



"The voice of crafts and SMEs in Europe"

Europe's economic recovery will not happen without SMEs

UEAPME meets incoming Czech Presidency, presents memorandum ahead of EC plans and elections

Brussels, 25 November 2008 – Despite the undeniable progress made since the last election round, Europe must now do more to foster its SME sector and leverage its potential to find ways out of the current economic crisis, according to UEAPME, the European craft and SME employers' organisation. Meeting in Prague with Mr Marek Mora, Vice Prime Minister for European Affairs for the Czech government, the UEAPME Board of Directors unveiled a memorandum ⁽¹⁾ with concrete proposals to lay the foundations of Europe's economic recovery. One day ahead of the presentation of the European Commission's economic recovery plans, UEAPME called on the EU institutions and on Member States to re-stabilise financial markets, secure SME finance and make the Small Business Act commitments a reality. It warned, however, that public interventions must be aimed at the real economy, and that bailouts must not cover up structural problems or overcapacity in some industrial sectors.

"In the last years, Europe has woken up to the fact that SMEs are the engine of its economy, and the Small Business Act is a testimony of this change of season. However, much remains to be done to foster the SME sector, especially against the gloomy economic outlook we are facing", said President Georg Toifl. *"Policymakers must put small business in the condition to survive these tough times and thrive if they really want Europe's economy to recover",* he continued.

Securing access to finance is an obvious first step, stressed Mr Toifl. The current and ongoing financial turmoil has negatively affected access to finance for SMEs, with credits and loans not obtainable or only available under unacceptable conditions. Everything must be done to avoid a decrease in the economic activity because of a lack of finance, continued Mr Toifl. This means providing enough liquidity to the markets, as it was done in the last weeks, but also ensuring sufficient refinancing and increasing public guarantee facilities for SME loans. Moreover, any public support to banks must be given in favour of their customers and not in favour of their shareholders, stressed UEAPME, which also called for revised State aid rules allowing guarantees to be used for the working capital of small enterprises.

Commenting on Europe's recovery plans, UEAPME stressed that they must aim to bring back confidence to all economic actors and to stabilise economic demand, without endangering fiscal stability in the long run. Possible measures could include further interest rate cuts if appropriate, increased public investments respecting the Stability and Growth Pact and the need for budget consolidation, measures to stimulate private consumption in a sustainable way, for instance by setting incentives on energy efficiency. However, Member States must avoid going too far in their recovery plans. Industries with clear structural problems or affected by long-term overcapacity must not be bailed out, stressed Mr Toifl: *"Using the economic crisis as a pretext to pour more money on unproductive industries would be the worst possible move at this stage. Sluggish national champions are part of the problem, certainly not part of the solution",* he commented.

UEAPME also called on the EU and on Member States to fulfil the commitments made in the framework of the Small Business Act and to implement the announced principles and actions without further delay. This means respecting and practicing the "Think Small First" principle at all levels, but also in more concrete terms facilitating SMEs' access to public procurement, making full use of the existing State aid rules, finding a permanent solution for reduced VAT rates in labour-intensive sectors and eliminating the barriers to cross-border operations created by 27 different tax systems. Last but not least, in these difficult times further administrative burdens must be avoided at all costs, stressed Mr Toifl. In particular, policy projects started in good economic times must be re-assessed and checked against the new reality.

"Europe's rescue plans will not stand a chance if based on business-as-usual initiatives and misdirected public support. The memorandum we are unveiling today cannot be ignored by policymakers if they are serious about leading Europe out of the crisis. They must realise that Europe's economic recovery will not happen without SMEs", concluded Mr Toifl.

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(1) http://www.ueapme.com/IMG/pdf/081125_pp_EP_memorandum.pdf

EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 83 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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