

POLICY BRIEF #8

European SMEs in International Trade



Over the next decade, 85% of global growth is expected to take place outside of the EU. This presents a significant opportunity for small and medium-sized enterprises – the backbone of Europe's economy (1). They employ around 100 million people, account for more than half of Europe's GDP. SMEs bring innovative solutions to challenges like climate change, resource efficiency and social cohesion and help spread this innovation throughout Europe's regions (2). However, within the European Union, a large part of exports and imports is driven by large firms and multinational corporations. SMEs are underrepresented in international trade. While they represent about 99% of businesses in Europe, they account for far less than half of all exports and imports. When it comes to other forms of internationalisation, such as foreign direct investments, participation of SMEs is even

more limited. As indicated in the European Commission's industrial strategy *Making Europe's businesses future-ready: A new industrial strategy for a globally competitive, green and digital Europe*, "the single market is the go-to market for European SMEs. It accounts for 70% of the value of SME goods exports, and 80% of all exporting SMEs sell to other Member States" (3).

In 2019, 99% of importing enterprises in total trade (intra-EU and extra-EU) were small and medium-sized enterprises (SMEs), while this share was only slightly lower for exporting enterprises (98%). For both importing and exporting enterprises, this value remained almost unchanged between 2015 and 2019. Micro enterprises represented the highest share of importing enterprises (77%), significantly higher than small (17%) and medium enterprises (4%). In terms of value of trade, the share of SMEs is

smaller than in number of enterprises. SMEs had a share of 46% in EU imports of goods (11% micro, 14% small, and 21% medium enterprises) and a share of 37% in exports of goods (7% micro, 10% small, and 20% medium enterprises). Although large importers and exporters (enterprises with more than 250 employees) represented a smaller share of the total number of enterprises in both intra- (1% and 2%) and extra-EU trade (3% and 4%), their weight in terms of value was undisputable. Large importers and exporters accounted for 51% of the value of imports and 58% of the value of exports in intra-EU trade. In terms of extra-EU trade, they accounted for 58% of the value of imports and 68% of the value of exports, respectively (4).

One of the main barriers to the internationalisation of SMEs is a lack of information, which leads to difficulties identifying, selecting and contacting foreign markets. In response, the EU has developed the *Access2Markets* tool, which provides practical information on tariffs & taxes, customs procedures, rules of origin, trade barriers, product requirements and statistics. This tool also includes a dedicated page for SMEs. The new portal responds to requests from stakeholders to better explain trade agreements and help companies ensure their products are eligible for duty discounts. It will serve both companies that already trade internationally and those that are

just starting to explore opportunities in foreign markets (5). Furthermore, the recently launched *Single Entry Point* provides all stakeholders - including SMEs - a system for reporting market access barriers and breaches of Trade and Sustainable Development commitments in the EU's trade agreements (6).

To simplify access to international markets for SMEs, the Commission is continuously negotiating new trade and investment agreements and challenging trade barriers that disproportionately affect SMEs. The Commission continues to include dedicated SME chapters in all its trade agreements together with dedicated measures to enable SMEs to tap the benefits, such as connecting SMEs through international industry clusters, the Enterprise Europe Network (EEN), the EU SME Centre, and actions supporting European SMEs to participate in public procurement outside the EU. EU Delegations in countries with which the EU concluded an FTA provide support by addressing queries on practical difficulties of SMEs linked to the implementation of FTAs. The EU stands firm against unfair trade practices through trade defence instruments (TDIs) when EU companies, including SMEs, are harmed by dumped or subsidised imports. The Commission is increasing its dedicated support to SMEs to facilitate their access to TDI and cooperation with the Commission during investigations (7).

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