

OPPORTUNITIES FOR THE INTERNATIONALISATION OF EUROPEAN SMEs

Final report



European Commission
Enterprise and Industry

Opportunities for the internationalisation of European SMEs

Final Report

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Executive Summary

Small and medium-sized enterprises (SMEs) perform a critical role in the European economy. Europe's capacity to build on the growth and innovation potential of SMEs will be decisive for the future prosperity of the EU.

This study focuses on the opportunities for EU SMEs in markets outside the EU and the role of business support for such companies when accessing these markets. The study looks in particular at the support provided to SMEs in relation to seven key target markets: Brazil, Russia, India, China (BRIC), Japan, South Korea and Ukraine. In addition, some sections of the report consider the opportunities presented in five other target markets: Armenia, Azerbaijan, Belarus, Georgia and Moldova.

The main objectives of the study are to analyse the market potential for SMEs in the 12 third country markets, and to examine options to better connect European SMEs to these markets.

The activities carried out in the frame of this study include:

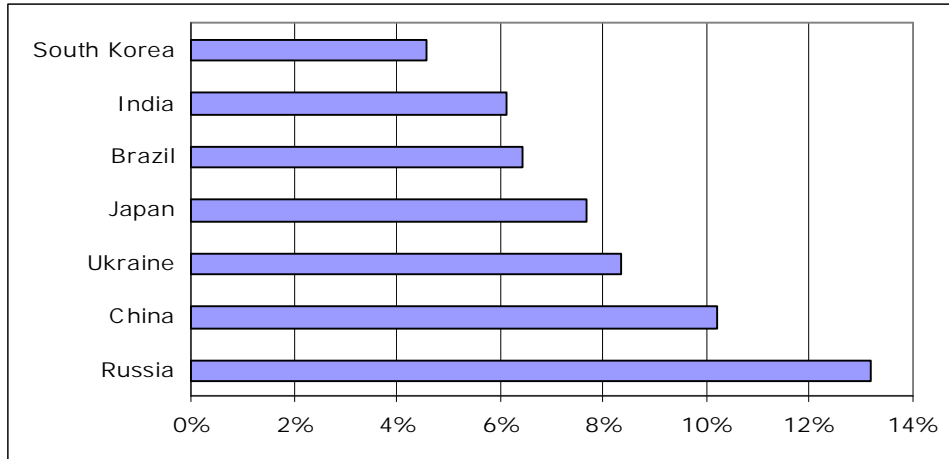
- A literature study;
- An analysis of trade flows between the EU and the target countries;
- Interviews with stakeholders in Brussels;
- A large scale survey among internationally active EU SMEs;
- An investigation of national policy measures supporting the internationalisation of EU SMEs;
- A meta analysis of existing evaluation studies of such measures;
- A second survey among EU SMEs that have business activities in non-EU markets;
- A third survey among SMEs that have used specific internationalisation support measures;
- Face-to-face interviews in the seven key target countries with organisations supporting European SMEs, and with European enterprises in these countries;
- Workshops in the seven key target countries with the people and organisations interviewed to discuss the findings and come up with policy suggestions;
- Final overall analysis and synthesis, developing policy options and recommendations.

The study concerns the support for the nearly 21 million SMEs located in the European Union. Up to 30% of European SMEs have had some sort of international business activities over the last few years. Of this group about half also had activities beyond the Single Market:

- some 14% of SMEs import from third markets ;
- some 13% export to third markets;
- some 3% are engaged in different forms of international (technical) cooperation;
- less than 1 % have own establishments in third markets.

Of the internationally active European SMEs only a small proportion currently has any business activities in the most interesting emerging markets. The percentages for the seven key target markets considered in this study are shown in Figure 1.

Figure 1 The percentage of internationalised SMEs that have business activities in the seven target countries (Brazil, China, India, Japan, Russia, South Korea and Ukraine)



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

Trade between EU and target countries

The study has shown that these seven key target markets are an increasingly important market for European enterprises. In 2000 17% of all EU exports went to these seven countries, in 2010 this was already 26%, as the growth of exports to these seven key target markets is much higher than the growth of the total exports of the EU27. The analysis also shows that the export growth of SME dominated sectors to these seven key target markets was even higher than for non-SME dominated sectors.

Exports from EU27 to China are by far the largest of all target markets. Russia is second, but for the other key target markets the volume is much smaller. Considering the specialisation of European exports it is interesting to note that for markets with the highest projected growth rates, i.e. China and India, SME exports are mainly specialised in medium technology sectors. But for India more could be done as the specialisation index for medium technology sectors is low compared to most other key target markets.

Barriers for international business activities

According to the EU SMEs the three most important barriers for doing business in markets outside the Single Market are:

- payment risks;
- difficult paperwork, i.e. bureaucratic procedures;
- lack of financing.

Some issues that are also much addressed by non-financial business support measures score just a bit lower:

- lack of adequate market information;
- laws and regulations in foreign markets;
- different national technical standards.

However it should be noted that according to a range of people who have been active for many years in assisting SMEs in starting up their activities in the seven

key target markets, many SMEs come out to these third markets without being adequately prepared ('they should do their homework').

Business support: supply, use and effect

To assist European SMEs to gain access to these promising markets and to develop their business, the Member States and the EU have put many business support measures in place. The study listed more than 300 support measures, most of them of a general nature (i.e. not specially focussed on markets outside the Single Market), but nearly 100 do focus especially on the seven key target markets. The relevance of these support measures is generally valued highly by representatives of the business community.

The study confirmed once more that very few support measures are properly evaluated. Most evaluations only consider what activities are carried out and the satisfaction of enterprises participating but do not provide information about the effectiveness of the support: additional exports, additional employment etc. However the small number of evaluation studies that could be identified show rather positive effects.

A main finding from the surveys is that nearly three quarters of all internationally active SMEs are not aware of existing support measures. From among the 27% that are aware, only about 26% - which is 7% of all internationalised SMEs - report using such support. However those SMEs that do participate in support programmes generally are rather positive about their effect and effects are greater for the seven key target markets than in general.

The types of public support from which European SMEs expect most effect for the seven key target markets generally relate to:

- assistance with identifying business partners in these countries (61% expect this measure to be effective or very effective);
- providing adequate information on market opportunities (61%);
- providing adequate information on rules and regulations (58%).

In six out of the seven key target markets, these three support measures figure in the top-5 of measures that are expected to be most effective.

Based on a more limited group of 512 SMEs¹, it was found that more than half of all respondents were positive about the accessibility of the programmes. About three quarters of the participants are satisfied overall with the programmes on the basis of the quality of information, experience of advisors, usefulness of advice and of contacts made. Only 5 to 10% are not satisfied.

Using these 10 support programmes affects the business activities significantly:

- 42% have more international business because of this support;
- 25% would not have started these activities without the support;
- 25% started international business activities earlier;
- 23% reported no immediate effect (international activities would also have taken place without the support).

¹ Those that participated in 10 groups of support programmes of either Member States such as Passport to Export in Poland or European programmes such as the Gateway to Japan and to Korea programmes.

The average effect of the support programmes on the businesses is as follows:

- an increase in turnover in the target market of 28%;
- an increase in total turnover of the firm of 11%;
- 3 jobs attributed to using the support (created or saved);
- some 12% of the next years' turnover attributed to the support.

Support services offered in the seven key target countries

Support services for businesses in all the target countries have been developed in response both to the opportunities presented and to the difficulties encountered. Some support services are offered by nearly all service providers, e.g. pre-market entry advice and information; information on rules and regulations and business cooperation and networking. Other services are offered by only a small minority, e.g. coaching; mentoring and easing access to local finance. The situation also varies considerably across the seven key target markets. Most of the required services are provided to some extent in all the target countries, but there appears to be a need to better coordinate existing support rather than to introduce new types of support service.

Gaps in the support services in the seven target countries

Through the country studies, a qualitative assessment was undertaken of business support services provided. The following shortcomings could be identified:

- There is a significant problem for some SMEs because not all EU countries provide support: several Member States have a well established and wide network, for other Member States this is not the case.
- Some of the smaller EU countries and new Member States were found to be less proactive in providing support services for SMEs.
- In a number of target countries, there are no lobbying services specifically for SMEs. Lobbying activities tend to favour and are funded by larger corporations where SME interests are underrepresented.
- In several countries, there was an absence of information about the types of business support service on offer. The survey results also suggest that the level of awareness of support measures on the part of European SMEs is limited.
- One of the problems identified was the tendency for support services to be offered only in the largest cities, since all service providers from different Member States tend to locate in the same cities, leaving many commercially interesting local markets un-served.
- When support services are available, the extent of provision is often insufficient to meet the needs.
- Services are not always well adapted to meet the varying strategies adopted by SMEs.

Support services required

There is a variety of support offered, often responding to local circumstances, but frequently not provided on a sufficient scale or available to all EU SMEs. Examples of support gaps include:

- Assistance to identify human resources in some countries;
- Information on the local business environment, in particular in countries with an unstable regulatory environment.
- An on-line information portal with reliable, consistent and regularly updated information in English would be very helpful.
- Information on market opportunities at a regional level.
- In some countries there is a lack of matchmaking events for EU SMEs.
- Lack of coordination between organisers of trade missions.

- Assistance in finding reliable business partners in some countries.
- There are major differences in the provision of office facilities between countries.
- In some countries the provision of information on technical standards is better developed than in others.
- Interesting examples exist of providing coaching to EU SMEs, e.g. on contract negotiation practices.

Principles of providing support at an EU level

It is important to observe the principles of best practice business support, including:

- providing support to SMEs only if the private sector is not offering support at reasonable conditions (i.e. there is a market failure);
- beginning with the needs of SMEs, rather than concentrating on what agencies can currently provide;
- avoiding stand-alone initiatives;
- aiming to build the general management capacity of enterprises, as well as addressing the immediate problem.

These considerations led to a balanced package of support measures, structured around:

- Initial, broadly based services;
- Training;
- Financial support;
- Information and intelligence;
- Contacts & partnership;
- Advice & capacity building;
- Business and professional services;
- Representation & lobbying.

Overall recommendations: internationalisation support at a European level

There is an important strategic role for the European Commission, particularly with regard to co-ordination at a European level which could deliver additional value and promote greater efficiency.

Raising the profile of support for internationalisation is required within the context established by Europe 2020.

The overall policy stance has to be supported by practical developments and build on what already exists. There could be an important role for the European Commission in prompting developments at a Member State level and in co-ordinating the interaction between national agencies.

Co-ordination of appropriate services 'at home' and improved preparation of SMEs is essential for ultimate success. This needs to be done at a regional or national level and could usefully involve the Enterprise Europe Network which is in a position to play a critical part in these developments

In the target third countries, provision is fragmented, there is often duplication or services running less than optimally, e.g. because all service providers from different Member States tend to locate in the same cities and regions. The whole system could benefit from some rationalisation and this would include providing greater scope for existing agencies.

It is only from within a consistent, methodical approach to business support, that the particular needs of specific SMEs in the specific target markets can be properly

addressed. Partial or inconsistent assistance can be worse than no help at all, since it can lead firms to expend effort and funds, only to fail at the next hurdle.

An existing EU SME Centre could provide the necessary co-ordination by acting as a hub in the target country linking all support service organisations and acting as a more effective counterpart to the measures 'back home'. The range of activities of the EU SME Centre could include:

- Direct services
- Common services
- Liaison with Enterprise Europe Network partners
- Co-ordination: acting as the counterpart of co-ordinating bodies at a national level in the EU
- Signposting
- Efficiency gains: Identifying areas where co-operation between European agencies and authorities can increase the effectiveness of all of them.

An important consideration is that many of the elements for a relatively complex system are already in place.

Building upon the existing sources of information, there is room for the Commission to develop an information portal for EU businesses offering useful and up-to-date data information on regulations and procedures and other information about third countries.

Co-ordination of service provision in third countries need not be apparent to SMEs, except in that a noticeably better service is provided.

1 Introduction

1.1 Background and objectives of the study

Small and medium-sized enterprises (SMEs) perform a critical role in the European economy. Europe's capacity to build on the growth and innovation potential of SMEs will be decisive for the future prosperity of the EU.

The place of SMEs¹ in the European economy can be illustrated by the data presented in Table 1.1. Data about SMEs in the EU can be found in the annual report on European SMEs. It provides an overview of the size, structure and importance of SMEs and their contribution to growth and jobs. There are nearly 21 million SMEs in EU27. Table 1.1 provides some of the main indicators, collected from several tables in this report.

Table 1.1 Main indicators of EU SMEs

	micro	small	me- dium	SMEs	Large	Total
Number of enterprises	91.8%	6.9%	1.1%	99.8%	0.2%	100.0%
Employment	30%	21%	17%	67%	33%	100%
Number of occupied persons per enterprise	2	19	100	4	1006	6
Value added at factor costs	21%	19%	18%	58%	42%	100%

Source: European Commission, DG Enterprise and Industry².

The Small Business Act (SBA) for Europe adopted in June 2008 and reviewed in 2011 recognises the important role of SMEs in the economy and aims to promote SMEs' growth by helping them tackle barriers that hamper their further development.

The SBA seeks to provide support to SMEs to benefit from the growth of markets outside the EU, in particular by providing support to improve access to international markets. This study was initiated in this context to identify what support could effectively and efficiently be provided to connect European SMEs better to the largest and most dynamic emerging markets.

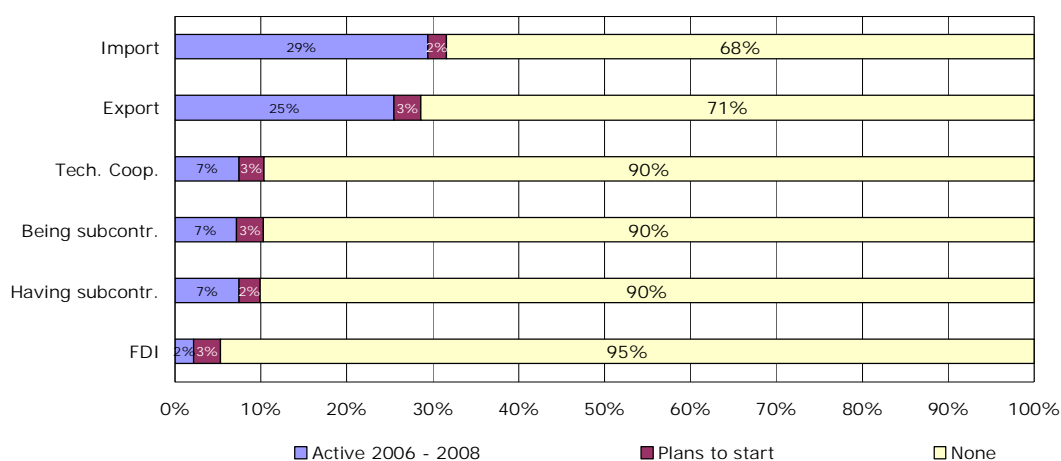
In order to understand the objectives of the current study, it is useful to present some facts and figures about the internationalisation of EU SMEs in general. An

¹ Enterprises qualify as micro, small and medium-sized enterprises (SMEs) if they fulfil the criteria laid down in Recommendation 2003/361/EC which are headcount, turnover, and balance sheet total. If an enterprise does not fulfil the criteria for an SME, it is a large-scale enterprise (LSE). For statistical purposes, enterprises are classified using the headcount criterion only. Enterprises with a headcount of less than 10 are micro enterprises, with 10-49: small enterprises, and with 50-249: medium-sized enterprises.

² European SMEs under Pressure, Annual Report on EU Small and Medium-sized Enterprises 2009, published on: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

earlier study for DG Enterprise and Industry showed that the highest share of SMEs is engaged in importing (29%). Some 25% of all EU SMEs are engaged in exporting. Importing and exporting often coincide within the same enterprises. Of all enterprises in EU27 that either import or export, more than 40% are active in both ways. It is also relevant to note that some two thirds of them started with importing. So, importing can be an important stage in the internationalisation process of SMEs. Figure 1.1 presents an overview of different types of internationalisation.

Figure 1.1 Percentage of SMEs in EU27 involved in international business activities, having concrete plans to start such activities or none at all. For various modes of internationalisation



Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

It should be noted that this concerns all activities of SMEs that involve crossing national borders and so it includes activities involving other EU Member States as well. Only about half of these internationally active SMEs were also active outside of the Internal Market: in the period 2006-2008 14% of internationally active SMEs were importing from non-EU countries and 13% were exporting to these countries¹. Obviously, those SMEs that are active beyond the Single Market, most often also have activities in other Member States, so the overall picture is:

- Only active within Europe 46%;
- Active both within and beyond Europe 45%;
- Only active beyond Europe 9%.

In addition it should be realised that even when only considering SMEs in EU27 that have international activities, the largest share² of their turnover is from clients within their own country:

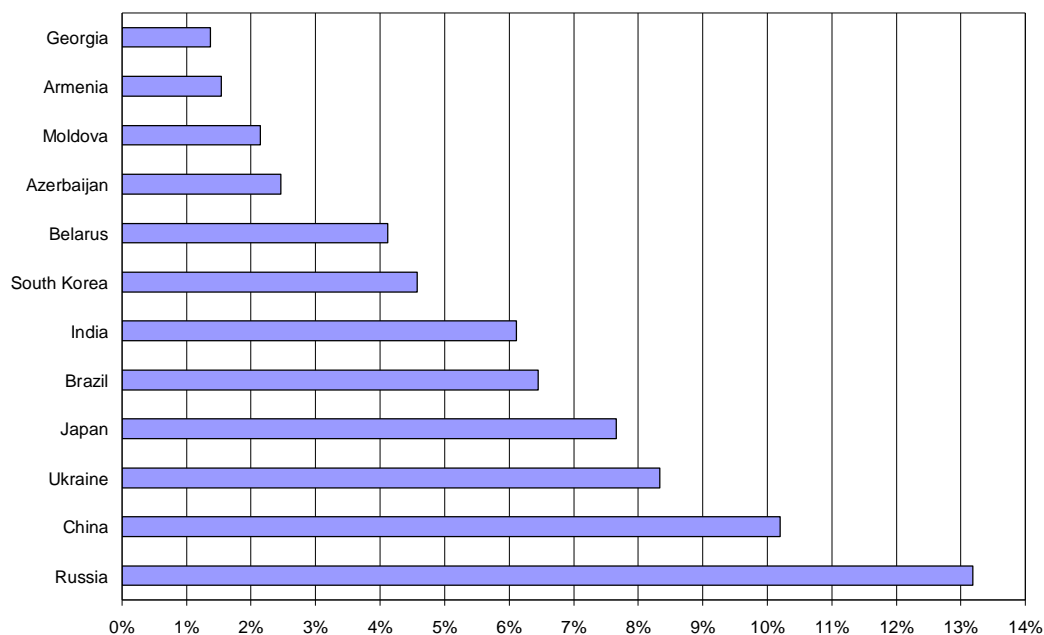
- 71% within own country;
- 19% from other EU Member States;
- 10% from outside the EU.

¹ Source: Survey 2009 EIM/GDCC (N=9480), see report Internationalisation of European SMEs, published at website of DG Enterprise and Industry.

² These are percentages as directly stated by responding SMEs, weighted by the number of SMEs by size, sector and MS, but not weighted by turnover.

Finally as this study focuses on the 12 target markets mentioned before, Figure 1.2 shows the percentage of internationalised SMEs that have any business activities in one of these 12 target countries, ranging from only some 2% for Georgia, Armenia, Moldova and Azerbaijan to 5-13% for the 7 key target markets.

Figure 1.2 The percentage of internationalised SMEs that have business activities in the 12 target countries



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- The vast majority of EU enterprises (92%) are micro firms;
- 42% of EU SMEs are engaged in some form of internationalisation;
- 25% of EU SMEs are exporting;
- 13% of EU SMEs are exporting to third countries;
- Importing is often the first stage in the internationalisation process for SMEs;
- Only 10% of the turnover of the (42%) internationalised SMEs is from clients in third countries;
- Focusing on the 12 target countries studied, EU SMEs are especially active in Russia and China.

1.2 The study

The study focuses on the opportunities for EU SMEs in markets outside the EU. It looks in particular at support provided to SMEs in relation to seven key target markets: Brazil, Russia, India, China (BRIC), Japan, South Korea and Ukraine. In addition, in some sections of the report five other target markets¹ are considered: Armenia, Azerbaijan, Belarus, Georgia and Moldova.

¹ Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine are the Eastern Partnership Countries.

Overall the study has three key objectives:

- 1 To analyse the market potential for SMEs in the 12 third country markets.
- 2 To examine options to better connect European SMEs to these markets.
- 3 To evaluate and propose specific measures to facilitate the access of European SMEs to these markets.

The study aimed to assess the provision of business support measures to EU SMEs in target countries. In doing so, the following intermediate deliverables are considered:

- Market potential of the countries considered (e.g. growth in the economies concerned);
- (Potential) interest of European SMEs in becoming active in these markets (potential target group for support measures);
- Type of support wanted by European SMEs to allow them to access these markets;
- Description of the characteristics and functioning of a selected number of existing business support measures focusing on assisting European SMEs to enter third markets, i.e. markets outside the EU;
- Experience of, and judgment by, European SMEs regarding existing business support measures for international business activities in third countries (relevance, accessibility, ease of use, etc.);
- Perceived contribution of such measures to the performance of participating SMEs in terms of: initiating exports to that market (or other types of international business), growth of exports, time required to build up market position in that country, etc. and the estimated associated effect on the overall performance of that SME (turnover growth, employment growth);
- In order to avoid duplication of efforts and to avoid unfair competition with private suppliers of business support services, attention should be paid to 'subsidiarity' and 'market-gap' issues.

Considering the objectives, scope, tasks and outputs of the study, the following clusters of activities have been developed:

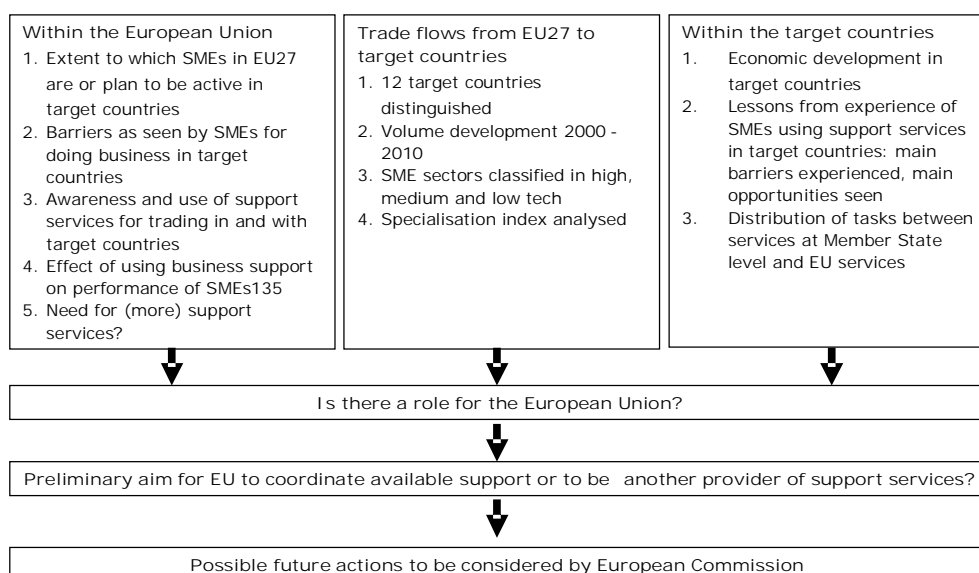
- Collect and analyse data on international trade flows between EU27 and the 12 target countries and data on the economic development of these 12 target countries.
- Identify existing support measures implemented by the Member States.
- Perform a meta-analysis of evaluation studies of support measures that have been carried out, where these have considered the internationalisation of businesses.
- Carry out a random telephone survey in the 27 Member States of SMEs with international activities.
- A second survey among those of the respondents to the first survey that have business activities in markets beyond the EU to focus more on the use and effects of internationalisation support measures.
- A third survey among groups of SMEs from various Member States that have used specific internationalisation support measures, to ask about their satisfaction with the support and assess the effects on their business performance.
- Face-to-face interviews in the seven key target countries with some organisations supporting European SMEs and with some European enterprises that have practical experience with market access issues and/or local enterprises that do business with European enterprises.

- Workshops in the seven key target countries with all the people and organisations interviewed to discuss the findings and come up with policy suggestions.
- Talk to various organisations in Europe, both at EU and Member State level.
- Final overall analysis and synthesis, developing policy options and recommendations.

1.3 Structure of the report and guide to the reader

The elements of the study as described in the previous section are summarised in Figure 1.3.

Figure 1.3 Schematic overview of study elements



Source: EIM 2011

The results of the study are presented in this Final Report and 10 Background Documents. The Background Documents are mainly technical documents presenting the results of the different study clusters. Most Background Documents can be read independently of the Final Report. The results of all of the study clusters, together with the overall analysis and recommendations are however presented in this Final Report.

This Final Report consists of three chapters. The introduction is provided in Chapter 1. The approach to the study and the description of the tasks carried out in each cluster of activities is described in Annex I, which also presents the relationship between the activities: what has been done in each cluster and why? In Chapter 2 the main results of all clusters are presented: the trade analysis; the inventory of support measures in the EU Member States; the meta-analysis of the policy evaluation studies that have been identified; three different surveys carried out among EU SMEs; and an overall analysis of the country studies carried out in the seven target markets. The analysis of the findings focussing on the policy implications is presented in Chapter 3.

Annex II presents the AI-Invest programme, as an example of a policy programme with a built-in performance indicator. In Annex III, the support services available in the seven key target markets are listed. Annex IV presents a typology of support services provided in the same markets. The 10 Background Documents prepared for this study are listed in Annex V of this report. Each section of this Final Report makes reference to the relevant contributing Background Document.

2 Main results

2.1 Introduction

In this Chapter the main results of all research activities are presented. In Paragraph 2.2 the results of an economic analysis of EU trade flows with the US and the target countries are set out. The most recent data from Eurostat have been used to analyse the structure and development of EU exports. Attention is paid to the degree of technology involved in the exports⁷. Paragraph 2.3 reports on the major effort involved in the investigation of existing support measures in the EU Member States that stimulate the internationalisation of businesses. More than 300 measures have been identified. Attention is paid to the type of support and their budgets, and an assessment of them is made. In paragraph 2.4 evaluation studies of policy measures are analysed. Surprisingly few measures have been properly evaluated. Paragraph 2.5 is devoted to three surveys carried out among EU SMEs. They have provided a wealth of information about the international activities of EU SMEs in third countries. Finally in paragraph 2.6 the seven country studies are analysed. Based on desk research, interviews with stakeholders in the seven countries and workshops with all stakeholders, a picture has emerged of the situation in the seven countries and the opportunities available.

2.2 Economic analysis of trade flows⁸

Europe 2020 is the EU's growth strategy for the coming decade. The EU wants to become a smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion. Given the objectives of the Europe 2020 strategy, it is relevant to consider in this study the international trade flows of the EU with the 12 target countries in terms of low tech, medium tech and high tech products. In most markets analysed medium-tech sectors do better than high-tech sectors. However, European medium- and high tech sectors do better, as one would expect, than low-tech sectors.

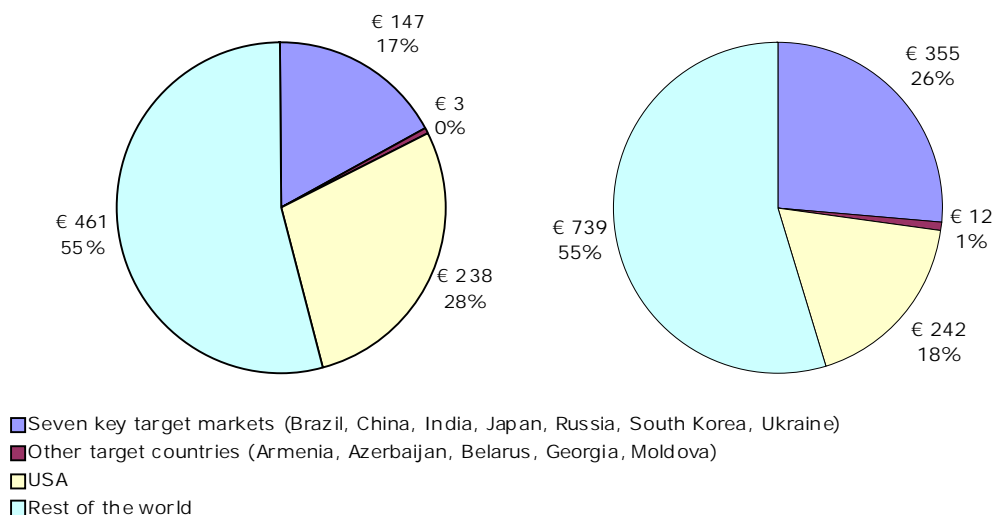
The analysis of trade data firstly concerns data on export flows from EU27 to the 12 target countries in the period 2000-2010 (up to October 2010).

Figure 2.1 illustrates the increasing importance of the seven key target countries as the share of exports to these countries in overall EU exports has risen from 17% in 2000 to 26% in 2010. Since 2000, exports to the seven key target markets have increased considerably while exports to the USA have decreased.

⁷ The technology level of exports is based on the classification of "SME sectors" in high, medium and low technology as shown in Table 2.3, based on Eurostat conversion tables.

⁸ For more details see Background Document 1 International Trade Flows and Economic Development in Target Countries.

Figure 2.1 Share of EU27 external export (value in billion euro) for 7 key target countries and USA, 2000 (left) and 2010 (right)



Source: Eurostat.

Figure 2.2 shows the development of the export value of SME sectors from 2000 to 2010 (index 2000=100) to the seven key target markets (Brazil, China, India, Japan, Russia, South Korea and Ukraine); the five other target markets (Armenia, Azerbaijan, Belarus, Georgia and Moldova) and the USA to allow comparisons.

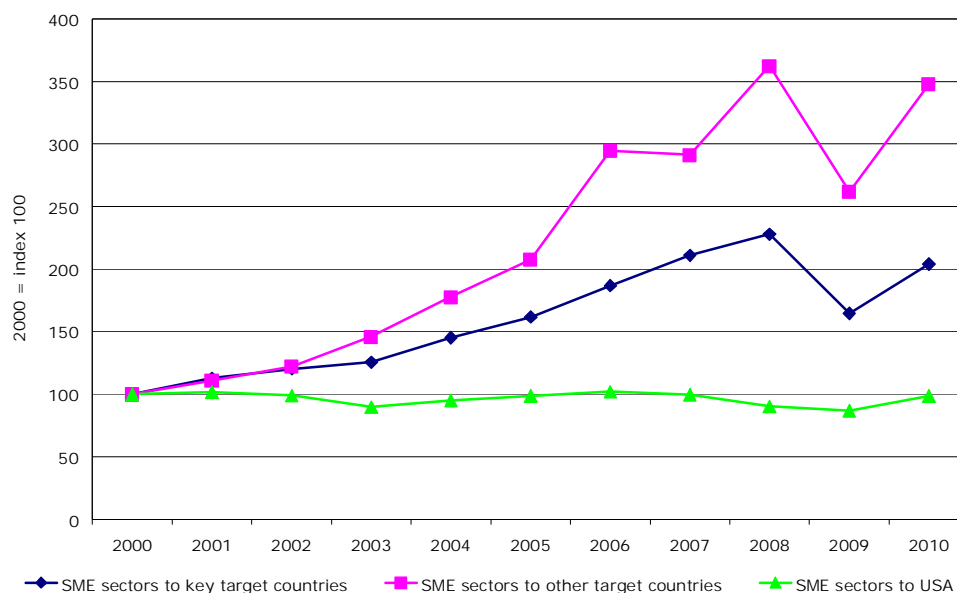
Figure 2.2 shows two phenomena:

- from 2000 to 2008 the growth of EU27 exports to the five other target markets was even higher⁹ than growth of exports to the seven key target markets (the volume of exports to the USA did not change much from 2000-2008, the development of overall EU exports – not shown in Figure 2.2 – was somewhere in between the exports to the seven key target markets and the exports to the USA);
- Looking solely at the development from 2008 to 2009 for the SME sectors, exports to the seven key target countries and to the five other target countries both fell by 28 % due to the financial crisis compared to 3.9 % for the US. But exports to the seven key target countries recovered strongly in 2009-2010 which reflects the fact that some of the key target countries – e.g. China – have managed to get through the crisis relatively well (As shown in Table 2.1 below, China and Russia together represent– in 2010 –about 55% of all EU27 exports to the 7 key target markets).

The prospects for economic recovery look encouraging with the IMF projecting substantial economic growth by 2014 for 6 of these 7 countries, ranging from nearly 4% in Brazil to close to 10% in China. Japan was already the only exception (projected growth only 1.8%): given the disasters in March 2011 the entire situation is presently even more worrying.

⁹ Although starting from a very low base. Figure 2.2 and other subsequent graphs in this section show developments of index numbers. The absolute level for the 7 key target markets and the 5 other target markets is already quite different in 2000, but the indices are all set to 2000=100.

Figure 2.2 Development in EU-exports of SME sectors 2000-2010 (value) to seven key target countries, other target countries and USA



Notes:

1. Seven key target countries: Brazil, China, India, Japan, Russia, South Korea and Ukraine.
Five other target countries: Armenia, Azerbaijan, Belarus, Georgia and Moldova.
2. Estimates for 2010 are based on data from Eurostat for January-October 2010.

Source: Eurostat.

An indication of the present importance of the 12 target markets for SME exports from EU27 is shown in Table 2.1. The overwhelming importance of China and Russia is clear. Also India, Japan, South Korea and Brazil are still rather important as EU27 exports to each of these target countries are still more than 25% of the volume of (SME) exports to China.

The EU exports to the other five target countries are still very modest (but growing fast). It is also interesting to note that the percentage of exports accounted for by SME sectors varies substantially between the different target countries. This share is only 39% in Georgia, while it is as high as 60% and 62% in the neighbouring countries Azerbaijan and Armenia.

Table 2.1 Exports from EU27 to 12 target countries, January - October 2010 (ranked by approximate volume of SME exports)

	Total export (million €)	Index (China = 100)	Percentage of export by SME sectors	Approximation SME export(*) (million €)	Index (China=100)
China	80,816	100	50%	40,085	100
Russia	59,453	74	56%	33,353	83
India	25,497	32	59%	15,145	38
Japan	31,811	39	46%	14,697	37
South Korea	20,512	25	51%	10,543	26
Brazil	23,301	29	43%	9,926	25
Ukraine	11,780	15	53%	6,220	16
Belarus	4,471	6	56%	2,481	6
Azerbaijan	1,701	2	60%	1,014	3
Moldova	1,062	1	53%	567	1
Georgia	794	1	39%	306	1
Armenia	369	0	62%	229	1

Note: * This is an approximation only. Not all exports in SME dominated sectors are by SMEs. While on the other hand SMEs in non-SME dominated sectors also export.

Source: Eurostat.

Another distinction, between the three groups of countries as export markets for the EU, is the varying importance of different industries (Table 2.2). The chemical industry is by far the most important exporter to the USA – the value of its exports is almost 50% higher than the export of the second largest export industry, manufacture of transport equipment.

The chemical industry is also of great importance for the seven key target countries; however machinery and equipment as well as transport equipment are of even larger significance in terms of export value. The same is the case for the other target countries, where machinery and equipment also have the largest export value.

Table 2.2 EU-exports (million €) January-October 2010 by sector

Sector	Seven key target countries	Other target countries	USA
Agriculture, hunting and forestry	3,723	234	762
Mining and quarrying	1,121	20	3,082
Mfg. of food prod., beverages & tobacco	15,782	595	13,868
Mfg. of textiles and textile products	9,970	476	4,301
Mfg. of wood, wood products, publishing & printing	8,134	274	2,608
Mfg. of coke, refined petroleum prod., chemicals	46,511	1,538	58,010
Mfg. of rubber & plastics prod. & other non-metallic prod.	9,351	480	5,950
Mfg. of basic metals & metal products	19,901	672	11,201
Mfg. of machinery & equipment n.e.c.	54,142	1,838	20,079
Mfg. of electrical & optical equipment	34,796	1,208	27,665
Mfg. of transport equipment	50,408	1,386	39,280
Mfg. of furniture; manufacturing n.e.c.	9,995	455	6,088

Note: Seven key target countries: Brazil, China, India, Japan, Russia, South Korea and Ukraine.

Five other target countries: Armenia, Azerbaijan, Belarus, Georgia and Moldova.

Source: Eurostat.

This study focuses on internationalization opportunities for European SMEs. However, neither trade statistics nor FDI-statistics provide information on exports or investment by SMEs. Therefore, as a proxy for SME exports, sectors have been classified according to the share of SMEs in total value added in European production. Manufacturing sectors where SMEs account for more than 50% of total value added have been named "SME sectors". Secondly, the links between SME sectors and product groups have been identified based on Eurostat conversion tables. In addition, product groups have been divided into high-, medium- and low-tech products according to Eurostat conversion tables. The following table lists the industries identified in the three categories, where SMEs are particularly active.

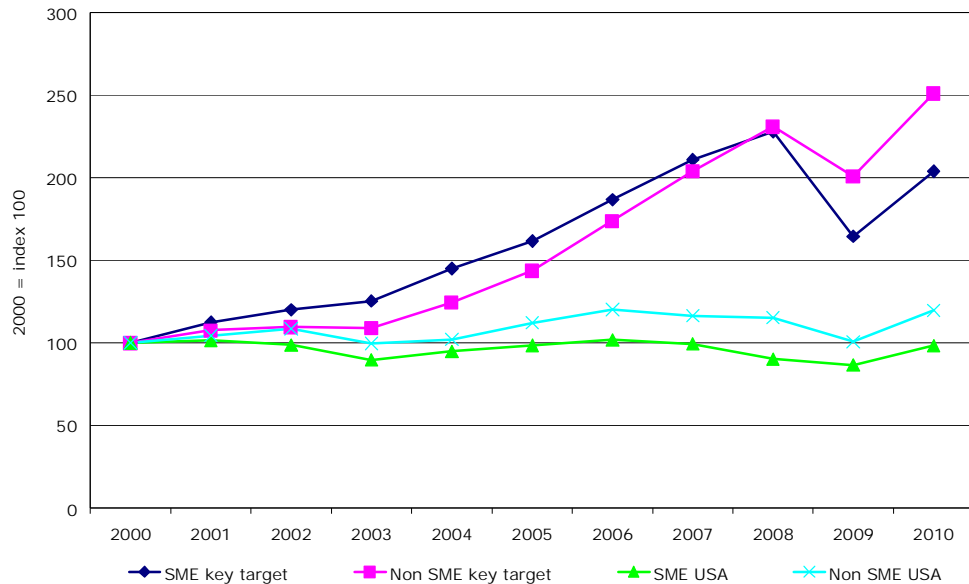
Table 2.3 Classification of industries by technology level

Sector	Industries within sector
High technology	Manufacture of medical, precision and optical instruments
Medium technology	Manufacture of machinery and equipment Manufacture of rubber and plastics Manufacture of other non-mineral products Manufacture of fabricated metal products
Low technology	Publishing, printing and reproduction of recorded media Manufacture of wearing apparel Manufacture of furniture Manufacture of textiles Manufacture of wood and products of wood and cork Tanning and dressing of leather

Source: Eurostat.

Figure 2.3 shows that the SME sector has done slightly better than the non-SME sector with respect to the key target markets. From 2008 to 2009, the exports in the SME sector dropped significantly, but increased again from 2009 to 2010. This is encouraging as it suggests further opportunities for the SME sector.

Figure 2.3 Development in EU-exports 2000-2010 (value), SME sectors and non-SME sectors



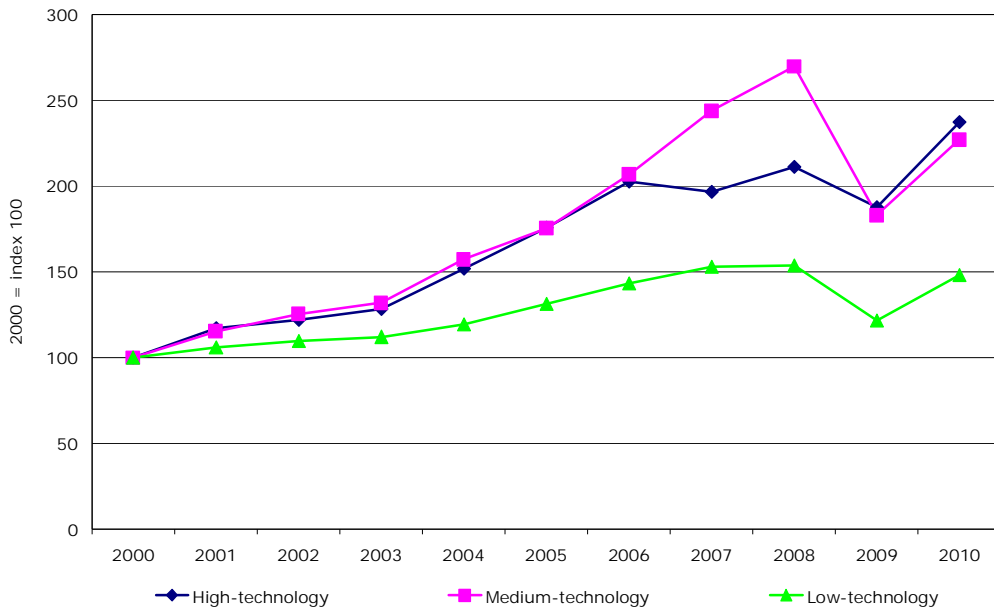
Note: Estimates for 2010 are based on data from Eurostat for January-October 2010.

Source: Oxford Research and Eurostat.

Figures 2.4, 2.5 and 2.6 show how the three technology sectors have developed from 2000 to 2010 for the three types of target market.

Looking at the development of the SME sector with regard to exports from EU27 to the 7 key target markets, i.e. Brazil, China, India, Japan, Russia, South Korea and Ukraine, Figure 2.4 shows that the medium and high technology sectors have done relatively well compared to the low technology sector.

Figure 2.4 Development in EU-exports 2000-2010 (value) to the seven key target countries, by technology sector



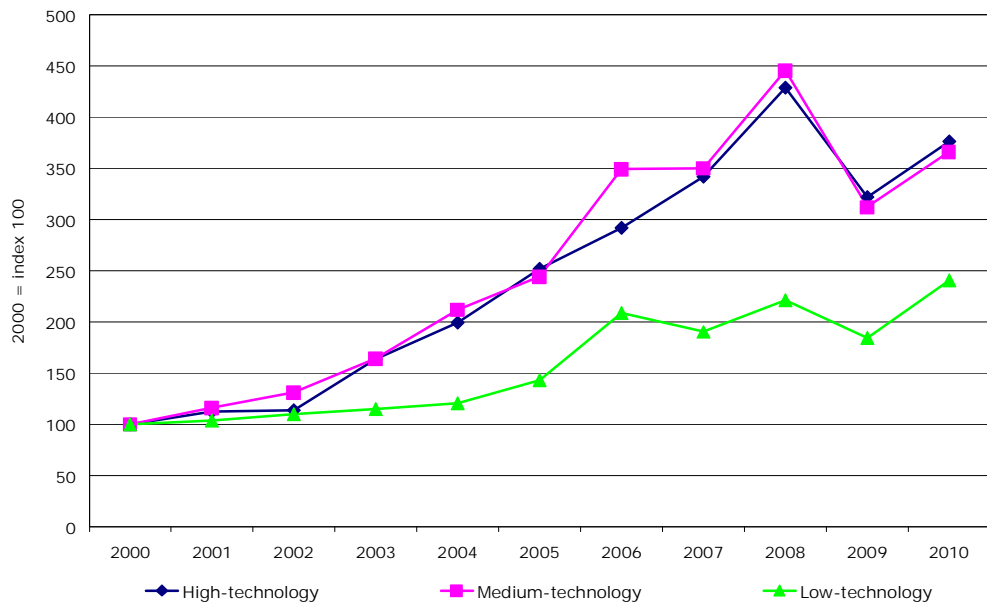
Notes:

1. Seven key target countries: Brazil, China, India, Japan, Russia, South Korea and Ukraine.
2. Estimates for 2010 are based on data from Eurostat for January-October 2010.

Source: Oxford Research and Eurostat.

As shown in Figure 2.5, the same holds for the five other target markets, i.e. Armenia, Azerbaijan, Belarus, Georgia and Moldova: the low technology sector is outperformed by the medium and high tech sectors in terms of increase in volume over the period 2000-2008.

Figure 2.5 Development in EU-exports 2000-2010 (value) to five other target countries, by technology sector



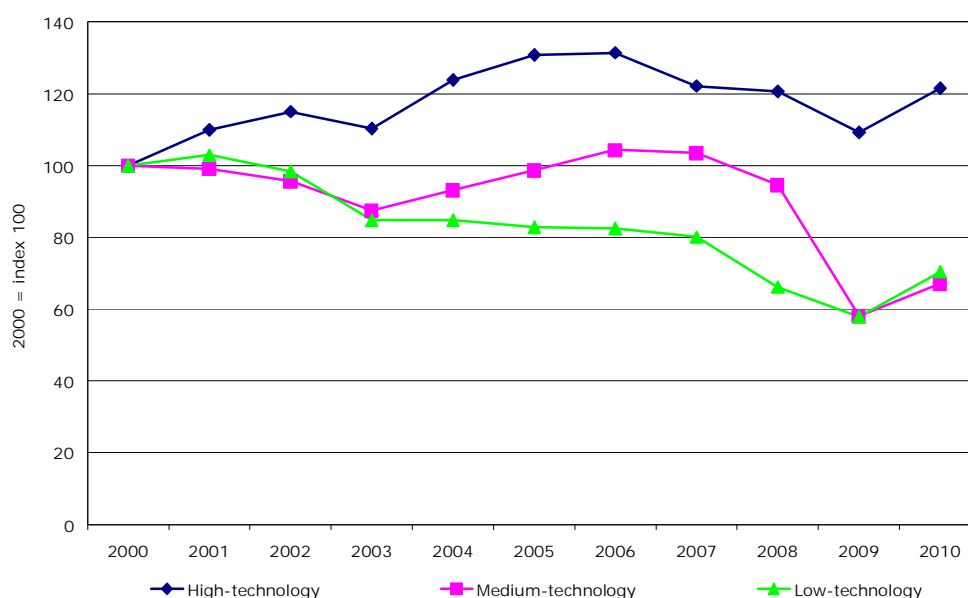
Notes:

1. Five other target countries: Armenia, Azerbaijan, Belarus, Georgia and Moldova.
2. Estimates for 2010 are based on data from Eurostat for January-October 2010.

Source: Oxford Research and Eurostat.

With regard to exports to the USA, the picture is somewhat different (Figure 2.6). Again the high technology sector performed relatively well, but the medium technology sector showed a different pattern. A decrease in the period 2000-2003 (similar to the low-technology sector), subsequently an increase reaching an index figure above 100 in 2006 and 2007, but then decreasing sharply – especially in 2008 – to reach the same low level as the low technology sector (index below 60) in 2009. In 2010 the exports of all technology sectors increased again.

Figure 2.6 Development in EU-exports 2000-2010 (value) to USA, by technology sector



Note: Estimates for 2010 are based on data from Eurostat for January-October 2010.

Source: Oxford Research and Eurostat.

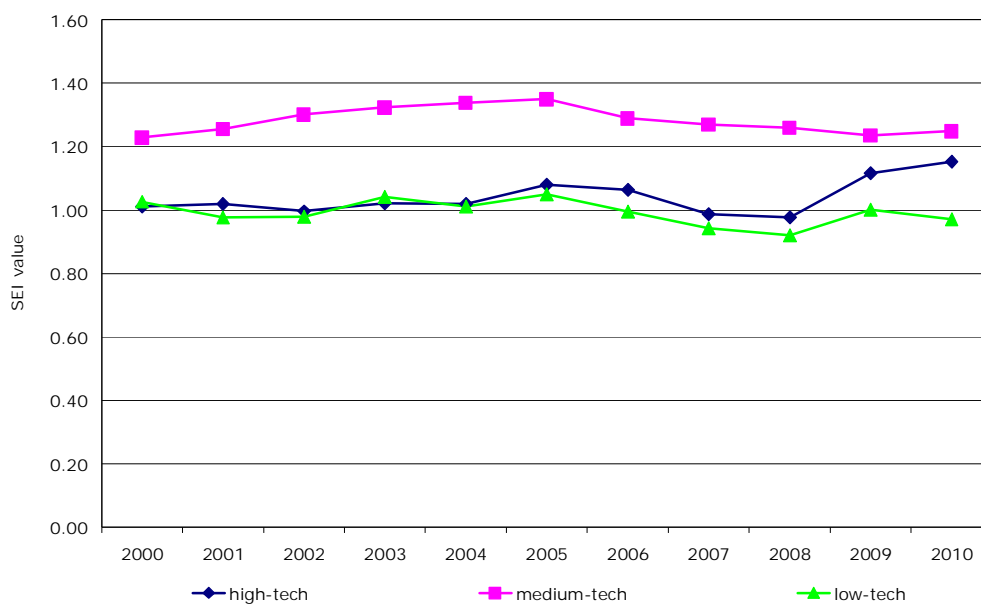
The low technology sector has experienced the least positive development of the three sectors in the seven key target markets, the five other target countries and the USA. The sector also seems to have been the least affected of the three by the financial crisis.

In addition to indexed export figures, with 2000 as the baseline year, the study has explored the development over time of a specialisation index for various markets and types of export good. This so called Sector Export Index (SEI)¹⁰ indicates which sectors are most competitive in terms of exports for each of the target countries.

As shown in Figure 2.7, the low technology SME sector shows the least degree of specialisation for the seven key target countries in total, indicating that EU27 is exporting relatively less low technology commodities to the seven key target markets than to the world as a whole. Medium-tech shows the largest export specialisation of the three industry groups for the seven key target markets. High tech exports are doing only slightly better than low-tech, suggesting that these sectors need more attention in order for the EU to benefit from the high growth rates in these markets. However developments over the last years are encouraging as high tech increased substantially after 2008.

¹⁰ The SEI is the ratio between the share of a particular sector or a commodity in the export to a particular country and the share of that sector or commodity in the export of the EU27 to the world. If for example the share of machinery in the EU27 export to that particular country would be 12%, whereas the share of machinery in the overall EU27 export would be 8%, the SEI for that country will have a value of $12/8=1.5$ and we conclude that EU27 is specialising in machinery in its exports to this particular country. So the value of SEI above and below 1 is seen as over- respectively under-specialization.

Figure 2.7 Development in specialisation of EU-exports 2000-2010 to the seven key target countries (SEI). SME sectors by technology level



Notes:

1. Seven key target countries: Brazil, Russia, India, China, South Korea, Japan, and Ukraine.
2. The Sector Export Index (SEI) is the ratio between the share of a particular sector or commodity in the export to a particular country and the share of that sector or commodity in the export of the EU27 to the world.
3. Estimates for 2010 are based on data from Eurostat for January-October 2010.

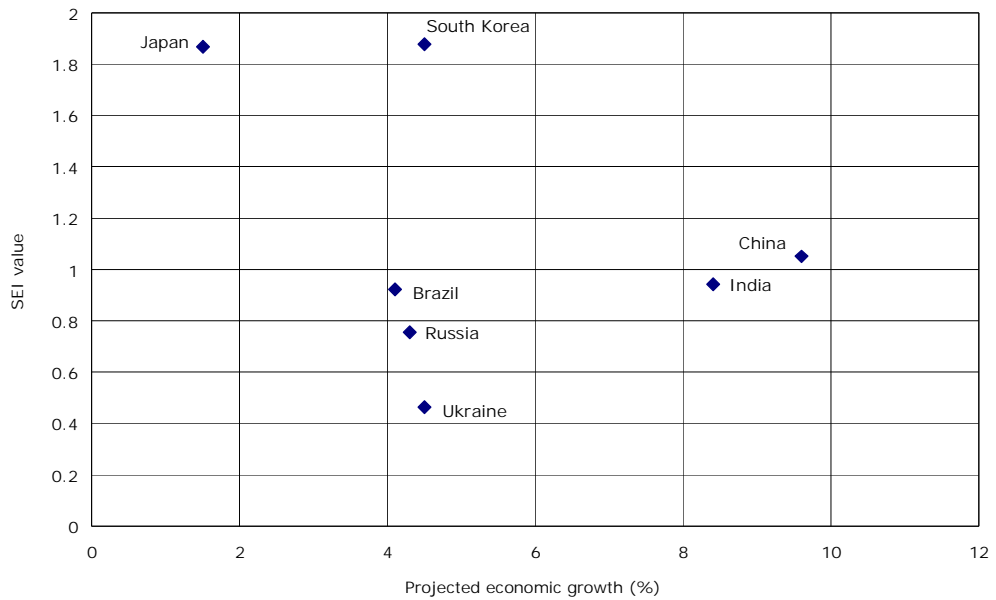
Source: Oxford Research and Eurostat.

Correlation between projected growth and under-specialisation

The following matrices show the correlation between projected economic growth by the IMF¹¹ and specialisation by high, medium and low technology sectors as indicated by the SEI calculated in our analysis.

¹¹ IMF, World Economic Outlook, October 2009: Brazil 3.7%; Russia 4.5%; India 8.1%; China 9.5%; South Korea 4.5%; Japan 1.8%; Ukraine 5.8%; Armenia 4.5%; Azerbaijan 0.9%; Belarus 6.9%; Georgia 5% and Moldova 5%.

Figure 2.8 Internationalisation opportunities for SMEs in high technology sectors as a function of growth and specialisation (average 2000-2010), seven key target countries

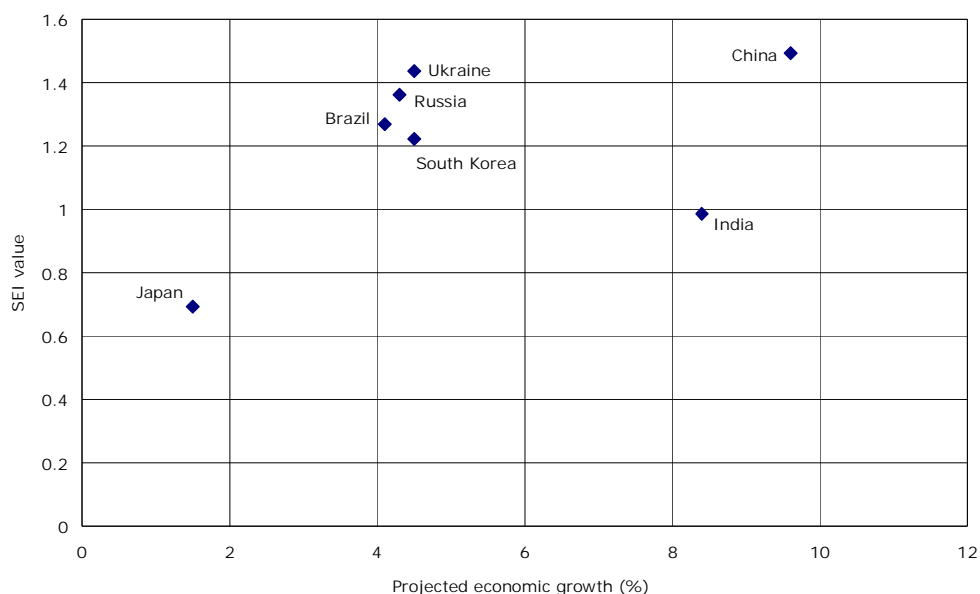


Note: The Sector Export Index (SEI) is the ratio between the share of a particular sector or commodity in the export to a particular country and the share of that sector or commodity in the export of the EU27 to the world.

Source: Oxford Research and Eurostat.

Figure 2.8 for the high technology sector shows that, high tech exports to South Korea and Japan are highly specialised, i.e. an SEI value of about 2. However even before the disasters of March 2011, market growth for Japan was expected to recover only slowly from the recent economic crisis. High specialization is about average (1.0) for China, India and Brazil. China and India however have huge potential in terms of predicted future growth as well as actual size. So business support focussing on high tech exports to China and India especially deserves attention. High tech exports to both Russia and Ukraine are under-specialised and the markets are predicted to recover only slowly from the current economic crisis.

Figure 2.9 Internationalisation opportunities for SMEs in medium technology sectors as a function of growth and specialisation (average 2000-2010), seven key target countries



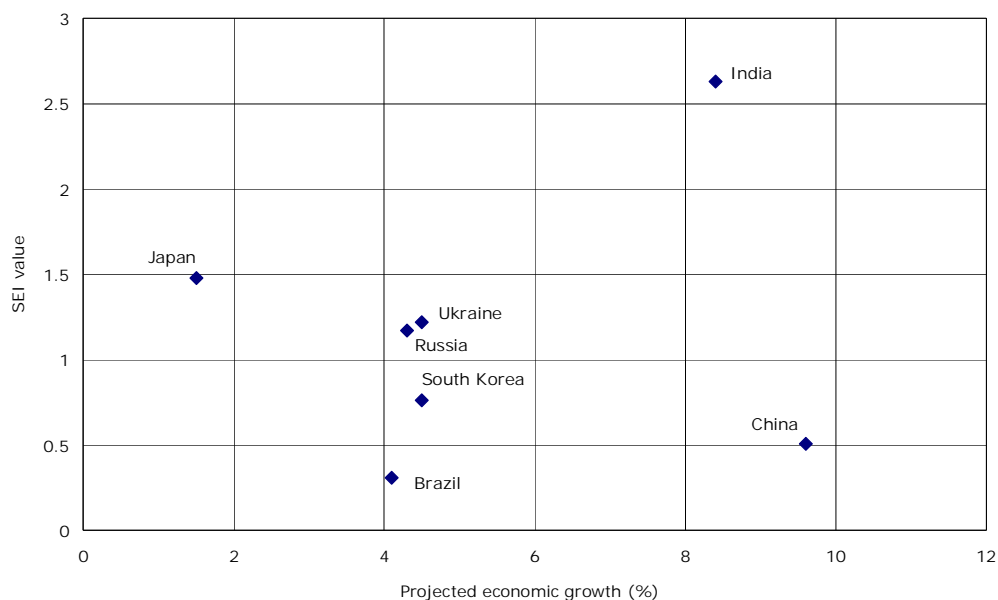
Note: The Sector Export Index (SEI) is the ratio between the share of a particular sector or commodity in the export to a particular country and the share of that sector or commodity in the export of the EU27 to the world.

Source: Oxford Research and Eurostat

The medium technology sectors are – as depicted in Figure 2.9 - relatively highly specialised with respect to six out of the seven key target markets (SEI 1 or more). Only medium-tech exports to Japan, the technologically most advanced of the seven key target markets, are under-specialised. Also, the Japanese market is expected to recover only slowly from the economic crisis. For the remaining key target markets medium-tech exports have above average specialisation and the Chinese and the Indian markets especially are promising in terms of volume and expected future market growth. Therefore business support could focus particularly on medium tech exports to India, since specialisation is lower for this fast growing market than for five of the seven other key target markets.

Figure 2.10 shows that exports to both advanced markets such as Japan and to less developed markets, such as Russia and Ukraine, are relatively specialised in low technology sectors. With respect to the fast growing Chinese market, the low technology exports exhibit a specialisation well below average (SEI 0.5). However, the low technology sectors have by far the highest level of specialisation with respect to the Indian market (SEI well above 2), indicating that the share of EU exports of low technology to India is comparatively much higher than the share of low technology in EU exports overall.

Figure 2.10 Internationalisation opportunities for SMEs in low technology sectors as a function of growth and specialisation (average 2000-2010), seven key target countries



Note: The Sector Export Index (SEI) is the ratio between the share of a particular sector or commodity in the export to a particular country and the share of that sector or commodity in the export of the EU27 to the world.

Source: Oxford Research and Eurostat

To summarize:

- In 2000, 28% of the export of EU27 to third markets went to the USA; in 2010 this share was only 18% whereas the share of the 7 key target markets has increased from 17% to 26%.
- Over the period 2000-2008 the annual growth rate of the exports to the seven key target markets and to the five other target markets was much higher than EU27 exports overall. The drop due to the economic crises in 2008/2009 was also more severe, but from 2009 to 2010 exports to the target markets showed a serious recovery.
- The exports from EU27 to China are by far the largest of all target markets. Russia is second, but for the other key target markets the volume is much smaller (32% of all EU27 exports to the seven key target markets go to China, 23% to Russia).
- The volume of exports to the 5 other target markets is still very modest, but growing fast.
- The volume of exports from SME sectors to the seven key target markets is slightly higher than from non-SME sectors.
- In the period 2000-2008, the growth of exports by medium-tech sectors was higher than by high-tech sectors. However the fall due to the economic crisis was more severe for medium-tech.
- EU27 exports to the key target markets are more specialised in medium- and high-tech than in low-tech (all in comparison to the overall EU27 exports). Given the high anticipated growth rates for the economies in the target markets this is a positive phenomenon. But high-tech is now more specialised in exports to Japan and South Korea than to the other target markets and in Japan and South Korea expected growth rates are rather modest. So support focussing on the exports of high-tech sectors to China and India is warranted.
- For medium-tech sectors, support may especially focus on India, because specialisation here is relatively low whereas growth rates anticipated for India are high.

2.3 Inventory of support measures

2.3.1 Introduction

In this section 2.3 an inventory is made of support measures in the EU Member States. It starts with an overview of the number of measures, including differentiation by target market and type of service provided. Paragraph 2.3.3 presents an assessment of the measures, made by representatives of the business community. In paragraph 2.3.4 budget information about the measures identified is provided and an estimate is made of the total amount spent by EU Member States on these support measures. The last paragraph is about the number of policy evaluations carried out.

2.3.2 Number of measures by Member State, target market and type of service

Each Member State has implemented a number of measures to stimulate the internationalisation of businesses. In mid 2010, originally 365 support measures were identified from all 27 Member States. However, quite a number of the measures overlap and information on the budget was only made available for the group as a whole. For example the original list contained the Economic and Commercial office of Spain in ... Brazil, China etc. as 7 separate measures. Such cases have been amalgamated resulting in the overall number going down from 365 to 310¹².

Table 2.4 shows most of these measures are of a rather general nature, i.e. not focussed on specific markets (210), but there are also a considerable number of measures specifically targeting one or more of the seven key target countries (89). Member States which have most measures for these key target countries are Denmark, Hungary and Slovenia.

¹² See Background Document 2a for an "Overview of 310 Policy Support Measures Identified in the EU Member States". In Background Document 2b ("Description of Policy Support Measures Identified in the EU Member States") the measures are described in more detail.

Table 2.4 Identified support measures by Member State and geographical focus: (one of) the seven key target countries, (one of) the five other target countries or all countries (numbers)

Member State	A. General measures	B. Seven key target markets	C. Five other target markets	Total
Austria	7	3	1	11
Belgium	12	0	0	12
Bulgaria	4	1	0	5
Cyprus	2	2	0	4
Czech Republic	9	0	0	9
Denmark	3	12	1	16
Estonia	7	0	0	7
Finland	8	2	0	10
France	19	4	0	23
Germany	15	7	0	22
Greece	3	3	2	8
Hungary	15	9	0	24
Ireland	8	3	0	11
Italy	13	5	0	18
Latvia	5	0	0	5
Lithuania	2	2	1	5
Luxembourg	3	1	0	4
Malta	6	0	0	6
Netherlands	2	6	1	9
Poland	2	7	1	10
Portugal	3	2	0	5
Romania	11	3	0	14
Slovakia	7	0	0	7
Slovenia	15	8	2	25
Spain	4	3	0	7
Sweden	12	0	0	12
UK	13	6	2	21
Total	210	89	11	310

Source: EIM, 2010, based on data collected by ENSR partners in EU27, 2010.

In Table 2.5, the different types of measure are presented. Overall, more than 20% of the measures belong to one or more of the following four types:

- grants and subsidies for various activities to help entering new markets;
- information about internationalisation for example on market opportunities or regulation;
- trade missions, trade fairs and matchmaking events;
- advice and consultancy.

The following are popular types of support measure focusing on one of the seven key target countries:

- trade missions, trade fairs and matchmaking events;
- providing information;
- services in target countries;
- advice and consultancy;

Services like 'Identify and meet potential clients'; 'Sectoral programmes' and 'Marketing and promotion' are less frequently offered.

Table 2.5 Type of support measure by geographical focus: (one of) the seven key target countries, (one of) the five other target countries or all countries, in numbers and %

Type	A. General measures (N=210)		B. Seven key target markets (N=89)		C. Other 5 target markets (N=11)		Total (N=310)	
	Count	Perc.	Count	Perc.	Count	Perc.	Count	Perc.
Grants and subsidies	57	27%	8	9%	2	18%	67	22%
Providing information	43	20%	20	22%	2	18%	65	21%
Trade missions, trade fairs & matchmaking events	40	19%	21	24%	2	18%	63	20%
Advice and consultancy	46	22%	15	17%	2	18%	63	20%
Business cooperation and net-working	21	10%	11	12%	3	27%	35	11%
Services in target countries	14	7%	16	18%	0	0%	30	10%
Seminars & workshops	13	6%	10	11%	1	9%	24	8%
Identifying and meeting potential clients	15	7%	4	4%	0	0%	19	6%
Staff training	8	4%	6	7%	0	0%	14	5%
Sectoral programme	8	4%	1	1%	0	0%	9	3%
Marketing/Promotion	4	2%	1	1%	0	0%	5	2%

Source: EIM, 2010, based on data collected by ENSR partners in EU27, 2010.

Note: Some measures are counted in more than one type of measure (row).

To summarize:

- More than 300 measures to stimulate the internationalisation of businesses have been identified in the Member States.
- All Member States have implanted such measures.
- Most measures are not focussed on specific markets, but some 90 are specifically targeting one or more of the seven key target countries. Member States which have most measures for these key target countries are Denmark, Hungary and Slovenia.
- Popular types of activity focusing on one of the seven key target countries include: trade missions; trade fairs and matchmaking events; providing information; services in target countries; and advice and consultancy.

2.3.3 Preliminary assessment of public support measures

To allow a preliminary assessment of the public support measures identified in the 27 Member States, various representatives of the business community in each Member State have been asked to assess each support measure by giving a score on a 5 point scale from 1 (very bad) to 5 (very good) for six aspects:

- Accessibility (ease of access, red tape etc.);
- Relevance (does it indeed address SME barriers);
- Reach (is it indeed used by SMEs);
- Complementary in relation to private suppliers of services (evidence of market gap to avoid unfair competition with private sector);
- Effectiveness;
- Efficiency.

The idea behind this procedure was not to produce a very robust assessment; the results were meant to be used as criteria to reduce the long list of EU27 support measures to a list of some 80 measures to be studied in more detail. It is however still interesting to see what are the most valuable measures in the perception of these experts (e.g. advisers on international entrepreneurship from chambers of commerce, experts on international business in major trade associations etc.).

For each of the six aspects, the scores run from 1 to 5, and the overall score from 6 to 30 points. The average score for all measures assessed is shown in Table 2.6. Differences between the various aspects are rather small. Reach scores lowest (3.1) and relevance scores highest (3.7). An important aspect, effectiveness, scores 3.3 across all measures in all Member States.

Table 2.6 Average score for each of the six aspects of all national support measures

Accessibility	3.5
Relevance	3.7
Reach	3.1
Complementarity	3.5
Effectiveness	3.3
Efficiency	3.3
Total	20.5
Number of assessments	310

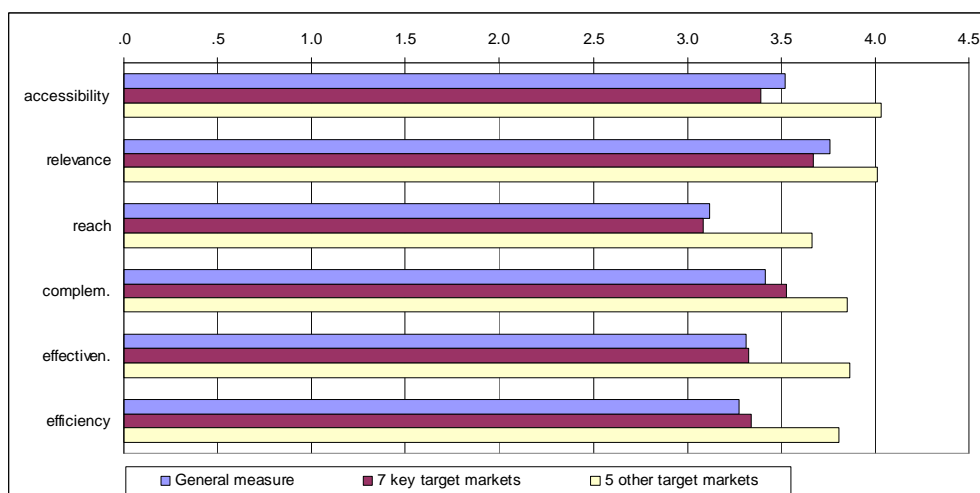
Source: assessment by business representatives in EU27.

Variance across Member States is rather limited. Table 2.6 shows that the overall score across all measures, and consequently across all Member States, is 20.5 points.

- 10 Member States score on average 16 to 20 points (Slovenia; France, Hungary; Italy; Latvia; Romania; Portugal; Austria; Poland, and Belgium);
- 10 Member States score on average 20 to 23 points (Bulgaria; Cyprus; Netherlands; Czech Republic; Slovakia; Sweden; Ireland; Finland; Greece and Germany); and);
- 7 Member States score on average 23 to 27 points (UK; Malta, Estonia; Luxembourg; Denmark; Spain and Lithuania).

If measures are classified by the target market to which they apply, the analysis shows that the 210 general measures again have a rather similar score to the 89 measures that are more focused on the seven key target markets. For both groups the scores for each of the six aspects differ only by 0.1 of a point. However the measures focussed on the five other target markets score relatively highly on all 6 aspects as shown in Figure 2.11, resulting in the overall score being over 23 points compared to about 20.4 for the other two categories and the average of 20.5 overall.

Figure 2.11 Average score for each of the six aspects of all national support measures, by type of measure: general, 7 key target markets and 5 other target measures



Source: assessment by business representatives in EU27.

Table 2.7 presents the results for measures focusing on one of the seven key target markets. Overall, measures for Russia and Brazil score relatively low and measures for Ukraine and India relatively high. Other conclusions are:

- The measures targeting Ukraine, South Korea and Japan score relatively high on relevance.
- The measures targeting Ukraine, India and South Korea score relatively high on relevance and complementarity.
- For effectiveness, the measures for Ukraine, India, and Japan score relatively high.

Table 2.7 Average score for measures focusing on one of the seven key target measures (ranked by overall score)

	Acces- sibility	Rele- vance	Reach	Com- plemen- tarity	Effec- tive- ness	Effi- ciency	Total	N
Ukraine	3.6	4.1	3.4	3.9	3.5	3.5	22.0	17
India	3.7	3.9	3.2	3.8	3.4	3.4	21.6	37
South Korea	3.5	4.0	3.3	3.8	3.3	3.3	21.3	25
Japan	3.6	4.0	3.2	3.6	3.4	3.5	21.2	23
China	3.6	3.8	3.1	3.7	3.3	3.3	21.0	47
Russia	3.3	3.7	3.0	3.6	3.2	3.2	20.2	39
Brazil	3.5	3.7	3.1	3.4	3.1	3.1	19.9	26

Source: assessment by business representatives in EU27.

Finally, a relevant question is 'what type of support' is perceived to be of highest value by representatives of the business community (see Table 2.8). The top-4 types of measures are:

- Sectoral programme;
- Marketing promotions;
- Services in target countries;
- Staff training.

The first two score very highly on relevance: marketing and promotion 4.3; sectoral programmes 4.0. For effectiveness the highest scores given are for sectoral programmes 3.7 and staff training 3.6.

Table 2.8 Average score for measures by type of services offered

Type of support	Access- sibility	Rele- vance	Reach	Comple- men- tarity	Effec- tive- ness	Effi- ciency	Total	N
Sectoral programme	4.0	4.0	3.3	4.0	3.7	3.8	22.8	9
Marketing/promotion	3.7	4.3	2.9	3.9	3.2	3.5	21.5	5
Services in target coun- tries	3.9	3.7	3.3	3.4	3.5	3.4	21.2	35
Staff training	3.4	3.7	3.3	3.4	3.6	3.7	21.1	14
Trade missions, trade fairs and matchmaking events	3.5	3.6	3.3	3.5	3.4	3.4	20.7	63
Advice and consultancy	3.6	3.8	3.1	3.4	3.4	3.3	20.5	63
Providing information	3.8	3.7	3.1	3.3	3.1	3.3	20.3	65
Business cooperation and networking	3.7	3.5	3.0	3.4	3.2	3.1	19.9	35
Grants and subsidies	3.2	3.6	2.9	3.4	3.0	3.0	19.2	67
Seminars & work hops	3.1	3.4	2.8	3.1	2.9	2.9	18.2	24
Identifying and arrang- ing meeting with clients	3.1	3.0	2.5	3.2	2.7	2.8	17.2	19

Source: EIM, assessment by business representatives in EU27.

To summarize:

- The support measures have been assessed on the basis of the opinions of representatives of the business community in each Member State. The relevance of measures scores highest (3.7 on a 5 point scale), their reach lowest (3.1). The variance by Member State is limited. The highest overall scores are for the UK, Malta, Estonia, Luxembourg, Denmark, Spain and Lithuania.
- The types of support perceived to be of highest value by representatives of the business community are sectoral programmes and marketing promotions

2.3.4 Budgets

The measures at Member State level discussed above are not all entirely financed from public funds. Some of the measures are also financed by chambers of commerce, trade associations etc. Not all of these organisations agreed to provide information on the budgets involved. In addition it was quite often the case that with governmental support programmes the measure was part of a wider policy package and that parties were not able or willing to split the overall budget according to its various components.

Organisations and authorities provided budget information for 189 out of 310 support measures at Member State level, or 61%. Furthermore, this information mainly concerns specific support measures available to enterprises, whereas in addition most Member States also spend considerable amounts either on having specific sections in embassies and consulates to help their business community or on financing specific (national) export support organisations¹³.

Hence a complete picture of the efforts made by Member States to support international trade cannot be provided. However, the 189 cases for which information on budgets is available allow observations to be made about the type of support service on which most money is spent.

The budget situation ranges from programmes for which all cost are paid by participating firms to a programme where € 117 billion worth of guarantees is made available (the Official Export Guarantee Scheme of the Federal Republic of Germany; HERMES Guarantees).

However some remarks are in order:

- The most important is that some information refers to the total amount of investment, loans or guarantees provided, not to annual costs or the public budget, so this information needs to be separated out. (The largest amount present in the database constructed, € 117 billion, refers to the total amount guaranteed under the Official Export Guarantee Scheme of the Federal Republic of Germany; HERMES Guarantees rather than annual costs).
- Information may refer to budgets allocated (commitments) or to amounts actually spent.
- 'Measures' are quite often a package of different types of support, e.g. programmes containing advice and consultancy, market scans and trade missions.
- Sometimes only budgets for a longer period are provided, for example 5 or 7 years; in such cases an annual average has been calculated as an estimate.
- It should be realised that budgets relate to the national programmes of economies with enormous differences in overall size.
- Measures might be fully paid for by governments or business organisations, partly or hardly at all. The Slovak Chamber of Commerce for example, organised 72 collective events in 2009 (inward and outward trade missions, trade fair participation), but costs are paid by participants themselves and the budget indicated is

¹³ There is a 'European Trade Promotion Organisation' consisting of an annual meeting since the 1950's of chief executives of national organisations responsible for promoting exports from, and investments to, European countries to discuss topics of common interest. 31 organisations from 28 countries (as of Sept. 1996) take part in the European Trade Promotion Organisation (ETPO) and there is also a Working Group on Information Processing (ETPO-WGIP). See: European organisation of <http://www.wk.or.at/aw/etpo/index.htm>

zero (the costs of these 72 events are estimated to be between € 500 000 and € 1 million). Also UK Trade and Invest (UKTI) provides services like the Overseas Market Introduction Survey (OMIS), for which no budget is available (companies pay directly for the services received), in addition to programmes like Passport to Export for which an annual budget of approximate € 2 million is available.

It appears that one should look at a more detailed level. The information available has, therefore, been classified as:

- Budgets for non-financial services and subsidies & grants for similar services (149 cases);
- Loans and credits (16 cases);
- Guarantees (10 cases);
- Investments (8 cases);
- Loans and guarantees (combined, 5 cases);
- Loans and investments (combined, 1 case)

If one looks at the available 'budget' information for the 189 measures disaggregated in this way, the information as presented in Table 2.9 emerges.

Table 2.9 'Budget' information for all national support measures combined

Type measures	N	Minimum (million €)	Maximum (million €)	Sum (million €)	Average (million €)
Budgets in terms of costs	149	€ 0	€ 363	€ 1834	€ 12
Loans and credits	16	€ 4	€ 3 714	€ 8 880	€ 555
Guarantees	10	€ 3	€ 117 000	€ 125 269	€ 12 527
Investments	8	€ 7	€ 12 560	€ 13 456	€ 1 682
Loans and guarantees (combined)	5	€ 8	€ 12 000	€ 20 678	€ 4 136
Loans and investments (combined)	1	€ 42	€ 42	€ 42	€ 42

Source: EIM, 2010, based on data collected by ENSR partners in EU27, 2010

Table 2.9 shows that programme expenditure differs enormously in total and across the different categories of service. This is, of course, partly due to the size of the national economy as very small as well as large Member States are covered, but also within Member States there are programmes of different magnitudes. The Passport to Export programme of UKTI, with an annual budget of some € 2 million, was mentioned above, but UKTI also has much larger programmes.

At a more aggregated level at least two categories need to be distinguished, one for annual budgets in terms of costs for the organisation running the programme, the other where budgets relate to (maximum) amount of credit, guarantees or invested capital. Table 2.10 shows that the average amount per measure is nearly 350 times higher for 'loans, guarantees and investments' than for budgets for non-financial services. The total sum involved across all measures for which budget information is available, is 92 times higher.

Table 2.10 'Budget' information for non-financial services vs. loans, guarantees or investment

Type of measures	N	Minimum (million €)	Maximum (million €)	Sum (million €)	Average (million €)
Budgets in terms of costs	149	€ 0	€ 363	€ 1 834	€ 12
Loans, guarantees or investments (combined)	40	€ 3	€ 117 000	€ 168 325	€ 4 208

Source: EIM, 2010, based on data collected by ENSR partners in EU27, 2010

As shown in Tables 2.9 and 2.10, the total budget related to these 149 non-financial measures is € 1.8 billion. Obviously the total amount spent in the Member States on trade support is much higher. The study listed all important national measures in all 27 Member States and these lists were checked by representatives of the government or trade promotion agencies in each Member State. However:

- There are also general measures below the thresholds used¹⁴.
- The identification concerned general measures, measures focussed on the 7 key target markets (Brazil, China, India, Japan, Russia, South Korea and Ukraine) and or on the 5 other target markets (Armenia, Azerbaijan, Belarus, Georgia and Moldova). There are also support measures specially focussed on other third markets like the USA or Argentina.
- There are also budgets available at local level by for example Bundesländer in Germany or the city of Rotterdam in the Netherlands.
- Of the 310 measures identified budgets have been made available for 189 measures or 61%.
- As mentioned before, most Member States spend considerable amounts on financing specific institutions, in addition to budgets for specific support measures.

Based on the figure for the non-financial measures for which budgets were made available to the study team, the estimate for the total budget for main non-financial support measures amounts to some € 3 billion¹⁵. The actual figure for all such support provided in the EU is likely to be well over this estimate because of the additional sub-national support measures and national measures below the threshold that have not been included here. A cross-check confirming this order of magnitude is provided in a separate approach described in the Text box 2.1.

¹⁴ Threshold used: For Member States with more than one million SMEs (Italy; Germany; Spain; France; United Kingdom and Poland): € 2 million or 200 participating SMEs annually; for MS with between 100,000 and 1 million SMEs (Czech Republic; Hungary; Greece; Portugal; Netherlands; Sweden; Belgium; Romania; Austria; Bulgaria; Finland; Denmark and Lithuania): € 1 million or 100 participating SMEs annually; for MS with less than 100 000 SMEs (Ireland; Slovenia; Cyprus; Slovak Republic; Latvia; Estonia; Luxembourg and Malta): € 0.5 million or 50 participating SMEs annually.

¹⁵ Calculation: information on budget is known for 61% of all major national measures identified. Assuming that these 61% are representative for all substantial national measures the total would be: $100/61 * € 1834 \text{ million} = € 3008 \text{ million}$.

Textbox 2.1 Budget estimate for EU27 based on figures for the Netherlands

The Dutch government budget 2011¹⁶ for the Ministry of Economic Affairs states in Article 5 on 'International Economic Relations' as an overall objective : to improve the climate for international trade and investments and to enlarge Dutch participation in order to enhance the competitiveness of the Dutch Economy. For this policy field three operational goals have been formulated:

1. More open international trade relations and strengthening the international legal framework.
2. Foster internationalisation of enterprises from the Netherlands.
3. Focussed support of the Dutch business community in sectors of activity with much potential in foreign markets.

The total expenditure to bring about these three operational objectives is stated to be € 132 million. In terms of total commitments, however, the amount is higher: € 154 million. Just over 60% of these commitments are allocated to operational goals 1 and 2, i.e. the policy fields that cover the areas of the over 300 policy measures that were identified in the framework of this study across the 27 Member States. The remaining € 54 million is used for general commitments, e.g. salaries for staff at the Ministry, contributions to Dutch trade promotion and foreign investment promotion organisations etc.¹⁷

Considering the GDP of the Netherlands for 2009 of € 572 billion as stated by Eurostat¹⁸, the 132 million expenditure as stated in the National Budget for 2010 is 0.023 percent of GDP. If efforts of a similar magnitude were made in all 27 Member States this would amount to € 2.7 billion - 0.023 percent of the EU27 GDP of € 11 791 billion (2009). Using the amount of 154 million of commitments as shown in the Netherlands budget for 2010, one would arrive at 0.027 percent of GDP or € 3.2 billion for EU27. So this exercise validates the order of magnitude of the € 3 billion obtained from adding the budgets of 189 support measures across 27 Member States.

If the measures focussing on the 7 key target markets are compared with the general measures, the picture as shown in Table 2.11 emerges. The maximum amount and the average amount per measures are about 1.5 times higher for the measures focussed on the 7 key target markets. However the total amount spent on general measures is 2.7 times higher than for measures focussing on the 7 key target markets.

For loans, guarantees or investments, the average amount is nearly 13 times higher for the 7 key target markets but that is entirely due to the classification¹⁹

¹⁶ Vaststellen van de begrotingsstaten van het Ministerie van Economische Zaken (XIII) voor het jaar 2011, Memorie van toelichting (Explanatory Memorandum, determining the budget sheets for the Ministry of Economic affairs, Paper to Parliament), table on page 75.

¹⁷ The order of magnitude of the sum of budgets for the policy measures in the Netherlands identified in the framework of this study is in line with this overall data from the national budget as described above: 126 million for 8 programmes.

¹⁸ GDP at current market prices at http://epp.eurostat.ec.europa.eu/statistics_explained (03 May 2011).

¹⁹ Because in total only 6 measures are considered in this group.

of the German credit guarantee programme (Hermes) as mainly focussed on the 7 key target markets²⁰.

Table 2.11 'Budget' information for non-financial services vs. loans, guarantees or investments, for general measures and measures focussed on the 7 key target markets

Type of measure	N	Minimum (million €)	Maximum (million €)	Sum (million €)	Average (million €)
General					
Budgets in terms of costs	116	€ 0	€ 244	€ 1 342	€ 12
Loans, guarantees or investment (combined)	33	€ 3	€ 12 560	€ 50 484	€ 1 530
Focussed on 7 key target mar- kets					
Budgets in terms of costs	32	€ 0.01	€ 363	€ 488	€ 17
Loans, guarantees or investment (combined)	6	€ 4	€ 117 000	€ 117 681	€ 19 614

Source: EIM, 2010, based on data collected by ENSR partners in EU27, 2010

Finally, the budget information is analysed by type of service provided. This classification by type of service is not mutually exclusive, since a programme might have two characteristics or more. However Table 2.12 suggests that the three major categories of service on which money is spent are:

- grants and subsidies;
- trade missions, trade fairs and matchmaking events;
- information provision.

²⁰ The export guarantees are not limited to the 7 key target markers, but the guarantees are mainly used for: Russia, China, Brazil and India

Table 2.12 'Budget' for non-financial services, by type of support measure

Type	Average (million €)	Sum (million €)	Number of meas- ures
Grants and subsidies	€ 21	€ 892	43
Trade missions, trade fairs and matchmaking events	€ 12	€ 472	39
Providing information	€ 10	€ 301	30
Advice and consultancy	€ 6	€ 228	38
Seminars and workshops	€ 18	€ 160	9
Staff training	€ 18	€ 144	8
Business cooperation and networking	€ 9	€ 136	15
Services in target countries	€ 7	€ 126	18
Sectoral programme	€ 8	€ 57	7
Identifying & arranging meetings with potential clients	€ 2	€ 20	9
Marketing and promotion	€ 4	€ 11	3
Other	€ 55	€ 387	7

Source: EIM, 2010, based on data collected by ENSR partners in EU27, 2010;

Note: Some measures are counted in more than one group; the total number included is 352.

To summarize:

- Budget information has been obtained for 60% of the support measures. Sometimes those funding the measures (government, chambers of commerce, trade associations) were not willing to provide the information, in other cases a measure was part of a wider policy package and it is not possible to split the overall budget.
- The budget situation ranges from programmes for which all costs are paid by participating firms to a programme where € 117 billion worth of guarantees are made available (the Official Export Guarantee Scheme of the Federal Republic of Germany; HERMES Guarantees).
- It is interesting to note that for some measures hardly any costs are paid by governments or business organisations. The Slovak Chamber of Commerce for example, organises trade missions where costs are entirely paid by participants themselves.
- When assessing budgets a distinction has to be made between loans, guarantees and investments on the one hand, and annual costs on the other. The average amount per measure is nearly 350 times higher for 'loans, guarantees and investments' than for budgets for non-financial services.
- Budgets of measures differ enormously, not only because of the size of the national economies. Budgets for non-financial services range from zero to € 363 million, for loans and credits from € 4 million to € 3.7 billion, and for guarantees from € 3 million to € 117 billion.
- Based on the budgets that were made available to the study team, the estimate for the total budget for the main non-financial support measures amount to some € 3 billion. The actual figure for all such support provided in the EU is likely to be well over this estimate because of the additional sub-national support measures and national measures below the threshold that have not been included here.

2.3.5 Evaluation of support measures

It should be noted that most of the support measure in the Member States are not evaluated and their impact is not assessed. Looking at the concise list of 310 support programmes available to SMEs at Member State level, the following picture emerges:

- A. General measures: 35 evaluated out of 175 (17%)
- B. Measures focussed on the 7 key target markets: 8 evaluated out of 89 (9%)
- C. Measures focussed on the 5 other target markets: 3 evaluated out of 11 (27 %).

So overall, 46 programmes or measures are evaluated out of a total of 310, i.e. 15%. The search for evaluations that can provide information on the effects of support on the activities of SMEs in the target market and on the business performance of the firms as a whole, made it clear that evaluations providing such information are really scarce. Most evaluations consider the process and the clients' satisfaction with the services, rather than the outcomes in terms of additional exports, turnover or employment (see next section 2.4).

To summarize:

- Surprisingly few support measures are properly evaluated.
- Most 'evaluations' carried out do not provide information about the effectiveness of the support.

2.4 Meta-analysis of evaluation studies identified

In principle, it would be interesting to study existing evaluation studies of support measures to provide insight into 'what works and what does not work' in terms of policy support. Unfortunately, since very few support measures²¹ have been evaluated and most evaluations are rather general, this is not possible. A quantitative assessment of the effects of the use of the support measures is rarely made. From the more than 350 support measures considered only eight evaluations could be used in this analysis²². While so much public money is spent on support measures, it is no less than alarming that such a few measures are properly evaluated and it is hard to draw general conclusions on what type of measures have more positive effects than others.

What kind of support measures generate positive effects on the internationalisation of SMEs?

It seems that most impact is to be expected from measures that combine aspects of advice in drawing up an internationalisation plan and strategy, market information and support in establishing business contacts in a single target country.

²¹ In Annex II the AI Invest Programme is briefly described. It is an example of a programme with a built-in performance indicator, and as such very interesting when it comes to improving the evaluation of policy programmes.

²² For more details see the Background Document 2a ("Overview of 310 Policy Support Measures Identified in the EU Member States"). The Annex contains the "Meta-analysis of Evaluation Studies on Measures to Support Internationalisation".

On the other hand, measures that are too broad might lack clarity for enterprises. Whether a measure is aimed at one of the target countries seems to be less relevant. However, the services have to be adapted to the degree of internationalisation experience of the enterprises, and in the target countries language and cultural aspects are of even more importance than in European countries or the United States. In some target countries attention should be paid to property rights as well.

What aspects of these support measures are expected to be most responsible for the positive effects?

Capacity building seems to be the most important aspect that should be stimulated by a support measure. The support measure should not only help with the first steps in the new target market but should be a major contribution to learning and the development of an internationalisation strategy for the company. Following a good, prepared entrance to the target market, the international competences of the enterprises should be trained, in one way or another. In practice this can be done in different ways, e.g. a group of enterprises is led by an external export manager or an accredited trade organisation; an enterprise draws up an internationalisation plan with the help of an advisor; support follows a company's international strategy plan agreed with the executing agent or through international mentoring. The effectiveness of the training depends on the companies' ability to capitalise on the skills acquired by the trainees.

Please note that not all evaluated measures are focusing on third markets. Internationalisation often starts with nearby foreign markets. So this conclusion might be less relevant for already internationalised enterprises that want to do business in third countries.

What (quantitative) effects were generated through the use of the support measures on the internationalisation of the participating SMEs?

In the opinion of a part of the beneficiaries, most measures have a positive effect on the number of their export clients, their exports and their turnover. Other participants see no economic results of the measure or are so-called free-riders in the sense that they would have carried out the internationalisation activities anyway, even without the support measure. It is impossible to translate the numbers presented to their equivalents for the economies as a whole. The impact on employment is seldom considered, and if so the effect seems to be influenced by productivity gains.

All measures seem to realise some sort of 'intangible' effects. Those mentioned include an increase in international competences, more attention to a new technology, new cooperation partners, adoption of new ideas, positive effects on product innovation, new business contacts in the target country, a better network in Europe, a better knowledge and picture of the market opportunities, improvement of the ability to do marketing abroad independently, using a more structured and planned approach, increasing the scale and quality of the internationalisation plan, better skills to overcome barriers to market entry, learning about foreign markets, ability to reach a target market, ability to develop a strategic international plan, ability to export successfully, etc. It seems to be this kind of 'intangible' effect that is mostly responsible for achieving durable economic effects.

To summarize:

- Not only are surprisingly few support measures properly evaluated, amazingly few evaluation studies are published or made available to researchers;
- Measures combining advice, information and help with business contacts have the greatest impact;
- In all stages of the internationalisation process capacity building is the most important aspect that should be stimulated;
- All evaluated measures seem to realise some kind of 'intangible effect'.

2.5 Surveys among SMEs in the 27 Member States

2.5.1 Introduction

The large scale telephone survey²³ among internationally active SMEs implemented in the framework of this study mainly focussed on:

- The international business activities of European SMEs;
- Involvement and interest in third markets;
- Barriers for internationalisation;
- Awareness and use of public support measures;
- The effects of using public support measures.

In addition 512 SMEs that benefited from specific (groups) of support measures at Member State and European level were asked to report about the effect of these specific support measures on activities in target countries and business performance of the firm concerned (see Section 2.5.7).

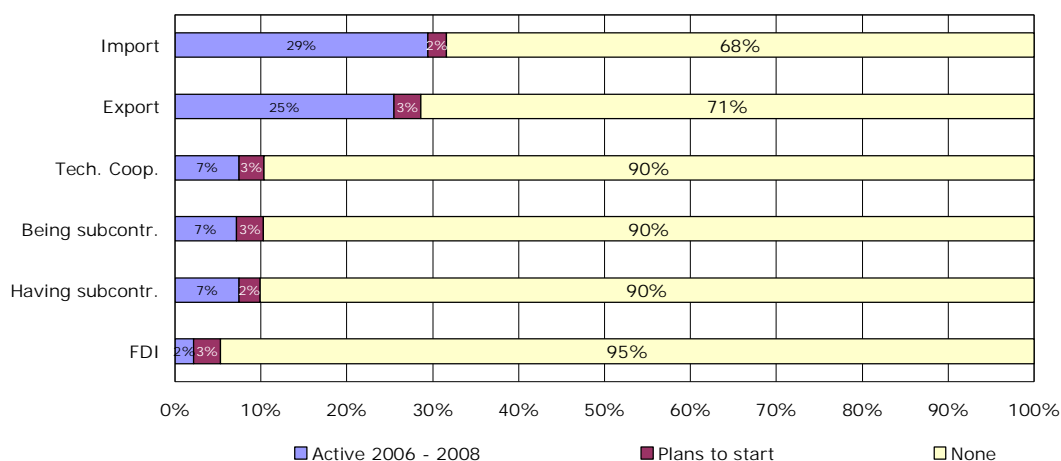
2.5.2 Internationalisation of European SMEs

Figure 2.12 shows that of all European SMEs about 29% are importing, 25% exporting and only 2% are investing abroad. In addition some 7% have technical cooperation with partners abroad. It is important to note that roughly half of these enterprises are active only in European markets, and that only 13% export to and 14% import from markets outside the EU.

The percentage of European SMEs that are involved in at least one of the forms of internationalisation over the last 3 years is some 40%. They are known as 'internationalised SMEs'. The share of internationalised SMEs increases significantly by size of firm.

²³ See Background Document 3a: "Survey Report Large Scale Random Survey". Background Document 3b is the "Book of Tables Large Scale Random Survey". After the completion of the large scale random survey respondents that are active in one or more third countries have been approached again. The detailed results of that second survey are presented in Background Document 5a: "Survey of SMEs doing Business outside the EU". The related tables can be found in Background Document 5b: "Book of Tables Survey of SMEs doing Business Outside the EU."

Figure 2.12 Percentage of SMEs in EU27 involved in international business activities, having concrete plans to start such activities or none at all. For various modes of internationalisation



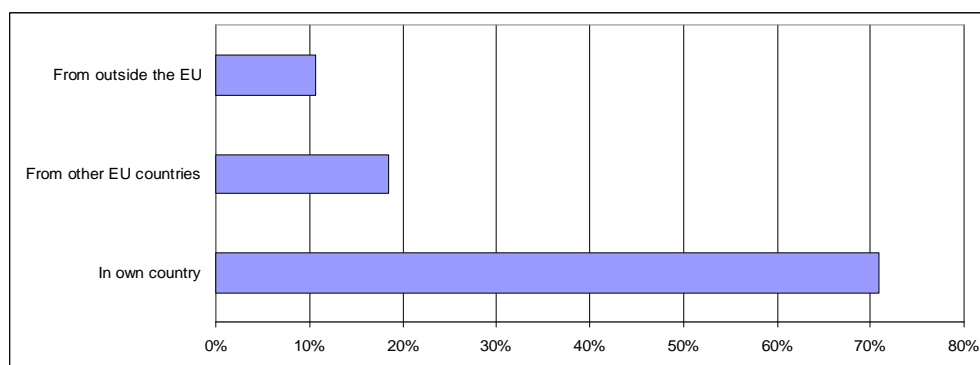
Source: Survey 2009, Internationalisation of European SMEs EIM/GDCC (N=9480).

Nearly 30% of these internationally active SMEs have agreements with foreign distributors or agents or other forms of cooperation with foreign partners.

About two thirds of the SMEs that are importing and/or exporting report that this mainly concerns ready made products or services. On average, 24% deal mainly with custom built products or services; for nearly 15% it is a mixture.

Internationalised European SMEs get only a small percentage of their turnover from business activities from third markets as shown in Figure 2.13. The average firm gets nearly 90% of its total turnover from within the Internal Market. On line sales are even more focussed on nearby markets.

Figure 2.13 Distribution of total turnover among three market areas, average percentage turnover of internationalised SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

There are 8% of internationalised SMEs that have foreign establishments; half of them (also) have establishments outside the EU. These foreign establishments are mostly sales offices (47%), representatives' offices (38%) and/or local production facilities (32%).

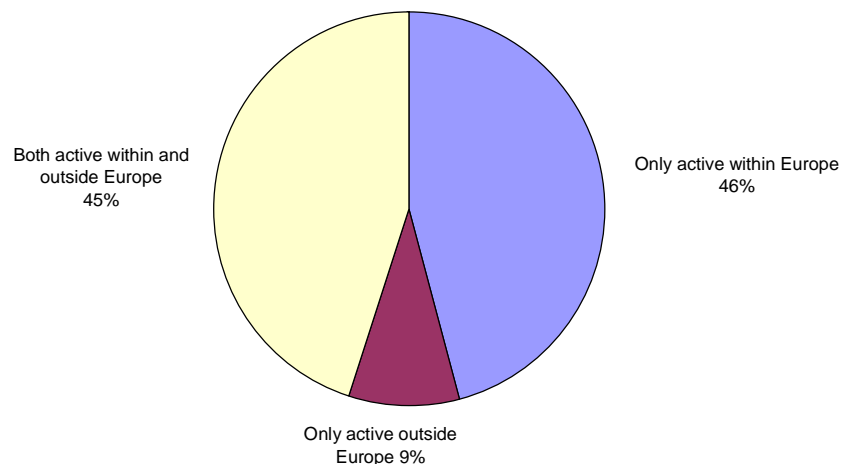
To summarize:

- Of all European SMEs about 29% are importing, 25% exporting and only 2% are investing abroad.
- The share of internationalised SMEs increases significantly by size of firm.
- The average internationalised firm gets nearly 90% of its total turnover from within the Internal Market.

2.5.3 Involvement and interest in third markets

Three classes have been distinguished among the internationalised²⁴ SMEs (represented by about 40 percent of EU SMEs involved in at least one form of international activity) as regards their involvement in the various regions around the world. As shown in Figure 2.14, only 9% of internationalised EU SMEs focus entirely on non-European third markets in addition to their domestic market.

Figure 2.14 Europe or beyond, percentage of internationalised SMEs active in various markets

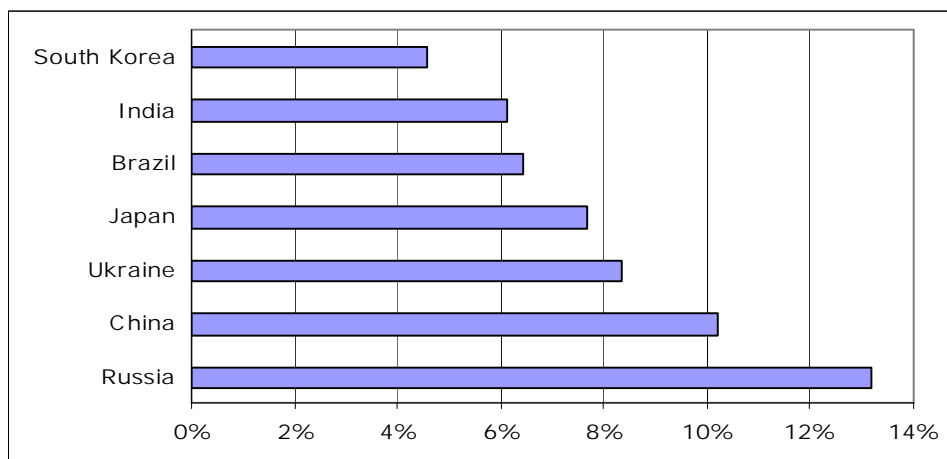


Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

Taking the seven key target markets together, it shows that 23% of the internationalised SMEs are active in at least one of these seven key target markets. The percentage of SMEs that are active in each of the seven key target countries individually ranges from 5% for South Korea to 13% for Russia as shown in Figure 2.15.

²⁴ As shown in Figure 1.1 in this report 29% of EU SMEs are importing, 25% exporting and some 7% are having any form of technical cooperation with foreign partners. Finally some 2% are active in foreign direct investments, i.e. are having establishments or joint ventures abroad. Overall about 40% of EU SMEs are involved in at least one of these forms of international activity. Throughout this report these are called "internationalised SMEs". (See: Internationalisation of European SMEs, report published at website of DG Enterprise and Industry).

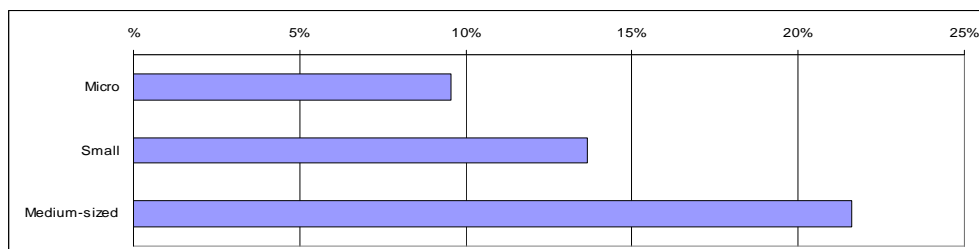
Figure 2.15 The percentage of internationalised SMEs that have business activities in the 7 target countries (Brazil, China, India, Japan, Russia, South Korea and Ukraine)



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

For each market the percentage of SMEs active increases clearly by size of firm, as an illustration the situation with regard to China is shown in Figure 2.16.

Figure 2.16 The percentage of internationalised SMEs that have business activities in China by size class



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

Only a very small percentage of internationalised SMEs are active in the other five target markets: Georgia (1%); Armenia (2%); Moldova (2%); Azerbaijan (2%) and Belarus (4%).

The list with the major countries for international business of EU SMEs outside the European Union has USA and Switzerland on top. The top-30 contains all seven key target markets considered in this study: Russia ranks 3, China 4, Japan 6, Ukraine 7, India 8, Brazil 13 and South Korea 28. The other key target markets score much lower: Belarus 24, Azerbaijan 60, Moldova 72, Georgia 76 and Armenia 82.

From among the seven key target countries, China and Russia are most important for having foreign establishments outside the EU (2nd and 3rd position after USA). Ukraine, Brazil, India and Japan are a second group (6, 7, 9 and 11), whereas South Korea scores much lower (26).

To summarize:

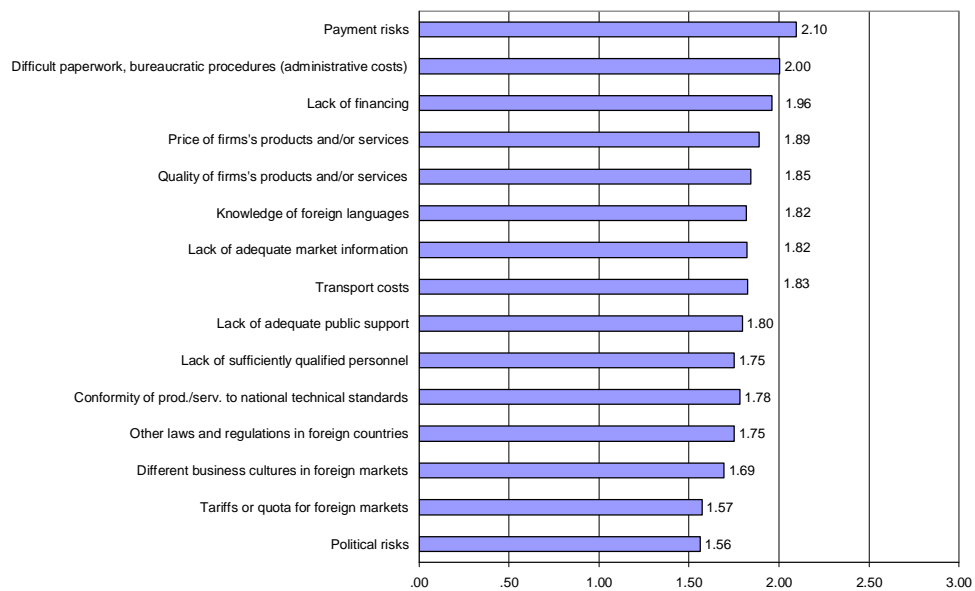
- 23% of the internationalised SMEs are active in at least one of the seven key target markets.
- Only 1-4% of the internationalised SMEs are active in the other five target markets.
- The major countries for international business of EU SMEs outside the EU are the USA (1), Switzerland (2), Russia (3) and China (4).

2.5.4 Barriers as seen by SMEs

The internationalised SMEs assessed a list of 15 potential barriers that may affect their international business activities in international markets or even prevent entry into these markets altogether. Figure 2.17 shows that the three most important barriers for markets beyond the Internal Market are:

- payment risks;
- difficult paperwork, i.e. bureaucratic procedures;
- lack of finance.

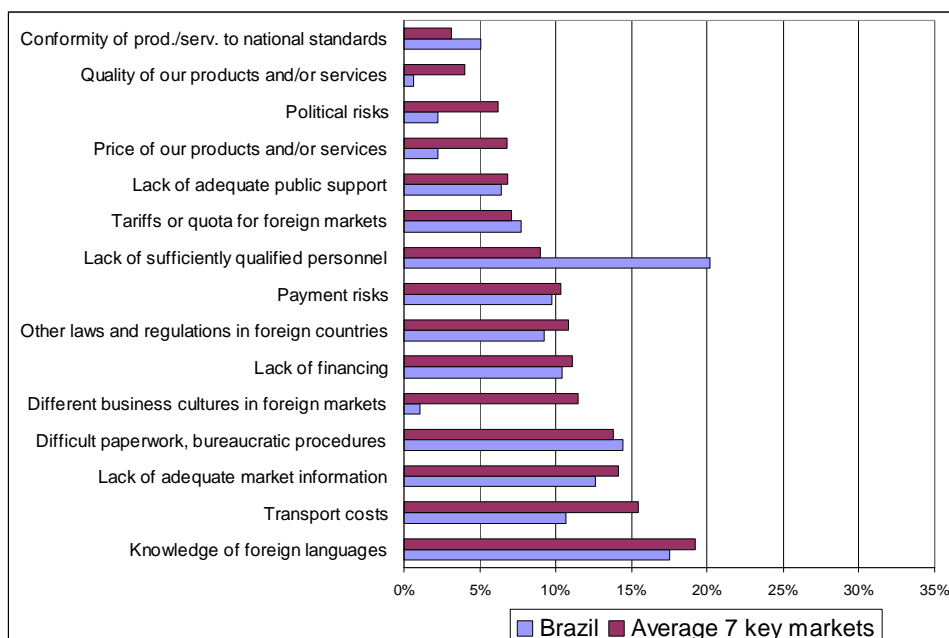
Figure 2.17 Barriers perceived to be most important by internationalised EU SMEs, index of importance of barriers for third markets



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

SMEs also indicated the most important barriers for each of the 7 key target markets, resulting in a series of figures such as Figure 2.18 showing the score for Brazil in comparison with the average score for all 7 key target markets. This graph illustrates that the importance of barriers differs between the different target markets. In the case of Brazil quality of products offered and different business culture are relatively unimportant, whereas lack of qualified personnel is much more important than in the other 6 target markets. This implies that a general policy with regard to trade support will not suffice. Graphs for all 7 key target markets are presented in paragraph 2.6.2.

Figure 2.18 Major barriers for Brazil, percentage of SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

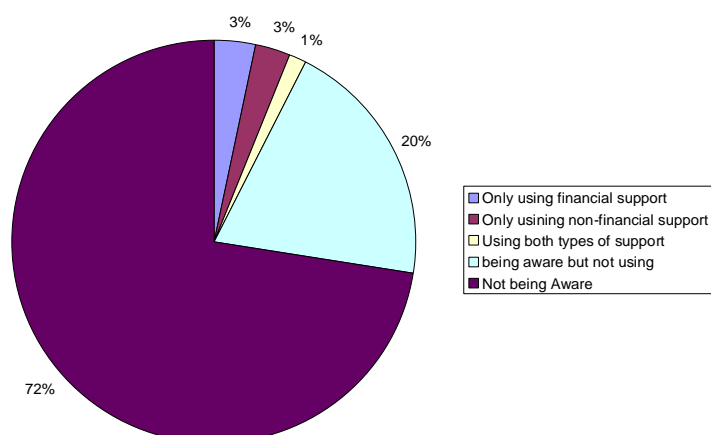
To summarize:

- The three most important barriers for markets beyond the Internal Market are:
- payment risks;
- difficult paperwork, i.e. bureaucratic procedures;
- lack of financing.
- A general policy with regard to trade support will not suffice, as the importance of trade barriers differs between the different target markets.

2.5.5 Public support measures: awareness and use

Even among internationalised SMEs, only 27% are aware of public support programmes that could be used to support the internationalisation of their enterprise. Awareness increases with the size of the firm. But of these 27% that are aware, over 70% still do not use the public support available. Combining this information results in the picture presented in Figure 2.19: just over 7% of all internationalised SMEs use public support for their international business activities. For the subgroup 'SMEs with activities in third markets' this is much higher: 16% of these SMES are actually using such support.

Figure 2.19 Awareness and use of public support measures for internationalisation, percentage of all internationalised SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

Many of the SMEs that are active in third markets learn about existing support programmes mainly through their own Internet search or through business organisations. The most important source of information on the actual content of the relevant support programmes for enterprises are:

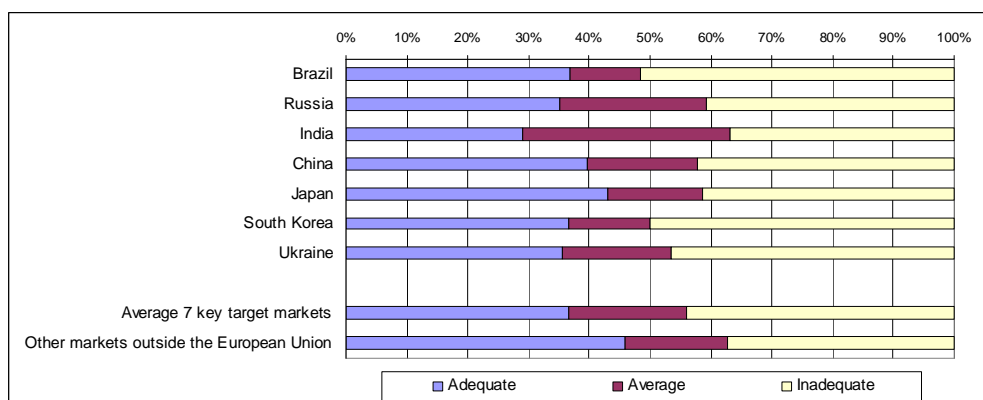
- chamber of commerce;
- trade associations and
- fellow entrepreneurs.

A majority of these entrepreneurs (60%) finds that it is not sufficiently easy to get an overview of existing support for business activities in markets outside the EU; an equally large share find these support measures not easily accessible.

The percentage of SMEs using public support programmes to develop their business in the seven key target markets is very small. Only 4 or 5% are using support for business in Brazil, Russia, China and South Korea, and in India, Japan and Ukraine it is as low as 1%. Besides the SMEs actually using the support available there is a further 4% to 10% that are at least aware of its existence: Russia (9%), India (8%), China (7%), Brazil (4%), South Korea (10%), Japan (7%) and Ukraine (10%).

Some 40% of SMEs with activities in third markets that are aware of public support programmes expressed an opinion on whether adequate support facilities exist for the seven key target markets. Figure 2.20 shows that 37% of the responding SMEs feel support for or in the 7 key target markets is adequate, 19% feel it is average. Together this gives 56%, which means that 44% feel support is inadequate for the 7 key target markets.

Figure 2.20 Existence of adequate support facilities for key target markets, perception of SMEs.



Source: Survey 2011, Internationalised SMEs revisited, EIM/GDCC (EU27, N=1280, of which on average 127 per target market responded to this question).

The positive scores are highest for Japan and China, the lowest score is obtained with regard to India.

To summarize:

- Even among internationalised SMEs, only 27% are aware of public support programmes.
- About 7% of all internationalised SMEs use public support for their international business activities.
- A majority of these entrepreneurs (60%) finds that it is not sufficiently easy to get an overview of existing support for business activities in markets outside the EU.
- The percentage of SMEs using public support programmes to develop their business in the seven key target markets is very small. Only 4 or 5% are using support for Brazil, Russia, China and South Korea, whereas in India, Japan and Ukraine it is as low as 1%.

2.5.6 Effect of using public support measures

Among financial services, 'subsidies and grants' are by far the most used and are also considered the most useful by internationalised SMEs. From the available non-financial support services the following six are mainly used by SMEs:

- information on rules and regulations;
- information on market opportunities;
- exhibiting in international trade fairs;
- identifying potential foreign business partners;
- business cooperation and networking and
- matchmaking events.

SMEs not yet using support also identify these six types of service as the most useful (effective) for their enterprise, albeit in a different sequence.

Support is mainly used for exporting, then for finding distributors and agents abroad or for setting up an establishment abroad.

Those internationalised SMEs that use public support are in general rather positive about its effects²⁵: About 9% started earlier because of the support and about 36% report that they have more international business activities because of the support. The most important effect on the international business operations of the SMEs (in the target market concerned) is that they would not even have started operations in that market without the support. In general this is true for 12% of the SMEs, but for the 7 key target markets the percentage is as high as 24%²⁶, as shown in Table 2.13.

Table 2.13 Effect of using public support, general answers vs. answers specifically related to the 7 target markets.

Effect	General	Across the 7 key target markets ¹
would not have started international business activities without support	12%	24%
started international business activities earlier because of support	9%	10%
having more international business activities because of support	36%	38%
no immediate effect (international business activities would have taken place with or without the support)	41%	24%
Total	100%	100%
Unweighted N	900	236

Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649)

Corresponding to this, the percentage reporting no immediate effect is also lower for the seven key target markets than in general (in general 41%, for the seven key target markets 24%).

Finally the types of public support from which European SMEs expect most effect for the seven key target markets generally relate to:

- assistance with identifying business partners in these countries (61% expect this measure to be effective or very effective);
- providing adequate information on market opportunities (61%);
- providing adequate information on rules and regulations (58%).

In 6 out of the 7 key target markets, these three support measures figure in the top-5 measures that are expected to be most effective.

Overall nearly 60% of the users are satisfied with the support received; this is especially true with regard to the item 'usefulness of contact the support allowed to make'. Usefulness of advice and experience of advisors score a bit lower (48%). The type of effects especially wanted are 'having more international customers'; 'meeting customers/partners that otherwise these SMEs would have been unable to meet' and 'increase our knowledge on how to enter new markets'.

²⁵ More answers were possible, so groups overlap.

²⁶ Based on 236 respondents unweighted. The averages presented are not simple averages of scores by target country, but all weighted responses across all target countries taken together.

Results also clearly show that SMEs prefer that offices providing support in target markets are run by their national organisations, whether a national chamber of commerce or an organisation of the national government.

In the following text box the major conclusions from the large scale survey are presented.

- To summarize:
- 37% of the SMEs using support feel that the support for or in the 7 key target markets is adequate.
 - 37% of the SMEs using support report that they have more international business activities because of the support (in general 36%, for the 7 key target markets 38%).
 - The types of public support from which European SMEs expect most effect for the seven key target markets generally relate to:
 - assistance with identifying business partners in these countries (61% expect this measure to be effective or very effective);
 - providing adequate information on market opportunities (61%);
 - providing adequate information on rules and regulations (58%).
 - SMEs clearly prefer that offices providing support in target markets are run by their national organisations.

2.5.7 Overall view based on 512 users of specific support measures

In addition to the surveys described in the previous sections, SMEs that benefited from 13 specific support measures at Member State and European level were surveyed²⁷. This section reports²⁸ on the effect on business activities in target countries and on business performance. The information was collected by interviews²⁹ with SMEs participating in:

1. Belgium – trade missions, trade fairs and matchmaking events, Flanders Investment & Trade in 2009 – 2010 (FIT).
2. Belgium – similar support by the Wallonian agency AWEX.
3. Finland -. Support for feasibility studies and analyses of companies planning production co-operation in Russia and training for staff working in Russia (Finnvera).
4. Luxembourg - Support with promotional material, translations for presentations, participation in trade fairs, seminars and conferences, advertising costs, export training and other consultancy services (COPEL).
5. Malta - Assisting SMEs to participate in international trade fairs and trade missions (Malta Enterprise).

²⁷ Based on telephone interviews where contact details of participants could be obtained, or as a results of invitations to participants to take part in a web based survey.

²⁸ More detailed information can be found in Background Document 4a: "Survey among Users of 13 Support Measures" and in Background Document 4b: "Book of Tables Survey among Users of 13 Support Measures".

²⁹ Support measures 1-8 concern telephone interviews and 9 and 10 a web-based survey.

6. Netherlands – A management training programme and internship with Dutch firms for Russian managers aiming to enhance trade relations between the Netherlands and Russia (EVD).
7. Poland - Passport to export, a support programme encompassing seminars, workshops, trade missions, matchmaking events, information on rules and regulations, advice and consultancy, subsidies and grants (Polish Agency for Enterprise Development).
8. Spain - A measure to financially support Spanish investments in strategically important markets³⁰ (COFIDES).
9. Germany – Export Guarantee Scheme of the Federal Republic of Germany (Hermes).
10. Sweden – The Swedish Export Credits Guarantee Board (EKN).

In addition SMEs benefiting from three European support schemes were interviewed:

11. EU27 - Executive Training Programme (ETP), a professional development programme for EU executives wishing to succeed in the Japanese or Korean market (run by Eurochambres).
12. EU27 - Gateway programme to Japan organising sector-specific business missions for EU companies in high-technology and design with a high market potential for these markets (run by Eurochambres).
13. EU27 - Gateway programme to South-Korea organising sector-specific business missions for EU companies in high-technology and design with a high market potential for these markets (run by Eurochambres).

In total, 512 completed interviews among SMEs from 19 different Member States resulted. This section reports on the effect of these specific support measures on activities in target countries and on the business performance of the firm concerned, grouped into 10 categories as shown in Table 2.14.

Table 2.14 Respondents by Member State and institution/support programme

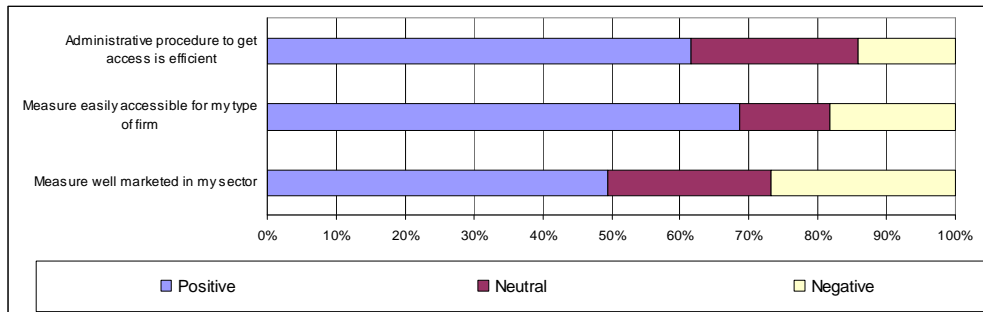
1	Belgium, Flanders Investment & Trade (FIT) & Wallonian support instruments Awex	90+18
2	Finland Finnvera and Spain COFIDES	13+11
3	Luxembourg – COPEL	50
4	Malta, Malta Enterprise	50
5	Nederland - Agentschap NL	29
6	Poland, Passport to Export	42
7	Germany Export guarantees and Swedish Export Credits	37+8
8	EU27 – ETP	20
9	EU27 – Gateway programme Japan	118
10	EU27 – Gateway programme Korea	26
Total		512

³⁰ For activities in Peru, Rumania, Argentina, China, Chile, UAE, France, USA, Hungary, India, Italia, Morocco, Mexico, Panama, Poland, UK and Brazil.

Information on the support available and accessibility of support
 The most important sources for learning about the existence of the available programmes are information campaigns by government and personal professional contacts (both 19%). Own internet search takes third position (13%). To learn more about a specific programme subsequently, the major sources of information are government agencies at various levels (local 12%, national 14% and European 14%). A fourth important source are chambers of commerce (13%).

Responding to three statements, the respondents indicated, in the majority of cases, that the procedure for getting access to support is efficient; about half agreed that the measure is well marketed in their sector and two thirds agree that the measure is easily accessible for their type of enterprise (See Figure 2.21).

Figure 2.21 Feedback SMEs to three statements



Source: Survey 2010, among users of support measures for internationalisation in EU27

Target markets and type of services used

Given the inclusion of the European ETP and Gateway programmes, the Japanese and the Korean market score relatively highly as target countries where support has been used. But the other key target markets (Brazil, China, India, Russia and Ukraine) are also sufficiently covered. From the other five target markets, only Belarus and Armenia are covered to a small extent, Azerbaijan, Georgia and Moldova are hardly covered at all. The support is mainly used for:

- exporting (71% of the respondents);
- developing an agreement with a distributor or agent (49%);
- setting up establishments abroad (18%).

Respondents were asked which services of a list of 14 items they mostly used within the programme considered. The results are presented in Table 2.15.

Table 2.15 The extent to which components of non-financial support measures are used
(Ranked by average score, which is based on scale: 0 = not at all, 1 = partially and 3 = very much)

Components of support measure	Not at all	Partially	Very much	Average (N)
Assistance with identifying potential foreign business partners	26%	34%	32%	1.41
Trade missions	30%	27%	31%	1.35
One-to-one meetings with potential foreign business partners	31%	31%	29%	1.31
Exhibiting in international trade fairs	37%	21%	32%	1.30
Information on market opportunities	25%	41%	24%	1.26
Business cooperation and networking	28%	36%	26%	1.25
Information on rules and regulations	41%	31%	14%	0.85
Auxiliary services in target market, e.g. secretarial support, interpretation, guides, etc.	57%	19%	9%	0.56
Assistance in dealing with national technical standards	59%	19%	4%	0.38
Business or professional advice (e.g. from lawyers, accountants, fiscal experts)	63%	17%	5%	0.38
Staff training	61%	11%	5%	0.33
Other non-financial service	50%	5%	5%	0.32
Assistance in dealing with Intellectual Property Rights (IPR)	65%	14%	3%	0.27
Temporary office facilities in target market	75%	7%	1%	0.12

Source: Survey 2010, among users of support instruments for internationalisation in EU27

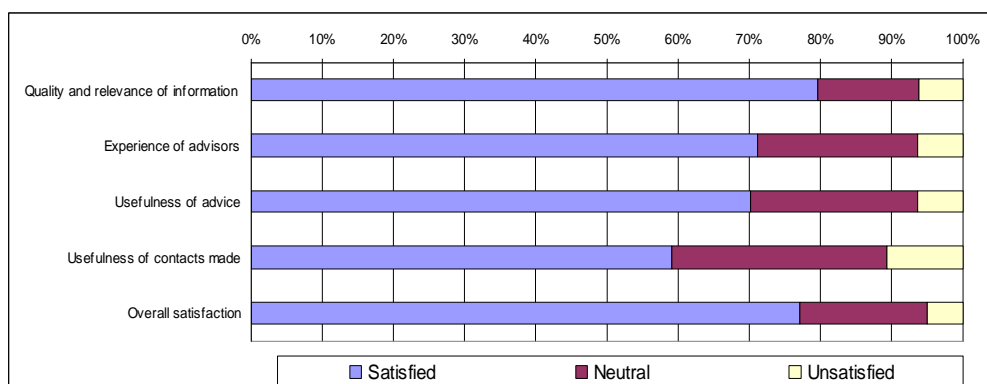
It appears that support bringing potential business partners together ranks highest, as the top four are:

- Assistance with identifying potential foreign business partners;
- Trade missions;
- One-to-one meetings with potential foreign business partners;
- Exhibiting in international trade fairs.

Satisfaction and effect on business activities and performance

Respondents are generally rather satisfied with various aspects of the support received. Some 60 to 80% are satisfied and only 5 to 10% are not satisfied. Best scores are for quality and relevance of the information received and overall satisfaction as shown in Figure 2.22.

Figure 2.22 Satisfaction of SMEs with support received



Source: Survey 2010, among users of support measures for internationalisation in EU27

A number of survey questions focused on the effect on company performance of the support measure. The findings are presented in Tables 2.16 and 2.17 and summarised below.

Table 2.16 Effect of using support measure (more answers possible)

Effects:	percentage
Would not have started business activities without support	25%
Started international business activities earlier because of support	25%
Having more international business activities earlier because of support	42%
No immediate effect	23%
Other effect	8%
Do not know / no answer	2%

Source: Survey 2010, among users of support instruments for internationalisation in EU27

As is shown in Table 2.16, use of the support measures often had significant effects on business activities, e.g. 42% have more international business because of the support and 25% would not have started these activities without the support.

Table 2.17 Summary of results: estimating effect on performance of enterprise

Because of using support measure:	Min	Max	Average
Increase in turnover in the target market	-2 %	1200%	28%
Increase in the total turnover of the enterprise	0 %	300 %	11%
New jobs, or saved jobs in the SME	- 1	200	3.0 jobs
Share in total turnover of enterprise next year (2011)	0	100	12%
New jobs, or saved jobs in the enterprise in 2011	-1	70	2.6 jobs
Total	-	-	-

Source: Survey 2010, among users of support instruments for internationalisation in EU27 (Estimates provided by about 280 to 350 respondents for each item)

Some 60% of the respondents feel comfortable estimating the effect on their business performance in quantitative terms. Table 2.17 shows that respondents estimate an increase in turnover in the target market of on average 28% and an increase in total turnover of the firm of 11%.

Table 2.18 The way effects of measure are obtained, i.e. intermediate effects, ranked by average score based on scale 1 = not at all, 2 = somewhat and 3 = very much.

Type of effect of support provided	1 Not at all	2 Some- what	3 Very much	Average score
Met customers/partners that otherwise we would have been unable to meet	23%	37%	37%	1.5
Increased our knowledge on how to enter new markets	22%	40%	37%	1.5
Better assessment of tangible business opportunities in target markets	22%	40%	35%	1.5
Improved the company's profile overseas	19%	48%	31%	1.4
Receiving more enquiries for our products or services	26%	46%	25%	1.2
Having more international customers	30%	45%	22%	1.2
Improved overseas marketing strategy	31%	40%	26%	1.2
Improved overseas market research skills	40%	39%	17%	0.9
Improved prospects of raising international funding	58%	26%	8%	0.6
Other benefit	53%	4%	10%	0.5
Improved prospects of securing financial guarantees	67%	21%	5%	0.4
Resolved a problem with a foreign contract	74%	16%	4%	0.3

Source: Q27, Survey 2010, among users of support instruments for internationalisation in EU27

In qualitative terms, Table 2.18 shows that especially the following four types of effects were obtained:

- Met parties that otherwise they would not have been able to meet;
- Increased firm's knowledge on how to enter new markets;
- Better assessment of tangible business opportunities in target markets;
- Improved the company's profile overseas;

See Table 2.19 below for more results.

The support is considered to be most useful for operations outside the EU (useful or very useful: 82%); for other EU Member States this is 65%. Especially the category very useful scores highest for third markets (33%).

In the next text box the major findings are listed from the survey among SMEs that benefited from 13 specific support measures at Member State and European level.

To summarize:

- The majority of SMEs using support are of the opinion that the procedure for getting access to the support is efficient.
- The top three services used are:
 - 1 Assistance with identifying potential foreign business partners;
 - 2 Trade missions;
 - 3 One-to-one meetings with potential foreign business partners;
- Financial services are relatively little used
- Respondents are generally rather satisfied with various aspects of the support received. Many are using support year after year.
- Using the support measure affects the business activities significantly:
 - 42% have more international business because of this support;
 - 25% would not have started these activities without the support;
 - 25% started international business activities earlier.
- 23% report that there is no immediate effect from using the support.
- The effect of support on the business performance is on average:
 - an increase in turnover in the target market of 28%;
 - an increase in total turnover of the firm of 11%;
 - 3 jobs attributed to using the support (created or saved);
- In qualitative terms, the respondents indicated that especially the following types of effects from the support were obtained:
 - Met parties that otherwise they would not have been able to meet;
 - Increased firm's knowledge on how to enter new markets.

2.5.8 Comparative analysis of 10 support measures

Information on the support available and accessibility of support

For the Polish Passport to Export programme, a relatively large number of SMEs identify this support by own Internet search (48%, the average for all programmes is 13%). The Internet is also relatively important for the European ETP programme (35%).

Personal professional contacts are relatively important for the support by FIT and AWEX in Belgium (27%), export credit schemes in Germany and Sweden (31%) and the President's Programme in the Netherlands (45%, the average score for all programmes is 19%). Participants in the Gateway programmes Japan and Korea stand out as becoming aware of this option through other sources (respectively 23% and 42%; average 14%). This concerns a wide range of channels, including being directly contacted by representatives of the Gateway programme by e-mail or telephone (through private consultants).

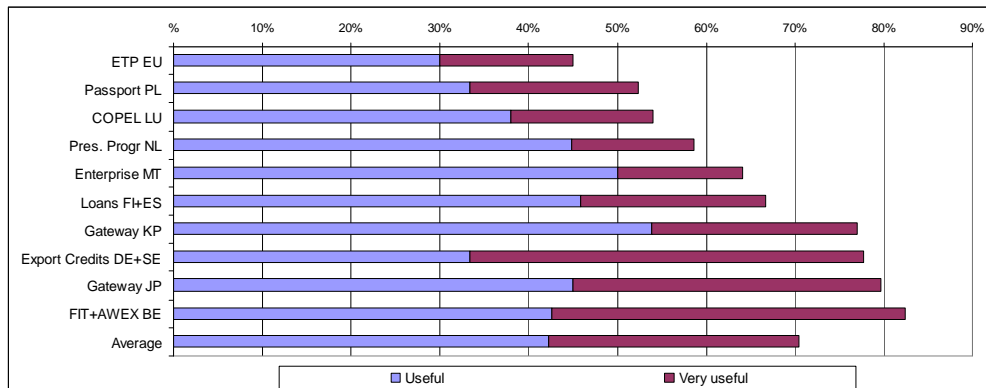
The main sources by which SMEs learn more about the nature of the support offered differs quite a bit for each of the specific support measures: for ETP and Gateway Programme, European institutions or programmes and the (European) chamber of commerce are relatively important. Quite obviously, national organisations and governments are rather important for the support measures of Member States considered, e.g. 34% for the Belgium programmes and 30% for the President's Programme in the Netherlands.

Type of services used and usefulness

The Gateway programmes are used most, for export activities (81% for Japan and 88% for Korea) - more than the average of 71% for all types of support. The financial instruments in Finland and Spain and the President's Programme in the Netherlands are relatively often used for setting up establishments abroad (respectively 75% and 41%). On average, support is not used much (10%) for developing licence or franchise agreements, but the score is relatively high with the Gateway Programme Japan (16%) and the programme of Enterprise Malta. Developing agreements with distributors or agents scores again highest with the two Gateway programmes.

In general, most of the internationalisation support may be used for activities in neighbouring countries, in other EU Member States or for markets beyond the EU. Figure 2.23 shows how useful the SMEs feel the support is for their business activities outside the EU. The three measures with the top 'scores' are support by Belgian trade support organisations, Gateway Japan and the export credits in Germany and Sweden. Those considering the last one to be very useful are by far the largest number.

Figure 2.23 Usefulness of the 10 support measure for international business outside the EU

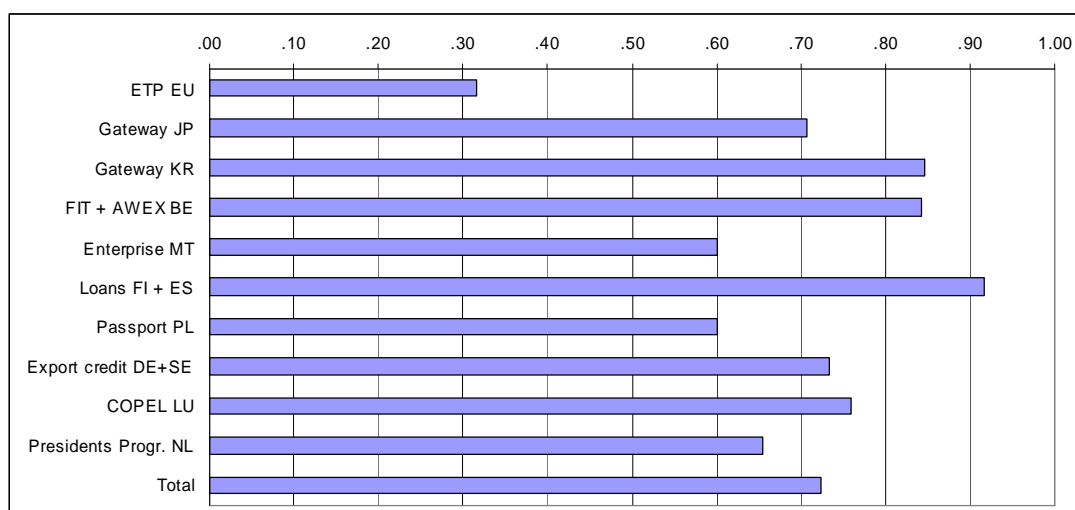


Source: Survey 2010, among users of support measures for internationalisation in EU27

Satisfaction and effect on business activities and performance

The three measures with the highest overall satisfaction rate are (overall score 0.74 on a scale from -1 to 1): Loans Finland and Spain 0.92; Gateway Korea 0.85 and Belgium support programmes 0.84 (See Figure 2.24).

Figure 2.24 Overall satisfaction of SMEs with the 10 support measures



Source: Survey 2010, among users of support measures for internationalisation in EU27

For the four specific aspects studied, the Gateway Korea Programme received the highest score three times:

- for quality and relevance of information (average 0.74, Gateway 0.92);
- for experience of advisors (average index 0.65, Gateway 0.88);
- for usefulness of advice (average 0.64, Gateway 0.85).

Allowing SMEs to make new contacts scored highest among participants in the Presidents Programme NL (0.69).

The low overall satisfaction recorded for the Executive Training Programme in Japan and Korea (ETP) should be interpreted with care for two main reasons.

- Firstly, the number of respondents for the ETP programme is really very low (20), resulting in rather wide confidence intervals.
- Secondly, it may rather easily happen that the ETP contributes substantially to the capabilities of the individual receiving training without the sponsoring company benefiting as much. The answers presented in Figure 2.24 originate from the companies and not from the individuals who participated in the training. The ETP evaluation report³¹ states for example that ETP participants acquire a set of skills valuable for their future career prospects; and that 83% of respondents to the survey remained involved in business activities with Japan and Korea even if they had changed companies.

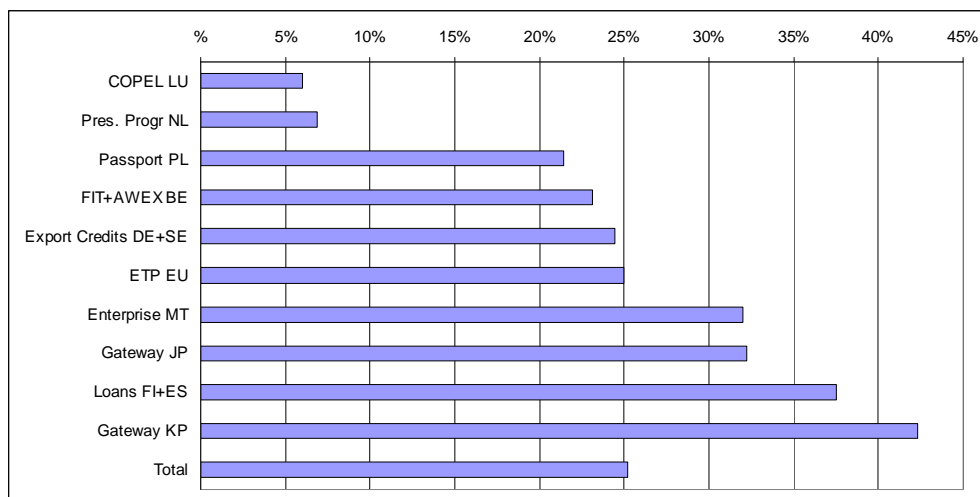
In addition, it might be difficult for SMEs to send a staff member to this training programme as the individual will be enrolled for almost a year (2 weeks inception in UK + 30 week training in the target market + 12 week internship with a company in the target market). Companies may also consider this as a high cost when giving an overall opinion on the ETP afterwards. As the evaluation report also confirms that both ETP participants and sponsoring companies acknowledge the programme's value in building Japanese/Korean business, it recommends continuing to build a pool of Japanese and/or Korean speaking executives that are able facilitate the process of building business relations between the EU and

³¹ "Intermediate Evaluation of the Executive Training Programme in Japan and Korea" for the European Commission/ External Relations DG, Final Report, February 2010, Deloitte.

Japan and South Korea. This might be an asset to the European business community at large rather than necessarily for the sponsoring firm.

The effect 'Would not have started business activities without support' is highest for Gateway Korea, the financial instruments Finland and Spain, Gateway Japan and support by Enterprise Malta (see Figure 2.25).

Figure 2.25 Percentage of users that would not have started business activities in the market concerned without the support.



Source: Survey 2010, among users of support measures for internationalisation in EU27

'Having more international business activities because of support' scores highest among users of Enterprise Malta programme, Gateway Japan and the export credits Germany and Sweden. 'Having started earlier because of support' scores highest with Passport Poland, Enterprise Malta and Gateway Japan. The negative score 'no immediate effect' was recorded most among participants in programme COPEL, Presidents Programme NL and ETP.

Quantitative estimates for the effect of the support on the turnover in the target market are by far the highest for the financial instruments in Finland and Spain (111% increase in turnover, average of 28% for the ten measures). In second position are the export credits in Germany and Sweden (53% increase in turnover). The percentage increase of the overall turnover of the enterprise has the highest score for the export credits Germany and Sweden (27% increase, average 11%). The Belgian support and the support by COPEL Luxembourg both resulted in an increase of 16% in turnover.

The number of jobs attributed to the support received (either new jobs or saved jobs) is highest with the financial instruments in Finland and Spain (10 jobs new or saved jobs, against an average of 3 jobs). The Belgian support has second position with 6 new or saved jobs.

The share of total turnover of next year (2011) attributed to the support ranges from 12% to 16% for most support programmes. Only the two Gateway programmes lag behind with 6% (Japan) and 4% (Korea).

Finally the number of new or saved jobs 'next year' (2011) attributed to the support is highest for the financial instruments in Finland and Spain (6 jobs, average 3) and Passport Poland (also 6 jobs).

Intermediate effects

Intermediate effects were also looked into, such as improving the SMEs' profile overseas. Table 2.19 indicates for each possible effect the programme with the highest score and the average score across all support measures³².

Table 2.19 The support measures that contributed most to intermediate effects (ranked by average score).

Type of intermediate effects	H i g h e s t s c o r e	Average	
Met customers/partners that otherwise would not have been met	Gateway KR	2.04	1.53
Increased our knowledge on how to enter new markets	Gateway JP	1.97	1.53
Better assessment of tangible business opportunities in target markets	Gateway KR	2.00	1.51
Improved the company's profile overseas	Enterprise MT	2.08	1.43
Receiving more enquiries for our products or services	Enterprise MT	1.92	1.24
Improved overseas marketing strategy	Enterprise MT	1.66	1.22
Having more international customers	Enterprise MT	1.74	1.15
Improved overseas market research skills	Passport PL	1.45	0.95
Improved prospects of raising international funding	Loans FI+ES	1.05	0.56
Improved prospects of securing financial guarantees	Export Credits DE+SE	1.06	0.39
Resolved a problem with a foreign contract	Export Credits DE+SE	0.72	0.31

Source: Survey 2010, among users of support measures for internationalisation in EU27

Accessibility of the measure

With regard to the efficiency of the administrative procedures, the marketing of the measure and the accessibility of the measure, the opinion of the enterprises using the various measures differs quite a lot. Using again an overall index³³, it was established that the administrative procedure for the loan programme in Finland and Spain was considered to be the most efficient. The Gateway Programmes Japan and Korea scored a second position. For Passport to Export Poland the score was clearly negative.

³² The score is calculated as an average of 0 (not at all); 1 (somewhat) and 3 (very much).

³³ For efficiency of administrative procedure the score is calculated as an average of -1 (inefficient); 0 (neutral) and 1 (efficient); for marketing of support measure in the sector concerned and accessibility, the score is calculated as an average of 1 (agree); 0 (neutral) and -1 (disagree).

- In Malta, respondents are very positive about the marketing of the measure in their sector. Gateway Korea and the Belgium programmes occupy a second position. In Luxembourg, the score is rather negative.
- The accessibility of the support measure scores best in Belgium. The President's Programme in the Netherlands takes a second position just before Gateway Korea. For the ETP programme there is a large negative score.

2.6 Country studies

2.6.1 Introduction

This section is mainly based on the work in the seven key target countries³⁴. As explained in Annex I, a series of interviews were held in each country. The findings have been discussed at workshops attended by the interviewees. In addition, survey data from the large random survey³⁵ and from the survey of users of 13 support measures³⁶ are used to illustrate the opportunities and barriers within the key target countries.

2.6.2 Opportunities and barriers for SMEs in the 7 key target countries

The study on the analysis of international trade flows and economic development in the target countries (paragraph 2.2) identified a range of opportunities for European SMEs. Within this overall framework, the country research was further able to identify the promising sectoral opportunities for European SMEs. The sectors that offer greatest scope for SMEs to enter the market are first summarised in table 2.20, following by a more detailed review of country-specific market entry opportunities and market barriers.

Table 2.20 Promising sectoral opportunities for EU SMEs

Country	Sectoral opportunities
Brazil	<ul style="list-style-type: none"> - Agriculture and agro-industry - Automotive, aviation and other transport industries - Chemicals - High Tech (biotech, nanotech, etc.) - New construction materials - Pharmaceutical and health industries - Oil, gas, renewable energies, including bio fuels - Tourism
China	<ul style="list-style-type: none"> - Automotive industry and aviation technologies - Building materials - Business, consumer and personal services - Environmental products and services - Energy (including low-carbon and renewable energy technologies) - High value brand products and luxury products - Machine tools - Plastics industry - Tourism

³⁴ See the Background Document 6: "Country Studies of the Seven Key Target Markets".

³⁵ See the Background Document 3a: "Survey Report Large Scale Random Survey".

³⁶ See the Background Document 4a: "Survey among Users of 13 Support Measures".

Country	Sectoral opportunities
India	<ul style="list-style-type: none"> - Aerospace, automotive - Agriculture and agro-industry - Education - Financial services - Food and beverages, organic products - Infrastructure, logistics, telecommunication - Life sciences - Luxury goods (e.g. designer clothes, cosmetics) - Machinery, such as machines for food processing industries; - Oil and gas, and other energy sectors (renewable energy such as wind)
Japan	<ul style="list-style-type: none"> - Chemical products (e.g. pharmaceuticals and organic chemicals) - Advanced engineering and technologies - Automotive and other transport equipment - High value added and luxury products (e.g. food, clothes and footwear)
Russia	<ul style="list-style-type: none"> - Clothing, footwear and textiles - Consulting services - Food and other retail products - Hospitality and catering - Manufacturers or distributors of high quality equipment for agriculture - Manufacturing and the distribution of household goods
South Korea	<ul style="list-style-type: none"> - Petroleum, plastic and oil based products - Automobiles, aeroplanes and related components - Refined copper (cathodes etc), aluminium alloys - I.T. equipment - Medical and surgical equipment, pharmaceuticals - Clothes and footwear
Ukraine	<ul style="list-style-type: none"> - Agriculture and agro-industry - Banking, services sector and consultancy - Food processing - Information technologies - Logistics - Retail - Resource-saving and energy-saving technologies, alternative energy, infrastructure

Brazil

The study finds that 6% of internationalised SMEs have business activities within Brazil (which makes Brazil joint second to last out of the 7 key target markets). External trade with Europe remains typical of the relationship between developing and developed economies. The sectors with the greatest volume of imports from the EU in Brazil include machinery and transport equipment (about 10bn EUR in 2009), chemicals (circa 7bn EUR) and other manufactured goods (4bn EUR).

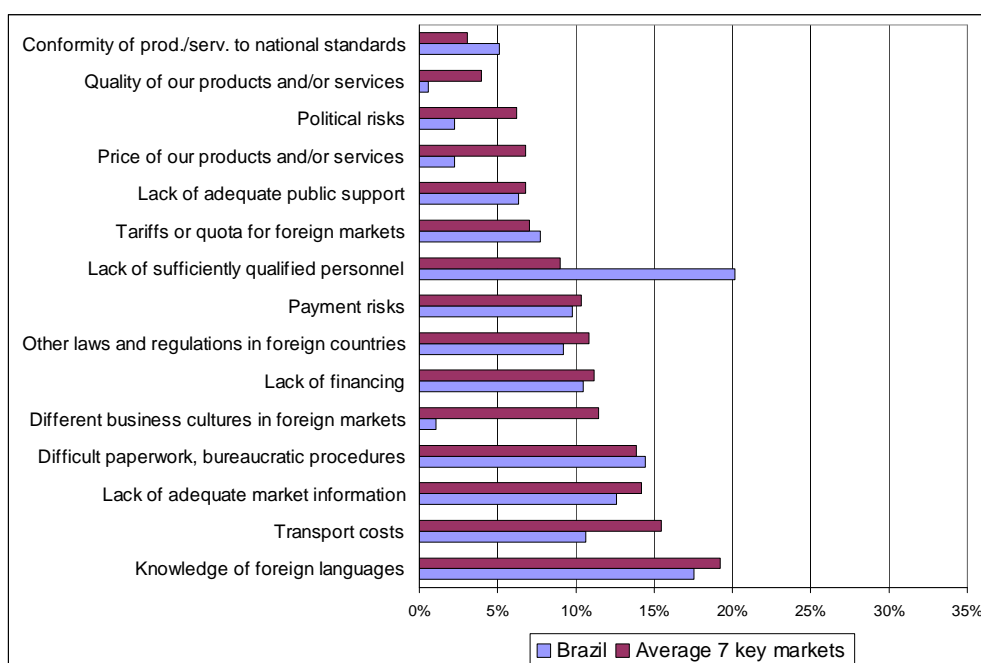
The country research identified a wide range of business opportunities in Brazil for European SMEs across a diverse range of sectors, such as machinery and transport equipment, renewable energies, including bio fuels, oil and gas and the pharmaceutical and health industries. Some business opportunities arise from the fact that particular sectors of the Brazilian economy are under-developed, such as physical infrastructure and the transportation sector, while others are

linked to the nation's strengths, such as the abundance of natural resources (e.g. oil and gas industries), increased domestic consumption, a growing middle class and the sheer size of the internal market (i.e. population of almost 200m). The increase in wealth in Brazil has created new opportunities for investing in local businesses in order to manufacture consumer products and to provide consumer services.

One of the main barriers presently for EU enterprises looking to trade in Brazil is the lack of an agreement with the EU on the creation of a free trade area and high trade tariffs. The EU's bilateral trade relations with Brazil have been under discussion since 2004, but the proposed wide-ranging EU-Mercosul Association Agreement has potential to create a vast free trade area.

Barriers identified in this study are listed in the next figure. The average refers to the average score across the 7 key target markets. In particular the lack of sufficiently qualified personnel is a relatively important barrier in the case of Brazil for EU SMEs. Different business cultures score very low.

Figure 2.26 Major barriers for Brazil, percentage of SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- External trade with the EU remains typical of the relationship between developing and developed economies.
- The study identified a wide range of business opportunities for European SMEs across a diverse range of sectors.
- Some business opportunities arise from the fact that particular sectors of the economy are under-developed, such as physical infrastructure and the transportation sector, while others are linked to the nation's strengths, such as the abundance of natural resources, increased domestic consumption, and the sheer size of the domestic market.
- One of the main barriers presently for EU enterprises looking to trade in Brazil is the lack of an agreement with the EU on the creation of a free trade area and high trade tariffs.

China

This study finds that 10% of internationalised SMEs have business activities within China (which makes China second out of the 7 key target markets).

There are a variety of business sectors in China that present business opportunities for EU SMEs. Some of these stem from China's need to modernise and upgrade its technology base; others relate to rapidly growing consumer markets; while others are related to ongoing processes of structural change within the Chinese economy. Among the most commonly mentioned sectors offering business opportunities to EU SMEs are: machine tools, reflecting China's strength in manufacturing, business services (such as public relations, advertising) and specialist financial services (such as factoring, private equity, specialist management consultancy), as the Chinese economy continues to develop.

Other sectors that appear to be promising for EU SMEs include consumer and personal services, such as healthcare and medical services, education, environmental products and services, energy, and particularly renewable energy and low-carbon technologies. Luxury products also provide a significant market opportunity to meet the demands of the growing consumer market. Other growth sectors that offer potential for EU SMEs identified in the country report were: the plastics industry; life sciences (medical supplies, pharmaceuticals, healthcare, biotechnology, etc.); automotive and aviation technologies; high value brand products; building materials; and tourism.

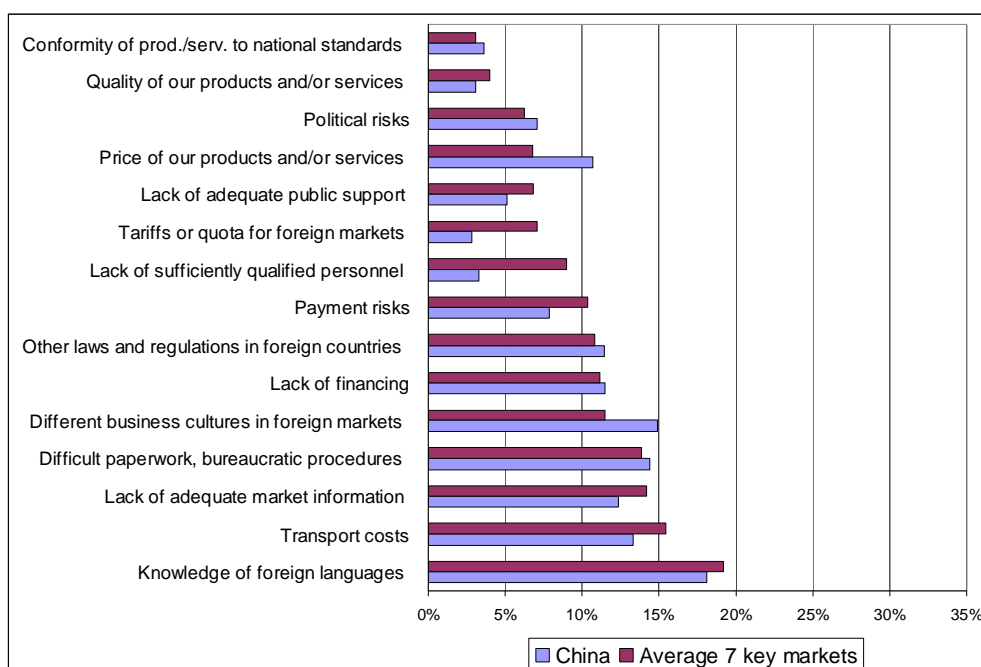
While China is renowned as the world's leading exporter, it should be recalled that it is also the third largest importer in the world (\$1.307 trillion, 2010 estimates). The main sectors where China relies on imports include: electrical and other machinery, oil and mineral fuels, optical and medical equipment, metal ores, plastics and organic chemicals. While it sources these goods internationally, Germany is well represented as a leading European exporter to China (6% of the global total, 2009). However, although a potential key target market for EU exporters it should be noted that according to the survey, compared to other key target markets, prices of own products and different business cultures are relatively high barriers (see Figure 2.27).

With regard to the sectoral composition of exports to China from the EU, according to Eurostat trade statistics, machinery and transport equipment account for 55% of total exports³⁷, chemicals and related products (13%), manufactured goods (12%) and miscellaneous manufactured articles (9%). Business services also represent a major opportunity for EU SMEs, since the volume of EU services exported to China in 2009 was €18 billion.

FDI inflows to China from the EU are dominated by four EU27 countries: the UK (nearly 2.6bn EUR); France (some 2.3bn EUR); Belgium (1.9bn) and Germany (1bn EUR). These 4 countries have a share of nearly 90% (7.8 billion euro). Most EU FDI in China is invested in financial services (financial intermediation is some 50% of total). While this is dominated by large firms, it may open up possibilities for EU SMEs through downstream business services.

The barriers as perceived by EU SMEs are presented in Figure 2.27. The average refers to the average score across the 7 key target markets.

Figure 2.27 Major barriers for China, percentage of SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- Some business sectors that present business opportunities for EU SMEs stem from China's need to modernise and upgrade its technology base; others relate to rapidly growing consumer markets. Sectors offering business opportunities to EU SMEs are: machine tools, business services (such as public relations, advertising) and specialist financial services (such as factoring, private equity, and specialist management consultancy).

³⁷ Source: Eurostat, statistics in focus, 48/2010 (17/9/2010)

- While China is the world's leading exporter, it is also the third largest importer in the world.
- Germany is well represented as a leading European exporter to China.
- FDI inflows to China from the EU are dominated by the UK; France; Belgium and Germany who have a share of nearly 90%.
- Compared to other key target markets, prices of own products and different business cultures are relatively high barriers for EU SMEs.

India

This study finds that 6% of internationalised SMEs have business activities within India (which makes India joint fourth out of the 7 key target markets).

Given its sizable population of 1.1bn people, combined with growing domestic consumption, India offers significant commercial opportunities for EU SMEs. Opportunities for EU SMEs were identified across a wide range of sectors. Examples include the growing market for luxury goods linked to growth in domestic consumption and the increased size and wealth of the middle class in India. This has also created a niche market for high value products.

Other possibilities for EU SMEs include sectors such as automotive parts servicing Indian and European manufacturers; food and beverages and associated machinery, such as machines for food processing industries. Organic products represent another interesting area for EU SMEs, given the global growth in this market, and the need for Indian firms to comply with organic standards set by the Indian government and by international organizations in order to be able to service export markets.

The energy sector offers significant potential to EU SMEs across a range of sectors and sub-sectors, such as oil and gas, renewable energy and low-carbon technologies. India's economy is under transition and there has been a significant growth in the development of high-tech industry. This evidently presents major opportunities for EU SMEs in areas such as advanced engineering, aerospace, telecommunication and electronics, ICT. Other sectors that were identified as offering strong potential for EU SMEs at the workshop include logistics; retailing; aviation leasing services and the development of infrastructure.

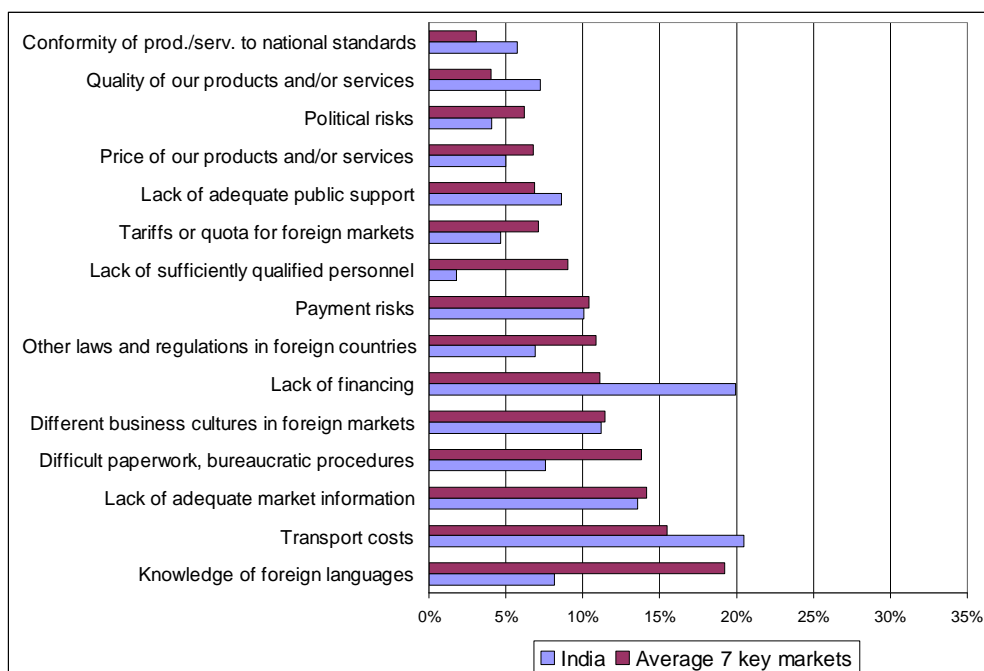
The development of sectoral clusters in different areas of India and different cities led by major EU firms has created opportunities down the supply chain for EU SMEs. Some of these clusters are well known, such as the ICT and high-tech cluster located in Bangalore, but there are also others, in major commercial centres such as Mumbai and second tier cities such as Pune. Pune has a large engineering and automotive sector and several major German car manufacturers are established there. This has led to the establishment of a large number of European SMEs (around 800 - mainly German).

Trade statistics show that EU exports to India both in the manufacturing and services sectors generate a trade surplus of about 1bn EUR in each case. Business services also represents an important market opportunity for SMEs operating in niche areas.

The percentage of SMEs that indicate that a particular barrier is one of their three most important barriers for India are shown in Figure 2.28. For easy com-

parison, the picture also shows the average score across the 7 key target markets.

Figure 2.28 Major barriers for India, percentage of SME



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- Given its sizable population of 1.1bn people, combined with growing domestic consumption, India offers significant commercial opportunities for EU SMEs.
- Examples include luxury goods for domestic consumption; automotive parts; food and beverages and associated machinery; and organic products.
- Other opportunities for EU SMEs are in areas such as advanced engineering, aerospace, telecommunication and electronics, ICT.
- The development of sectoral clusters in different areas of India and different cities led by major EU firms has created opportunities down the supply chain for EU SMEs.
- Relatively important barriers for EU SMEs include the lack of financing and high transport costs.
- Compared to other target markets there is sufficient qualified personnel and only a minor language problem.

Japan³⁸

This study finds that 8% of internationalised SMEs have business activities within Japan (which makes Japan joint third out of the 7 key target markets).

Japan's highly developed and sophisticated economy offers strong opportunities for European SMEs which provide high value added goods and services. Japan is

³⁸ It should be noted that the country study about Japan was conducted before the earthquake and tsunami hit the country in March 2011. When this report was completed it was unsure what the long term consequences will be of this disaster on the business opportunities for EU SMEs.

the third largest economy in the world (GDP \$5.3 trillion dollars) and according to the IMF has a GDP per capita in 2010 equating to \$33,828. The population, 127,692,000, is the 10th biggest and is ranked within the global top 40 in terms of population density.

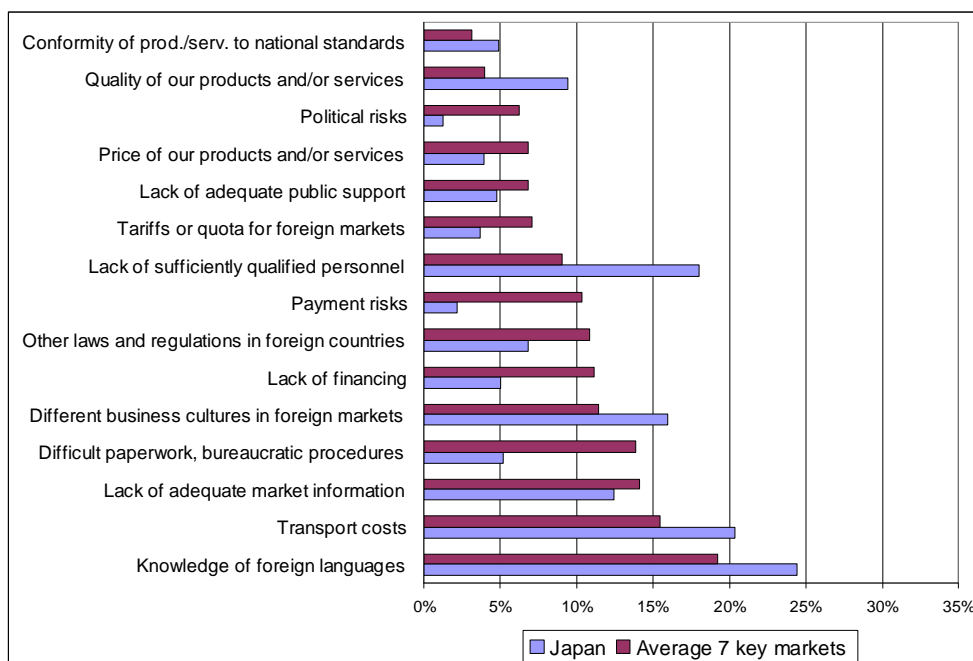
Japan's economy continues to be characterised by a strong trade surplus and the scale of exports from the EU to Japan (in total 5% of EU exports to third countries) has been gradually declining. Similarly, given China's growing share of exports to Japan, the EU's overall proportion of imports has also been diminishing. Despite set-backs to the FDI flow in 2006 and 2008, there has been steady growth in the stock throughout the 2000s (the FDI stock was \$200 trillion in 2008), but although the EU's overall FDI inflow has been growing, its share has been stable and to a certain extent declining compared to other investors. As such, the export and FDI backdrop appears to indicate that there is further potential for European SMEs to expand their activities.

A key barrier to trade with Japan remains the unfavourable high exchange rate and the high cost economy which translates into scarce opportunities for volume production (even for those with technological advantages). Value added products therefore dominate the current share of EU exports with chemical products (e.g. pharmaceutical products, organic chemicals) machinery, scientific and transport equipment, automobiles, food, clothes and shoes taking significant proportions. In fact, one of the barriers identified by EU SMEs through the survey for entering the Japanese market compared to other countries was the quality of Japan's own products and services.

Further opportunities nonetheless remain given the perception of European products by high end Japanese consumers. In particular, Western culture, traditions and tastes are deemed as highly desirable. Europe is also regarded as a technological leader in fields such as precision machinery (European institutions, universities and firms are held in high regard) and this provides scope for the development of product niches and for innovative applications. Japanese SMEs are also keen to develop partnerships with European firms given that many have undeveloped international business networks (surprisingly younger entrepreneurs are more inward looking than previously). Moreover, European SMEs consider Japan as a strong launch pad and testing ground for the Asian market and the 'made in Japan' motif has retained its quality reputation with regional consumers.

In Figure 2.29 the barriers as perceived by EU SMEs to do business in Japan are listed. The average refers to the average score across the 7 key target markets.

Figure 2.29 Major barriers for Japan, percentage of SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- Japan's highly developed and sophisticated economy offers strong opportunities for European SMEs which provide high value added goods and services.
- The scale of exports from the EU to Japan (in total 5% of EU exports to third countries) has been gradually declining
- A key barrier to trade with Japan remains the unfavourable high exchange rate and the high cost economy which translates into scarce opportunities for volume production.
- Given the very high quality of Japan's own products and services, opportunities do only exist for EU SMEs which provide high value added goods and services.
- Western culture, traditions and tastes are deemed as highly desirable.
- Europe is also regarded as a technological leader in fields such as precision machinery, and this provides scope for the development of product niches and for innovative applications.
- Japanese SMEs are also keen to develop partnerships with European firms.
- European SMEs consider Japan as a strong launch pad and testing ground for the Asian market and the 'made in Japan' motif has retained its quality reputation with regional consumers.

Russia

This study finds that 13% of internationalised SMEs have business activities within Russia (which makes Russia first out of the 7 key target markets).

Russia's population of 142 million and its sizable domestic consumer market offer attractive possibilities for EU SMEs. However, there are high market entry costs and obstacles to doing business, such as bureaucracy and lack of transparency. Geographic proximity to Europe and strong historical commercial ties between

some of the new Member States and Russia are among the reasons that Russia is attractive for foreign companies.

In common with Brazil, China and India, there is a growing emerging middle class in Russia with a substantial disposable income. This has increased demand for consumer goods in general, and for luxury goods. Among the main sectoral opportunities identified linked to household consumption were automotive products, household goods, financial services and retail products.

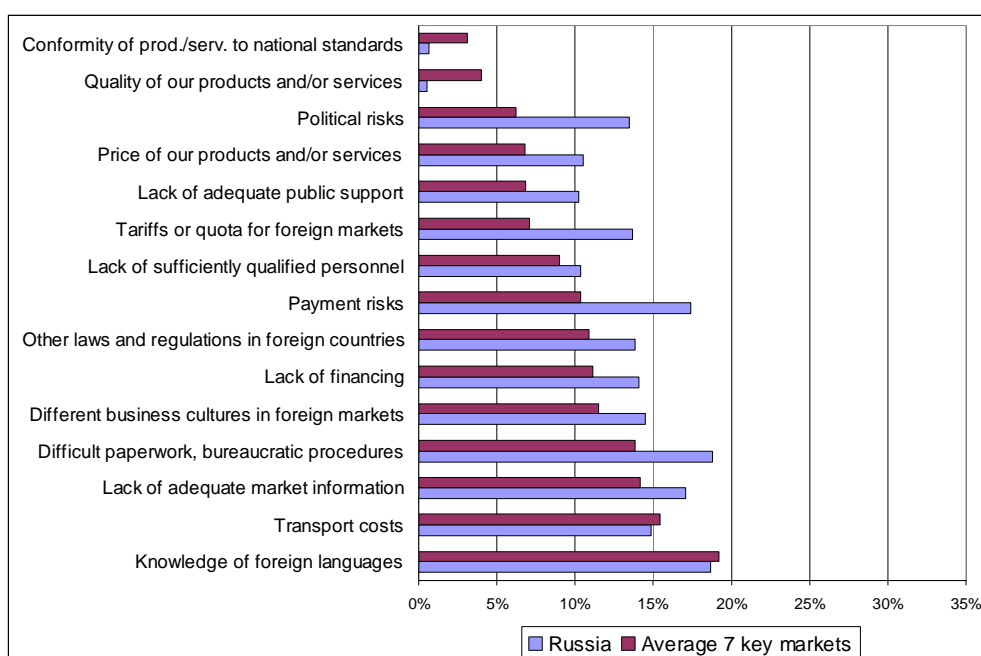
Other sectors offering promise include construction equipment and materials, services and equipment for infrastructure upgrades in power generation and telecommunications. The energy sector also offers significant opportunities for EU SMEs, since high energy prices are driving demand for oil and gas field equipment and services.

The agricultural sector also provides significant opportunities for EU SMEs, especially for manufacturers or distributors of high quality agricultural equipment, since Russian equipment is often not reliable and of poor quality. Moreover, agriculture and food processing are potentially profitable sectors, since prices for agricultural products in Russia are higher than equivalent western products.

Lastly, Russia's favourable geographic location and its historical strategic position as a gateway to other countries of the former Soviet Union represents an opportunity for EU SMEs to access other sizable markets both in CIS countries (Kazakhstan, Belarus, etc.), as well as China, Korea and Japan.

The percentage of SMEs that indicate that a particular barrier is one of their three most important barriers for Russia are shown in Figure 2.30. For easy comparison, the picture also shows the average score across the 7 key target markets.

Figure 2.30 Major barriers for Russia, percentage of SME



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- Russia’s population of 142 million and its sizable domestic consumer market offer attractive possibilities for EU SMEs.
- The growing emerging middle class in Russia with a substantial disposable income has increased demand for consumer goods in general, and for luxury goods.
- Opportunities identified include automotive products, household goods, financial services, retail products, construction equipment and materials, services and equipment for infrastructure upgrades in power generation telecommunications and high quality agricultural equipment.
- However, there are high market entry costs and obstacles to doing business, such as bureaucracy and lack of transparency.

South Korea

This study finds that 5% of internationalised SMEs have business activities within South Korea (which makes South Korea last out of the 7 key target markets). With regard to the survey results relating to the top 5 countries outside of the Internal Market where SMEs are currently active, South Korea is ranked 28th which is the lowest position in relation to the 7 key target markets.

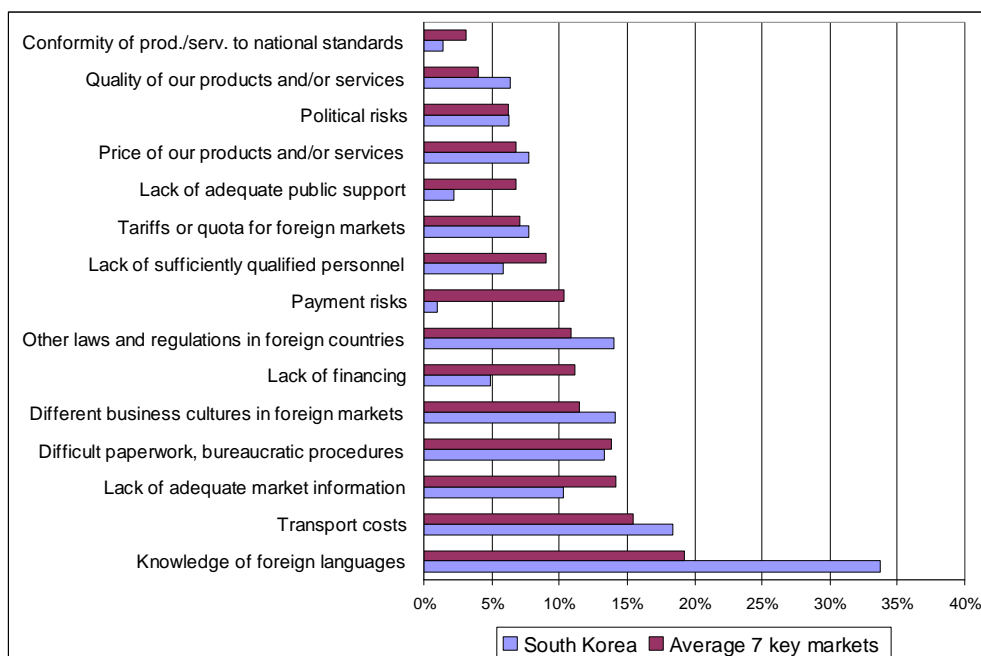
For many SMEs, South Korea (an OECD member) is considered as a dynamic market (despite the unstable exchange rate) with only modest competition compared to China and Japan. Geographically speaking, South Korea is well placed to target regional ASEAN and APEC markets and the scale of the market is sufficient enough to justify taking manageable risks. Compared to other countries in the region, the infrastructure is outstanding and further investments are taking place. Starting a business is relatively easy (SMEs believe that in general the extent of red tape is reducing) and the associated administrative costs are not extortionate.

A recent EU-Korea FTA (2010), one of the largest the EU has negotiated, has opened up opportunities for EU SMEs. Significantly, it provides free access to the Korean market for European goods and services and introduces important clauses in respect of intellectual property rights, regulatory issues and on social and environmental issues.

South Korea has a trade surplus in relation to the EU and despite a dip in trade in 2008, both imports and exports between the two have been rising steadily over the past 10 years. In 2010, South Korean exports to the EU equated to roughly \$82 million whilst EU imports were over 66\$ million (EU imports made up around 17% of the total share, whilst just less than 19% of exports were traded with the EU). Between 2008 and 2009, the level of FDI from the EU to South Korea decreased (from \$6,339 million to 5,297 million) whilst the share from USA, Japan and the total from other countries increased.

The barriers as perceived by EU SMEs to do business in South Korea are presented in Figure 2.31. The average refers to the average score across the 7 key target markets.

Figure 2.31 Major barriers for South Korea, percentage of SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- South Korea is considered as a dynamic market with only modest competition compared to China and Japan.
- South Korea is well placed to target regional ASEAN and APEC markets and the scale of the market is sufficient enough to justify taking manageable risks.
- The infrastructure is outstanding.
- Starting a business is relatively easy.
- A recent EU-Korea Foreign Trade Agreement has opened up opportunities for EU SMEs.
- Payment risk scores relatively low as barrier, language relatively high.

Ukraine

This study finds that 8% of internationalised SMEs have business activities within Ukraine (which makes Ukraine joint third out of the 7 key target markets). With regard to the survey results relating to the top 5 countries outside of the Internal Market where SMEs are currently active, Ukraine is ranked 7th.

Trade statistics show that Ukraine's primary exports to the EU are agricultural products, energy, chemicals, iron, and steel. EU exports to Ukraine are dominated by machinery, transport equipment, chemicals, textile and clothing, and agricultural products.

Among the most promising sectoral opportunities in Ukraine for EU SMEs identified in the country report are the retail sector (which has experienced significant growth and where several major European players are already present, such as Auchan, Billa). As in other countries under review, growth in domestic consumption has opened up new market opportunities, and the fact that many western

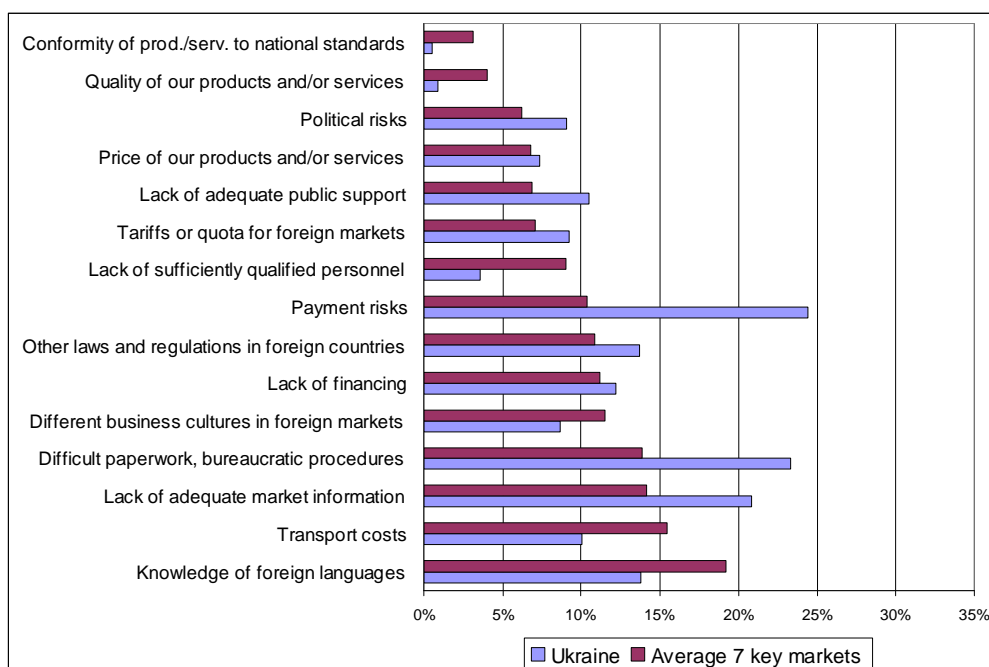
goods are priced at about 50% higher than normal means that the Ukrainian market is potentially highly profitable.

Opportunities were also identified in the energy sector (oil and gas) and in energy-saving technologies and in alternative energy. In common with other emerging economies, there is also expected to be a growth in the business services sector and in consultancy. Other sectors that offer potential include high-tech industry generally (including manufacturing), information technologies, logistics and services.

Other areas that offer potential for EU SMEs include agriculture and food processing. The milk industry and cattle breeding appear to provide particular promise, although only with the appropriate permit for investors to rent land.

The percentage of SMEs that indicate that a particular barrier is one of their three most important barriers for Ukraine are shown in Figure 2.32. For easy comparison, the picture also shows the average score across the 7 key target markets.

Figure 2.32 Major barriers for Ukraine, percentage of SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

To summarize:

- One of the most promising sectors for EU SMEs is the retail sector.
- There are also opportunities in the energy sector and in energy-saving technologies and in alternative energy.
- Other sectors that offer potential include high-tech industry generally (including manufacturing), information technologies, logistics, business services and consultancy, agriculture and food processing.
- The Ukrainian market is potentially highly profitable.

2.6.3 Bottlenecks in doing business for European SMEs in the 7 key target countries

There were differences in the types of bottleneck identified between the 7 key target countries under review. The difficulties both in entering the market and in ongoing business operations are worth highlighting since this has direct implications in terms of the types of support service needed by European SMEs. A summary of the main obstacles identified in each target country is provided in the following table. It should be recalled that these are principally the main problems that were mentioned during interviews and other exchanges.

Table 2.21 Bottlenecks of doing business in the seven key target markets

Type of bottleneck	Brazil	China	India	Japan	Russia	South Korea	Ukraine
Bureaucratic business environment, unstable and complex legislative framework, lack of legal continuity	•	•	•	•	•	•	•
Poor access to sufficient human resources, lack of skilled labour, lack of entrepreneurial culture, obtuse visa procedures and migration regulations,	•	•	•	•	•	•	•
Cultural differences, lack of understanding about their importance, dealing with complex business systems	•	•	•	•		•	
Trade barriers, custom tariffs, complex custom procedures	•	•	•		•		•
Language barriers			•	•	•	•	
Accessing finance / credit / meeting investment thresholds	•	•	•			•	
Identifying appropriate business partners, networks, contacts etc			•	•	•	•	
Insufficient IPR framework and enforcement	•	•	•				
Differences between markets and regulations in different states or provinces within large target countries	•	•	•				
High and complex tax system	•			•	•		
Limited level of transparency		•			•		•
Poor access to information regarding the business environment and opportunities		•			•	•	
High cost economy / business costs				•			•
Poor physical infrastructure	•				•		
Requirement for significant preparation and market research	•	•					

To summarize:

- Bottlenecks most frequently mentioned refer to bureaucracy; the labour market; cultural differences and trade barriers.

2.6.4 Services presently offered in the 7 key target countries

Support services for businesses in all the target countries have been developed in response both to the opportunities presented and to the difficulties encountered. An overview is presented in this section of the support provided in the seven target countries by organisations interviewed, before going on to consider gaps in provision in the next section.

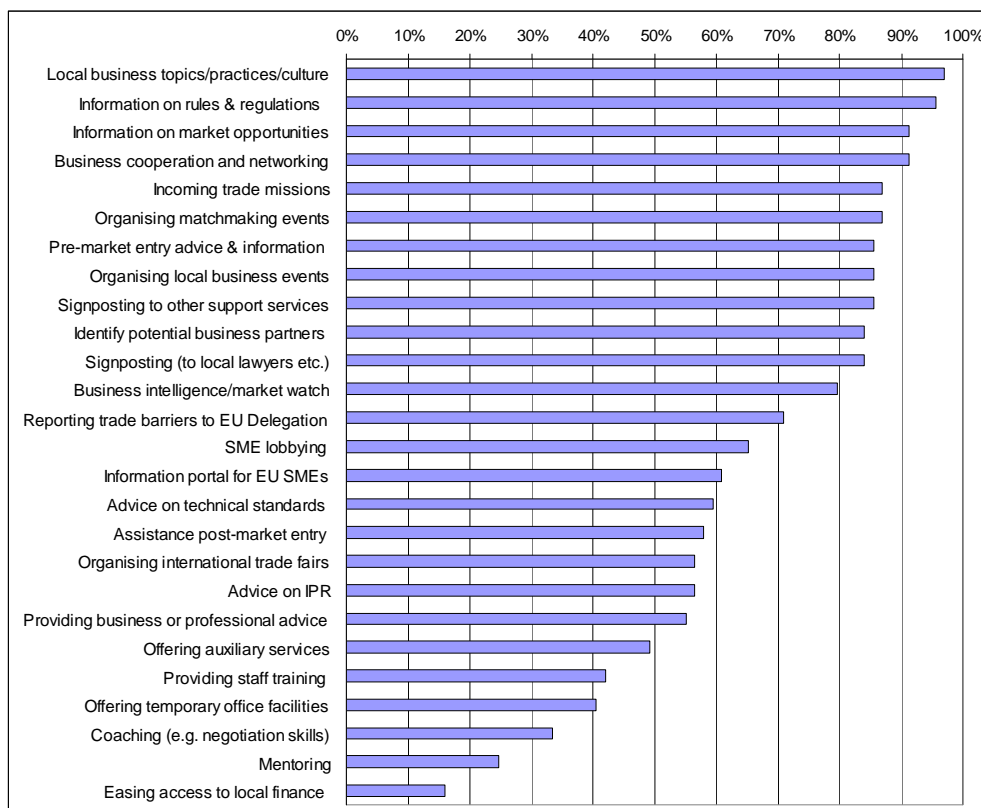
Insights into current service provision gained from interviews with some 150 different organisations, were derived from various types of informants with different knowledge and experience. They included, for example, the EU Delegations and other EU institutions in the seven target countries, European SMEs established in the target market, local enterprises that have business relations with European SMEs and local commercial or governmental organisations, as well as European business support providers from various Member States, including consulates with commercial sections, representative offices of national agencies such as UKTI or Advantage Austria, bilateral chambers of commerce, etc.

From those 150 organisations interviewed, about half provide support services to EU SMEs, and from 69 of these organisations detailed information on the type of services provided has been made available³⁹. The picture achieved cannot be considered a completely comprehensive 'mapping' of support to EU SMEs in the selected countries. However, it does represent a good illustration of the type of services that are commonly offered.

Figure 2.33 shows the type of services that are offered and provides an indication of the extent of the provision. Some services are offered by nearly all service providers, e.g. pre-market entry advice and information (basic research, understanding local business culture, identifying suitable locations etc.), 97%; information on rules and regulations, 96% and business cooperation and networking as well as information on market opportunities 91%. Other services are offered by only a small minority, e.g. coaching, 33%; mentoring; 25% and easing access to local finance, 16%.

³⁹ The organisations were distributed as follows: Brazil, 9; Russia, 9; India, 12; China, 14; South Korea, 6; Japan, 7; Ukraine, 11.

Figure 2.33 The percentage of all 69 organisations providing each of 26 types of services (average across 7 key target markets)



Source: EIM 2011

When this information for each target market is considered (see Annex III) the situation can be seen to vary considerably across the countries concerned. An overview of the most and least frequent services provided in the target markets can be found in Table 2.22⁴⁰.

Table 2.22 Relative frequency of support services provided, by target market

Country	Provided relatively often	Provided relatively infrequently
Brazil	Local office facilities and organising international trade fairs	Advice on technical standards; advice on IPR and business and professional advice.
China	-	Organising international trade fairs and mentoring
India	-	Information portal and advice on technical standards
Japan	Providing staff training	Signposting (to other business support providers), signposting to local lawyers, assistance with post-market

⁴⁰ In the overview provided in Table 2.22, services that are offered by at least 20 percentage points more than the average across the seven key target markets, or at least 20 percentage points less, are highlighted.

Country	Provided relatively often	Provided relatively infrequently
		entry, and offering auxiliary services
Russia	Reporting trade barriers to the EU delegation, SME lobbying, advice on technical standards, information portal, and business and professional advice	-
South Korea	-	Information on market opportunities; business cooperation and networking; incoming trade missions; organising local business events; signposting to local lawyers and accountants; SME lobbying, business and professional advice and mentoring.
Ukraine	SME lobbying, advice on IPR issues, business or professional advice, post market entry services, advice on technical standards, organising international trade fairs and mentoring	-

There are also differences in the way that services are provided. Often these will be concentrated in the major cities. In India and South Korea, service provision is made by a relatively low number of service providers, whereas in China a wider range of service providers offer a relatively wide range of services. Only organising international trade fairs and mentoring are provided by relatively few providers. In Ukraine, the services indicated are provided relatively often. Overall it may be concluded that most of the required services are provided to some extent in all the target countries, but there appears to be a need to better coordinate existing support rather than to introduce new types of support service. This coordination should improve both the efficiency of the overall support system and access for SMEs from Member States that currently do not provide such extensive support in the target country.

<p>To summarize:</p> <ul style="list-style-type: none"> - Some support services are offered by nearly all service providers, e.g. pre-market entry advice and information; information on rules and regulations and business cooperation and networking. - Other services are offered by only a small minority, e.g. coaching; mentoring and easing access to local finance. - The situation varies considerably across the seven key target markets. - Most of the required services are provided to some extent in all the target countries, but there appears to be a need to better coordinate existing support rather than to introduce new types of support services.

2.6.5 Gaps in the support services in the 7 key target countries

Through the country studies, a qualitative assessment was undertaken of the sort of business support services that are currently missing. A distinction can be made between different types of gap identified in support services:

- Gaps and significant differences in the coverage of business support services between EU Member States (e.g. not all EU countries have trade missions and export promotion agencies attached to embassies)
- The presence or absence of EU level service providers in certain countries.
- Gaps in the presence of EU level lobbying and business support organisations in-country to represent the interests of EU SMEs specifically (currently lobbying activities tend to reflect and are funded by larger corporations) and to promote improvement in the business and investment climate.
- General in-country gaps in market information and in the availability of business support services, such as the absence of information at a sectoral and sub-sectoral level.
- A need to strengthen access to particular support services depending on country-specific differences in operating environment.

Varying provision by Member States

An important point raised through the workshops was that there is a significant lack of business support services for some individual SMEs that arises because not all EU countries provide support. The nature and extent of coverage depends on (i) whether a particular EU Member State has a trade mission or export promotion agency attached to its embassy in-country (ii) the presence or absence of a bilateral chamber of commerce (iii) the presence or absence of EU level services providers e.g. in some countries, such as China and India, EU SME Centres have recently been established, and in China, the European Business Association operates in a lobbying capacity and there is additional support for SMEs through the China IPR SME Helpdesk.

It should be noted that it has not been the aim of this study to present a complete picture ('mapping') of all support services offered in the key target countries. Therefore the support services mentioned in this paragraph should be considered as examples. Nevertheless, one may conclude that some EU countries provide much better support services than others. For example, across the target markets the German Chamber Network Abroad (AHK) plays an important role in providing German SMEs with access to support services, such as company registration, searching for business partners, the organisation of business trips and trade fairs, etc. There are costs associated with using the Chamber's services and the fee structure is 'at market cost'. Danish SMEs are also well served in some of the target markets. In Brazil, the Consulate General of Denmark runs a 'business centre' for Danish SMEs and in Ukraine, the trade association Export Promotion Denmark is very active. The UK is also well represented in terms of access to support services for SMEs since UK Trade & Investment (UKTI) has a branch within the UK Embassy in all 7 countries. Other EU countries are also represented in some of the target markets, such as the Netherlands Business Support Office (NBSO), and Advantage Austria, the Commercial Section of the Austrian Embassy, which has an annual budget of 25m EUR.

However, it is noticeable that many of the new Member States do not have adequate business support provision or signposting services for EU SMEs seeking to enter markets or to develop their operations in the 7 countries under review. Other factors influencing whether or not there is adequate support provision include the size of the Member State and the perceived size of the market opportunity for SMEs.

So, the research found that some countries, such as Austria, Denmark, France, Germany, Italy, the Netherlands, Spain and the UK, are much more active in facilitating SME export promotion than others. Some of the smaller EU countries and new Member States were found to be less proactive in providing support services for SMEs, and only devoted a small proportion of the time of embassy staff to this. It was noted in the China country report, for example, that the embassies of some new Member States felt that for historical reasons, Russia offered a greater potential for SMEs than China, with greater cultural similarities and a common lingua franca that offered easier scope to enter the market.

Representation of SME interests

Lobbying activities tend to favour and are funded by larger corporations whereas SME interests are underrepresented and coverage varies between target countries. In a number of target countries, there are no lobbying services specifically for SMEs and, in fact, a suggestion was made at the workshop in India that lobbying for the business interests of European enterprise should be better organised and strengthened. The model applied in China might be considered. The European Union Chamber of Commerce in China does not provide direct assistance to new entrants to the Chinese market but lobbies for its members (all enterprises established in the local market). They advise on changes in local regulations affecting the business environment and lobby for changes in the policies of both China and the EU. The Chamber presents a Position Paper annually with the aim of improving the investment climate in China.

In Russia, however, it was felt that lobbying work and dialogue to improve the overall investment climate and an enabling environment for EU SMEs is already being carried out effectively through cooperation at a high level between the European Commission, the EU Delegation to Russia, embassies, EU business associations, national chambers of commerce, and the Russian government, including key ministries such as the Ministry of Finance, Ministry of Economic Development, Ministry of Industry and Trade, on the Russia's part.

Awareness of support

The large scale random survey showed that, only 27% of internationalised SMEs are aware of public support programmes that could be used to support their enterprise. Awareness does however, increase with the size of the firm.

In several countries, the country studies found an absence of information about the types of business support service on offer. For example, in Japan, a significant proportion of European SMEs are not aware of the EU business support services available and therefore tend not to engage with them (if they are aware they would often consider other service providers offer more practical support). A similar comment about lack of awareness of support services was made by European SMEs in relation to South Korea. The survey results also suggest that the level of awareness of support measures on the part of European SMEs is limited. Even among internationalised SMEs only 27% are aware of the support measures on offer (and roughly only one quarter of this group are using such support). Out of those firms which had used support measures, just 48% agreed that the measure was well marketed for their particular sector. Finally, one of the most common ways that businesses are currently learning about the existence of support measures is through professional (19%) or informal (10%) con-

tacts with government campaigns attracting 19% and internet searches being used by 13%.

Too great a focus on major cities

There is a lack of information on market opportunities across the country and at a regional level. For example the survey indicates the lack of market information is especially felt to be problematic for the Russian (17%) and Ukraine (21%) markets. There is also a lack of market information specific to Chinese provinces and too great a focus on the major cities. A general absence of information at a sectoral and sub- sectoral level was also identified. Likewise, in large markets such as China and India, one of the problems identified was the tendency for support services to be offered only in the largest cities with little provision outside these.

Gaps in particular types of service

A need was identified to strengthen access to particular support services corresponding to country-specific differences in the environment in which SMEs operate. For example, according to the survey, cultural differences and misunderstanding arising from these were highlighted as barriers to undertaking business activities, in Japan (16%), South Korea (14%) China (15%), Russia (14%) and India (11%). This can have profound implications for EU SMEs doing business in these countries, and therefore support is needed both on general cultural differences, and on the implications in areas such as business negotiations, contract finalisation, etc. While support services may be available in a particular country, the extent of provision compared with actual need appears to be insufficient. In a number of countries some trade missions within embassies organise trade fairs and match making events, but compared with the size of the market opportunity, the frequency and scale of these events is often insufficient. Similarly, support to establish much deeper strategic partnerships with businesses or local institutions is available across a number of target markets but does not correspond to the need for such services. This is further elaborated in section 3.2.1.

Supporting different SME strategies

Taking account of the varying strategies adopted by SMEs and adapting services accordingly are developments that should be highlighted. For example, certain SMEs may specifically aim to develop an export strategy only, whilst others may be seeking support to establish an operational in-country branch. Distinguishing between different SME objectives and using this for developing appropriately tailored services (for example in relation to types of accommodation, distribution support etc.) would further open up access and provide custom support. The academic literature is not particularly helpful in distinguishing between different SME strategies, focusing as it mainly does, on the strategies to be adopted by larger firms in foreign markets. Furthermore, the feedback from interviews naturally reflects the type of activities that have a higher profile, but generalising from across the study, the following appear to be the main possibilities for SMEs in the target markets:

- Direct exports to local enterprises and consumers
- Commercial relations with import/export enterprises
- Use of commercial agents or local representatives
- Joint ventures with local enterprises

- Licensing local enterprises and franchising
- Establishment of local distribution offices and facilities
- Establishment of local production facilities
- Establishment of turn-key facilities

The actual strategy adopted will often differ according to the size of the firm (there are important differences in this respect even within the SME category), but ultimately will depend on its ambition and resources.

Supporting these distinctions, the surveys have identified different modes of internationalisation by active SMEs in particular countries. For example, the relative importance of exporting is much higher for Japan (65%) and Ukraine (65%) than for China (44%) and South Korea (44%); license or franchise agreements are more common for India (9%) than for Russia (2%) and South Korea (1%) etc.

To summarize:

- Country studies, helped to identify the sort of business support services that are currently missing.
- There is a significant problem for some SMEs because not all EU countries provide support.
- Some of the smaller EU countries and new Member States were found to be less proactive in providing support services for SMEs.
- In a number of target countries, there are no lobbying services specifically for SMEs. Lobbying activities tend to favour and are funded by larger corporations whereas SME interests are underrepresented.
- In several countries, there was an absence of information about the types of business support services on offer. The survey results also suggest that the level of awareness of support measures on the part of European SMEs is limited.
- One of the problems identified was the tendency for support services to be offered only in the largest cities with little provision outside these.
- When support services are available, the extent of provision is often insufficient to meet the needs.
- Services need to be adapted to meet the varying strategies adopted by SMEs.

The nature of gaps identified in the assessment and their distribution across target countries are summarised in Table 2.23.

Table 2.23 Gaps in support services

Type of gaps	Brazil	China	India	Japan	Russia	South Korea	Ukraine
Sufficient pre and post market entry preparation and continued support such as training to enter the market; accessing distribution networks; negotiation training; building relationships with government and communities; tailored courses to meet specific SME needs; practical assistance; easy access to schemes; availability of services outside of certain cities and regions; and accessing office space.	•	•	•	•	•	•	•
Available information regarding legislative and regulatory frameworks; business opportunities; business culture; local and regional differences and opportunities; business support services; and translation of information into English.	•	•	•	•	•	•	•
Support services to facilitate partner identification, matchmaking etc.	•		•	•	•	•	
Even delivery of support services across the Member States.	•	•		•		•	•
Better coordination, signposting, organisation, categorisation and less duplication of currently available support services.			•	•	•	•	

Type of gaps	Brazil	China	India	Japan	Russia	South Korea	Ukraine
Provision of EU level lobbying services for improving the business environment SMEs.	•		•		•	•	
Greater support and information on accessing financial assistance.	•	•				•	
Business support service delivery in Europe for preparation for target markets.			•	•			
Support to access human resources.				•		•	
Sufficient number of trade missions and shows.			•				

2.7 Summary of main results

2.7.1 Trade between EU and target countries

The study has shown that these seven key target markets are an increasingly important market for European enterprises. In 2000 17% of all EU exports went to these seven countries, in 2010 this was already 26%, as the growth of exports to these seven key target markets is much higher than the growth of total exports of the EU27. The analysis also shows that the export growth of SME dominated sectors to these seven key target markets was even higher than for non-SME dominated sectors. Within the SME dominated sectors, the medium-tech sectors show the highest growth rates over the period 2000-2010.

The export from EU27 to China is by far the largest of all target markets. Russia is second, but for the other key target markets the volume is much smaller (32% of all EU27 export to the seven key target markets goes to China, 23% to Russia).

Considering the specialisation of European exports it is interesting to note that for markets with the highest projected growth rates, i.e. China and India, SME exports are mainly specialised in medium technology sectors. But for India more could be done as the specialisation index for medium technology sectors is low compared to most other key target markets.

2.7.2 Barriers for international business activities

According to the EU SMEs the three most important barriers for doing business in markets outside the Single Market are:

- payment risks;
- difficult paperwork, i.e. bureaucratic procedures;
- lack of financing.

Some issues that are also often addressed by non-financial business support measures score just a bit lower:

- lack of adequate market information;
- laws and regulations in foreign markets;
- different national technical standards.

Focussing on the seven key target markets, SMEs that are active on those markets feel that the most important barriers are:

- knowledge of foreign languages;
- transport costs;
- lack of adequate market information;
- difficult paperwork, bureaucratic procedures (administrative costs);
- different business cultures in foreign markets.

However it should be noted that according to a range of people who have been active for many years in assisting SMEs in starting up their activities in the seven key target markets, many SMEs come out to these third markets without being adequately prepared ('they should do their homework').

2.7.3 Business support: supply, use and effect

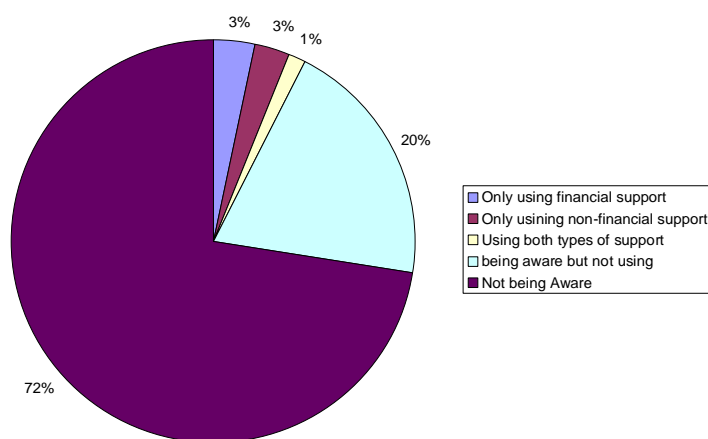
To assist European SMEs to gain access to these promising markets and to develop their business, the Member States and the EU have put many business support measures in place. The study listed more than 300 support measures, most of them of a general nature (i.e. not specially focussed on markets outside the Single Market), but nearly 100 do focus especially on the seven key target markets. The relevance of these support measures is generally valued highly by representatives of the business community.

Based on the figure for the non-financial measures for which budgets were made available to the study team, the estimate for the total annual budget spent on national non-financial support measures in the EU Member States amounts to some € 3 billion⁴¹.

The study confirmed once more that very few support measures are properly evaluated. Most evaluations only consider what activities are carried out and the satisfaction of enterprises participating but do not provide information about the effectiveness of the support: additional exports, additional employment etc. However the small number of evaluation studies that could be identified show rather positive effects.

Another main finding from the surveys is that nearly three quarters of all internationally active SMEs are not aware of existing support measures. From among the 27% that are aware, only about 26% - which is 7% of all internationalised SMEs - report using such support as shown in Figure 2.34.

Figure 2.34 Awareness and use of public support measures for internationalisation, percentage of all internationalised SMEs



Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649).

However those SMEs that do participate in support programmes, generally are rather positive about their effect as shown in Table 2.24 and effects are greater for the seven key target markets than in general.

⁴¹ The actual figure for all such support provided in the EU is likely to be well over this estimate because of the additional sub-national support measures and smaller national measures that have not been included here.

Table 2.24 Effect of using public support, general answers vs. answers specifically related to the seven target markets.

Effect	General	Across the seven key target markets
would not have started international business activities without support	12%	24%
started international business activities earlier because of support	9%	10%
having more international business activities because of support	36%	38%
no immediate effect (international business activities would have taken place with or without the support)	41%	24%
Total	100%	100%
Unweighted N	900	236

Source: Survey 2009-2010, Opportunities Internationalisation SMEs, EIM/GDCC (EU27, N=6649)

The types of public support from which European SMEs expect most effect for the seven key target markets generally relate to:

- assistance with identifying business partners in these countries (61% expect this measure to be effective or very effective);
- providing adequate information on market opportunities (61%);
- providing adequate information on rules and regulations (58%).

In six out of the seven key target markets, these three support measures figure in the top-5 of measures that are expected to be most effective.

Based on a more limited group of 512 SMEs⁴², it was found that more than half of all respondents were positive about the accessibility of the programmes (some 20% neutral and some 20% negative). About three quarters of the participants are satisfied overall with the programmes on the basis of the quality of information, experience of advisors, usefulness of advice and of contacts made. Only 5 to 10% are not satisfied.

Use of the 10 support programmes often had significant effects on the business activities of the participating SME:

- 42% have more international business because of this support;
- 25% would not have started these activities without the support;
- 25% started international business activities earlier;
- 23% reported no immediate effect (international activities would also have taken place without the support).

⁴² Those that participated in the 10 groups of national or European support programmes targeted at third countries reported earlier.

Some 60% of the respondents feel comfortable estimating the effect on their business performance in quantitative terms. On average:

- an increase in turnover in the target market of 28%;
- an increase in total turnover of the firm of 11%;
- 3 jobs attributed to using the support (created or saved);
- some 12% of the next years' turnover attributed to the support.

The four programmes with the highest scores, when respondents were asked about how useful the programme has been, are:

- Belgium – trade missions, trade fairs and matchmaking events provided by Flanders Investment & Trade (FIT) and the Wallonian agency AWEX.
- EU Gateway Programme to Japan organising sector-specific business missions for EU companies in high-technology and design.
- Germany, Sweden – National export guarantee schemes.
- EU Gateway Programme to South-Korea.

2.7.4 Opportunities and barriers in the seven key target countries

Based on the interviews with support organisations, businesses and other stakeholders, plus the discussions during the workshops, the opportunities and barriers for EU SMEs in the seven key target countries can be summarised as follows:

Brazil:

- External trade with the EU remains typical of the relationship between developing and developed economies.
- The study identified a wide range of business opportunities for European SMEs across a diverse range of sectors.
- Some business opportunities arise from the fact that particular sectors of the economy are under-developed, such as physical infrastructure and the transportation sector, while others are linked to the nation's strengths, such as the abundance of natural resources, increased domestic consumption, and the sheer size of the domestic market.
- One of the main barriers presently for EU enterprises looking to trade in Brazil is the lack of an agreement with the EU on the creation of a free trade area and high trade tariffs.

China:

- Some business sectors that present business opportunities for EU SMEs stem from China's need to modernise and upgrade its technology base; others relate to rapidly growing consumer markets. Sectors offering business opportunities to EU SMEs are: machine tools, business services (such as public relations, advertising) and specialist financial services (such as factoring, private equity, and specialist management consultancy).
- While China is the world's leading exporter, it is also the third largest importer in the world.
- Germany is well represented as a leading European exporter to China.
- FDI inflows into China from the EU are dominated by the UK; France; Belgium and Germany which between them account for nearly 90% of all EU FDI in China.
- Compared to other key target markets, prices of own products and different business cultures are relatively high barriers for EU SMEs.

India:

- Given its sizable population of 1.1bn people, combined with growing domestic consumption, India offers significant commercial opportunities for EU SMEs.
- Examples include luxury goods for domestic consumption; automotive parts; food and beverages and associated machinery; and organic products.
- Other opportunities for EU SMEs are in areas such as advanced engineering, aero-space, telecommunication and electronics, ICT.
- The development of sectoral clusters in different areas of India and different cities led by major EU firms has created opportunities down the supply chain for EU SMEs.
- Relatively important barriers for EU SMEs include the lack of financing and high transport costs.
- Compared to other target markets there are sufficient qualified personnel and only a minor language problem.

Japan:

- Japan's highly developed and sophisticated economy offers strong opportunities for European SMEs which provide high value added goods and services.
- The scale of exports from the EU to Japan (in total 5% of EU exports to third countries) has been gradually declining.
- A key barrier to trade with Japan remains the unfavourable exchange rate and the high cost economy which translates into scarce opportunities for volume production.
- Given the very high quality of Japan's own products and services, opportunities only exist for EU SMEs which provide high value added goods and services.
- Western culture, traditions and tastes are deemed highly desirable.
- Europe is also regarded as a technological leader in fields such as precision machinery, and this provides scope for the development of product niches and for innovative applications.
- Japanese SMEs are also keen to develop partnerships with European firms.
- European SMEs consider Japan as a strong launch pad and testing ground for the Asian market and the 'made in Japan' motif has retained its quality reputation with regional consumers.

Russia:

- Russia's population of 142 million and its sizable domestic consumer market offer attractive possibilities for EU SMEs.
- The growing emerging middle class in Russia with a substantial disposable income has increased demand for consumer goods in general, and for luxury goods.
- Opportunities identified include automotive products, household goods, financial services, retail products, construction equipment and materials, services and equipment for infrastructure upgrades in power generation telecommunications and high quality agricultural equipment.
- However, there are high market entry costs and obstacles to doing business, such as bureaucracy and lack of transparency.

South Korea:

- South Korea is considered as a dynamic market with only modest competition compared to China and Japan.
- South Korea is well placed to target regional ASEAN and APEC markets and the scale of the market is sufficient enough to justify taking manageable risks.

- The infrastructure is outstanding.
- Starting a business is relatively easy.
- A recent EU-Korea Foreign Trade Agreement has opened up opportunities for EU SMEs.
- Payment risk scores relatively low as a barrier, language relatively high.

Ukraine:

- One of the most promising sectors for EU SMEs is the retail sector.
- There are also opportunities in the energy sector and in energy-saving technologies and in alternative energy.
- Other sectors that offer potential include high-tech industry generally (including manufacturing), information technologies, logistics, business services and consultancy, agriculture and food processing.
- The Ukrainian market is potentially highly profitable.

2.7.5 Support services offered in the seven key target countries

Support services for businesses in all the target countries have been developed in response both to the opportunities presented and to the difficulties encountered. Some support services are offered by nearly all service providers, e.g. pre-market entry advice and information; information on rules and regulations and business cooperation and networking. Other services are offered by only a small minority, e.g. coaching; mentoring and easing access to local finance. The situation also varies considerably across the seven key target markets. Most of the required services are provided to some extent in all the target countries, but there appears to be a need to better coordinate existing support rather than to introduce new types of support service.

Through the country studies, a qualitative assessment was undertaken of business support services provided. The following shortcomings were identified:

- There is a significant problem for some SMEs because not all EU countries provide support: several Member States have a well established and wide network, for other Member States this is not the case.
- Some of the smaller EU countries and new Member States were found to be less proactive in providing support services for SMEs.
- In a number of target countries, there are no lobbying services specifically for SMEs. Lobbying activities tend to favour and are funded by larger corporations whereas SME interests are underrepresented.
- In several countries, there was an absence of information about the types of business support service on offer. The survey results also suggest that the level of awareness of support measures on the part of European SMEs is limited.
- One of the problems identified was the tendency for support services to be offered only in the largest cities since all service providers from different Member States tend to locate in the same cities, leaving many commercially interesting local markets un-served.
- When support services are available, the extent of provision is often insufficient to meet the needs.
- Services need to be adapted to meet the varying strategies adopted by SMEs.

3 Policy options

3.1 Introduction

In this chapter various policy options are presented. They are based on the major findings and the results of the analysis, including advice on best practice from those participating in the study, the identification of market-gaps and best practice in the development of business support, while taking into account the subsidiarity principle.

Overall, a number of important messages can be seen to emerge from the study:

- There are clearly opportunities for SMEs in the main target markets of the study, in spite of the difficulties in developing international activities.
- There is a wide range of support offered to internationalising SMEs.
- Those internationalised SMEs that use public support are in general rather positive about its effects.
- For instance, an increase in turnover of nearly 30% is reported by users of public support.
- However, only around 7% of all internationalised SMEs use public support and there are low levels of awareness of what is available.
- There are specific gaps in provision, uneven coverage across large countries and lack of provision for enterprises from some Member States.
- These issues will be brought together in the next section.
- Overall, however, the problem is more one of raising the profile of what exists already and making it more coherent and efficient.

The following discussion will therefore now go on to consider, first, the type of services that appear to be required and then the approach that could be adopted to co-ordinate this provision at a European level.

3.2 Support services required

3.2.1 Support offered in the 7 key target countries

Overview of support offered

In Table 3.1, an overview is provided of the main types of support measure most commonly provided to EU SMEs across the target markets. Each individual measure may contain a package of support services to realise a particular objective e.g. a measure aiming to support pre-market entry may deliver activities such as basic research and market intelligence, finance planning, personnel identification, understanding local business culture, identifying suitable locations etc.

The research shows that there are common elements in the support services provided across the 7 countries as well as broad coverage. Generally speaking, a wide cross-section of measures is currently available in each country despite there being gaps in the provision of specific measures across all of the target markets.

Yet it must be acknowledged that this approach carries with it a certain number of weaknesses. Whilst the discovery of gaps may indicate room for action, local environments determine the relative importance of different support services for EU SMEs and the fact that certain services are 'missing' may not necessarily imply that further action is required.

Table 3.1 Type of support measure offered in the 7 key target countries

Pre-market entry (basic research and market intelligence, finance planning, personnel identification, understanding local business culture, identifying suitable locations)
Staff training (initial orientation of management, training of EU staff, identification and training of local staff)
Trade missions
Information on rules and regulations
Information on market opportunities (general orientation, first approach)
SME lobbying
Business intelligence/ market watch
Identifying potential foreign business partners
Exhibiting in international trade fairs.
Matchmaking events, e.g. one-to-one meetings with enterprises
Dealing with national technical standards
Dealing with Intellectual Property Rights (IPR)
Business cooperation and networking
Business or professional advice (e.g. from lawyers, accountants)
Temporary office facilities in target market
Auxiliary services in target market, e.g. secretarial support interpretation, guides.
Assistance post-market entry in different stages of market development (e.g. incubation, identifying financial support, press releases, innovation support, technology transfer)
Understanding local business topics / practices / culture
Online information portal for EU SMEs (provision of up to date and consistent information on 'Doing Business In...')
Signposting
Coaching (e.g. negotiation skills)

In addition, whilst the delivery of a particular measure may be readily identifiable it does not necessarily mean that they are widely available to SMEs from all EU countries. As mentioned above, there are huge differences in this regard. Furthermore, whilst a particular service may be available across a number of countries, the effectiveness of the measure may not always be the same or the extent of its provision equally sufficient to meet demand. This is especially the case in large countries where there are considerable regional disparities and long distances.

The table also does not illustrate the types of delivery agent associated with each measure across the target markets. A wide variety of national ministries and agencies, chambers of commerce, EU, target market government bodies and organisations and private firms and individuals provide input into the provision of measures within each country which again shapes how they function.

To summarize:

- There is a wide variety of support offered.
- This does not necessarily mean that the support is widely available to SMEs from all EU countries.
- The need for support may differ locally.
- In large countries the provision of support may not be sufficiently effective across the whole country.

Examples of service provision and gaps across the 7 countries

Identification and training of local staff

The survey found that for certain countries, such as Brazil and Russia, identifying sufficiently qualified personnel is a key barrier. The country studies supported this conclusion. In fact, only a few countries under review provided assistance with identifying human resources. For example, in India, as part of a package of services provided to SMEs by the commercial sections of embassies, assistance was provided to help to recruit Indian staff. In Brazil, the lack of support in finding the right local management and staff was a concern due to the general problem of a 'lack of skilled labour' and the fact that contracting expatriate staff is a lengthy and cumbersome process (work permits for foreign individuals can only be issued for specialised jobs that no Brazilian citizen has the skills for). Also, whilst human resources support is available in some countries, the importance of finding suitable staff in countries such as Japan is not appropriately addressed. In addition, visa barriers for accessing European human resources existed in some countries such as South Korea, and little support is currently on offer to overcome this.

Some trade missions and chambers of commerce also provide training for staff working for EU SMEs on the local business operating environment. However, there was found to be insufficient provision of such services overall.

Information on the local business environment

With regard to the provision of information on rules and regulations, both the survey and country studies identified a strong need for support among EU SMEs across all 7 countries under review. Business support providers are already meeting this need to some extent, but given that several countries are characterised by an unstable regulatory environment, it is difficult for trade missions from individual EU countries to keep information reliable and up to date. A need for such services was identified for EU SMEs in doing business in Brazil, China, Russia and Ukraine.

In Brazil, for example, the business environment was found to be complex and bureaucratic. For example, more than 50 certificates are needed to establish a company. Additionally, there are trade barriers such as import tariffs that affect many sectors and in some sectors, evidence was found of a protectionist approach with high levels of state ownership. In the Ukraine and Russia, the need to understand the complex myriad of rules and regulations, and to keep track of frequent changes in the legislative environment affecting enterprises was identified as a problem. While some support providers do keep relevant information, for example, on tax and employment law and on regulations of relevance to foreign investors, there is an absence of reliable, consistent and regularly updated information in English via a single point of access, such as online information portal.

Market opportunities

Some support providers from EU Member States provide information on market opportunities for EU SMEs. For example, in Ukraine, some embassies carry out market surveys (usually, in sectors with potential for EU business development). However, there is a gap in the availability of information at regional level and on market opportunities outside major urban cities. For example, in China, market information gaps were identified in some provinces. In Brazil and India, lack of information about regional market opportunities was also identified as a problem.

The need for EU support providers to work in closer coordination and pool resources with domestic business support providers in order to ensure that relevant and timely information was available about market opportunities at regional level was stressed. Lack of market information was also one of the key barriers for doing business beyond the Internal Market identified in the survey.

Networking and matchmaking events

In a number of the countries under review, chambers of commerce and export promotion agencies attached to several (but not all) Member States' embassies organise 'matchmaking events' (e.g. one-to-one meetings between SMEs), and also organize trade missions and trade fairs. Across all countries reviewed, several (but not all) embassies from across EU Member States, in particular, their trade, commercial and economic departments, organise incoming trade missions, provide information about rules and regulations for European SMEs and information on market opportunities. A strong demand for these services was indicated in the interviews following up the survey.

In Ukraine, networking and matchmaking events are organised on a regular basis to promote cooperation both between EU businesses operating in the country and to introduce them to potential Ukrainian partners. The European Business Association (www.eba.com.ua), a business forum for European business in Ukraine, and bilateral chambers of commerce from several individual Member States are active players in facilitating links between Ukrainian and European companies operating in Ukraine.

In Russia and South Korea, however, there was found to be a lack of 'matchmaking events' for EU SMEs. A further problem was the fact that nationally publicly funded business support services do not operate efficiently and effectively. In most cases, they are unable to provide reliable partner finding services. There is consequently a reliance on private sector providers and on chambers of commerce to help EU SMEs in finding suitable partners.

Trade missions

Another important service mentioned in the survey of SMEs doing business outside the EU is the organisation of trade missions. These are often provided by embassies and chambers of commerce. For example, in Brazil, valuable support was sometimes provided to EU SMEs through the promotion of direct contact between Brazilian and EU businesses and through the organisation of investment missions to Brazil. In China, many business support organisations and export promotion agencies attached to several embassies from EU27 countries also organise trade missions. However, there was found to be a lack of coordination of activities between these organisations. It was suggested at the workshop that an EU-wide approach could be beneficial in increasing the efficiency and effectiveness of trade missions. In Ukraine, embassies from a number of different EU countries played a key role in the organisation of incoming trade missions.

Identification of business partners

Member States' embassies and their associated trade and investment and export promotion missions as well as chambers of commerce provide partner finding services or host matching events to help SMEs to develop new business relationships, a service also appreciated by enterprises contacted for the survey. In Brazil, a need was identified for support service providers to play a more active role

in assisting SMEs from all Member States in identifying and screening potential business partners. Such services could address the problem identified in the country research of European enterprises establishing relationships with unreliable business partners.

In India, the country report pointed out that the process of partner finding could be made more effective through the establishment of a centralised database (possibly by Eurochambres or the EBTC). For this to be effective, it should include participation from certified Indian business intermediary organisations.

Intellectual Property Rights

Advisory support services relating to Intellectual Property Rights (IPR) were viewed as an important issue in some countries under review, such as Brazil, China and Russia. In order to improve the provision of assistance to SMEs in the IPR domain within the EU, the IPR Helpdesk has been set up to provide general assistance to FP7 projects on IP matters. The China IPR SME Helpdesk deals with specific issues arising in China relating to the protection and enforcement of IP rights. The country report for China found that the most common IP issues relate to trademarks – the form of registered intellectual property most commonly owned by SMEs. A specific problem identified in China was the ‘first to file’ principle, which means that EU SMEs need to register their trademarks prior to entering the Chinese market. An interviewee from one embassy reported that the advice they give to companies seeking to enter China is to register their trademarks two years before entering. Trademarks account for up to 90% of the IPR cases, with only a few copyright issues.

In India, the main IPR issue (more in pharmacy and chemicals than in engineering) is the lack of adequate IPR lawyers; the existence of proper legislation (modern standards) is not the problem, but enforcement and getting cases sorted out within a reasonable time span certainly is.

Office premises

Interesting differences were found in terms of the relative importance of office space in entering different target markets. For example, in Japan, given the high costs of office space, this type of service was in high demand from the Japanese organisation JETRO which supports European SMEs for up to 3 months. In South Korea, rental contracts are perceived as particularly complex and an obstacle to overcome. In China, there is a legal requirement for all enterprises seeking to operate in China to have registered offices and a physical base. Therefore, the provision of office facilities was seen as important in saving enterprises from having to find their own space. The role of support providers was to signpost to providers of office space and sometimes to provide space directly. Conversely, in other target markets, there is no legal requirement to have an office. Notwithstanding, a need was identified through the research for temporary office facilities, for example in business centres and small incubation type facilities for all EU SMEs, especially those seeking to establish relationships with distributors and only likely to be in the country for a relatively short period with no permanent branch office established.

This need is being met by support providers in some countries under review. For example, in Brazil, the Consulate General of Denmark is running a ‘Business Centre’ to provide space to Danish SMEs with an investment project. Other ser-

vices usually provided by incubators to start-ups (secretarial/communication, information, bespoke consultancy and coaching on demand, etc.) have also been made available. In Korea the German AHK provides temporary office facilities. Spain's ICEX and the British UKTI are also considering launching similar incubator initiatives. In India, commercial sections of embassies sometimes provide office space for an initial period to help in networking with business partners, private service providers, government agencies, banks, consultants, chambers of commerce).

Information on technical standards

Although not the most important concern when compared with others, conforming to national standards was nonetheless identified as a barrier to doing business in the survey. In some countries such as Russia, assistance is provided to European firms (including SMEs) on national technical standards. There are also high level bilateral discussions taking place between the EU and Russia to promote the development of more harmonised technical standards and to encourage greater compatibility between EU and Russian products and services. In the case of China, the EU-China Standardisation Platform provides information on standards in a number of key industry sectors.

One of the functions of the EU SME Centre set up in Beijing in November 2010 is to provide information about relevant standards, what needs to be done to meet them and who to contact for advice or help in this regard. The need for EU companies to adapt to local Indian standards for doing business in India and also to meet the requirements of customers was stressed in the country report. Adopting EU standards is not always cost-effective in India (since this may require additional testing procedures which are relatively expensive).

Coaching

Some support service providers offered coaching to EU SMEs. In India, for example, courses on contract negotiation practices in India and on how to improve negotiation skills are being provided. There was felt to be a need to improve EU businesses' knowledge about contract negotiations with Indian enterprises since there are cultural differences compared with doing business in the EU. Once a contract has been provisionally agreed, negotiations may subsequently continue in its implementation. According to the Indian country report, 'sometimes EU firms arrive with a preconceived plan and are not flexible enough to adjust to the local business environment and local markets'. Therefore, courses in negotiation practices in India and on how to improve negotiation skills are provided.

In Brazil, in the 'business centre' or incubator of the Consulate General of Denmark, mentioned above, consultancy and coaching services are offered on demand.

Post-market entry assistance

Market entry is only the first stage of successful market exploitation. The need for ongoing assistance to help develop sustainable business relationships was found to be particularly applicable in China, for example, with distributors. In India, the need for hand-holding on an ongoing basis by EU chambers / EU organisations was stressed. In addition to the provision of consulting services to promote the sustainable growth of EU SMEs entering the Indian market, a need for

or soft support services was also identified, such as networking events to establish new business relationships and trade shows.

To summarize:

- There is a variety of support offered, often responding to local circumstances, but frequently not provided on a sufficient scale or available to all EU SMEs.
- Examples of support gaps include:
 - Assistance to identify human resources in some countries;
 - Information on the local business environment, in particular in countries with an unstable regulatory environment.
 - An on-line information portal with reliable, consistent and regularly updated information in English would be very helpful.
 - Information on market opportunities at regional level.
 - In some countries there is a lack of matchmaking events for EU SMEs.
 - Lack of coordination between organisers of trade missions.
 - Assistance in finding reliable business partners in some countries.
 - There are major differences in the provision of office facilities between countries.
 - In some countries the provision of information on technical standards is better developed than in others.
 - Interesting examples exist of providing coaching to EU SMEs, e.g. on contract negotiation practices.

3.2.2 Principles of providing support at an EU level

The approach so far has been to review the evidence gathered by the wider study in order to identify the elements that most contribute to a definition of support measures that might be offered to European SMEs to assist with their exploration of the 7 main target markets. However, the advice of those operating on the ground, the conclusions of the review of relevant evaluations and the surveys and acknowledged best practice in the development of business support⁴³ all suggest that a more systematic approach should be taken to the final stages of the definition of an appropriate package. It is only from within a consistent, methodical approach to business support, that the particular needs of specific SMEs in the specific target markets can be properly addressed. Partial or inconsistent assistance can be worse than no help at all, since it can lead firms to expend effort and funds, only to fail at the next hurdle. It is also important to present a consistent picture to SMEs. Too many measures indiscriminately presented can lead to confusion.

In the current circumstances this implies an examination of the overall situation both in the EU and in each third country and the development of a coherent approach to each situation. The work on the ground has supported the established view that good business support should:

- Adopt a perspective that begins with the actual needs of European SMEs, rather than concentrating simply on what agencies can currently provide.
- Aim to make support comprehensive and coherent, accessible and affordable.

⁴³ See, for instance, Commission Staff Working Paper 'Creating Top Class Business Support Services' SEC (2001) 1937 of 28.11.2001

- Avoid multiplying stand-alone initiatives that do not relate to other aspects of business support.
- Aim to help enterprises build their general management capacity, as well as addressing the immediate problem.
- Provide services that are adaptable to the differing needs of different kinds of SME (different stages of development, different sectors, different target markets etc.).
- Have built-in monitoring and evaluation mechanisms, to ensure a continuous improvement of provision.

First of all, support to SMEs should only be provided if the private sector is not offering support at reasonable conditions for SMEs (i.e. there is a market failure). Secondly, in the current context, there should also be both clarity about how any provision at a European level adds to what is provided by national (and regional) agencies and an appreciation of which measures can be most (cost) effective. An important part of this cost effectiveness is ensuring that the different types of support are provided at an appropriate level and that they are readily accessible by enterprises.

Then, the design of the support available should begin with the perspective of the enterprise. How does an SME manager start thinking about developing the firm's international activities, what problems are likely to be perceived and how would the enterprise go about looking for assistance from support organisations?

Initial guidance and orientation for enterprises wishing to explore international opportunities has to be available where enterprises usually find help and hence has to be part of broad general support provision at a level that is as close to enterprises as possible. More specialised support services can often be provided at a regional or even national level within the EU and indeed may have to be provided in this way to be cost-effective. This means that there is an important task to be undertaken of co-ordination, and communication between different agencies and professionals, backed up with smart signposting and referral systems, so that the different service providers work well together and provide as seamless a service as possible to enterprises.

Applying these principles to support for internationalisation, means that first of all, all provision should be integrated into the general business support systems that already exist at the broadest level, on the ground, in the EU Member States. European SMEs should be able to get an initial orientation service through their local chamber of commerce or other general business support agency or through the main business support web sites. Many agencies in the target countries emphasised that firms need to be prepared before embarking on international ventures. This task of preparation should begin with the first agency that an SME approaches, which means that all support agencies should be able to provide an initial orientation service. Often these agencies will also be able to make training provision, from occasional seminars and workshops on major issues in international trade, to more systematic programmes of staff training, personalised (often IT-based) programmes for developing knowledge and skills or dedicated training packages tailored to the needs of particular enterprises. The more sophisticated training provision may be in association with specialist organisations.

More specialised provision then has to be built on the basic information and training services. As the meta-analysis of support measure evaluation studies

shows, a process of capacity building beginning at this stage is one of the most effective measures that can be taken, though this is likely to be even more effective, if the capacity building can be carried through into work on the ground in the target countries. This process involves a mixture of information, advice and training, depending on the situation of the client enterprise. The intention should be not only to address the immediate problem but to put the enterprise in a position where it is better able to deal with future problems. The most effective elements, the meta-analysis suggests, include a combination of aspects of advice in drawing up an internationalisation plan and strategy, providing market information and beginning to establish business contacts in the target country. By the end of this stage, objectives should have been clarified and future support geared to achieving the objectives that have been set. In this, support for enterprises that are aiming to export directly or to find distributors and agents will clearly be different from support to those who aim to set up an establishment abroad.

The first implications for policy are therefore that there is a requirement to identify and build on existing support services across the EU and to raise the profile of support for internationalisation within them. It is only on this foundation that more specialised support measures can be built. In this context, the Enterprise Europe Network, a partnership between 600 business support organisations, whose members already have extensive experience in assisting enterprises to trade across borders, has a major role to play.

More tailored services should aim to assist in the implementation of internationalisation strategies and in addressing the problems that can arise. Financial support can be especially effective at this stage and survey evidence shows that this is particularly appreciated by enterprises. It can take a number of forms, usually involving subsidised services such as training or participation in trade fairs and other events. Otherwise there are a range of more tailored services, from detailed information and intelligence provision on rules and regulations and market conditions, assistance in making and building contacts, practical assistance in finding premises or recruiting staff, to even more specialised services in the intellectual property area or in addressing regulatory or legal issues. The wide variety of such services is evident from previous discussion. Some of the more common of these services are set out in Table 3.2, but it is worthwhile pointing out that this variety can cause problems for business managers, both in terms of knowing what is available and of choosing those services that are most appropriate. For this reason, it often makes sense for even tailored services to be 'managed' by the basic support service provider to ensure consistency in the support given.

It will be useful at this point to bring together the measures mentioned previously in order to present an overview. The opportunity will be taken to include references to certain practical examples of some of the measures listed. Table 3.2 provides an overview of a typology of support services that is presented in more detail in Annex IV, including reasons why such services are important and needed in particular countries.

Table 3.2 Typology of support services

Initial, broadly based services	<ul style="list-style-type: none"> - Initial, orientation and signposting services
Training	<ul style="list-style-type: none"> - Seminars & workshops - Staff training - Personalised training
Financial support	<ul style="list-style-type: none"> - Grants - Subsidies
Information and intelligence	<ul style="list-style-type: none"> - Information on rules and regulations - Information on national technical standards - Information on market opportunities
Contacts & partnership	<ul style="list-style-type: none"> - Identifying potential foreign business partners - Trade missions - Business co-operation - Network building
Advice & capacity building	<ul style="list-style-type: none"> - Soft support e.g. understanding business culture - Assistance post-market entry in different stages of market development - Dealing with Intellectual Property Rights (IPR)
Business and professional services	<ul style="list-style-type: none"> - Business or professional advice (e.g. from lawyers, accountants) - Temporary office facilities in target market - Auxiliary services in target market - Recruitment
Representation & lobbying	<ul style="list-style-type: none"> - Representation & lobbying

To summarize:

- It is important to observe the principles of best practice business support, including:
 - beginning with the needs of SMEs, rather than concentrating on what agencies can currently provide;
 - avoiding stand-alone initiatives;
 - aiming to build the general management capacity of enterprises, as well as addressing the immediate problem
 - integrated into the general business support systems that already exist in EU Member States
- These considerations led to a balanced package of support measures, structured around:
 - Initial, broadly based services;
 - Training;
 - Financial support;
 - Information and intelligence;
 - Contacts & partnership;
 - Advice & capacity building;

The following section looks at how measures leading to the required set of support services might be implemented.

3.3 Internationalisation support at a European level

3.3.1 Introduction

Although the European Commission has already been active in supplying a variety of support to SMEs wishing to operate in the target markets, it has not previously addressed the strategic issues in a systematic way. Yet it is clear from the previous analysis that there is an important strategic role - where co-ordination at a European level could clearly deliver additional value.

At the highest level, there is a need to raise the profile of support for internationalisation within the context established by Europe 2020. It should plainly be seen as an issue that the European institutions and the Member States should address as a practical step towards the achievement of a globally competitive economy. A more systematic and co-ordinated approach is necessary towards the support of all European enterprises in their efforts to take on the challenges of third country markets. This will require policy leadership at a European level, but also extensive co-operation with the Member State authorities and with numerous public and semi-public agencies. A central theme would be the requirement for a greater priority to be attributed to internationalisation within many existing business support agencies and the need to strengthen the broad base of support services across the EU in this respect as the foundation for more specialised support measures.

This overall policy stance has to be supported by practical developments. Here again there could be an important role for the European Commission in prompting developments at a Member State level and in assisting the interaction between national agencies. The following four diagrams provide an overview of the coordination process between different players that is required in order to reach an effective and efficient support service to European SMEs⁴⁴.

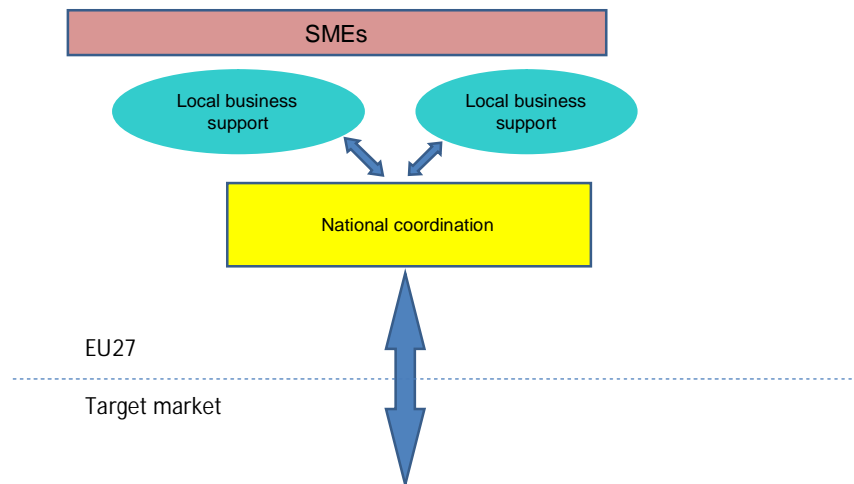
3.3.2 Coordination 'at home'

It has been seen that the provision of appropriate services 'at home' and improved preparation of SMEs before they embark on contact with, or a visit to, a target country, is essential for ultimate success. It is therefore important to imagine a process of coordination starting locally in the regions where European SMEs are established. SMEs have easy access to local business support. These local support organisations – of varying character and often part of, or connected to, the Enterprise Europe Network - are the first point of contact, where particular services are needed to provide the initial orientation for SMEs and to guide them to services that will help them make adequate preparations.

⁴⁴ Organizations in the Member States do of course have links with their own offices in the target countries, such as offices run by governments like the Netherlands Business Support Offices (NBSO's); Economic and Commercial Offices of Spain run by Spanish Institute of Foreign Commerce (ICEX); officials posted at embassies (e.g. UKTI) or German Centres for Industry and Trade. These kind of links are not pictured in the diagrams to follow.

Figure 3.1 illustrates this provision involving a mixture of different services, some of which have to be made available locally, while others are more effectively organised at a regional or national level.

Figure 3.1 Co-ordination of support services for internationalisation in Europe



Much of this provision is already in place, but in most cases it could be more effectively organised and better focused and it needs to be co-ordinated more systematically with support in the target countries. This suggests that there is scope for a co-ordinating mechanism in each of the Member States. This should primarily be the responsibility of the Member State authorities and should bring together the main relevant support agencies responsible for the different levels of internationalisation support. However, the co-ordination at a national level would need to operate within a framework established at a European level and might usefully include, at least initially, representation from the European Commission, in order to assist the consistent development of support across Europe and make the link with developments in third countries. This co-ordinating body could have the following tasks:

- Mapping existing services, identifying gaps and possible overlaps
- Proposing an appropriate division of responsibility
- Negotiating an agreement between the different agencies involved
- Drawing up codes of conduct and memorandums of understanding and defining expected levels of professional performance
- Organising joint training exercises
- Ensuring that the interests of private sector providers are taken into account
- Owning the issue and making representations to government and the senior management of support agencies on internationalisation support issues

The national co-ordination could usefully involve the Enterprise Europe Network which is in a position to play a critical part in these developments, especially in those Member States that do not have a strong representation in the target markets concerned. The Network is well-embedded in many of the relevant business support agencies such as chambers of commerce and industry and chambers of crafts, is already specialised in providing support for enterprises that are trading across borders and in some cases with third countries and also understands the

European dimension. In many instances the Network partners would also be in a position to lead the implementation of the approach agreed nationally.

The Commission should be given a watching brief, monitoring and comparing developments at a national level, encouraging national authorities that are not moving as fast as others, bringing together practitioners in a European forum and identifying and promoting the exchange of best practice.

Developments might also be assisted where the EU Structural Funds⁴⁵ have a role to play. Promoting the internationalisation of SMEs through the provision of professional support services to SMEs seeking to export to third countries could well feature in a number of Operational Programmes covering areas where these developments might otherwise be difficult.

3.3.3 Coordination in the target third countries

In the target third countries, there is a more active role for the Commission. It is common sense that developments should build on existing provision, but it has been seen that this provision is fragmented and does not always serve the interests of all European SMEs. In particular, enterprises from some Member States are better provided for than others. On the other hand, the provision of parallel services in third countries by different Member States and even regional agencies means that there is often duplication or services running at a less than optimal level. The whole system could benefit from some rationalisation and this would include providing greater scope for existing agencies.

Essentially, the different European players in the target countries should take existing co-operation further, so that they can work in a more co-ordinated way and be better linked to support organisations in the Member States, especially the Enterprise Europe Network.

The added value would be to make it possible that SMEs from Member States that do not provide support services in one target country can also get access to services provided in that country by support service organisations from another Member State. In this context, an existing EU SME Centre may play the role of a hub in the target country linking all support service organisations (i.e. Member States chambers of commerce or governmental agencies such as German Chambers of Commerce and Industry, Advantage Austria or UKTI). These organisations are well placed to serve the SMEs from their own country, but may be interested in offering services to SMEs from other Member States if properly organised and financed. In addition, such a coordinated platform would allow specific thematic services offered by European level providers to be 'attached'. This can create added European value, since setting up such specific services, for example for technical standards or IPR issues by each Member State individually, would be a waste of resources. Furthermore, more joint services such as organising trade missions might be better coordinated between Member States to al-

⁴⁵ An example in this regard is an initiative by ICEX in Spain that provides subsidised professional services and a wide range of financial support to Spanish SMEs willing to export or start direct investment projects in Brazil, encompassing concessionaire loans and grants, as well as equity finance by means of venture capital operations.

low the participation of SMEs from various Member States in specific, focussed trade missions for niche markets or more remote areas in the target market.

A central feature would be the EU SME Centre (to be established in target countries where they do not already exist). These Centres could provide certain specialised services directly. However, they could also have a critical co-ordinating role, entering into dialogue with existing agencies and supporting them, but also promoting the development of a wider range of services accessible by SMEs from any Member State. The Centres would also seek to identify economies that can be derived from a re-orientation of existing provision and to pursue common interests. They would thus become a common platform for a more effective counter-part to the measures that are taken to improve internationalisation support 'back home'. The range of activities of the EU SME Centre could include:

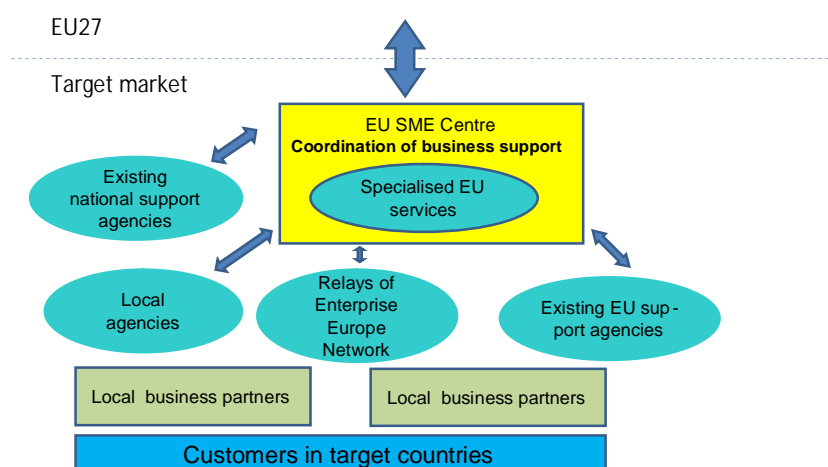
- Direct Services: the SME Centres could continue to provide certain services themselves and develop new services, such as access to local personnel and professional and interpretation services, especially when these are needed to support their own activities. They could also provide referrals to services such as an IPR Helpdesk, or other service offered by EU or MS bodies in the country. In addition, where a service that is needed for a specific country is not otherwise available, this could be developed.
- Common services: services that interface with and assist existing provision, such as providing or assisting access to premises for other European agencies (taking advantage of a pooled purchasing power), making facilities available for enterprises, ranging from incubator-type arrangements to hot-desking facilities and the provision of general information about trading in the target country.
 - An example of such information is the following. The study revealed that there is quite some overlap in the production of relevant trade information for enterprises interested in doing business in third countries. Many organisations are collecting and preparing statistics, customs information, legal information, B2B-databases, guides on 'How to do business in...', etc. One of the activities of the EU SME Centre could be to provide basic information for SMEs on the local markets and business climate, in English. The information could be made accessible through a portal, by country, and could include: relevant laws and regulations; business start-up information; market studies; information on taxation, on import and export regulations; custom duties; labour market; investments; banking and financing; economic statistics; expert resources. Information already available in the EU Market Access Database should be the starting point. This new service could also be linked to the "Your Europe Business" website and the "European Small Business Portal". So this is a matter of coordinating and bringing together already existing information rather than collecting new information, in order to reduce overlap and increase efficiency.
- Liaison with Enterprise Europe Network partners in a given third country: liaising with Network contact points in the country, especially where this can extend the regional coverage of available support.
- Co-ordination: acting as the counterpart of co-ordinating bodies at a national level in the EU, bringing together the existing agencies, establishing an effective division of labour, identifying gaps and the scope for further co-operation and improving relations with the business support systems 'back home'.
- An important function here will be to explore the extent to which existing agencies can offer support to enterprises from other EU Member States and

the basis for doing so. This function may again lead to the need to draw up codes of conduct, and memorandums of understanding and to define levels of professional performance. It may also involve developing agreements on financial arrangements, on the general assumption that while enterprises of one Member State should not expect to be supported at the expense of taxpayers from another Member State, mutually beneficial arrangements might be made.

- Signposting: acting as the reference point for enterprises and support agencies in Europe and directing them to the most appropriate form of support. An effective CRM system would be essential support for this role.
- Efficiency gains: Identifying areas where co-operation between European agencies and authorities can increase the effectiveness of all of them and make them more efficient. These might range from organising a division of labour in the collection of different types of information that are used by all of the agencies to joint training and trade missions and business co-operation events.

This co-ordination is illustrated in Figure 3.2.

Figure 3.2 Co-ordination of support services in the target countries

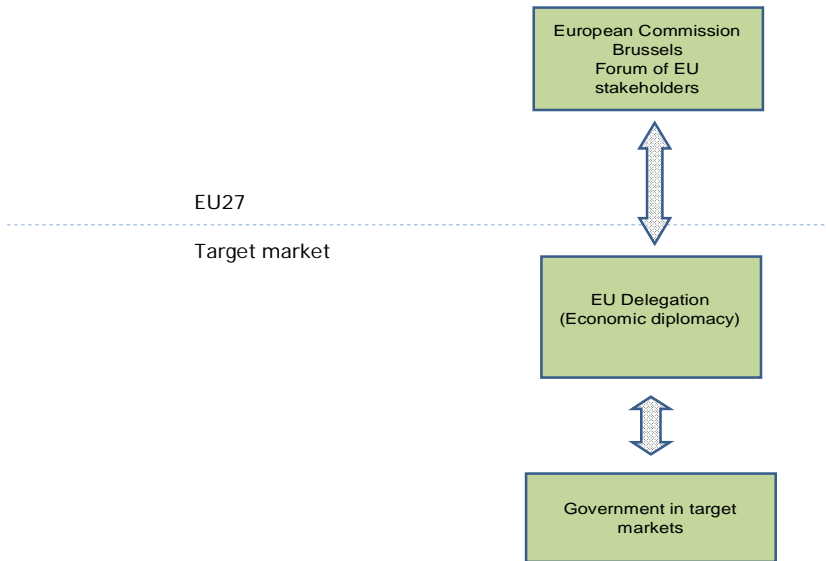


It is important that the services developed in this way also make sense from the SME's point of view. The whole process should be driven by what SMEs need rather than what current organisations can provide and again the aim of meeting these needs in a coherent and consistent fashion suggests that provision should be developed within the framework already outlined in the form of a clear package of services where everyone can see what is available and how it all fits together. It is from this basis that there can be differentiation of the core package, so that differing kinds of support can be provided for enterprises of different types or with different commercial objectives. It is also from this common basis that services for which there is a particular need in each of the target countries should be provided. In other words, rather than developing one-off provision to meet the gaps that have been identified, care should be taken to ensure that new services responding to particular needs should be integrated into overall provision. It is in this way that the gaps identified in section 3.2 should help shape the overall provision.

3.3.4 Coordination of lobbying and representation

There are also more general activities that are important to foster the internationalisation of European SMEs, in addition to direct business support for individual SMEs. This includes lobbying and representation, where the Centre and EU interested parties could support and develop existing systems of representation to host country authorities, improving current systems for identifying common problems and co-ordinating lobbying efforts. This is a particular instance where working together can be more effective and could be particularly useful in highlighting SME concerns, which tend to be overlooked in the current arrangements. This function could also improve flows of information with DG Enterprise and Industry and DG Trade in the Commission and organisations such as the European Observatory on Counterfeiting and Piracy. The process can be illustrated as follows:

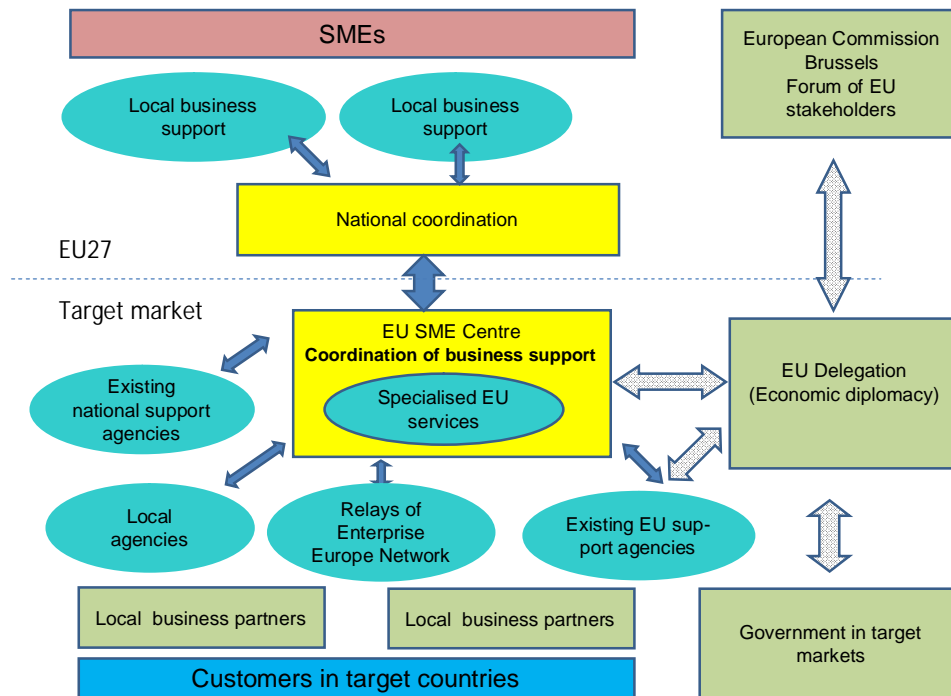
Figure 3.3 Co-ordination of lobbying and representation in target countries



3.3.5 The overall picture

Bringing all the different elements together results in Figure 3.4. Note that this diagram and its constituent parts refer to co-ordination responsibilities and channels of communication. They do not necessarily relate to the actual routes by which enterprises access appropriate support.

Figure 3.4 Co-ordination of internationalisation support for SMEs



The overall picture does look somewhat complicated and this underlines the need for good co-ordination. An important consideration is that many of the elements are already in place and it is therefore a matter largely of building on existing arrangements and making them more effective and more efficient. However, co-ordination is clearly key, 'at home' in the different Member States and in each of the target third countries. It is also important that there should be effective co-ordination between those providing support 'at home' and those doing so in third countries. This should not be taken for granted and ensuring that appropriate reference and communication systems are in place and that each side is kept up-to-date on significant developments could be a specific task for the common hub in third countries, in co-operation with the co-ordinating bodies at a national level.

It is worth noting, by way of indicating the spirit of the proposed approach, that much of the co-ordination of service provision in third countries should not be apparent to SMEs, except in that a noticeably better service is provided. It is the responsibility of the EU and national agencies to do the co-ordinating. As far as the enterprise is concerned, an enquiry at a local business support agency should flow through eventually to effective support on the ground in the target country. The enterprise might be surprised to find that some of this support is being provided by an agency from a different country, but how this comes about should not be a matter to distract the enterprise from its main aim, which is doing business.

Finally, although these activities will necessarily involve detailed discussions and developments on the ground in each target country, there will also be a need for overall co-ordination, the exchange of information and success stories and co-ordination with national authorities and the agencies involved. This co-ordination

should take place using the same framework and mechanisms as apply generally in co-ordination between the Commission and the Member States within the EU.

To summarize:

- There is an important strategic role for the European Commission. Co-ordination at a European level is needed and could clearly deliver additional value.
- Raising the profile of support for internationalisation is required within the context established by Europe 2020.
- The overall policy stance has to be supported by practical developments. There could be an important role for the European Commission in prompting developments at a Member State level and in co-ordinating the interaction between national agencies.
- Co-ordination of appropriate services 'at home' and improved preparation of SMEs, is essential for ultimate success. This needs to be done at a regional or national level and could usefully involve the Enterprise Europe Network which is in a position to play a critical part in these developments
- In the target third countries, provision is fragmented, there is often duplication or services running less than optimally. The whole system could benefit from some rationalisation and this would include providing greater scope for existing agencies.
- An existing EU SME Centre could provide the necessary co-ordination by acting as a hub in the target country linking all support service organisations - a more effective counterpart to the measures 'back home'.
- The range of activities of the EU SME Centre could include:
 - Direct services
 - Common services- supporting existing provision
 - Liaison with Enterprise Europe Network relays
 - Co-ordination: acting as the counterpart of co-ordinating bodies at a national level in the EU
 - Signposting
 - Efficiency gains: Identifying areas where co-operation between European agencies and authorities can increase the effectiveness of all of them.
- An important consideration is that many of the elements for a relatively complex system are already in place.
- Building upon the existing Market Access Database and other relevant source of information, there is room for the Commission to develop a portal for EU businesses offering all kind of useful and up-to-date data and other information about third countries.
- Much of the co-ordination of service provision in third countries should not be apparent to SMEs, except in that a noticeably better service is provided.

ANNEX I Study approach and description of tasks

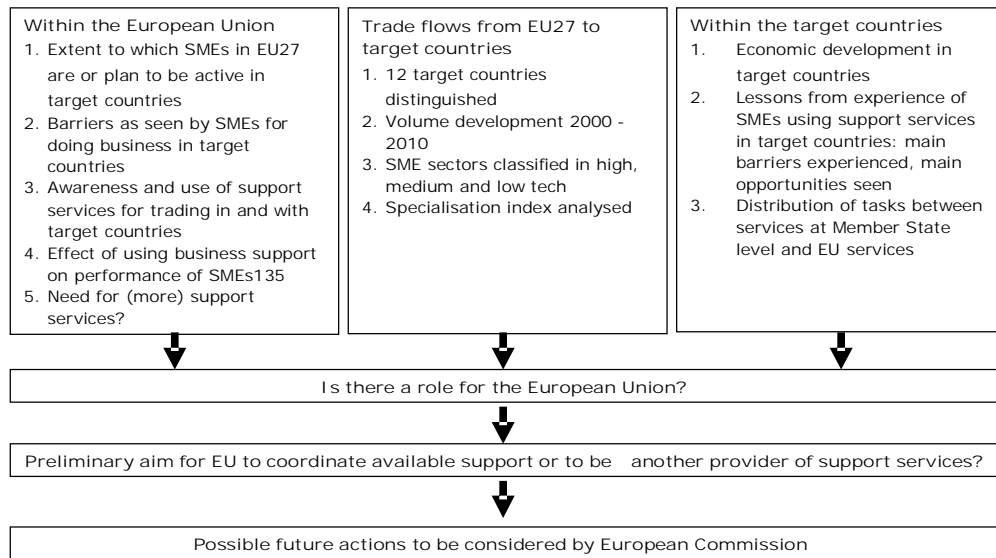
Introduction

In Chapter 1 the main elements of the study have been mentioned. Considering objectives, scope, tasks and outputs requested, the following clusters of activities have been developed:

- Analysis of trade flows between EU27 and the 12 target countries
- Identify existing support measures implemented by the Member States.
- A meta-analysis of evaluation studies of support measures aimed at the internationalisation of businesses.
- A random survey: 6,649 completed interviews with internationally active SMEs in EU27 (Survey I)
- 1,280 completed follow-up interviews among those respondents that have business activities in third markets focussing more on use and effect of support measures (Survey II).
- 512 completed interviews among SMEs from various Member States that have used specific internationalisation support measures asking about satisfaction with the support and assess the effects on the business performance (Survey III).
- Work in the seven key target countries to have face-to-face interviews with organisations supporting European SMEs and some European enterprises that either have practical experience with market access issues or local enterprises that do business with enterprises trying to get access to the third markets.
- Talk to various organisations in Europe, both at EU and Member State level, e.g. representatives of Advantage Austria in Vienna, UKTI in London, SDI in Glasgow, and AHK in Berlin.
- Final overall analysis and synthesis, developing policy options and recommendations.

The following figure presents the schematic overview of the study elements together with the way the objectives of the study and the various clusters of activities are interrelated.

Figure I.1 Schematic overview of study elements



Source: EIM 2011

Economic analysis of trade flows⁴⁶

This study cluster aims to collect and analyse data on international trade flows between EU27 and the target countries and data on the economic development of the target countries. The work was split up in three tasks:

- 1 Initial literature (data) survey supporting the analysis and description of the economic development in the 12 target countries, focussing on the development of certain import categories over time that are relevant for European SMEs. This in order to get a better idea of market potential for European SMEs. Recent (published) assessments of the current and projected economic situation of the target markets, e.g. World Bank Country Reports, have been used to assess the expected future developments in the target markets in question.
- 2 Quantitative analysis of data on international trade flows from Europe and the USA to the target countries. The analysis is focussing on commodity groups of specific interest to SMEs, e.g. rather focus on metal products than on basic chemicals. Eurostat data provides the necessary information by country of origin (within EU27), partner countries and type of goods concerned.
- 3 Report a.o. suggesting promising sectors in the 12 target countries.

⁴⁶ For more details see Background Document 1 International Trade Flows and Economic Development in Target Countries.

Inventory of support measures in the Member States⁴⁷

One of the activities has been to identify existing support measures in Member States that aim to stimulate international activities of SMEs, especially in the twelve target countries. This is not the first investigation ever made of existing support measures promoting international activities of SMEs. However, most previous studies did not have a special focus on promoting international activities in some targeted countries outside the EU, i.e. Brazil, China, India, Japan, Russia, South Korea, Ukraine, Armenia, Azerbaijan, Belarus, Georgia and Moldova.

To identify all relevant and important measures existing in Member States, EIM's partners in the Member States have been carrying out the following activities:

- Identifying all important national support measures stimulating internationalisation of SMEs in general. Important in the sense that the annual total budget or number of SMEs annually participating are above certain thresholds.
- Identifying all national support measures aimed at stimulating the internationalisation of SMEs towards the target countries: Brazil, China, India, Japan, Russia, South Korea, Ukraine, Armenia, Azerbaijan, Belarus, Georgia and Moldova.

This has resulted in 366 measures identified. In a second round of investigation a selection has been made of the 86 most important measures. To that end SME experts in all Member States have been asked to assess the importance of all measures.

Meta-analysis of evaluation studies identified⁴⁸

A meta-analysis of existing evaluation studies has been carried out to come up with some promising measures to support the internationalisation of European SMEs towards the target countries. Such meta-analysis should draw general lessons from existing evaluation studies on support measures that can be used as input for the recommendations in this study. The meta-analysis has been performed on existing evaluation studies that provide quantitative insights in the impact of the specific support measure considered. The focus in the report is on the effects of the existing support measures.

In the meta-analysis the following research questions have been dealt with:

- What kind of support measures generates positive effects on the internationalisation of SMEs?
- What aspects of these support measures are expected to be most responsible for the positive effects?
- What (quantitative) effects on the internationalisation of the participating SMEs were generated through the use of the support measures?

⁴⁷ See Background Document 2a "Overview of 310 Policy Support Measures Identified in the EU Member States". In Background Document 2b "Description of Policy Support Measures Identified in the EU Member States" the measures are described in more detail.

⁴⁸ See Annex II in Background Document 2a "Overview of 310 Policy Support Measures Identified in the EU Member States".

Three surveys among SMEs in the 27 Member States

The present study focussed on various modes of internationalisation and the extent to which EU SMEs are active in third markets outside the European Union:

- export;
- foreign direct investments (FDI) and establishments in third countries;
- license and franchise agreements;
- agreements with distributors or agents;
- other forms of cooperation with foreign partners;
- imports were also covered to some extent.

The study wants to obtain information on the internationalisation of European SMEs and its variation by enterprise size, sector, Member State of origin and target market. The use and (anticipated) effectiveness of public support as perceived by SMEs is a key topic. Such information could only be collected by surveys among SMEs. Therefore in the framework of this study three major surveys were implemented using a CATI system (computer assisted telephone interviewing) that allowed all respondents from EU27 to be spoken to in their own language. The aim and approach of each survey are summarised below:

- First a random survey was conducted among internationalised SMEs in all 27 EU Member States⁴⁹: Survey I. Apart from looking at basic characteristics of enterprises, the survey focussed on the use of E-commerce, importing, exporting, investments abroad, licence and franchise agreements with enterprises abroad, agreements with distributors and agents abroad, awareness and use of public support for internationalisation, the effect of using such support, present business activities or plans to start such activities in 20 countries/regions around the world and an assessment of 15 potential barriers to international business. In addition there was a set of questions that focused on the seven key target markets: activities carried out or planned; use of support measures, the effect of using this support for business in key target market; the different types of support used (e.g. staff training, trade missions, receiving market information, assistance in dealing with Intellectual Property Rights (IPR), credit guarantee schemes etc.) The survey resulted in 6,649 completed interviews among EU27 SMEs of different sizes and in all major sectors of industry⁵⁰.
- To get a more detailed picture of the use of support measures and the (perceived) effects of using such support those respondents from the first survey that indicated that they were active in third markets were revisited⁵¹ early in 2011: Survey II. This resulted in 1,280 additional completed interviews focusing on: Information (channels) used to learn about support measures; use of support measures: for what type of activities and for which key target markets; satisfaction with support; type of services used (*within support programmes); effect of support on international operations; intermediate effects aimed at when using support; accessibility of support.

⁴⁹ See Background Document 3a “Survey Report Large Scale Random Survey” and Background Document 3b “Book of Tables Large Scale Random Survey”;

⁵⁰ To guarantee that we would cover a sufficiently large number of SMEs of different sizes, from different sectors and in different Member States a disproportional stratified sample was used. Results are reweighted using the population of all internationalised European SMEs as a yardstick.

⁵¹ See Background Document 5a “Survey of SMEs doing Business outside the EU and Background Document 5b “Book of Tables Survey of SMEs doing Business Outside the EU.

- The users of 13 internationalisation support measures were identified and contacted resulting in 512 completed interviews among SMEs benefiting from support⁵²; Survey III. Users were grouped into 10 groups to allow comparative analysis:

- 1 Executive Training Programme for Japan and South Korea (ETP) (20 users);
- 2 The EU Gateway Programme Japan (118);
- 3 The EU Gateway Programme South Korea (26);
- 4 Trade missions, trade fairs and matchmaking events for Belgium SMEs (18);
- 5 International trade fairs and trade missions Malta Enterprise (50);
- 6 Financial support for operations in third markets for SMEs from Finland and Spain (24);
- 7 Passport to Export Poland (42);
- 8 Export Credits Germany and Sweden (45);
- 9 Financial support for preparatory actions by COPEL Luxembourg (50);
- 10 A management training programme and internship with Dutch firms for Russian managers (29).

The respondents are micro (33%), small (40%) and medium sized (26%) enterprises from all major sectors of industry.

Interviews and workshops in the seven target countries⁵³

The aim of this cluster of activities has been to:

- Collect information about market opportunities for EU SMEs in the target countries;
- Identify bottlenecks for EU SMEs to do business in the target countries;
- Learn from EU SMEs and from third country businesses how the EU SMEs operate in the country, how they have overcome bottlenecks, what kind of support they are using and what support is missing;
- Assess the supply of support by different organisations (EU Commission, Member States, chambers, national/regional organisations, etc.)
- Identify gaps in the support structure in the country and discuss possible improvements.

To that end the following activities have been carried out:

- EIM organised cooperation with local researchers in each of the seven target countries.
- In consultation with the Commission EIM and the local researchers have identified people and organisations to be interviewed in each of the seven countries. The aim has been to speak (on average) to 20 organisations in each country. Categories to be interviewed include: the Delegation of the EU, government officials, European chambers of commerce, trade counsellors of EU Member States, other export (or import) support organisations, managers of support programmes, people with in-depth knowledge of barriers to enter these market, EU SMEs already active in the country, importers of EU products, local consultants and service providers.

⁵² See: Document 4a "Survey among Users of 13 Support Measures" and Background Document 4b "Book of Tables Survey among Users of 13 Support Measures".

⁵³ See: Background Document 6 "Country Studies of the Seven Key Target Markets".

- EIM developed a 'shopping-list' to be used during the interviews, which was – after approval by the Commission – translated in the languages of the seven key target countries.
- EIM provided the local researchers with an overview of existing EU support programmes and support programmes implemented by EU Member States for their country.
- Next the local researchers were asked to prepare an interview programme and to make appointments with people and organisations to be interviewed.
- The first series of 5-7 face-to-face interviews in each country were undertaken by the local researcher together with the national coordinator from the Core Team.
- The additional interviews were held by the local researcher.
- Most interviews were held in the capitals of the countries. In India interviews were also held in Pune and Mumbai, in China also in Shanghai, and in Russia also (by phone) with people in St.-Petersburg, Yekaterinburg, Zelenograd, and Krasnodar. Most interviewees were very much willing to share their experiences with the team. A few interviewees in Russia requested anonymity, which was of course respected.
- Based on a.o. the interview results, the national researchers prepared provisional national reports.
- Next, the national researchers organised in each country a half-day workshop to discuss all findings. All people and organisations who had been interviewed were invited to the workshop. The national coordinator attended (and often chaired) the workshop. In most countries simultaneous interpretation was available during the workshop.
- Finally the local researchers together with the national coordinators prepared the final draft reports incorporating the conclusions of the workshops.

ANNEX II Example of a good practice: AI-Invest⁵⁴

Introduction

AI-Invest is an economic cooperation programme that aims to support the internationalisation of European SMEs in Latin America, in order to contribute to reinforce social cohesion in the region based on a partnership between business support organisations from both regions.

The AI-Invest Programme began with a 2-year pilot phase in 1994. Subsequently three programmes were approved:

- AI-Invest Phase I – 1995-1999
- AI-Invest Phase II – 1999-2004
- AI-Invest Phase III – 2004-2007

Initially, the AI-Invest Programme funded "business meetings" almost exclusively. However, in later stages, the scope for funding has diversified considerably to include institution building activities for the network operators and training and technical assistance for the SMEs, among other types of tools, constituting an integral approach to assisting SMEs.

During the first three phases, more than 1,000 activities have been implemented, in more than 25 commercial sectors; agro-industry, environment and the telecommunications sectors have been some of the most supported sectors. In this period some 88,000 SMEs participated in AI-Invest projects.

The European Commission has committed a total of €144 million in all phases which has generated over €500 million worth of intra-regional trade and investment.

The fourth phase of AI-Invest (2009-2012) is implemented through three groups of business organisations (consortia) belonging to three distinct geographical areas of Latin America and whose projects were awarded grants by the European Commission. Phase IV is exclusively focusing on SMEs in Latin America and not on mutual interest anymore.

Self-assessment

In the study Opportunities for the Internationalisation of EU SMEs a large number of national policy measures supporting the internationalisation of SMEs have been identified. The project team was especially interested in the effectiveness and efficiency of existing policy programmes, as these could be used as examples for other countries and the European Commission. Unfortunately very few support measures have been evaluated and most evaluations are rather general. It is therefore interesting to look at the way the performance of participating SMEs in the AI-Invest Programme has been measured. The AI-Invest Programme seems to be original in the way intermediaries have been reporting about the benefits for participating SMEs. It is therefore an example of a good practice assessing the impact of policy measures for the internationalisation of SMEs.

⁵⁴ The consultants are grateful to Mr. Maurizio Queirazza, former Director of the AI-Invest Programme for the useful and detailed information provided.

The entire AI-Invest I-III "performance indicator" structure is based on the following elements:

- A Technical Report⁵⁵ made by the participating SMEs⁵⁶ and introduced in the Electronic Platform by their own intermediary institution. In this way 88,000 Technical Reports have been collected in the period 1993 to 2008.
- A Follow-up Report⁵⁷, also made by the participating SMEs and introduced in the Electronic Platform. From 1993 to 2008 2,000 Follow-up Reports have been collected.
- Questions⁵⁸ asked to SMEs to evaluate other relevant qualitative aspects of the service given by the intermediary institutions.
- Every two years an evaluation by an independent consultancy, e.g. "Final Evaluation⁵⁹ AI-Invest Phase II (2001-2004)" by HTSPE Ltd., and "Programa AI Invest III, Mision de Evaluacion Final, Diciembre 2007-Abriel 2008", by AESA Consortium.

The information emerging from 1) and 2) has been used at two different levels:

- Ex ante: the information collected is used as one of the selection criteria of new proposals⁶⁰. This method also enables "evaluation of the evaluation system", because, months after a selection of proposals, the team is able to verify if the best ones were selected. The effect of this process is that year by year the "performance percentage" increased from 0 to 35%.
- Ex post: part of the criteria for the definition of the final payment of each business meeting was the "technical form". In this way the team was able to standardize technical criteria of evaluation and to monitor the allocation of EC funds. It was also a major incentive for the intermediary institutions (often chambers): if they had not done a good job, they did not get 100% payment.

⁵⁵ The report is a simple one-page form with the contact details of the participating business (including sector of activity, number of employees, and turnover), and the names and countries of all businesses that have been met during a business meeting session. It is also indicated whether or not the meetings were positive.

⁵⁶ Based on declarations by participating SMEs, the system was criticized for the bias introduced by these declarations. That is why the Commission commissioned an expert to assess the validity of the collected data. As a consequence, the expert made a number of interviews of participating SMEs on a random basis and concluded that the actual results were higher than those declared prima facie.

⁵⁷ The Follow-up Report provides detailed contact information about the businesses that succeeded to make contacts with each other.

⁵⁸ In the questionnaire detailed questions are asked about the quality of the services (on a 10-point scale): information, seminars, logistics, translations, support, business visits, etc. as well as about the usefulness of the programme for the SME.

⁵⁹ In this evaluation report the extra, i.e. by the Programme initiated export per country is compared to the costs of the Programme per country. Based on replies from Operators as well as participating SMEs, and taking into account inherent restraints of the estimation exercises, the rate seems to be between € 7 and 12.

⁶⁰ Each proposal receives a maximum of 100 points, of which 35 can be given to 'historic performances'.

Lessons learned:

- Despite initial opposition from intermediary institutions, the system proved to be fair and effective.
- The rules of the game should be clear from the outset and should be explained to all stakeholders.
- For private operators the Programme was a nice way to get in touch with the SMEs, to whom they might sell other services.

It is interesting to note that the large Mexican programme FONDO PYMES is now using the above described monitoring and evaluation tools:

<http://www.fondopyme.gob.mx/>.

ANNEX III Services provided in the key target markets

Table III.1 Percentage of 69 organisations that provided the specific type of service in the seven key target markets (ranked by overall average)

Type of support measures	Brazil	China	India	Japan	Russia	South Korea	Ukraine	Total
Local business topics / practices / culture	100%	93%	100%	100%	100%	83%	100%	97%
Information on rules & regulations	100%	100%	83%	100%	100%	83%	100%	96%
Information on market opportunities	78%	93%	100%	100%	100%	67%	91%	91%
Business cooperation and networking	89%	93%	92%	100%	100%	50%	100%	91%
Incoming trade missions	89%	86%	83%	100%	89%	67%	91%	87%
Organising matchmaking events	78%	93%	83%	75%	89%	83%	100%	87%
Pre-market entry advice & information	78%	86%	92%	75%	89%	67%	100%	86%
Organising local business events	78%	93%	92%	88%	89%	50%	91%	86%
Signposting to other trade support services	89%	86%	100%	63%	89%	67%	91%	86%
Identify potential business partners	78%	79%	92%	75%	89%	83%	91%	84%
Signposting to local lawyers etc.	89%	86%	100%	63%	89%	50%	91%	84%
Business intelligence/market watch	67%	79%	75%	88%	89%	67%	91%	80%
Reporting trade barriers to EU Delegation	56%	57%	58%	63%	100%	83%	91%	71%
SME lobbying	67%	64%	50%	50%	100%	17%	91%	65%
Information portal for EU SMEs	67%	57%	33%	75%	100%	50%	55%	61%
Advice on technical standards	33%	50%	33%	75%	89%	50%	91%	59%
Assistance post-market entry	78%	50%	67%	25%	44%	50%	82%	58%
Organising international trade fairs	78%	36%	58%	38%	56%	50%	82%	57%
Advice on IPR	33%	57%	50%	63%	56%	50%	82%	57%
Providing business or professional advice	22%	57%	58%	50%	89%	0%	82%	55%
Offering auxiliary services	67%	57%	42%	25%	44%	33%	64%	49%
Providing staff training	44%	43%	25%	63%	33%	33%	55%	42%
Offering temporary office facilities	67%	43%	42%	25%	22%	50%	36%	41%
Coaching (e.g. negotiation skills)	44%	14%	17%	50%	56%	17%	45%	33%
Mentoring	44%	0%	17%	25%	33%	0%	55%	25%
Easing access to local finance	33%	14%	17%	13%	0%	0%	27%	16%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Number of observations	9	14	12	8	9	6	11	69

Source: EIM, 2011.

ANNEX IV Typology of support services

Table IV.1 Typology of support services

Type of support service	Why services are important / needed in particular countries	Remarks
Initial, broadly based services		
Initial, orientation and signposting services	Services provided by general business support organisations with extensive contact with enterprises and the capability to provide an initial response to enquiries and requests for further assistance	
Training	Training of various kinds and degrees of formality, to help enterprises develop their capacity to train internationally, including training for staff.	Training can sometimes be highly structured and provide for extensive placements in the target country.
Financial support		
Grants	Grants are sometimes available to enterprises locating in development regions, especially if they aim to 'export' a significant proportion of their output.	
Subsidies	Assistance with a range of activities, from participation in training and trade missions, to subsidised premises.	
Information and intelligence		
Information on rules and regulations	Navigating national regulations and legislation when exporting to countries outside the EU presents a significant challenge for SMEs. There is a need to understand the local business environment (e.g. employment law, taxation regime, investment law, etc.).	Among the 7 EU countries within the study scope, a particular need was identified to provide support for SMEs to better understand the regulatory environment and wider framework conditions in all of the target countries. In Brazil, the business environment is complex and bureaucratic.

Type of support service	Why services are important / needed in particular countries	Remarks
		More than 50 certificates are needed to establish a company. There is also a complex regulatory environment which impedes business activity. Additionally, trade barriers in the form of import tariffs affect many sectors.
Information on national technical standards	When operating in third countries, there is a need to identify, understand and take steps to ensure compliance with national technical standards. Support organisations can help with the basic information on standards and their application.	
Information on market opportunities	SMEs were found to face challenges in identifying market opportunities in some countries under review, especially at regional level.	In China, Market information gaps were identified in some provinces. In Ukraine, some embassies carry our market surveys (usually, in sectors with potential for EU business development in Ukraine.
Contacts & partnership		
Identifying potential foreign business partners	Partner identification is an important value added service provided by support organisations. SMEs often face difficulties in establishing contacts with appropriate partners and in developing sustainable relationships.	Among the activities that have helped to identify foreign business partners are: identifying potential partners, matchmaking events, one-to-one meetings and meetings arranged at international trade fairs. For example, in Japan it is perceived as a critical to form a connection with key clients and partners within a complicated and high cost market.

Type of support service	Why services are important / needed in particular countries	Remarks
Trade missions	Trade missions provide important opportunities for European SMEs to identify new market opportunities. However, there is a need to ensure that trade missions (and business support services more generally) are not only concentrated on the major cities.	
Business co-operation	A service that provides greater support for the development of relations with business partners, including help with contractual matters.	
Network building	Sometimes it is easier or even necessary for a small firm to take on a distant and complex market in conjunction with other businesses, usually selling complementary goods and services. Some support measures actively support such developments.	
Advice & capacity building		
Soft support e.g. understanding business culture	SMEs may also need advice about local business and administrative culture. SMEs need to understand language, personal relations and attitudes, and about how business relations are established and developed.	In China, research found that it can take several years to develop business relationships with partners and government agencies before achieving business success. With regard to Japan, European parent companies often find it difficult to comprehend the context behind information provided to them regarding business routines and strategies as well as recognising the need for long term and committed efforts.

Type of support service	Why services are important / needed in particular countries	Remarks
Assistance post-market entry in different stages of market development	Market entry is only the first stage of successful market exploitation for SMEs. There needs to be additional attention to the support needs of European SMEs at different stages of market development.	The need for ongoing assistance to develop sustainable long term business relationships was found to particularly apply in China and Japan, for example, with distributors.
Dealing with Intellectual Property Rights (IPR)	SMEs need to manage, protect and exploit their IPR when doing business in a third country. This process must start at home, but there may also be a need for support in target markets, especially with enforcing rights.	European SMEs have encountered difficulties in enforcing their IPR in some countries, such as China. The need for improved support is already being addressed in some countries under review, such as the China IPR SME Helpdesk.
Business and professional services		
Business or professional advice (e.g. from lawyers, accountants)	In doing business in a third country, SMEs often need access to local professional services firms. The role of publicly supported EU and Member States business support services operating in third countries is to signpost to trusted local service providers.	
Temporary office facilities in target market	SMEs may have a need for temporary office and auxiliary services in the target market. Examples were identified through the research of initiatives to provide space to SMEs by Member States.	In Brazil, Japan and Korea business centres provide space to EU SMEs.
Auxiliary services in target market	SMEs clearly also need wider support services in order to operate on a temporary basis in their target market. Such services may include secretarial support interpretation, guides, etc. Examples of incubation initiatives that have also offered auxiliary services are provided above.	Spain's ICEX and the UK's UKTI are considering launching similar incubator initiatives.

Type of support service	Why services are important / needed in particular countries	Remarks
Recruitment	Assistance can be given with identifying and recruiting local staff.	
Representation & lobbying		
Representation & lobbying	Raising difficulties and issues with third country authorities through representative organisations.	Large companies generally do this reasonably well, but representative organisations often neglect issues of importance to SMEs.

ANNEX V Background Documents

The following Background Documents have been prepared for this study:

Table V.1 List of Background Documents of this study

No.	Title
1	International Trade Flows and Economic Development in Target Countries.
2a	Overview of 310 Policy Support Measures Identified in the EU Member States.
2b	Description of Policy Support Measures Identified in the EU Member States.
3a	Survey Report Large Scale Random Survey.
3b	Book of Tables Large Scale Random Survey.
4a	Survey among Users of 13 Support Measures.
4b	Book of Tables Survey among Users of 13 Support Measures.
5a	Survey of SMEs Doing Business outside the EU.
5b	Book of Tables Survey of SMEs Doing Business outside the EU.
6	Country Studies of the Seven Key Target Markets.

In each section of this Final Report reference is made to the respective Background Document.

OPPORTUNITIES FOR THE INTERNATIONALISATION OF EUROPEAN SMEs

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