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# The European Union's Small Business Act: A Different Approach

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## Summary

The Small Business Act for Europe (2008) is not an act, per se, as understood in the United States. It is a European Commission initiative, endorsed by the Council of the European Union, that provides 10 “guiding principles” to promote the growth of small- and medium-sized enterprises (SMEs) in Europe (e.g., “Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded,” “Design rules according to the ‘Think Small First’ principle,” and “Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.”)

The European Commission was very aware of the United States’ Small Business Act, the various programs offered by the U.S. Small Business Administration (SBA), and the SBA’s definitions used to determine small business eligibility for assistance as it crafted its Small Business Act for Europe and designed its small business programs and size standard. It also examined small business policy in other nations, including Japan and China. In some instances, the European Commission enacted policies that are relatively similar to those found in the United States (e.g., both have programs designed to reduce small business regulatory burdens and enhance their access to capital). In others, the European Commission went in a different direction (e.g., size standards).

The Small Business Act for Europe was the product of the political and economic context in which it was created. For example, both the Small Business Act for Europe and the U.S. Small Business Act (1953) indicate that their primary purposes are to assist small businesses in fostering competitive markets (e.g., by preventing large businesses from forming market oligopolies and monopolies) and to address market failures (e.g., the difficulties faced by small businesses in accessing capital). However, the Small Business Act for Europe and the European Commission’s subsequent implementing policies and programs were crafted during one of Europe’s most severe economic recessions in modern times. This may help to explain why the Small Business Act for Europe (1) is much more explicit in its language concerning the need to focus on supporting SMEs as a means to create jobs than the U.S. Small Business Act; (2) has a greater focus on assisting small businesses engaged in specific industries deemed essential to Europe’s economic recovery and its competitive position in the world, such as international trade, tourism, and technology-related industries, including space exploration and satellite-based telecommunications and global environmental monitoring; and (3) has a greater focus on assisting small businesses offering products and services related to combating climate change, a relatively new issue not on the American political agenda during the 1950s.

This report opens with a discussion of the European Commission’s decision to use a size standard that is very different than the size standard used in the United States. It then examines the Small Business Act for Europe’s various provisions and the major programs the European Commission has implemented to achieve the act’s objectives. Next, it compares and contrasts the European and American approaches to assisting SMEs. This report provides information and analysis useful to Congress as it crafts small business policy for the United States.

Given their differing political and economic circumstances, what works well for Europe may not work as well in the United States, and vice versa. Nevertheless, as the Europeans have demonstrated, examining what other developed countries are doing to assist smaller enterprises can be useful as each nation considers which policies may work best for them.

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## The European Economy

This report examines the Small Business Act for Europe (2008), which was adopted by the European Commission and endorsed by the Council of the European Union during the “Great Recession” of 2008-2009.<sup>1</sup> The recession affected many nations across the world, and it hit many European countries particularly hard. For example, in 2009 the United States experienced a 2.8% decline in real gross domestic product (GDP). The European Union (EU) as a whole experienced a 4.4% decline, and nine of its then-27 member states experienced a decline in real GDP exceeding 6% (Estonia, Finland, Hungary, Iceland, Ireland, Latvia, Lithuania, Romania, and Slovenia).<sup>2</sup> Reflecting the economic challenges facing Europe at that time, the European Commission declared in the Small Business Act for Europe’s introduction that

Managing the transition towards a knowledge-based economy is the key challenge for the EU today. Success will ensure a competitive and dynamic economy with more and better jobs and a higher level of social cohesion.

Dynamic entrepreneurs are particularly well placed to reap opportunities from globalisation and from the acceleration of technological change. Our capacity to build on the growth and innovation potential of small and medium-sized enterprises (SMEs) will therefore be decisive for the future prosperity of the EU. In a globally changing landscape characterised by continuous structural changes and enhanced competitive pressures, the role of SMEs in our society has become even more important as providers of employment opportunities and key players for the wellbeing of local and regional communities. Vibrant SMEs will make Europe more robust to stand against the uncertainty thrown up in the globalised world of today.<sup>3</sup>

Since then, the EU’s economy as a whole has grown, but more slowly than that of the United States. For example, the EU’s average unemployment rate in 2016 is nearly twice that of the United States (8.9% versus 4.8%).<sup>4</sup> Moreover, the extent of the economic recovery varies considerably within the EU, with some nations still contracting or experiencing very high levels of unemployment. For example, Greece’s and Spain’s unemployment rates in June 2016 were 23.3% and 19.9% respectively.<sup>5</sup> Overall, the EU’s economy is somewhat smaller than the United

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<sup>1</sup> “Key European Union (EU) institutions include the European Council, composed of EU Heads of State or Government, which acts as the strategic guide and driving force for EU policy; the European Commission, which upholds the common interest of the Union as a whole and functions as the EU’s executive; the Council of the European Union (also known as the Council of Ministers), which represents the national governments; and the directly elected European Parliament, which represents the citizens of the EU.” For additional information and analysis, see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick.

<sup>2</sup> Eurostat, “Statistics Explained: National Accounts and GDP,” at [http://ec.europa.eu/eurostat/statistics-explained/index.php/National\\_accounts\\_and\\_GDP#GDP\\_and\\_main\\_components](http://ec.europa.eu/eurostat/statistics-explained/index.php/National_accounts_and_GDP#GDP_and_main_components). Croatia joined as the 28<sup>th</sup> member of the EU in July 2013.

<sup>3</sup> Commission of the European Communities, “Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, and the Committee of the Regions, ‘Think Small First’ A ‘Small Business Act’ for Europe,” June 25, 2008, p. 2, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>.

<sup>4</sup> Eurostat, “Statistics Explained: National Accounts and GDP,” at [http://ec.europa.eu/eurostat/statistics-explained/index.php/National\\_accounts\\_and\\_GDP#GDP\\_and\\_main\\_components](http://ec.europa.eu/eurostat/statistics-explained/index.php/National_accounts_and_GDP#GDP_and_main_components); and European Commission Directorate-General for Economic and Financial Affairs, “Statistical Annex of European Economy,” Spring 2016, p. 15, at [http://ec.europa.eu/economy\\_finance/publications/eeip/pdf/ip025\\_statistical\\_annex\\_ee\\_spring\\_2016\\_en.pdf](http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip025_statistical_annex_ee_spring_2016_en.pdf).

<sup>5</sup> Eurostat, “Statistics Explained: Unemployment statistics,” at [http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment\\_statistics#Main\\_statistical\\_findings](http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics#Main_statistical_findings).

States' economy (EU's GDP is \$14,861 billion whereas the U.S.'s GDP is \$18,628 billion).<sup>6</sup> The EU also has fewer businesses (about 22 million) than the United States (about 29 million).<sup>7</sup>

This report opens with a discussion of the European Commission's decision to recommend the use of a size standard that is very different than the size standard used in the United States. It then examines the Small Business Act for Europe's various provisions and the major programs the European Commission has implemented to achieve the act's objectives. Next, it compares and contrasts the European and American approaches to assisting small- and medium-sized businesses. This report provides information and analysis useful to Congress as it crafts small business policy for the United States.

## The EU's Recommended Small Business Size Standard

During the 1980s, there was growing consensus in Europe that providing financial and technical assistance to small- and medium-sized enterprises (SMEs) would help to ensure competitive markets and contribute to economic growth and job creation. There was also general agreement that SMEs often had a difficult time accessing capital for a host of reasons (such as the business was relatively new or the owner did not have sufficient collateral).<sup>8</sup> As a result, many European nations and financial institutions, including the European Investment Bank and European Investment Fund, implemented programs and policies to assist SMEs. They each also crafted their own size standard definitions to determine which businesses would qualify for assistance reserved for SMEs.

In March 1985, the EU's Council of Ministers indicated its support of policies designed to assist SMEs as a means to create jobs and promote economic growth. In response, the European Commission established a task force in June 1986 to examine the commission's relevant activities (community laws, financing programs, etc.); assist "in the harmonization of national and community policies;" establish "a system for association with organizations representing SMEs;" and recommend "structures and programmes, at the European level, for solving SMEs' practical problems and, in particular, developing communications and training strategies for SMEs."<sup>9</sup>

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<sup>6</sup> European Commission Directorate-General for Economic and Financial Affairs, "Statistical Annex of European Economy," Spring 2016, p. 17, at [http://ec.europa.eu/economy\\_finance/publications/eip/pdf/ip025\\_statistical\\_annex\\_ee\\_spring\\_2016\\_en.pdf](http://ec.europa.eu/economy_finance/publications/eip/pdf/ip025_statistical_annex_ee_spring_2016_en.pdf).

<sup>7</sup> Commission of the European Communities, "Annual Report on European SMEs 2014/2015," p. 83, at <http://ec.europa.eu/DocsRoom/documents/16341/attachments/2/translations>; U.S. Bureau of the Census, "2014 Nonemployer Statistics," at <https://www.census.gov/econ/nonemployer/>; and U.S. Bureau of the Census, "2013 SUSB Annual Data Tables by Establishment Industry: U.S. & States, totals," at <http://www.census.gov/data/tables/2013/econ/susb/2013-susb-annual.html>.

<sup>8</sup> European Union, Economic and Social Committee, "Opinion of the Economic and Social Committee on the Draft Resolution of the Council Concerning the Action Programme For SME," *Official Journal of the European Union*, August, 31, 1987, pp. 58-66, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:51987AC0646&qid=1433433821679&from=EN>; and European Union, Economic and Social Committee, "Additional Opinion of the Economic and Social Committee on the Proposal for a Council Decision Relating to the Improvement of the Business Environment and the Promotion of the Development of Enterprises, In Particular of Small and Medium-Sized Enterprises, in the Community," *Official Journal of the European Union*, March 7, 1990, pp. 65-69, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:51989AC1256&qid=1433433821679&from=EN>.

<sup>9</sup> Commission of the European Communities, *Operations of the European Community Concerning Small and Medium-sized Enterprises: Practical Handbook*, 1991 edition, p. 5, at <http://bookshop.europa.eu/en/operations-of-the-european-community-concerning-small-and-medium-sized-enterprises-pbCT7191647/?CatalogCategoryID=> (continued...)

Later that year, as part of its effort to reduce barriers in the creation of a single, unified market within the EU and to assist in the “harmonization of national and community policies,” the European Commission proposed, and the Council of Ministers adopted, the *Action Programme for SMEs*.<sup>10</sup> It was designed to assist SMEs by

encouraging the spirit of enterprise; improving the administrative environment; monitoring the completion of the Internal Market with a view to helping SMEs (i.e. removal of physical, technical and legal barriers and giving SMEs real access to public procurement contracts); adapting company law (i.e. the European Economic Interest Grouping framework);<sup>11</sup> creating a sound competitive structure; creating a favourable tax environment; and improving the social environment of SMEs by involving SME cooperatives at the planning stage.<sup>12</sup>

One of the more noteworthy actions arising from the *Action Programme for SMEs* was imposing a requirement that impact assessments of proposed legislation and policies under consideration by the European Commission and the Council of Ministers take into account the needs of business, especially the needs of SMEs.<sup>13</sup>

On July 28, 1989, the European Commission reaffirmed its commitment to assisting SMEs, emphasizing “the removal of undue administrative, financial and legal constraints which check the development and creation of enterprises, and in particular SMEs.”<sup>14</sup> As part of its continuing effort to address legal constraints on SMEs, the commission inventoried its member state’s SME definitions and found wide differences in the definitions used. On May 28, 1992, the commission proposed “limiting the proliferation of definitions used” by its member states to determine SME status. It recommended a single, EU-wide size standard based on four criteria: (1) number of persons employed, (2) turnover (revenue), (3) balance sheet-total and (4) independence (to ensure that the small business is not controlled by a large business or jointly controlled by several large businesses).<sup>15</sup> The European Commission solicited input from its member states, interested

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2QcKABstE4IAAAEjwJAY4e5L.

<sup>10</sup> Ibid.

<sup>11</sup> “The European Economic Interest Grouping (EEIG) ... was created on 25 July 1985 by ... the Council of Ministers to address the need of firms, especially small and medium-sized ones, which desired to collaborate on a transnational scale but were discouraged by finding themselves up against national legal systems which are limited to the territory of single countries. A grouping so formed shall ... have the capacity, in its own name, to have rights and obligations of all kinds, to make contracts or accomplish other legal acts, and to sue and be sued. It may, for example, be responsible for the sale of certain products for its members; organize the pooling and joint exploitation of partial licenses, coordinate the production and delivery schedules of members, develop their marketing, bid for and be awarded public works and public supplied contracts, carry out joint research work and jointly supply services such as transport, purchasing and distribution.” See Commission of the European Communities, *Operations of the European Community Concerning Small and Medium-sized Enterprises: Practical Handbook*, 1991 edition, p. 90, at <http://bookshop.europa.eu/en/operations-of-the-european-community-concerning-small-and-medium-sized-enterprises-pbCT7191647/?CatalogCategoryID=2QcKABstE4IAAAEjwJAY4e5L>.

<sup>12</sup> Ibid., p. 5.

<sup>13</sup> Commission on the European Communities, “Report of the Commission on the Impact of Community Legislation on Business with Special Regard to SMEs,” *Official Journal of the European Union*, May 15, 1990, p. 2, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:51990DC0200&rid=224>.

<sup>14</sup> Commission of the European Communities, *Operations of the European Community Concerning Small and Medium-sized Enterprises: Practical Handbook*, 1991 edition, p. 6, at <http://bookshop.europa.eu/en/operations-of-the-european-community-concerning-small-and-medium-sized-enterprises-pbCT7191647/?CatalogCategoryID=2QcKABstE4IAAAEjwJAY4e5L>.

<sup>15</sup> Commission of the European Communities, “Commission Recommendation of 6 May 2003 Concerning the Definition of Micro, Small and Medium-sized Enterprises,” *Official Journal of the European Union*, May 20, 2003, at (continued...)

organizations, and financial institutions as it determined the specific thresholds to be used for each of the criteria.<sup>16</sup> As a starting point, its initially recommended employment thresholds of 50 employees and 250 employees for small- and for medium-sized enterprises, respectively.

On April 3, 1996, the European Commission approved an official, EU-wide recommended definition for SMEs, formally recognizing SMEs as a distinct category of businesses in Europe.<sup>17</sup> The commission indicated that it took this action to “improve the consistency and effectiveness of policies targeting SMEs,” and “limit the risk of distortion of competition” among its members.<sup>18</sup> Although member states are not required to adopt the European Commission’s definition, all of them “make use of it, sometimes exclusively and in other cases in parallel to and complementing national definitions.”<sup>19</sup> The thresholds are “to be regarded as ceilings.”<sup>20</sup>

The formal EU-wide recommended definition for SMEs was updated in 2005 to account for inflation and to include a new micro enterprise category (see **Table 1**).<sup>21</sup>

**Table 1. The EU's Recommended SME Size Standard**

| Enterprise Category | Employee Head Count | and either Annual Turnover (revenue) or Balance Sheet Total |               |
|---------------------|---------------------|---|---------------|
| Medium              | < 250               | ≤ €50 million   | ≤ €43 million |
| Small               | < 50                | ≤ €10 million   | ≤ €10 million |
| Micro               | < 10                | ≤ €2 million  | ≤ €2 million  |

**Source:** Centre for Strategy & Evaluation Services, “Final Report: Evaluation of the SME Definition,” September 2012, p. ii, at [http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition_en.pdf).

About 99.8% of all EU businesses qualify as a SME (about 92.7% qualify as a micro business, 6.1% as a small business, and 1.0% as a medium-sized business).<sup>22</sup> In comparison, about 98% of

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<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:en:PDF>. Also see Commission of the European Union, “Report from the Commission to the Council on the Definitions of Small and Medium-sized Enterprises (SMEs) used in the context of Community activities,” April 29, 1992, at <http://aei.pitt.edu/4826/1/4826.pdf>.

<sup>16</sup> Commission of the European Union, “Report from the Commission to the Council on the Definitions of Small and Medium-sized Enterprises (SMEs) used in the context of Community activities,” April 29, 1992, at <http://aei.pitt.edu/4826/1/4826.pdf>.

<sup>17</sup> Commission of the European Communities, “Commission Recommendation of 3 April 1996 Concerning the Definition of Small and Medium-sized Enterprises,” *Official Journal of the European Union*, April 30, 1996, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31996H0280&from=EN>.

<sup>18</sup> Commission of the European Communities, “Commission Recommendation of 6 May 2003 Concerning the Definition of Micro, Small and Medium-sized Enterprises,” *Official Journal of the European Union*, May 20, 2003, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:en:PDF>.

<sup>19</sup> Centre for Strategy & Evaluation Services, “Final Report: Evaluation of the SME Definition,” September 2012, p. 109, at [http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition_en.pdf).

<sup>20</sup> Commission of the European Communities, “Commission Recommendation of 3 April 1996 Concerning the Definition of Small and Medium-sized Enterprises,” *Official Journal of the European Union*, April 30, 1996, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31996H0280&from=EN>.

<sup>21</sup> The second official definition for SMEs in Europe was adopted by the European Commission on May 6, 2003, with an effective starting date of January 1, 2005. See Commission of the European Communities, “Commission Recommendation of 6 May 2003 Concerning the Definition of Micro, Small and Medium-sized Enterprises,” *Official Journal of the European Union*, May 20, 2003, pp. 36-41, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:en:PDF>.

<sup>22</sup> Commission of the European Communities, “Annual Report on European SMEs 2014/2015,” p. 83, at (continued...)

all American businesses qualify as small under the U.S. Small Business Administration's (SBA) size standards; and about 99.7% of all employer firms in the United States have 500 or fewer employees (the small business size standard typically used for research purposes).<sup>23</sup>

Over the next several years, the European Commission enacted policies to reduce regulatory burdens on SMEs and increase “the SME focus in major EU support programs.”<sup>24</sup> In 2008, the European Commission declared that it was time to “cement the needs of SMEs in the forefront of the EU's policy” and to make “the EU a world-class environment for SMEs” by adopting a Small Business Act for Europe.<sup>25</sup>

## The EU's Small Business Act

The Small Business Act for Europe is not an act, per se, as understood in the United States. It is a European Commission initiative, endorsed by the Council of the European Union, which provides 10 “guiding principles” for its own policies, and those of its member states.<sup>26</sup> As mentioned previously, it states in its introduction that it is based on the premise that “vibrant SMEs will make Europe more robust to stand against the uncertainty thrown up in the globalised world of today.”<sup>27</sup> It later mentions that

The symbolic name of an “Act” given to this initiative underlines the political will to recognise the central role of SMEs in the EU economy and to put in place for the first time a comprehensive policy framework for the EU and its Member states through a set of 10 principles to guide the conception and implementation of policies both at EU and Member State level.<sup>28</sup>

The Small Business Act for Europe established the following guiding principles:

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.
2. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.

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<http://ec.europa.eu/DocsRoom/documents/16341/attachments/2/translations>.

<sup>23</sup> U.S. Small Business Administration (SBA), “SBA's Size Standards Analysis: An Overview on Methodology and Comprehensive Size Standards Review,” power point presentation, Khem R. Sharma, SBA Office of Size Standards, July 13, 2011, p. 4, at <http://www.dtic.mil/ndia/2011smallbusiness/Sharma.pdf>; and SBA, Office of Advocacy, “Frequently Asked Questions,” at [https://www.sba.gov/sites/default/files/advocacy/FAQ\\_March\\_2014\\_0.pdf](https://www.sba.gov/sites/default/files/advocacy/FAQ_March_2014_0.pdf).

<sup>24</sup> Commission of the European Communities, “Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, and the Committee of the Regions, ‘Think Small First’ A ‘Small Business Act’ for Europe,” June 25, 2008, p. 2, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.; and Council of the European Union, “Conclusions on ‘Think Small First – A Small Business Act for Europe,’” December 4, 2008, at [http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/council\\_conclusions\\_dec08\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/council_conclusions_dec08_en.pdf). Also see European Commission, “Implementation of the Small Business Act for Europe,” at [http://ec.europa.eu/enterprise/policies/sme/small-business-act/implementation/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/implementation/index_en.htm).

<sup>27</sup> Commission of the European Communities, “Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, and the Committee of the Regions, ‘Think Small First’ A ‘Small Business Act’ for Europe,” June 25, 2008, p. 2, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>.

<sup>28</sup> Ibid., p. 4.

3. Design rules according to the “Think Small First” principle.
4. Make public administrations responsive to SMEs’ needs.
5. Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs.
6. Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.
7. Help SMEs to benefit more from the opportunities offered by the Single Market.<sup>29</sup>
8. Promote the upgrading of skills in SMEs and all forms of innovation.
9. Enable SMEs to turn environmental challenges into opportunities.
10. Encourage and support SMEs to benefit from the growth of markets.<sup>30</sup>

The European Commission included in the Small Business Act for Europe examples of policies that it had adopted or was planning to adopt to achieve the act’s guiding principles. It invited member states to take similar actions. For example, the commission announced that it would “simplify and harmonise existing rules for SMEs and increase investment aid intensities for SMEs, offer member states the option of applying reduced VAT [value added tax] rates principally for locally supplied services, which are mainly provided by SMEs, and consult stakeholders, including SME organisations, for at least eight weeks prior to making any legislative or administrative proposal that has an impact on businesses.”<sup>31</sup>

In 2011, the commission reviewed the Small Business Act for Europe’s implementation from 2008 to 2010 and concluded that some progress had been achieved in meeting its objectives. For example, it found that “a recent Commission survey suggests that SMEs now experience fewer administrative burdens when accessing public procurement and have better opportunities for joint bidding” and more than 100,000 SMEs had received financial support from its SME programs, primarily guaranteed loans.<sup>32</sup> However, it also noted that “the approach taken and the results achieved vary considerably between member states” and while most member states had adopted measures to enhance SMEs’ access to capital through subordinated loans, loan guarantees or

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<sup>29</sup> “The EU has been built through a series of binding treaties, and over the years, EU member states have sought to harmonize laws and adopt common policies on an increasing number of economic, social, and political issues. EU member states share a customs union; a single market in which goods, people, and capital move freely; a common trade policy; and a common agricultural policy. Nineteen EU member states use a common currency (the euro).” For additional information and analysis, see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick.

<sup>30</sup> Commission of the European Communities, “Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, and the Committee of the Regions, ‘Think Small First’ A ‘Small Business Act’ for Europe,” June 25, 2008, p. 4, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>.

<sup>31</sup> *Ibid.*, p. 8. “The Value Added Tax, or VAT, in the European Union is a general, broadly based consumption tax assessed on the value added to goods and services. It applies more or less to all goods and services that are bought and sold for use or consumption in the Community. Thus, goods which are sold for export or services which are sold to customers abroad are normally not subject to VAT. Conversely, imports are taxed to keep the system fair for EU producers so that they can compete on equal terms on the European market with suppliers situated outside the Union.” See European Commission, “Taxation and Customs Union: General Overview,” at [http://ec.europa.eu/taxation\\_customs/taxation/vat/how\\_vat\\_works/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/index_en.htm).

<sup>32</sup> European Commission, “Communication from the Commission to the European Parliament, the Council, Economic and Social Committee and the Committee of the Regions: Review of the ‘Small Business Act’ for Europe,” February 23, 2011, pp. 3, 4, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0078&from=EN>

microcredit programs, “a stronger approach is warranted.”<sup>33</sup> Specifically, the European Commission proposed five new priority areas:

1. Making *smart regulation* a reality for European SMEs, including “a further strengthening of the application of the ‘SME test’ in its impact assessment procedure to ensure that impacts on SMEs are thoroughly analysed and taken into account in all relevant legislative and policy proposals, with a clear indication of quantified effects on SMEs, whenever possible and proportionate.”<sup>34</sup>
2. Paying specific attention to SMEs’ *financing needs*, including encouraging member states to “provide incentives for investing revenue in equity, keeping in mind that the needs of entrepreneurial growth companies and established mainstream European SMEs are different and particular attention should be paid to the problem of financing the first growth phase of firms.”<sup>35</sup>
3. Taking a broad-based approach to enhancing *market access* for SMEs, including measures to facilitate cross-border payments and a single set of rules regarding a Common Consolidated Corporate Tax Base to make it simpler for SMEs to expand their activities within the single market.<sup>36</sup>
4. Helping SMEs to contribute to a *resource-efficient economy*, including developing incentives to encourage energy and resource audits and promoting low-carbon technologies and resource-efficient innovation.<sup>37</sup>
5. Promoting *entrepreneurship, job creation and inclusive growth*, by simplifying administrative requirements, ensuring that educational systems “truly provide the right skills to start and manage an SME,” and removing barriers for entrepreneurs to “bring ideas to market.”<sup>38</sup>

## European Commission’s SME Programs

The two primary ways the European Commission assists SMEs are providing regulatory relief from EU legislation and financing various programs to enhance SME access to capital.

### Regulatory Relief

In an effort to lead by example, the European Commission issued an action plan in 2007 designed to reduce regulatory burdens on businesses resulting from EU legislation by 25% by the end of 2012. The following year, in addition to approving the Small Business Act for Europe, the European Commission re-emphasized its commitment to reducing the regulatory impact of its actions on all businesses, but “particularly for micro-enterprises including the self-employed ... who are especially vulnerable to the burdens of bureaucracy due to their smaller size and limited human and financial resources.”<sup>39</sup> As part of that effort, the European Commission issued

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<sup>33</sup> Ibid., p. 5.

<sup>34</sup> Ibid., p. 6.

<sup>35</sup> Ibid., p. 8.

<sup>36</sup> Ibid., pp. 11-12.

<sup>37</sup> Ibid., p. 15.

<sup>38</sup> Ibid., p. 16.

<sup>39</sup> European Commission, “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions: Entrepreneurship 2020 Action Plan (continued...)”

guidance concerning the application of the SME test during required impact assessment analyses, which examine the likely economic, environmental, and social effects of its legislative proposals.

The SME test guidance requires that SMEs' needs are considered in each of the analytical steps taken when carrying out an impact assessment.<sup>40</sup> Specifically, the guidance required (1) consultation with SMEs representatives; (2) a preliminary assessment of businesses likely to be affected, including number of businesses and their size; (3) measurement of the impact on SMEs, including "the distribution of the potential costs and of the benefits of the proposals with respect to the business size, differentiating between micro, small, medium and large enterprises;" and (4) an assessment of alternative options and mitigating measures, including whether a temporary or permanent complete or partial size-related exemption for SMEs or micro-businesses is warranted.<sup>41</sup>

The European Commission strengthened the SME test, effective January 2012, by requiring all of its legislative proposals to be "based on the premise that in particular micro-entities should be excluded from the scope of the proposed legislation unless the proportionality of their being covered can be demonstrated."<sup>42</sup> As the European Commission put it, "Thus modified, the [SME] test will de facto reverse the burden of proof and focus the preparation of EU law on the specific situation of SMEs and micro companies."<sup>43</sup>

In 2013, the European Commission announced that it had achieved its goal of reducing its regulatory burdens on businesses by 25%, noting that much of the savings was realized "in the areas of tax law (moving from paper to electronic billing) and company law (exceptions for micro-enterprises from some provisions on financial reporting obligations)."<sup>44</sup> The commission also reiterated that "reducing unnecessary or excessive regulatory burden remains on the top of the Commission's political agenda."<sup>45</sup>

## Access to Capital

The European Commissioner for Internal Market, Industry, Entrepreneurship and SMEs (currently Elzbieta Bienkowska) and its Directorate-General is responsible for "fostering entrepreneurship and growth by reducing the administrative burden on small businesses; facilitating access to funding for small and medium-sized enterprises; and supporting access to global markets for EU companies."<sup>46</sup> Its stated objectives are to

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Reigniting The Entrepreneurial Spirit in Europe," January 9, 2013, pp. 17, 18, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0795&from=EN>.

<sup>40</sup> European Commission, "Part III: Annexes to Impact Assessment Guidelines," January 15, 2009, pp. 31-33, at [http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/iag\\_2009\\_annex\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/docs/sba/iag_2009_annex_en.pdf).

<sup>41</sup> Ibid.

<sup>42</sup> European Commission, "Report from the Commission to the Council and the European Parliament Minimizing Regulatory Burden for SMEs: Adapting EU Regulation to the Needs of Micro-enterprises," November 23, 2011, p. 5, at <http://ec.europa.eu/transparency/regdoc/rep/1/2011/EN/1-2011-803-EN-F1-1.Pdf>.

<sup>43</sup> Ibid.

<sup>44</sup> European Commission, "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions: Entrepreneurship 2020 Action Plan Reigniting The Entrepreneurial Spirit in Europe," January 9, 2013, p. 19, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0795&from=EN>.

<sup>45</sup> Ibid., p. 20.

<sup>46</sup> European Commission, Directorate-General (DG) for Internal Market, Industry, Entrepreneurship and SMEs, "About (continued...)"

- ensure an open internal market for goods and services in the EU;
- improve the range, quality, and competitiveness of products and services on the internal market;
- strengthen the industrial base in Europe;
- provide sector-specific and business-friendly policies;
- promote industrial innovation to generate new sources of growth;
- ensure a modernised system for public procurement, which provides better access to public contracts on an EU-wide basis;
- encourage the growth of SMEs and promote an entrepreneurial culture;
- support the internationalisation of EU businesses;
- facilitate access to finance for SMEs;
- support the free movement of professionals in EU;
- support the development of global satellite-based navigation infrastructure and services (Galileo); and
- promote the use of EU earth observation-based services (Copernicus).<sup>47</sup>

## COSME

The European Commission's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs oversees the implementation of the Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME).<sup>48</sup> COSME's goals are "to strengthen the competitiveness and sustainability of the Union's enterprises and to encourage an entrepreneurial culture and promote the creation and growth of SMEs" by "improving access to finance for SMEs in the form of equity and debt; improving access to markets, particularly inside the Union but also at [the] global level; improving framework conditions for the competitiveness and sustainability of Union enterprises, particularly, SMEs, including in the tourism sector; and promoting entrepreneurship and entrepreneurial culture."<sup>49</sup> COSME was provided €2.3 billion for 2014 through 2020.<sup>50</sup>

COSME has two programs (budgeted at €167 million in 2016) to assist SMEs with access to capital:

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Us," at [http://ec.europa.eu/growth/about-us/index\\_en.htm](http://ec.europa.eu/growth/about-us/index_en.htm).

<sup>47</sup> Ibid.

<sup>48</sup> Some of the Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises' (COSME's) administrative functions are delegated to the European Agency for Small and Medium-Sized Enterprises (EASME) and COSME's financial instruments are held in the European Investment Fund (EIF).

<sup>49</sup> European Commission, "Annex to the Commission Implementing Decision Concerning the Adoption of the Work Programme for 2015 and the Financing for the Implementation of Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises," October, 29, 2014, at <http://ec.europa.eu/DocsRoom/documents/7322/attachments/1/translations/en/renditions/native>.

<sup>50</sup> The Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs' total budget is €16.0 billion for 2014 through 2020: €2.3 billion for COSME; €2.3 billion for Horizon 2020; €7.0 billion for the Programme for Satellite Navigation; and €4.3 billion for the Programme for Global Earth Observation (Copernicus). See European Commission, Directorate-General (DG) for Internal Market, Industry, Entrepreneurship and SMEs, "About Us," at [http://ec.europa.eu/growth/about-us/index\\_en.htm](http://ec.europa.eu/growth/about-us/index_en.htm).

1. The Loan Guarantee Facility provides loan guarantees (up to 50% of the transaction) to financial institutions to enable them to provide SMEs access to capital that otherwise would not be available due to the SME's perceived higher risk or lack of sufficient collateral. It is expected to assist between 220,000 and 330,000 SMEs obtain financing totaling between €14 billion and €21 billion (from 2014 through 2020).<sup>51</sup>
2. The Equity Facility for Growth provides risk capital to equity funds investing in SMEs, primarily in the expansion and growth-stage phases. It is expected to provide between 360 and 560 equity firms between €2.6 billion and €4 billion (from 2014 through 2020).<sup>52</sup>

COSME also has several programs to assist SMEs access EU member state and international markets (budgeted at €52 million in 2016), including the following:

- The Enterprise Europe Network consists of more than 600 member organizations, including chambers of commerce and industry, technology centers, universities and development agencies, located in more than 50 countries. These organizations assist SMEs and entrepreneurs access market information, address legal obstacles, and locate potential business partners across Europe. They also advise SMEs applying for Horizon 2020 research and innovation grants (see the following section for additional program details).<sup>53</sup>

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<sup>51</sup> European Commission, "ANNEX to the Commission implementing Decision concerning the adoption of the work programme for 2016 and the financing decision for the implementation of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises," January 18, 2016, p. 5, at <http://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-63-EN-F1-1-ANNEX-1.PDF>. The Loan Guarantee Facility, administered through the European Investment Fund, provides financial intermediaries a loss guarantee of up to 50% of the loan amount. The financial intermediary must retain a minimum 20% exposure to every intermediary transaction. The maximum term of the guarantee is 10 years. Loans normally are expected not to exceed €150,000, but larger transactions are allowed as long as the financial intermediary is able to demonstrate that the SME is not eligible under Horizon 2020's InnovFin SME Guarantee Facility. In that case, up to €750,000 is allowable for financial transactions with a maturity equal to or greater than five years; and up to €1.5 million for financial transactions with a maturity less than five years. See European Investment Fund, "Capped Direct Guarantee under COSME Loan Guarantee Facility (the "LGF") Indicative Term Sheet," pp. 1-3, at [http://www.eif.org/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/cosme-loan-facility-growth/call/Annex%20III-%20COSME%20COEL-%20Guarantee%20Term%20Sheet%20-%20final.pdf](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/call/Annex%20III-%20COSME%20COEL-%20Guarantee%20Term%20Sheet%20-%20final.pdf); and European Investment Fund, COSME Loan Guarantee Facility, Frequently Asked Questions (December 19, 2014), p. 3, at [http://www.eif.org/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/cosme-loan-facility-growth/2014-12-17-cosme-lgf-faqs.pdf](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/2014-12-17-cosme-lgf-faqs.pdf).

<sup>52</sup> European Commission, Internal Market, Industry, Entrepreneurship and SMEs, "COSME Financial Instruments," at [http://ec.europa.eu/growth/access-to-finance/cosme-financial-instruments/index\\_en.htm](http://ec.europa.eu/growth/access-to-finance/cosme-financial-instruments/index_en.htm). "The COSME financial instruments build on experience from the financial instruments under the Competitiveness and Innovation Framework Programme (CIP) that ran from 2007 to 2013. Since 2007, more than 340,000 SMEs have benefited from a guaranteed loan or lease thanks to the SME guarantee facility (SMEG). Based on the results of that programme, it is expected that under COSME, 90% of beneficiaries will have 10 or fewer employees with an average guaranteed loan of about EUR 65,000. This is the category of SMEs who currently face the most difficulty obtaining finance. Financing is also still available from CIP financial intermediaries that have been recently selected and approved ...The COSME equity financial instrument builds on the experience of the equity financial instrument under the Competitiveness and Innovation Framework Programme (CIP) that ran from 2007 to 2013. From 2007 to date [May 2015], the equity financing facility under CIP (the so-called GIF facility) has mobilised more than EUR 2.3 billion in equity investments. Financing is still available from CIP through financial intermediaries that have been recently selected and approved." See *ibid.*

<sup>53</sup> European Commission, "ANNEX to the Commission implementing Decision concerning the adoption of the work programme for 2016 and the financing decision for the implementation of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises," January 18, 2016, pp. 16-19, at <http://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-63-EN-F1-1-ANNEX-1.PDF>; and European Commission, Enterprise Europe Network, (continued...)

- Your Europe Business Portal provides SMEs and entrepreneurs on-line access to web links and information about support service providers in the EU that focus on the needs of companies interested in developing markets in other member states.<sup>54</sup>
- The SME Internationalisation Portal provides SMEs and entrepreneurs on-line access to web links and information about support service providers in the EU and beyond that focus on the needs of companies interested in developing international markets.<sup>55</sup>
- The Internationalisation of Clusters Initiative is designed to promote international cluster cooperation by encouraging “European cluster consortia to work concretely together, notably across sectoral boundaries, to exploit synergies and develop a joint ‘European’ strategic vision with a global perspective and common goals towards specific third markets, especially in key areas for EU industries.”<sup>56</sup> More than 950 clusters have registered to participate in the initiative, which, among other activities, sponsors international cluster matchmaking events to offer opportunities for European cluster organizations to partner with other clusters located within and beyond Europe.<sup>57</sup>
- The European Small Business Portal provides SMEs and entrepreneurs on-line access to information about the EU’s SME policies and programs to assist SMEs access capital and international markets.<sup>58</sup>

In addition, COSME sponsors research on the status of SMEs and entrepreneurship; supports the diffusion of best practices among the EU’s member states; conducts the annual SME Performance Review, which includes an overview of European SMEs and summarizes recent policy developments affecting SMEs; and monitors the implementation of the Small Business Act for Europe among member states.

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“Welcome to the Network,” at <http://een.ec.europa.eu/>.

<sup>54</sup> European Commission, “ANNEX to the Commission implementing Decision concerning the adoption of the work programme for 2016 and the financing decision for the implementation of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises,” January 18, 2016, pp. 19-20, at <http://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-63-EN-F1-1-ANNEX-1.PDF>; and European Commission, “Your Europe,” at [http://europa.eu/youreurope/business/index\\_en.htm](http://europa.eu/youreurope/business/index_en.htm).

<sup>55</sup> European Commission, “ANNEX to the Commission implementing Decision concerning the adoption of the work programme for 2016 and the financing decision for the implementation of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises,” January 18, 2016, pp. 21-22, at <http://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-63-EN-F1-1-ANNEX-1.PDF>; and European Commission, “Welcome to SME Internationalisation Portal,” at <https://webgate.ec.europa.eu/smeip/>.

<sup>56</sup> European Commission, “ANNEX to the Commission implementing Decision concerning the adoption of the work programme for 2016 and the financing decision for the implementation of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises,” January 18, 2016, p. 40, at <http://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-63-EN-F1-1-ANNEX-1.PDF>.

<sup>57</sup> European Commission, “Cluster Internationalisation,” at <http://ec.europa.eu/growth/smes/cluster/internationalisation/>; and European Commission, “Clusters and Emerging Industries,” at [http://ec.europa.eu/growth/smes/cluster/emerging-industries/index\\_en.htm](http://ec.europa.eu/growth/smes/cluster/emerging-industries/index_en.htm).

<sup>58</sup> European Commission, “European Small Business Portal,” at [http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm).

## **Programme for Research and Innovation (Horizon 2020)**

Horizon 2020 is the European Union's largest research and innovation grants and financing program, with a 2014-2020 operating budget of over €77.0 billion.<sup>59</sup> It serves as the financial instrument implementing the Innovation Union, one of the European Commission's seven "flagship" initiatives within its Europe 2020 economic plan for sustainable economic growth.<sup>60</sup>

Horizon 2020 is designed to enhance Europe's global competitiveness by increasing funding for research and development and promoting "the strategic use of public procurement budgets to finance innovation."<sup>61</sup> About €2.3 billion in Horizon 2020 funding for 2014 through 2020 has been set aside for the European Commission's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs to provide competitive research and innovation awards to SMEs (€353 million in 2016).<sup>62</sup> Specifically, Horizon 2020's SME instrument "addresses the financing needs of internationally oriented SMEs, in implementing high-risk and high-potential innovation ideas."<sup>63</sup> It supports projects "with a European dimension that lead to radical changes in how business (product, processes, services, marketing etc.) is done."<sup>64</sup> It offers SMEs

- business innovation grants to explore and assess the project's technical feasibility and commercial potential (phase I): €50,000 (lump sum) per project (70% of total project cost);
- business innovation grants for development and demonstration purposes, such as prototyping, scaling-up, and testing (possible phase II): generally €500,000 to €2.5 million (typically 70% of total project cost);
- commercialization assistance, including access to innovative support services and risk finance, to facilitate the project's commercial exploitation (possible phase III); and
- free business coaching to support and enhance the SME's innovation capacity and help align the project to strategic business needs (optional in phases I and II).<sup>65</sup>

Horizon 2020 also sponsors the InnovFin SME Guarantee Program. It provides approved financial intermediaries a guaranty of up to 50% of incurred losses on loans, leases and

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<sup>59</sup> European Commission, "Horizon 2020: New Work Programme supports Europe's growth, jobs and competitiveness," October 13, 2015, at [http://europa.eu/rapid/press-release\\_MEMO-15-5832\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5832_en.htm).

<sup>60</sup> European Commission, "Communication From the Commission: Europe 2020, A Strategy for Smart, Sustainable and Inclusive Growth," March 3, 2010, pp. 5, 12, 13, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>.

<sup>61</sup> European Commission, "Innovation Union: a Europe 2020 Initiative," at [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=why](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=why); and European Commission, "Innovation Union: a Europe 2020 Initiative – Key Initiatives," at [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=key](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=key).

<sup>62</sup> European Commission, "Horizon 2020: Dedicated SME Instrument Work Programme, 2016-2017: 7. Innovation in SMEs," p. 20, at [http://ec.europa.eu/research/participants/data/ref/h2020/wp/2016\\_2017/main/h2020-wp1617-sme\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/wp/2016_2017/main/h2020-wp1617-sme_en.pdf); and European Commission, Directorate-General (DG) for Internal Market, Industry, Entrepreneurship and SMEs, "About Us," at [http://ec.europa.eu/growth/about-us/index\\_en.htm](http://ec.europa.eu/growth/about-us/index_en.htm). The European Agency for Small and Medium-Sized Enterprises (EASME) administers the grant program. The European Commission's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs oversees the program and provides policy guidance.

<sup>63</sup> European Commission, "The SME Instrument," at <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/sme-instrument>.

<sup>64</sup> *Ibid.*

<sup>65</sup> *Ibid.*

guarantees between €25,000 and €7.5 million to research-based and innovative SMEs and Small Mid-caps (businesses with up to 499 employees). It enables financial institutions to provide SMEs and Small Mid-caps access to capital that otherwise would not be available because the business or project deals with (1) complex products and technologies that lenders have difficulty determining the financial risks involved, (2) unproven markets, or (3) intangible assets that are difficult to value for collateral purposes. The program offers borrowers below market interest rates.<sup>66</sup> By 2020, the InnovFin SME Guarantee program is expected to make more than €24 billion of debt and equity financing available to innovative SMEs and Small Mid-caps.<sup>67</sup>

## Comparisons with the United States

The European Commission was very aware of the United States' Small Business Act, the SBA's various programs, and the SBA's definitions used to determine small business eligibility for assistance as it crafted its Small Business Act for Europe and designed its small business programs and size standards. It also examined SME policy in other nations, including Japan and China. In some instances, the European Commission enacted policies that are relatively similar to those found in the United States. In others, the European Commission went in a different direction.

### Similarities

Both the United States and Europe have policies in place to mitigate or eliminate regulatory burdens on small businesses. As mentioned previously, the European Commission requires its SME test to be applied during the impact analyses of its legislative proposals. It also encourages its member states to do the same as part of its "Think Small First" initiative. In the United States, the SBA's Office of Advocacy is responsible for monitoring and reporting on federal agency compliance with the Regulatory Flexibility Act of 1980 (RFA, as amended) and Executive Order 13272, Proper Consideration of Small Entities in Agency Rulemaking (August 13, 2002).<sup>68</sup> The RFA establishes in law the principle that government agencies must analyze the effects of their regulatory actions on small entities (small businesses, small nonprofits, and small governments) and consider alternatives that would be effective in achieving their regulatory objectives without unduly burdening these small entities.<sup>69</sup>

Both the United States and Europe have also implemented programs to enhance small business access to capital. For example, COSME's Loan Guarantee Facility and Horizon 2020's InnovFin

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<sup>66</sup> European Investment Fund, "InnovFin SME Guarantee Facility," at [http://www.eif.org/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/innovfin-guarantee-facility/index.htm](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/index.htm); and European Investment Fund, "InnovFin SME Guarantee, The Guarantee and Counter-Guarantee Facility Under Horizon 2020 Framework Programme with Respect to Research & Innovation Driven SMEs and Small Mid-Caps: Frequently Asked Questions," December 5, 2014, p. 5, at [http://www.eif.org/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/innovfin-guarantee-facility/call/innovfin-sme-guarantee-frequently-asked-questions.pdf](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/call/innovfin-sme-guarantee-frequently-asked-questions.pdf).

<sup>67</sup> European Investment Fund, "InnovFin—EU Finance for Innovators," at <http://www.eib.org/products/blending/innovfin/index.htm>.

<sup>68</sup> 5 U.S.C. §601 et seq. Also see P.L. 104-121, the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA); P.L. 111-203, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; P.L. 111-240, the Small Business Jobs Act of 2010; and Executive Order 13272. For further information concerning the RFA, see CRS Report RL34355, *The Regulatory Flexibility Act: Implementation Issues and Proposed Reforms*, coordinated by Maeve P. Carey.

<sup>69</sup> SBA, Office of Advocacy, *Report on the Regulatory Flexibility Act FY2013*, p. 1, at <http://www.sba.gov/sites/default/files/13regflx.pdf>.

SME Guarantee programs, like the SBA's 7(a) and 504/CDC loan guaranty programs, provide loan guarantees to financial institutions to encourage lending to small businesses that otherwise would not have access to credit.<sup>70</sup> Europe's loan guarantee programs typically require lenders to shoulder a greater percentage of the risk of defaults (usually 50% of losses compared to 10% to 50% of losses in the United States), even though they operate on the same principle—to provide an alternative source of capital for smaller enterprises having difficulty accessing credit. Furthermore, Europe's Equity Facility for Growth, like the SBA's Small Business Investment Company program, encourages venture capital investments in smaller enterprises.<sup>71</sup>

In addition, Europe's Horizon 2020's SME instrument, like Small Business Innovation Research and Small Business Technology Transfer programs in the United States, assists smaller research and technology enterprises conceive and develop commercially viable products.<sup>72</sup> Both Europe and the United States have also developed cluster initiatives and web portals to assist small businesses access capital and find information about available governmental assistance.<sup>73</sup>

The European Commission and the SBA also sponsor research on the economic circumstances of small businesses and facilitate the training of aspiring entrepreneurs. They also tend to report performance measures that emphasize the volume of assistance provided (e.g., the number and amount of loans guaranteed and venture capital investments made) as opposed to the economic impact of that assistance (e.g., on the survival rate of recipients or the amount of wealth created).

## Differences

Although the United States and Europe have implemented many programs that look relatively similar, there are important differences in the approaches and focus of the European and American small business policies. These differences derive primarily from the political and economic contexts in which the policies were created. For example, when the Small Business Administration was created in 1953, it inherited from its predecessor federal agency, the Reconstruction Finance Corporation, a role in providing disaster assistance to both small businesses and individuals.<sup>74</sup> The European Commission's SME policies do not include disaster assistance.

Both the Small Business Act for Europe (2008) and the U.S. Small Business Act (1953) indicate that its primary purposes are to assist small businesses in fostering competitive markets (e.g., by preventing large businesses from forming market oligopolies and monopolies) and to address market failures (e.g., the difficulties faced by small businesses in accessing capital). However, the

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<sup>70</sup> For information and analysis concerning the SBA's 7(a) and 504/CDC loan guaranty programs, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger and CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger.

<sup>71</sup> For information and analysis concerning the SBA's Small Business Investment Company Program, see CRS Report R41456, *SBA Small Business Investment Company Program*, by Robert Jay Dilger.

<sup>72</sup> For information and analysis concerning the Small Business Innovation Research and Small Business Technology Transfer programs, see CRS Report R43695, *Small Business Innovation Research and Small Business Technology Transfer Programs*, by John F. Sargent Jr.

<sup>73</sup> For information and analysis concerning the SBA's cluster initiative, see CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*, by Robert Jay Dilger.

<sup>74</sup> U.S. Congress, Senate Committee on Expenditures, Subcommittee on Investigations, *Influence in Government Procurement*, 82<sup>nd</sup> Cong., 1<sup>st</sup> sess., September 13-15, 17, 19-21, 24-28, October 3-5, 1951 (Washington: GPO, 1951); and U.S. Congress, Senate Banking and Currency, *RFC Act Amendments of 1951*, hearing on bills to amend the Reconstruction Finance Corporation Act, 82<sup>nd</sup> Cong., 1<sup>st</sup> sess., April 27, 30, May 1, 2, 22, 23, 1951 (Washington: GPO, 1951).

Small Business Act for Europe and the European Commission's subsequent implementing policies and programs were created during one of Europe's most severe economic recessions in modern times. This may help to explain why the Small Business Act for Europe is much more explicit in its language concerning the need to focus on supporting SMEs as a means to create jobs than the U.S. Small Business Act.

In addition, reflecting prevailing economic conditions in Europe, the Small Business Act for Europe has a greater focus on assisting small businesses engaged in specific industries deemed essential to Europe's competitive position in the world, such as international trade, tourism, and technology-related industries, including space exploration and satellite-based telecommunications and global environmental monitoring. Europe also has a greater focus on assisting small businesses offering products and services related to combating climate change, a relatively new issue not on the American political agenda during the 1950s. Although the SBA does have targeted programs for small businesses interested in trade and export promotion and offers venture capital support for small businesses that provide products, goods, or services that reduce the use or consumption of non-renewable energy resources, its primary focus is on promoting the interests of small businesses generally as opposed to specific industries.<sup>75</sup>

The EU is a treaty-based political and economic partnership that represents a unique form of cooperation among 28 sovereign states; in some areas (such as trade), member states have largely pooled their sovereignty—which gives the EU a supranational character—but in other areas (such as foreign policy), decisionmaking is intergovernmental and the EU behaves somewhat more like an international organization based on confederal principles. In contrast, the United States is a republic that is based on a federal system of government. This difference in governmental structure and organizational principles also helps to explain some of the differences between the United States' and the EU's approaches to small business policy. For example, given its supranational structure and deference to the independence of its sovereign member states, the European Commission's Small Business Act for Europe, unlike the United States' Small Business Act, is not legally binding on its member states. Instead, the European Commission must rely on its member states' goodwill in voluntarily adhering to the Small Business Act for Europe's 10 guiding principles.

In addition, given its complex nature, there is an expectation in Europe that the EU's sovereign member states should take the lead in promoting small businesses in Europe and the European Commission should supplement its members' efforts. Given its federal nature, the expectation is reversed in the United States, with the federal government expected to take the lead and the states expected to supplement the federal government's efforts. This difference in expectations, in addition to the slightly smaller size of the European economy, may help to explain why the European Commission's SME programs are on a smaller scale than the SBA's programs.<sup>76</sup> For

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<sup>75</sup> For information and analysis concerning the SBA's export promotion programs, see CRS Report R43155, *Small Business Administration Trade and Export Promotion Programs*, by Sean Lowry. For information and analysis concerning the SBA's Energy Saving Debentures within its Small Business Investment Company Program, see CRS Report R41456, *SBA Small Business Investment Company Program*, by Robert Jay Dilger.

<sup>76</sup> The European Commission provides information on member states' SME policies. For example, the United Kingdom has implemented "... a series of measures to open up £230 billion of public procurement contracts to SMEs [and has made a] ...commitment to ensure 25% of central government expenditure goes to SMEs by 2015. [Also,] ...the British Business Bank is a £300 million investment project and is a key element of the Government's Industrial Strategy and is being set up as an economic development bank to create more effective and efficient finance markets for smaller businesses in the UK. £1 billion of new funding will help to expand existing schemes, and create new ways to unlock finance for smaller businesses. The Business Bank is also taking over the management of £2.9 billion of existing commitments which are already helping smaller businesses." See European Commission, "SME Performance Review: Database of SBA policy measures," at <http://ec.europa.eu/growth/smes/business-friendly-environment/> (continued...)

example, COSME's Loan Guarantee Facility's goal is to provide between €14 billion and €21 billion in financing to SMEs over seven years (2014-2020) and Horizon 2020's InnovFin SME Guarantee program's goal is to provide €24 billion of debt and equity financing to innovative SMEs and Small Mid-caps by 2020. The SBA's loan guaranty programs provide between \$20 billion and \$25 billion in loan guarantees to small businesses each year. In addition, COSME's Equity Facility for Growth program's goal is to provide between €2.6 billion and €4 billion in venture capital financing to SMEs over seven years (2014-2020). The SBA's Small Business Investment Company program provides that amount of venture capital financing to small businesses each year.

## Size Standards

Perhaps the most noticeable difference between the European and American approaches to providing assistance to small businesses is the size standard that is applied to determine if a business is eligible for assistance. With a few exceptions, both Europe and the United States provide small business assistance to independently owned and operated for-profit businesses. Both also have regulations in place to determine eligibility for small business that have affiliations with, or are otherwise linked to, other businesses. Both also provide eligibility to about 98% to 99% of all businesses in their economy. However, beyond these common elements, significant differences exist.

### *SBA Size Standards*

By statute, the SBA employs size standards that account for differences among specific industries, with the goal of promoting competition in all industries and preventing any business that is considered dominant in its field of operations from receiving assistance. As a result, the SBA examines the structural characteristics of all 1,045 industrial classifications in 18 sub-industry activities described in the North American Industry Classification System (NAICS) and provides an industry specific size standard for each industry.<sup>77</sup>

The SBA generally “prefers to use average annual receipts as a size measure because it measures the value of output of a business and can be easily verified by business tax returns and financial records.”<sup>78</sup> However, historically, the SBA has used the number of employees to determine if manufacturing and mining companies are small. As a starting point, the SBA

presumes \$7.0 million as an appropriate size standard for the services, retail trade, construction, and other industries with receipts based size standards; 500 employees for the manufacturing, mining and other industries with employee based size standards; and 100 employees for the wholesale trade industries. These three levels, referred to as “anchor size standards,” are not minimum size standards, but rather benchmarks or starting points. To the extent an industry displays “differing industry characteristics,” a size standard higher, or in some cases lower, than an anchor size standard is supportable.<sup>79</sup>

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performance-review/index\_en.htm.

<sup>77</sup> For additional information and analysis concerning the SBA's size standards, see CRS Report R40860, *Small Business Size Standards: A Historical Analysis of Contemporary Issues*, by Robert Jay Dilger.

<sup>78</sup> SBA, Office of Government Contracting and Business Development, “SBA Size Standards Methodology,” April 2009, p. 8, at [http://www.sba.gov/sites/default/files/size\\_standards\\_methodology.pdf](http://www.sba.gov/sites/default/files/size_standards_methodology.pdf).

<sup>79</sup> *Ibid.*, p. 1. The SBA established 500 employees as the anchor size standard for the manufacturing industries at SBA's (continued...)

Before a proposed change to the size standards can take effect, the SBA's Office of Size Standards undertakes an analysis of the change's likely impact on the affected industry, focusing on the industry's overall degree of competition and the competitiveness of the firms within the industry. The analysis includes an assessment of five industry factors: (1) average firm size, (2) degree of competition within the industry, (3) start-up costs and entry barriers, (4) distribution of firms by size, and (5) small business share in federal contracts.<sup>80</sup> The SBA also considers several other secondary factors "as they are relevant to the industries and the interests of small businesses, including technological change, competition among industries, industry growth trends, and impacts on SBA programs."<sup>81</sup>

The SBA currently uses employment size to determine eligibility for 508 of 1,045 industries (48.6%), including all 364 manufacturing industries, 25 of 29 mining industries, and all 71 wholesale trade industries.<sup>82</sup> Most manufacturing industries have an upper limit of 500 employees (98 of 364 classifications, or 26.9%), 750 employees (92 of 364 classifications, or 25.3%), or 1,000 employees (90 of 364 classifications, or 24.7%). Some manufacturing industries have an upper limit of 1,250 employees (58 of 364 classifications, or 15.9%) or 1,500 employees (26 of 364 classifications, or 7.2%).<sup>83</sup> All 25 of the mining industries that use employment to determine eligibility have an upper limit of 500 employees. All 71 of the wholesale trades industries have an upper limit of 100 employees.<sup>84</sup>

The SBA currently applies one of nine employee-based industry size standards when determining an industry's small business size threshold (no more than 100, 150, 200, 250, 500, 750, 1,000, 1,250, and 1,500 employees).<sup>85</sup>

The SBA uses average annual receipts over the three most recently completed fiscal years to determine program eligibility for most other industries (531 of 1,045 industries, or 50.8%).<sup>86</sup> The SBA also uses average asset size, as reported in the firm's four quarterly financial statements for the preceding year, to determine eligibility for five finance industries, and a combination of number of employees and barrel per day refining capacity for petroleum refineries.<sup>87</sup>

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inception in 1953. Shortly thereafter, the SBA established a receipts-based anchor size standard of \$1 million in average annual receipts for the nonmanufacturing industries. The receipts based anchor size standard has been adjusted periodically for inflation.

<sup>80</sup> 13 C.F.R. §121.102.

<sup>81</sup> SBA, Office of Government Contracting and Business Development, "SBA Size Standards Methodology," April 2009, p. 1, at [http://www.sba.gov/sites/default/files/size\\_standards\\_methodology.pdf](http://www.sba.gov/sites/default/files/size_standards_methodology.pdf).

<sup>82</sup> The 508 count of industries using an employee-based size standard includes the combined use of number of employees and barrels per day of refining capacity for petroleum refineries.

<sup>83</sup> SBA, "Table of Small Business Size Standards," February 26, 2016, at [https://www.sba.gov/sites/default/files/files/Size\\_Standards\\_Table.pdf](https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf).

<sup>84</sup> *Ibid.* Since 1986, all industries in the wholesale trade sector have had the 100-employee size standard. For procurement purposes, the SBA's size standard is 500 or fewer employees for all industries in both the retail trade and wholesale trade sectors.

<sup>85</sup> Also, see SBA, "Small Business Size Standards: Industries With Employee Based Size Standards Not Part of Manufacturing, Wholesale Trade, or Retail Trade," 79 *Federal Register* 53647, September 10, 2014; and SBA, "Small Business Size Standards for Manufacturing," 79 *Federal Register* 54150, September 10, 2014.

<sup>86</sup> The annual receipts of a concern that has been in business for less than three complete fiscal years is determined by dividing the total receipts for the period the concern has been in business by the number of weeks in business, multiplied by 52. See 13 C.F.R. §121.104.

<sup>87</sup> SBA, "Table of Small Business Size Standards," February 26, 2016, at [https://www.sba.gov/sites/default/files/files/Size\\_Standards\\_Table.pdf](https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf).

The SBA currently has 16 receipt based industry size standards in effect, ranging from \$0.75 million or less to \$38.5 million or less.<sup>88</sup> In some instances, there is considerable variation in the size standards used within each industrial sector. For example, the SBA uses 10 different size standards to determine eligibility for 69 industries in the retail trade sector.<sup>89</sup> In general,

- most administrative and support service industries have an upper limit of either \$15.0 million or \$20.5 million in average annual sales or receipts;
- most agricultural industries have an upper limit of \$0.75 million in average annual sales or receipts;
- most construction of buildings and civil engineering construction industries have an upper limit of \$36.5 million in average annual sales or receipts, and most construction specialty trade contractors have an upper limit of \$15.0 million in average annual sales or receipts;
- most educational services industries have an upper limit of either \$7.5 million or \$11.0 million in average annual sales or receipts;
- most health care industries have an upper limit of either \$7.5 million or \$15.0 million in average annual sales or receipts;
- most social assistance industries have an upper limit of \$11.0 million in average annual sales or receipts;
- many professional, scientific, and technical service industries have an upper limit of \$15.0 million in average annual sales or receipts, but range from \$7.5 million to \$38.5 million; and
- most finance and insurance industries have an upper limit of \$38.5 million in average annual sales or receipts.<sup>90</sup>

### *European Commission's Size Standard*

When designing its size standard during the 1990s, the European Commission decided not to make distinctions, as the United States does, to account for differences in circumstances among particular industries. Although it recognized advantages to employing a sector-by-sector approach (e.g., taking into account variations across sectors), the European Commission decided to adopt a less complex and more readily understood size standard. As a 2012 European Commission report evaluating its size standard's methodology noted, "the sectoral approach does add a certain amount of complexity to the calculation and revision of ceilings and means that it is not possible to cite a simple, straightforward criterion that apply across the board."<sup>91</sup>

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<sup>88</sup> The receipts based size standards in use as of April 21, 2016 were no more than: \$0.75 million, \$5.5 million, \$7.5 million, \$11.0 million, \$15.0 million, \$18.0 million, \$19.0 million, \$20.5 million, \$25.0 million, \$27.5 million, \$29.5 million, \$32.0 million, \$32.5 million, \$36.5 million, \$37.5 million, and \$38.5 million. See SBA, "Table of Small Business Size Standards," February 26, 2016, at [https://www.sba.gov/sites/default/files/files/Size\\_Standards\\_Table.pdf](https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf).

<sup>89</sup> *Ibid.*

<sup>90</sup> The SBA also applies a \$550 million average asset limit (as reported in the firm's four quarterly financial statements for the preceding year) to determine eligibility in five finance industries: (1) commercial banks, (2) saving institutions, (3) credit unions, (4) other depository credit intermediation, and (5) credit card issuing. See SBA, "Table of Small Business Size Standards," February 26, 2016, at [https://www.sba.gov/sites/default/files/files/Size\\_Standards\\_Table.pdf](https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf).

<sup>91</sup> Centre for Strategy & Evaluation Services, "Final Report: Evaluation of the SME Definition," September 2012, p. 55, at [http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition_en.pdf).

After deciding to take an across-the-board approach, the European Commission examined existing small business definitions of other countries and its member states. After receiving recommendations from its member states, the European Commission focused on four criteria: (1) number of persons employed, (2) turnover (annual revenue), (3) balance-sheet total, and (4) independence (to ensure that the small business is not controlled by a large business or jointly controlled by several large businesses).

The European Commission stated in its communication announcing its SME size standards in 1996 that “the criterion of number of persons employed is undoubtedly one of the most important and must be regarded as imperative but that introducing a financial criterion is a necessary complement in order to grasp the real importance and performance of an enterprise and its position compared to its competitors.”<sup>92</sup> It dismissed a threshold of 500 employees because, in its view, 500 employees “is not truly selective, since it encompasses almost all enterprises (99.9% of the 14 million enterprises [at that time]) and almost three-quarters of the European economy in terms of employment and turnover.”<sup>93</sup> It also dismissed a threshold between 250 and 500 employees because, in its view, businesses of that size not only “often have very strong market positions but they also possess very solid management structures in the fields of production, sales, marketing, research and personnel management, which clearly distinguish them from medium-sized enterprises with up to 250 employees.”<sup>94</sup> For these reasons, adopting a threshold of 250 employees was viewed as the most appropriate threshold, especially given that a threshold of 250 employees was already “the most prevalent threshold among the definitions used” by its member states at that time.<sup>95</sup>

The threshold for turnover (revenue) for the last approved 12-month accounting period was initially set at €40 million because “according to Eurostat figures, the turnover of an enterprise with 250 employees does not exceed €40 million (1994 figures).”<sup>96</sup> The threshold for balance-sheet total was initially set at €27 million because that amount reflected the average ratio at that time between turnover and balance sheet total for smaller enterprises. It was anticipated that the ceilings would be amended “as the need arises” and “normally every four years from the adoption of this recommendation to take account of changing economic circumstances in the Community.”<sup>97</sup>

Because the SBA's size standard for most manufacturing and mining businesses is 500 employees (or higher), it was initially thought by many observers that the SBA's size standards were “more generous” than the European Commission's size standard. However, while the SBA's employment ceilings for manufacturing and mining industries exceed Europe's 250 employee threshold, the SBA's employment ceilings for wholesale trade (100 employees or fewer) and average annual revenue ceilings for services, retail, construction, and agriculture industries are lower than in Europe. The aforementioned 2012 European Commission report on its size standards concluded that

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<sup>92</sup> Commission of the European Communities, “Commission Recommendation of 3 April 1996 Concerning the Definition of Small and Medium-sized Enterprises,” *Official Journal of the European Union*, April 30, 1996, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31996H0280&from=EN>.

<sup>93</sup> *Ibid.*

<sup>94</sup> *Ibid.*

<sup>95</sup> *Ibid.*

<sup>96</sup> *Ibid.*

<sup>97</sup> *Ibid.*

clearly in opting for a single set of criteria for all sectors covered, the EU has in effect reduced the ceiling in manufacturing, but increased it in services. Given the relative weight of services in the modern European economy, it is not altogether clear, therefore, which definition is more “generous” at the international level.<sup>98</sup>

Moreover, an economic analysis conducted on behalf of the European Commission found that the United States has “an industrial structure where, taking employment as a reasonable proxy, a greater part of the overall economy takes place in larger enterprises than is the case in Europe.”<sup>99</sup> That analysis found that more than 40% of people in the United States work for firms with 300 or more employees, “as compared with 33% for firms with more than 250 in the EU.”<sup>100</sup> The analysis concluded that because of this difference, “the ceilings for defining small business are likely to be higher [in the United States], if the objective is to promote a similar degree of competitive pressure.”<sup>101</sup>

## Concluding Observations

The Small Business Act for Europe was the product of the political and economic context in which it was created. For example, its emphasis on creating jobs and targeting SME assistance to industries deemed essential to Europe’s competitive position in world commerce was largely a reaction to the growing realization that its economic future was no longer going to be primarily decided by how well its member states competed against one another, but by how well Europe as a whole competed against the rest of the world, particularly with the United States, Japan, and China.

In addition, its emphasis on assisting businesses engaged in research and innovation reflects the prevailing view in Europe that the nature of economic commerce is changing and that government has a role to play in helping European businesses adapt to an increasingly global and technological, knowledge-based economy. As the first sentence of the Small Business Act for Europe put it, “Managing the transition towards a knowledge-based economy is the key challenge for the EU today.”<sup>102</sup>

Given Europe’s economic circumstances, and lacking the legal authority to impose small business policies on its member states, the European Commission examined the small business policies in other nations, especially in the United States and Japan, and crafted 10 guiding principles it considered to best fit Europe’s needs in an increasingly interdependent and global economy—emulating some policies (e.g., access to capital) and taking a different direction in others (e.g., size standards). Of course, given their differing political and economic circumstances, what works well for Europe may not work as well in the United States, and vice versa. Nevertheless, as the Europeans have demonstrated, examining what other developed countries are doing to assist smaller enterprises can be useful as each nation considers which policies may work best for them.

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<sup>98</sup> Centre for Strategy & Evaluation Services, “Final Report: Evaluation of the SME Definition,” September 2012, p. 55, at [http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/studies/evaluation-sme-definition_en.pdf).

<sup>99</sup> *Ibid.*, p. 56.

<sup>100</sup> *Ibid.*

<sup>101</sup> *Ibid.*

<sup>102</sup> Commission of the European Communities, “Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, and the Committee of the Regions, ‘Think Small First’ A ‘Small Business Act’ for Europe,” June 25, 2008, p. 2, at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0394:FIN:EN:PDF>.

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