



**UNITEE**

New European Business Confederation

# THE INTERNATIONALISATION OF SMES IN EUROPE

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« **The European crisis and the ethnic economy** »

Mr Chairperson, Honoured Speakers and Guests,

Let me start by saying how much I welcome the opportunity to discuss with you today the **economic challenges** we face and **the opportunities** at hand.

Allow me to also express my **sincerest gratitude** to you all for being here today. As President of UNITEE, I feel honoured to be speaking among such a **distinguished panel of speakers** and to so many **professionals**.

We at UNITEE, are very passionate about what we believe will be **the way out of the European crisis: the internationalisation of SME's and the added value of New European entrepreneurs**. In these times of pessimism, my hope is that we can create optimism together.

## **EUROPE'S CURRENT ECONOMIC SITUATION: THE WAKE-UP CALL**

The European Union was set up with the aim of **ending the frequent wars** between neighbours. The **Founding Fathers** envisaged the establishment of a **Single Market** as a

peace keeping system, fostering close trade relations and therefore cooperation between the European Nations.

Today, as the European economy faces **heavy challenges**, we notice **dangerous tendencies**. Since the outbreak of crisis from Lisbon to Nicosia, some European members tend to revert to **nationalism and protectionism**. **History has taught us this is not the way forward**. Therefore we decide at UNITEE to look at **European strength**, especially ones we are not currently fully using. This is how, ladies and gentleman, we find it natural to turn to SMEs.

The European Commission has studied and revealed a **strong correlation between SMEs being internationally active and better than average business performance score**.

Today, we speak of the internationalisation of SME's as they constitute the best opportunity for Europe to face its challenges. **SMEs constitute 90% of all enterprises in Europe**, and are actively being promoted and supported throughout growing economies.

SMEs are not a sector in difficulty we need to help, **they are a powerful tool we need to sharpen**, and use intelligently.

### **THE SOLUTION TO THE CRISIS: INCREASED INTERNATIONALISATION OF SMEs**

Facing this dramatic economic crisis, some might be attracted by **economic nationalism**. We currently observe moves in that direction. As a report from the World Trade Organisation warned in June 2012, the **barriers to trade are coming back up**, due to higher tariffs, costly import licenses and customs controls.

Economic nationalism is a very **dangerous move**: inward oriented economies devalue our common currency and produce further political isolation, **chasing away the common European goals**.

In addition to this internal issue, **Europe's competitiveness** faces serious challenges as this century progresses. **New competitors** such as the BRICS arise and I believe that no

European country, not even a highly industrialised country, will be able to meet these challenges alone.

According to Single Internal Market Commissioner, Michel BARNIER “*Every ten years a European country is pushed out from the ‘World Top Ten’. This trend should accentuate even further due to the demographic crisis*”.

To stop these dramatic tendencies, Europe needs to **expand on its inner potential**: the SME’s.

According to the European Commission, **internationalised SMEs show better performances**, i.e. are more competitive than non-internationalised SMEs. Internationalisation as a growth method supports business sustainability in the long term.

A communication from the European Commission published in November 2011 reported that: “*While 25% of EU-based SMEs were involved in exports to the Internal Market and beyond in the last three years, only 13% of EU SMEs are internationally active outside the EU through trade, investment or other forms of cooperation with foreign partners*”.

Promoting and supporting SMEs economic activities outside the EU should therefore be an important part of its **overall competitiveness strategy**.

### ✓ **DIFFICULTIES FACED BY SMEs**

However, doing business internationally is no easy task. Although the development of internationalised SMEs is crucial for the European economic growth, **only few of them dare take the plunge**. On one hand, expanding abroad **brings new market opportunities**, but on the other hand, it also involves **loads of challenges** in terms of organisation, finances and management.

The European Commission showed in its survey 2009 on *Internationalisation of European SMEs* that the **two major external barriers** to the development of business in and outside the markets of the European Union (EU) and European Economic Area (EEA) are the **lack of capital**, and the **lack of adequate information**.

But SMEs also face less formal difficulties that are not being addressed, such as their lack of international experience, market and product knowledge and cultural differences.

- **Lack of international experience**

SMEs face constraints on their experience at the international level exposing them to power asymmetries with larger firms. SMEs are indeed substantially oriented toward domestic markets rather than the global markets, and have therefore little international business practice.

- **Lack of market and product knowledge**

SMEs also have difficulties internationalising and establishing a foothold in the international market because of their lack of information on and access to overseas markets. This lack of general and specific knowledge on potential markets makes them risk adverse.

- **Cultural differences**

One last important barrier to SMEs internationalisation process is dealing with human capital, especially when it comes to managing workers who are employed abroad. It indeed requires some knowledge of cultural diversity.

UNITEE believes that European entrepreneurs from a migrant background, those we represent, can play a **key role in helping SMEs to face these difficulties**, expand their business abroad, contributing therefore to foster a new dynamic for the European economy.

## **NEW EUROPEAN'S ADDED VALUE TO THE INTERNATIONALISATION OF SMES**

Allow me now, in view of the difficulties faced by SMEs, to explain why New Europeans are the **key to our common economic future**.

New Europeans as you may know are defined by the European Commission's Euro barometer as "*people who live in the EU and have connections with more countries than just*

*the country where they live (whether this is another Member State, a European country outside the EU, or a non-European country)“.*

First of all, they possess a **wide array of connection (through relatives in another country), that some SME's lack**. Young European enterprises are in real need for a solid network to help them grow and prosper, and New Europeans tend to **have bigger networks and international experience**.

Because of their knowledge of **two different cultures** – the one of their current country of residence, and the one of their family and ancestors, New Europeans often possess the capacity to evolve in very varied circles. **Their knowledge of different cultures and languages make them the ideal bridge between a national SME and external businesses**.

According to the OECD research of June 2012, entitled “International Migration Outlook”:

- Migrant entrepreneurs in OECD countries are **younger than their native counterparts**.
- They are **well educated, actually more educated than their native counterparts**: 36% have high educational attainment compared to 25% by their native counterparts.
- Immigrant entrepreneurs operate in **more than 115 sectors**.

Immigrant entrepreneurs are not only filling vacancies on the job market or working in ethnic businesses. They are **increasingly active in producer services, creative and high-tech industries**. And through their action, they are creating employment in Europe. For example, entrepreneurs of Turkish descent play a very important role in Nordic countries, **with 4000 enterprises and employing 25000 people**.

We want to encourage the use of all these talents for the sake of the European Union and the reinforcement of its economy.

New European entrepreneurs are a force for innovation and a force for growth. You have a lot to bring to Europe.

## UNITEE'S ROLE

This is why we, at UNITEE, are dedicated to assist New European entrepreneurs and our **77 business associations** – including DATIFED - all over Europe are doing a fantastic job.

Founded two years ago by six national federations, we now represent **more than 15,000 entrepreneurs and business professionals** from all the major sectors of the European Economy.

UNITEE's central goal is to fight for **an economically strong Europe, which is sustainable and socially responsible**. To do so, we want to encourage Europe to make better use of the **diversity of its citizens in political, cultural and social terms**.

**We encourage a better dialogue between public authorities, the business sphere and civil society**. We want to better the dialogue between these key actors to ensure entrepreneurs possess a fruitful work environment in the future.

In order to improve access to capital and public support, UNITEE is currently **advocating its members to meet decision makers** on the national level, while informing the European institutions about the difficulties faced by SMEs when internationalising.

But we also want to **use their skills and «connections» to promote what we call Business Beyond Borders**. As an example, our series of event, 'Entrepreneurs Meet Embassies' serves as a forum for diplomats, trade organizations and entrepreneurs to meet and exchange ideas on investment and trade opportunities.

Following on from the **«Entrepreneurs meet Embassies»** featuring the Baltic States, we developed a number of trade missions. Entrepreneurs who attended this mission were introduced both to important business contacts and government officials. We organise roundtable with stakeholders, such as the Belgium Minister for SMEs, cooperate with experts in certain fields, such as renewable energy in Germany with BUW to bring this technology to Turkey.

Although New Europeans have the means and will to become grand entrepreneurs, their young SMEs face difficulties in different departments. **Some are unable to reach their goals simply for lack of access to finances. Some face a form of discrimination, especially if they are young adults or women.** This is visible when, even though they possess the appropriate knowledge, they still fail to develop their enterprise.

Another hardship comes from the **precariousness of the entrepreneur's** situation and **issues in term of social protection** and further administrative complications.

This is why we at UNITEE develop **training schemes such as UNITEE Academy, to professionalise these individuals and help shape their potential to obtain concrete results.** We organise events tailored to their specific hardships such as our conference on *Entrepreneurs and professional challenges for New European Women* on the 16<sup>th</sup> May. We will also be joined in September by a new network named "For Youth", developing therefore our programmes towards young entrepreneurs. We finally want to organise such events in Scandinavian countries to support entrepreneurs here today.

All of this tells you ladies and gentlemen, that we humbly perceive ourselves as a bridge between elements which can together create something bigger. UNITEE creates connections and increases the professionalization of its members to facilitate Europe's road to recovery.

## CONCLUSION

So Friends, I am sure you could feel how passionate we are at UNITEE and I really hope this summit will contribute to create a new dynamic amongst Europeans to look beyond borders.

In conclusion, I would like to express my **sincere appreciation to the Chairperson for kindly hosting us here today in Copenhagen**, to our entrepreneurs and professionals who have turned out here today, and also the many other participants.

We possess in Europe the tools and means to face current and future challenges. But we have to back our beliefs with actions. We can all collaborate, to bring our Peoples,

Institutions, Business sectors and individual enterprises to synergy. **The true European dialogue on migrants is not about security issues, but economic opportunities.**

I am thoroughly looking forward to hearing from the other speakers and later from our entrepreneurs and participants. I also strongly encourage you to seize today's opportunity as **Europe's economic recovery starts here and it starts with you!**

Thank You and I hope you find this to be a rewarding experience.