

EUROPEAN PARLIAMENT

# Working Documents

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## Report

drawn up on behalf of the Committee on Economic and  
Monetary Affairs

on Community policy on small and medium-sized under-  
takings and craft industries

- Part A: Motion for a resolution

Rapporteur: Mr G. DELEAU

PE 88.573/fin./A  
Or. Fr.



By letter of 27 May 1983, the Committee on Economic and Monetary Affairs requested authorization to submit a report on Community policy on small and medium-sized undertakings and craft industries.

By letter of 8 June 1983 the committee was authorized to draw up a report. The matter was referred to the Committee on Social Affairs and Employment, the Committee on Regional Policy and Regional Planning, the Committee on Youth, Culture, Education, Information and Sport and the Committee of Inquiry into the Situation of Women in Europe for opinions.

On 20 September 1983, the Committee on Economic and Monetary Affairs appointed Mr DELEAU rapporteur.

The Committee on Economic and Monetary Affairs considered the draft report at its meetings of 24-25 January, 28-29 February and 21 March 1984. On 21 March it adopted the motion for a resolution as a whole by 14 votes to 0 with 7 abstentions.

The following took part in the vote: Mr Moreau, chairman; Mr Deleau, vice-chairman and rapporteur; Mr Beazley, Mr Beumer (deputizing for Mr Franz), Mr von Bismarck, Mr Bonaccini, Mr Calvez (deputizing for Mr De Gucht), Mr Delorozoy, Mrs Desouches, Mr Fernandez, Mr Giavazzi, Mr De Goede, Mr Herman, Mr Marchesin (deputizing for Mr Papantoniou), Mr Nordmann, Mr Nyborg, Mr Purvis (deputizing for Miss Forster), Mr Rogalla, Mrs Theobald-Paoli, Mr Welsh and Mr von Wogau.

The opinions of the Committee on Social Affairs and Employment, the Committee on Regional Policy and Regional Planning, the Committee on Youth, Culture, Education, Information and Sport and the Committee of Inquiry into the Situation of Women in Europe are attached to this report.

The report was tabled on 23 March 1984.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on Community policy on small and medium-sized undertakings and craft industries.

The European Parliament,

- A. having regard to its resolution of 19 February 1982 on the situation of small and medium-sized undertakings in the Community,
- B. having regard to the action programme for a Community policy on small and medium-sized industrial and commercial undertakings and service and craft industries, adopted unanimously by the Closing Conference of the European Year of Small and Medium-sized Undertakings and Craft Industries in Strasbourg on 9 December 1983,
- C. having regard to the report of its Committee on Economic and Monetary Affairs and the opinions of the Committee on Social Affairs and Employment, the Committee on Regional Policy and Regional Planning, the Committee on Youth, Culture, Education, Information and Sport and the Committee of Inquiry into the Situation of Women in Europe (Doc. 1-69/84),
  1. Emphasizes once again that, as the European Year of SMUs and crafts has demonstrated, these categories of undertaking hold an essential place in the economic, social and cultural life of the Community and can play a major role in securing its economic recovery provided they are given the means;
  2. Affirms the need for a Community policy on small and medium-sized industrial and commercial undertakings and service and craft industries and its commitment to help to secure rapid implementation of an action programme for a Community policy on this category of undertakings;

3. Considers that SMUs and craft industries will assess the credibility of the Community in terms of its ability:

- to organize the legislative framework in such a way that:

small and medium-sized undertakings can exploit and develop their special features, in particular their great flexibility and capacity to adjust,

the market economy geared to the principles of freedom and social progress can be established as the basic framework for economic policy in the Member States of the European Community,

- to open up a genuinely united Community to their operations,

- to further also their expansion and cooperation in the EFTA countries and in developing countries;

#### Establishment and growth of SMUs and crafts in the Community

4. Stresses the element of risk in the advancing of personal capital by the head of an undertaking, and points to the need to improve access for SMUs and craft industries to finance; calls for due account to be taken of SMUs and craft industries in the provision of financing at Community level such as loans from the EIB, ECSC, NCI and ERDF and draws attention in this context to the administrative problems which are encountered particularly by this category of businesses in their dealings with European authorities;

5. Also considers it essential to improve financing procedures, appropriate measures to include:

- simplification at Community and national level of procedures for the granting of Community finance,

- setting up in the Member States, as the need arises, of financial establishments to coordinate approved banking undertakings and undertakings specializing in SMU and craft finances, such as mutual guarantee associations or credit guarantee undertakings, in order to secure rapid distribution of Community funds,

- the provision of supplementary financial security by the Community, and a recognition of the need to cover the exchange-rate risk inherent in Community loans to SMUs,
  - the setting up in the Member States where they do not already exist of credit institutions or financial intermediaries with the task of providing SMUs and craft industries with venture or equity capital,
  - developing the role of regional stock exchanges and the unquoted market so as to facilitate the placing of SMU securities,
  - providing a regularly updated file of Community and national financial, legal and administrative documents in this field for users and their advisers;
6. Recalls both the crucial significance of innovation for the competitiveness of our productive industry, and the potential of SMUs in this connection; stresses, consequently, that the wide variations of risk and profitability associated with different forms of innovatory research make it necessary:
- for the Council to adopt without delay the proposal for a Commission decision establishing European loans for innovation, first stage, with a view to increased Community financing of innovation benefiting SMUs and craft industries,
  - for substantial research and development appropriations to be made available to those areas of sophisticated technology in which SMUs are particularly active,
  - for account to be taken in taxation of the risk aspects of capital investments in SMUs,
7. Stresses the decisive importance of vocational training for heads of undertakings and their employees, as an essential factor in enabling them to adapt to changing conditions of economic activity and competitiveness in all its aspects and stresses in this context the great importance of an in-service practical training which has proved successful in the dual system of parallel training in school and firm practised in certain countries and calls on the Commission to prepare proposals concerning:

- an increase in European Social Fund appropriations, to enable the Fund to become a more significant mechanism for occupational training in the SMUs and in creating jobs for young people;
  - for a specific budget line on occupational training, retraining and supplementary training for women working or wishing to work in SMUs,
  - for adequate information campaigns to increase women's awareness of the value of their work to an undertaking and of the need for vocational training, together with the award of training grants,
  - a survey to be conducted, with CEDEFOP assistance, of existing facilities for instruction and training, together with proposals at both national and Community level;
8. Stresses the need to improve the flow of information, consultation and assistance to SMUs and craft industries as a condition for their maintaining a presence on European and world markets, and for their growth; to this end calls on the Commission:
- to support existing advisory services and to help them to become established where they do not yet exist,
  - to promote exchanges of experience and information between these services at European level,
  - to facilitate access for SMUs and craft industries to information, using both data registers and new technologies, and traditional information systems,
  - to help spread the systems whereby SMU services are grouped together under one roof in certain Member States and where all formalities for the setting up of SMUs can be completed;
9. Stresses that this vital research and information effort will, in view of the Community's backwardness compared with the United States (Small Business Administration Office) and Japan for example, require considerable strengthening of staff and facilities in the Commission departments responsible for SMUs and crafts,



Opening up of the Community to SMUs and craft industries

10. Stresses that growth of SMUs and craft industries presupposes the existence of a large unified market; to this end considers it essential to improve the legal, fiscal, economic, social and regional coordination of these types of undertakings;
11. Points out that SMUs and craft industries are harder hit than the large undertakings by failure to complete the Community internal market; recommends, consequently, that the Commission and the Council should take all appropriate measures in this connection to secure in particular elimination of technical and administrative barriers to trade, simplification of frontier formalities, and better structuring of national aids and subsidies, both direct and indirect, which are liable to cause distortions of competition detrimental to SMUs and craft industries;
12. Stresses the need for a legal environment appropriate to the needs of SMUs and craft industries; to this end:
  - calls on the Council to adopt without delay the proposal for a regulation concerning the establishment of a European cooperation grouping, and calls on the Commission:
  - to submit a proposal for a regulation on the establishment of a European legal statute for limited companies,
  - to relax implementation of EEC Treaty rules of competition, having regard to the specific nature and need for protection of SMUs, in particular the procedure for granting negative clearance or issuing individual exemption decisions under Article 85(3), and in relation to selective distribution agreements and exemptions by category of patent licence agreement,
  - to promote adoption of a good-conduct code with which large firms would comply in their dealings, especially subcontracting, with SMUs and craft industries,

- to give attention when awarding public orders to due participation of SMUs in public tendering and to facilitate this in particular by dividing up orders, whenever possible, into sections which can be coped with by small and medium-sized firms;
13. Considers it essential for a fiscal policy to be operated in the Community that will provide incentives for the establishment and growth of SMUs and craft industries; to this end calls on the Member States and the Commission to promote:
- a significant reduction in the taxes on profits ploughed back in SMUs and the adaptation of the various taxes on capital invested in these firms and the income therefrom,
  - tax relief to take account of the special risks and financial situation of newly-created SMUs and craft industries and incentives to set up this type of business,
  - the possibility of reasonable amortization, which will improve the scope for modernization of equipment,
  - the introduction or extension, as required, in all the Member States of tax arrangements enabling losses to be spread over a number of years,
  - allowance by the tax authorities for the administrative burden, which is relatively greater than in the case of large firms, entailed for SMUs and craft industries in complying with tax and other regulations,
  - systematic and transparent tax relief for research and innovation as regards not only the personnel employed in this area, but also the writing off of research and development investment,
  - appropriate tax arrangements where ownership of SMUs passes to heirs or to other persons - legal or natural - who will keep the business running;
14. Calls on the Commission and the Council to include the problems of SMUs and craft industries in the Community's overall economic policy so that account is taken of their diversity and special features; calls in particular on the Commission and the Member States to ensure:

- inclusion of the SMU sector and craft industries in common industrial research and investment programmes with a view to promoting cooperation and technology transfers between SMUs, and between SMUs and large firms, universities and government bodies,
- access to subcontracting and patent licencing in all Member States of the Community to be secured by such means as the establishment and dissemination of data-bank networks using a harmonized terminology,
- making it possible for SMUs to display in an adequate and appropriate way their capabilities in all fields (for example, encouraging Community SMU and craft participation in international fairs and exhibitions, both in the Community and in non-Member countries),
- protection for Community SMUs in the area of industrial property; the Community patent convention should be ratified by all Member States as soon as possible, and it should be made easier for SMUs to obtain a European patent and maintain its validity by lowering costs,
- the measures necessary to pursue an effective campaign against the 'parallel economy', which is detrimental to society at large and to SMUs in particular; aspects of the general situation which can give rise to phenomena of this kind should also be tackled;

15. Stresses the essential role that SMUs and craft industries can play in the creation of jobs in the Community, and of the dialogue between both sides within the undertaking: calls therefore on the Commission and the Member States to devise a strategy which, without calling into question the social provisions in force in each Member State, takes account of the specific features of SMUs and provides them with opportunities for deploying their job-creating potential; to this end, calls on the Commission and the Member States to seek:

- the possibility of a more balanced apportionment among firms of the burden of social-security contributions, so as not to penalize labour-intensive undertakings,

- introduction and improvement of a series of basic social protection measures to provide cover against the risks of sickness, old age and invalidity for heads of SMUs and craftsmen,
  - improving the occupational and social legal status of spouses who help out, in particular through recognition of independent social security entitlement, and by providing basic occupational training centres and continuous retraining facilities;
16. Stresses the major role that SMUs and craft industries can play in the less-favoured regions, where the cost of investment per job is also lower; calls, consequently:
- for a larger share of European regional development fund aid to be allocated to industrial sector SMUs, and to craft industries and services,
  - for every Community policy to be very carefully monitored for compatibility with the handicaps suffered by SMUs and craft industries in the peripheral regions,
  - that a special effort be made to overcome the logistic and local difficulties encountered by SMUs and craft industries in remote regions by improving access to training and information infrastructures, and giving assistance with the establishment of joint undertakings and cooperatives,
  - for the duties and activities of the Business Cooperation Centre to be urgently reassessed in this connection;
17. Stresses the unique social and cultural function of SMUs and craft industries and the extensive and job-creating scope for expansion that leisure-time activities can offer SMUs in the cultural sector; calls, consequently:
- for a series of measures to be established, having regard to the often unprofitable character of cultural activities at national and Community level, to promote access to finance, counselling and training for SMUs in this sector;

- for harmonization of VAT to be sought for products and services of craft industries and works of art,
- for opportunities to be provided for the organization of European craft trades fairs;

#### Opening SMUs and craft industries to the world

18. Having regard to the major part to be played by SMUs and craft industries in any economic and employment policy considers that the Community must not confine itself to promoting SMUs and craft industries in the Member States alone, but must also seek to improve their access to external markets, and encourage the establishment and growth of SMUs and craft industries in the Third World;
19. Considers that the Community and the Council of Europe must in fact combine their efforts to promote dealings between SMUs and craft industries in the Community and in EFTA, and to encourage trade and economic cooperation, in particular by relaxing administrative formalities; also supports the recommendations of the Council of Europe concerning occupational training, cooperation between undertakings, harmonization of tax and social-security arrangements, together with efforts to protect craft trades in decline and conserve and renovate the architectural and folk heritage;
20. Considers that in the interests of all concerned, the European Community must play an important role in the development of SMUs, whatever their legal status, in the countries of the Third World and the ACP countries in particular, with a view to giving these countries an economic and occupational structure and a social environment such as to encourage their development on the basis of their traditional needs and current potential;
21. Considers also that the Community must advance cooperation between European SMUs and comparable Third World undertakings, with private investment supplementing and replacing public-sector development aid; calls in this connection for the resources available to the Commission to be increased, in particular in the context of the Convention of Lomé, so that it can play a coordinating and orchestrating role in this area to encourage investment and create a genuine climate of mutual confidence;

22. Reaffirms its commitment to build a Europe of SMUs and craft industries, and instructs its President to forward this resolution to the Commission, the Council, and to the Member States.