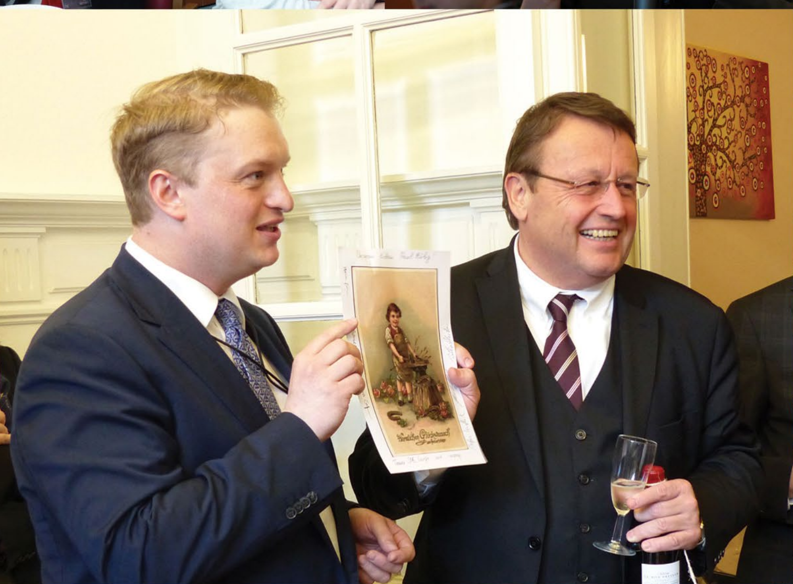
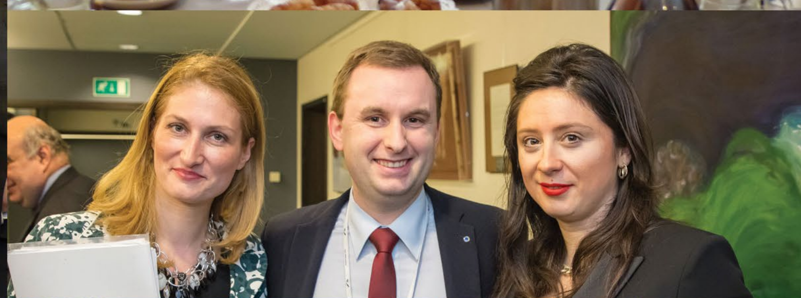
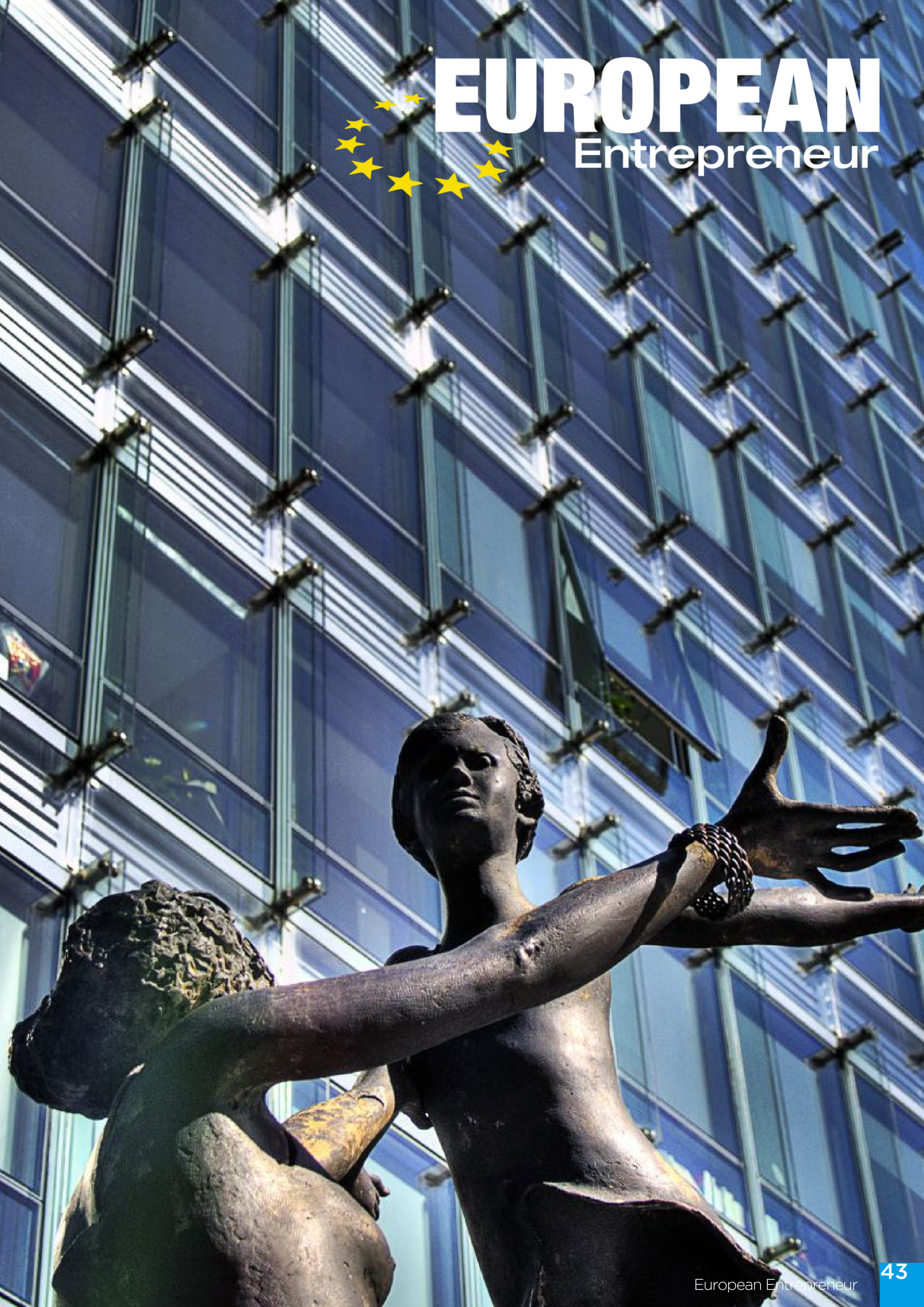









EUROPEAN
Entrepreneur

KONRAD ADENAUER STIFTUNG

JUNCKER'S INVESTMENT INITIATIVE: A „SHAM" OR A „TRUE REBOOT"?

Dr. jur. Stefan Gehrold
Head of KAS European Office Brussels

Kai Zenner
Research Associate KAS European Office

On 26th of November 2014, the European Commission announced an investment program with a volume of 315 billion euros. Whether the economic growth in Europe is actually stimulated and new jobs are to be created thereby is evaluated very differentially though.

Since the beginning of the economic and financial crisis in 2007, the total investment within the European Economic Area fell by 15%. Experts agree that the current weakness in investment massively affects the recovery of the European economy. In the long run even the EU's competitiveness is at risk. Therefore the demand for a pan-European program to stimulate the economy was regularly expressed by the Member States. Shortly after its appointment, the new Commission under the leadership of Jean-Claude Juncker presented its plan to boost growth and employment in Europe. The strategy is significantly different from the economic programs of the 70s. Thus, the Commission argues that the lack of investment cannot be solved by starting money printing press or by a further borrowing. Instead, one must regain the confidence of investors through collective and coordinating measures.

THE INVESTMENT PROGRAM AT A GLANCE :

The program aims to mobilize an investment volume of at least 315 billion euros over the next three years. If this succeeds, the investment rate would return to an economically sound level in Europe. The Commission estimates that, by the implementation of the policy package, they can increase the GDP of the European Union by 410 billion euros. Up to 1.3 million new jobs would be created.

The plan is based on three components:

- European fund for strategic investments (EFSI): To mobilize the investments a fund guaranteed by public resources is to be set up. The guarantee fund contains 16 billion euros from the existing EU budget and another 5 billion euros from the European Investment Bank. These 21 billion euros represent the share capital. The guarantee fund shall serve as security for risky bank loans of up to 60 billion euros. The Commission assumes that this safety buffer will provide private investors with the necessary security and thus the initiative over the next three years leading to investments of 315 billion euros.

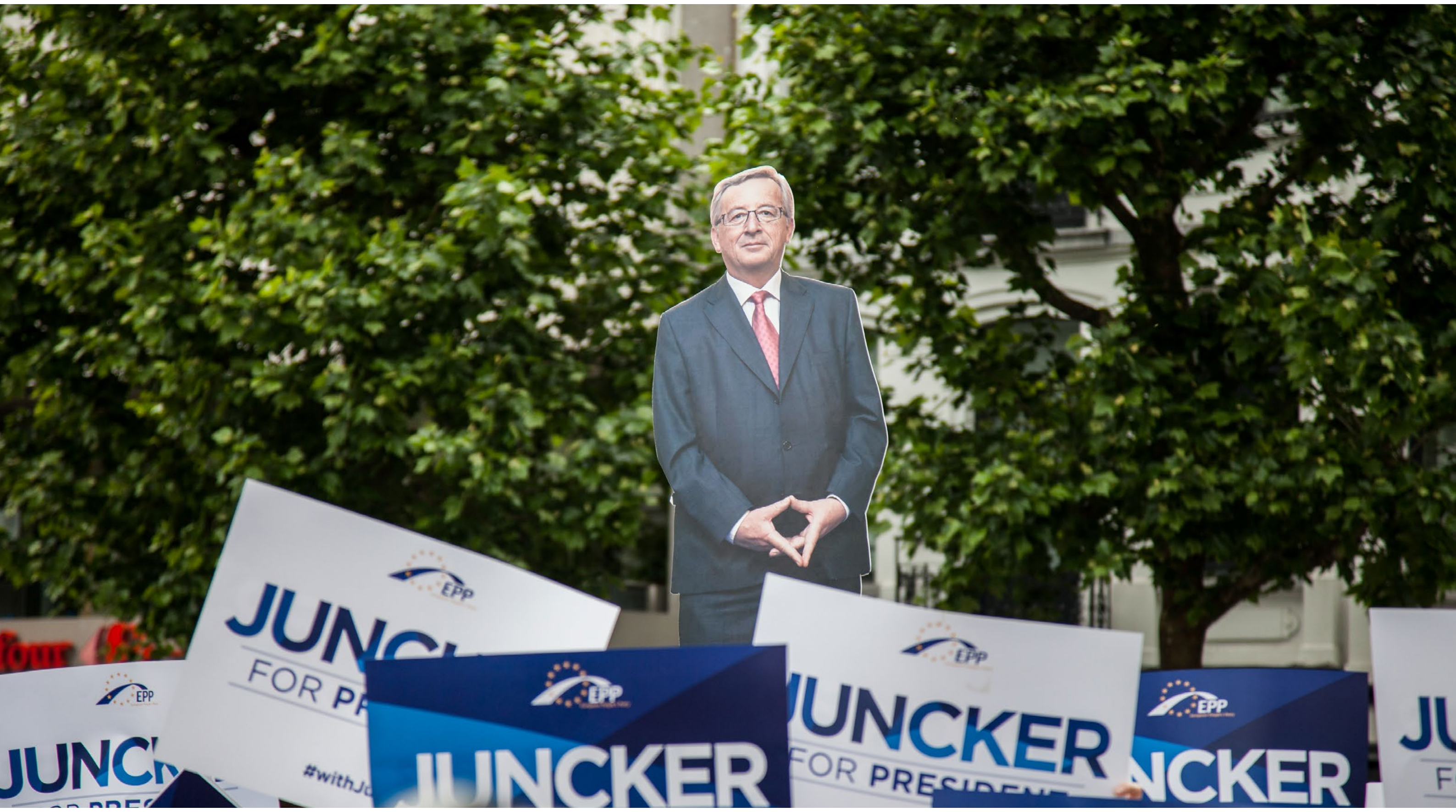
The basis of the Commission's concept is an assumed leverage of the fund. Specifically, it expects a multiplier effect of 1:15. This means that each euro of public funding that is provided generates a total investment of 15 euros, which would not have been undertaken without the public safety buffer. As a result, the Commission expects that the provided 21 is actually stimulated and new jobs are to be created thereby is evaluated very differentially though.

Whether the economic growth in Europe billion euros cause an investment of at least 315 billion euros. The loss liability of the fund reduces the risks for investors to participate in projects significantly. According to the Commission one could in this way - without borrowing - break the vicious circle of lack of confidence and low investment. Together with the European Investment Bank, the Commission creates a Policy Board and can thus monitor compliance with the investment guidelines and establish the strategic principles as well as the fund's portfolio. The governments of Germany, France, Italy and Spain will also contribute to the investment program. Rather than pay into the fund they will support projects, however, using national development banks.

Projects Pipeline: The second component of the investment program from the commission is to build a project pipeline, which is constantly replenished with new projects. The selection of suitable projects is carried out by an investment committee - consisting of independent economic experts. This is to ensure that the decision on a project is independent of political and national interests. Also geographical or sectorial quotas are not provided. Key criteria for the selection are:

(a) The projects support the objectives of the EU
(b) They are economical
(c) Project start within three years

Eligible projects are particularly planned in the areas of 'Strategic Infrastructure' (eg broadband and energy networks), 'Transport Infrastructure', 'Education, Research and Innovation' and 'Renewable Energy and Energy Efficiency'. Although the Investment Committee is independent in its decisions, it is nevertheless accountable to the Policy Board. The aim of the project pipeline is the targeted dissemination of investment in eligible areas.



The choice of a project from the pipeline is to give the investor the certainty that he is investing in a solid project. Potential investors can obtain a preliminary overview of the current and future projects in the European investment project directory first. The investor is then supported in the selection and implementation of a project by the European platform for investment advice (EIAH). The EIAH offers comprehensive consulting services and supports the investor technically in the preparation, development and financing of the project. The expertise and the experience of the Commission, the European Investment Bank and the national and European authorities are to be collected centrally in this platform. In addition the affected regions and cities are included to ensure that the realized projects will be sustainable and long term.

Creating a favorable environment for investment: Finally, the previously existing sectorial and financial investment barriers are to be reduced by a stable and predictable regulatory framework. For example, investors who wish to participate in projects with renewable energy sources need much more predictability of policy developments and relevant legislation. The administrative burden on projects is generally still too high. A basic, uniform reduction of bureaucracy is therefore necessary. The Commission Work Programme 2015 shows that this is

especially happening with the so-called REFIT program, which conducts an aptitude test for existing EU legislation. The focus of this suitability checks are also including the areas of 'internal market', 'transport', 'telecommunications' and 'energy'.
Reactions to the Junker's investment initiative

The Commission's plan met with a mixed response. Representatives of the EPP in the European Parliament speak of a "true restart" and praise explicitly that the program does not require new debt. The governments of France and Spain have high hopes for the initiative and want the volume of the fund enlarged. Italian Prime Minister Matteo Renzi sees in the program a path to abandoning the "tough austerity", towards more investment and flexibility. The German Federal Government supports the program as well, but stresses that it is not a substitute for a necessary fiscal consolidation and structural reforms within the European Union. According to the International Labor Organization (ILO) the Junker's initiative may even develop into a job machine for Europe, as long as the initiative is implemented consistently.

The bipartisan camp of critics since the publication of the Commission's plan mainly insists on five points against the program.
First, the desired total investment of 315 billion euros and the feasibility of the multiplier effect of 1:15 is doubted. According to the OECD's chief economist the Commission's figures are highly unrealistic. Parliamentarians from the left to the conservative spectrum therefore called the program a "sham", "creative accounting" and "miraculous multiplication of money".
Second, it is argued that the investment of 21 billion euros is too low and will merely be a "flash in the pan".

Third, there is criticism that only highly profitable projects have a real chance to join the project pipeline and thus to be promoted. These projects would also be realized without subsidies. The security of the funds would be used only for yield enhancement. Additional growth is therefore not happening.

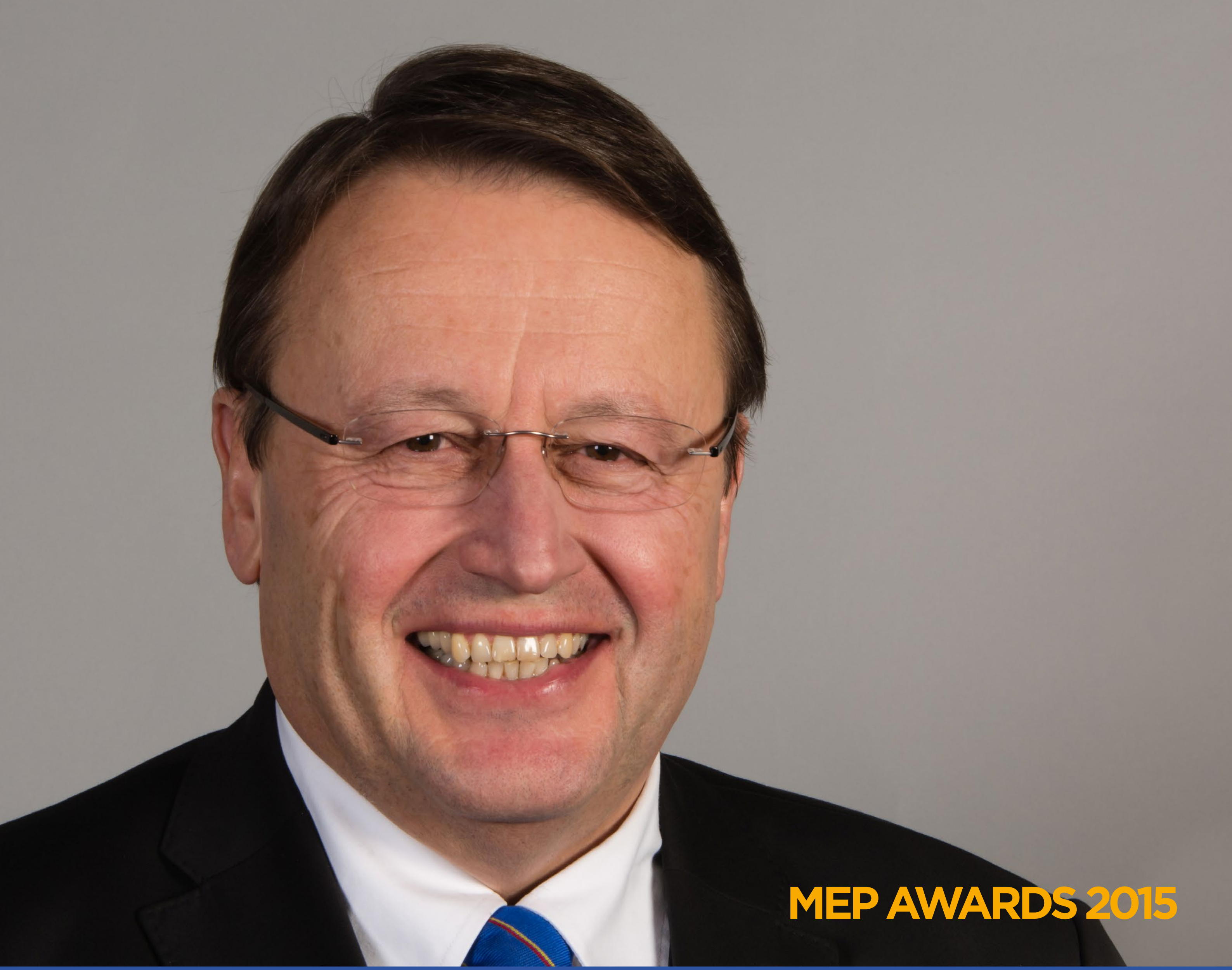
Fourth it is argued that the initiative represents a guarantee for risky projects. The fund would lead to the privatization of profits from funded projects, while the taxpayers should cover any potential losses.

Finally, the opponents criticize that parts of the Guarantee Fund are to be taken out of the budget supporting research and development (Horizon 2020) and the infrastructure program CEF. Some MEPs call this fact in view of the envisaged increase in investment as absurd.

COMMENT AND OUTLOOK

Despite the extensive criticism for the Junker's investment campaign over 2,000 project proposals had been submitted for a total of 1.300 billion euros. From Germany alone 58 projects worth 89 billion euros were received. Due to the political majorities within the European Union, an entry into force of the program appears probable, from today's perspective. In the European Parliament Committee on Economic and Monetary Affairs and the Committee on Budgetary Control the discussions on the initiative began on March 2, 2015. The legislative procedure starts its first steps in mid-2015 - according to the plan. In general, it should be noted that the EU budget provides little financial leeway to the Commission. Although many Member States call for a European economic recovery program, they also limit the financial resources of the European Union in the negotiations on the multiannual financial framework. For the Commission therefore only creativity remains to solve the ongoing weakness in investment.

Even so, the goal of mobilizing an investment of 315 billion euros is ambitious. The feasibility depends on a variety of factors.
Two things will be crucial for the success of the investment program eventually: First, the Investment Committee must prove a good hand in the selection of eligible projects. On the other hand, investors need to gain confidence in the Fund and in selected projects.



Already for the 11th time, the Parliament Magazine is organising the annual MEP Awards in order to distinguish outstanding achievements of Members of the European Parliament. On March 18th, 2015 the former Vice-President of the European Commission and currently MEP from Luxembourg, Viviane Reding moderated the evening at the sumptuous surroundings of the Concert Noble in Brussels. Beginning with the nomination process in December 2014, MEPs were nominated and short-listed in various categories. All along February 2015, Members of the European Parliament were able to choose in an online voting the best candidate in the respective category. In the newly created category "Information and Communication Technologies" (ICT), SME Europe Honorary President, Dr. Paul RÜBIG MEP, Member of EP Committee on Industry Research and Energy, was awarded for his efforts to modernise public services and to advance science and technology. SME Europe of the EPP sincerely congratulates Dr. RÜBIG and wishes unlimited success and new achievements in the future!