

ENTERPRISE INDUSTRY *magazine*



Strengthening the European tourism sector

Critical raw materials

A strategy for clean vehicles

Gateway to the world for small businesses



European Commission
Enterprise and Industry

September 2010 **8**

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EDITORIAL

The European tourism sector accounts for about 5% of the Union's GDP and employment, providing jobs for an estimated 12 to 14 million Europeans. The forecast for the future remains sunny, but the industry is also facing certain challenges. In this issue, E&I magazine explores the new strategy that the European Commission has recently proposed to ensure that Europe remains the world's top tourist destination.

Another sector of critical importance is the automotive industry, which represents Europe's largest private investor in research and development. We analyse the EU's **Clean Vehicles Strategy** which will pave the way to two important goals: enhancing the competitiveness of the auto sector and providing EU citizens with environmentally friendly mobility.

Given the growing importance of international markets to the competitiveness of companies,

E&I magazine highlights the main findings of a recent report on the level of **internationalisation of European SMEs**. The study identifies the main barriers and advantages of internationalisation and indicates that public support mechanisms can play an important role in this domain.

The **'Enterprise Europe Network in Action'** feature is also devoted to this topic, showing how the network provides practical help to European small and medium-sized enterprises in their endeavours to internationalise, even beyond the Union's single market.

Other articles in this issue investigate the European Commission's efforts to promote corporate social responsibility in different sectors and among smaller enterprises, opportunities for eco-innovation, critical raw materials, as well as national, regional and local initiatives which helped to build business-friendly environments.

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STRENGTHENING THE EUROPEAN TOURISM SECTOR

*Europe is the world's top tourist destination. In order to maintain this lead amid changing global circumstances, the European Commission has released a policy **strategy** which signposts **21 actions** on the path to a more competitive and sustainable 21st-century European tourism sector.*

Summer is that time of year when millions of Europeans go on holiday or have travel on their minds. But tourism is not just about rest and recreation, it is also serious business and is an important sector of the European economy.

In fact, the EU – with its rich and diverse history, culture and natural beauty – is the world's foremost tourist destination, and amongst the world's top ten destinations are six EU Member States. Each year, nearly 400 million international arrivals – or more than two-fifths of the global figure – touch down in one of the EU's 27 Member States. In addition, EU residents make nearly 1 billion holiday trips annually, with three-quarters of these to a destination within their own country. >>



In economic terms, the tourism sector is made up of some 1.8 million companies, many of them SMEs, and accounts for about 5% of the Union's GDP and employment, providing jobs for an estimated 12 to 14 million Europeans. In addition, growth in employment in the tourism sector has, over the past decade, on average been greater than in the wider economy.

Moreover, tourism can also play a significant role in building prosperity in European regions. Infrastructure created for tourism can serve other purposes and contribute to local development, while tourism-related employment can help counteract industrial or rural decline.

Against the backdrop of the financial and economic crisis which affected tourism globally in 2008 and 2009, international experts are confident that tourism will recover soon and continue its promising development. The forecast for the future remains sunny: the sector is projected to continue its upward trajectory for years to come. In fact, by 2020, the EU is set to attract more than 715 million visitors, according to the UN's World Tourism Organisation.

Challenges to tackle

Despite this positive outlook, Europe's tourism sector faces certain economic, social and environmental

challenges. These include increasing competition from destinations in other parts of the world; the environmental impact of tourism; the need to seize new market opportunities, such as attracting tourists from emerging markets; developing and shifting intra-European tourism to 'alternative' – still unknown, but emerging – destinations or off-season travel; the impact

Excellence in EDEN

The EU's European Destinations of Excellence (EDEN) award seeks to put Europe's emerging and less-frequented tourist areas – which pursue a socially, culturally and environmentally sustainable development path – on the travel map of European citizens.

EDEN also aims to boost awareness of Europe's touristic diversity and quality, and promote tourism in all EU countries and regions. So far, four editions of EDEN have been held.

National competitions take place every year and result in the selection of a tourist 'destination of excellence' for each participating country. All the selected destinations have one thing in common: their commitment to social, cultural and environmental sustainability. Each year has its own theme. In 2007, it was emerging rural destinations of excellence. The following year, it was tourism and local intangible heritage. In 2009, the focus was put on tourism and protected areas, while this year's theme is aquatic tourism. Next year's focus will be on tourism and the regeneration of physical sites.

on demand of the greying of the European population; as well as technological change.

Tackling these issues will require a coherent policy framework, not just at the national level, but also at the European level, given

tourism's cross-border nature. Towards that end, the

EU's new Lisbon Treaty has created, for the first time at the European level, a legal basis entirely devoted to tourism which specifies that "the Union shall complement the action of the Member States in the tourism sector, in particular by promoting the competitiveness of Union undertakings in that sector".

Building on the foundation provided by the Lisbon Treaty, the European Commission unveiled and proposed a tourism strategy to pave the way to greater competitiveness and sustainability for the sector in the future. "It is our aim to keep Europe the world's top tourist destination," said Antonio Tajani, Vice-President of the European Commission responsible for Entrepreneurship and Industry. "[This] Communication lays down 21 actions that will thrust Europe's tourism industry into the 21st century."

European itinerary

The 21 actions are divided into four main areas: improving the competitiveness of the European tourism sector; promoting sustainable, responsible and qualitative tourism; enhancing Europe's image as home to sustainable and high-quality destinations; and maximising the potential of EU policies and financial instruments for the development of European tourism.

Among the actions proposed for enhancing European tourism's competitiveness are activities to

European Tourism Day

This year, on the occasion of World Tourism Day, European Tourism Day will take place on 27 September 2010, during which a conference will be organised in Brussels. The event will mainly focus on tourism's role in promoting European citizenship, as well as our continent's cultural and historical heritage. Particular attention will be paid to the theme 'European Cultural Routes', in line with the new communication which underlines the need to promote cultural itineraries.

Last year's event focused on the role of networking in developing sustainable tourism in Europe.

promote the diversification of the tourism options on offer, such as pan-European thematic tourism products. In addition, technology, such as the roll-out of the latest ICT tools, and the development of skills to meet changing market expectations and realities, figure highly here, as do efforts to extend the tourism season, such as through promoting social tourism (see box on page 6).

Sustainability is closely linked to competitiveness, because the quality of tourist destinations is strongly influenced by their natural and cultural environment and their integration into a local community. In order to make European tourism more sustainable, the European Commission proposes a number of actions, including the sustainable use of resources, sound environmental management practices and the promotion of sustainable destinations, such as through the EDEN initiative (see box on page 4). >>



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Promoting off-season tourism

Although millions of Europeans go on holiday every year, there are those who cannot afford to or who are otherwise excluded from travelling for leisure or learning purposes, such as certain segments of the elderly, youth and people with disabilities.

The EU is addressing this issue through the promotion of a concept known as 'social tourism', which is not only good for specific target groups but can also help promote off-season travel and develop the tourism sector in Europe's regions, especially those that are off the regular tourism map.

An example of activities in this area is the EU-funded Calypso preparatory action which targets four main groups: underprivileged young adults aged between 18 and 30; families facing financial or other pressures; people with disabilities; and over-65s and pensioners who cannot afford travel or are daunted by the challenges of organising a journey.

Named after the Greek sea nymph who for seven years played host to that ancient traveller and adventurer Odysseus/Ulysses on her island, the project has examined the best ways and means to facilitate the exchange of ideas and good practice on how to promote transnational tourism exchanges in a way that benefits not only specific target groups, but also the tourism sector, the wider economy and society at large. So far, 21 EU and candidate countries have participated in the existing initiatives.

Other EU policy areas – including environment, transport, employment, competition, the single market and consumer protection – have an impact on tourism. The Commission's strategy strives to ensure that tourism is better integrated into these policies, as well as into the related EU financial instruments (such as the European Structural Funds and various other multi-annual funding programmes), so that they can fully realise their potential for the development of this important sector. ■

Talking tourism

Organised in collaboration with the Belgian presidency of the EU, the European Tourism Forum 2010 will take place on 18 and 19 November 2010. This year's theme will focus on the implementation of the actions identified in the Tourism: Communication adopted in June 2010. It is expected that the "branding Europe" theme will feature quite strongly during the event.



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VEHICLE FOR SUSTAINABILITY AND COMPETITIVENESS

*The EU's proposed Clean Vehicles Strategy will help enhance the sustainability and global competitiveness of the **European automotive industry**, while increasing the number of sustainable mobility options for European citizens and meeting their growing demand for more environmentally friendly cars.*

Home to 15 car-makers with international presence, the European automotive sector employs more than 12 million Europeans either directly or indirectly.

The automotive sector contributes around €140 billion of value-added to the EU economy and is a major European export earner, resulting in nearly €70 billion in trade balance annually. In addition, it represents Europe's largest private investor in research and development (R&D).

In 2007, the EU produced around 20 million vehicles, representing nearly a quarter of global output, according to the European Automobile Manufacturers' Association (ACEA).

However, the sector is currently in crisis. In 2009, total vehicle production in Europe decreased by 17.3% compared to 2008 and by 23% compared to the pre-crisis level of 2007, reaching a total of 15.2 million.

Amid this somewhat discouraging picture, one segment of the automotive market showed healthy growth: low-emission vehicles. Demand for cars emitting less than 120g of CO₂ per kilometre recorded its strongest increase ever, rising by 1.2 million to reach 3.2 million units in 2009. This segment now holds a market share of 25%.

And this is an encouraging development given that, the convenience of increased mobility notwithstanding, the cars Europeans drive generate 12% of the EU's overall carbon footprint.

Defragmenting European efforts

Europe stands at a crossroads: it has the opportunity to capitalise on its technological advantage to position itself at the head of growing global demand for clean and energy-efficient vehicles, but faces the challenge of developing a constant stream of new and innovative green technologies.

Many of the economic, environmental and technological challenges and opportunities facing Europe in the clean car sector are common ones, and hence call for a coordinated EU response. However, there are certain areas where efforts are still fragmented, such as the national focus of much of Europe's R&D and the absence of common European standards for electric vehicles.

In addition, the Union's single market is home to around half a billion consumers, millions of whom are very environmentally minded. This means European industry has fertile home ground on which to grow.

In recent years, the EU has pursued numerous initiatives to promote green motoring. Since 1995, it has encouraged auto manufacturers to develop more fuel-efficient vehicles, such as hybrid cars. Another policy priority has been improving public transport – as well as promoting cycling and walking – in order to encourage citizens to leave their cars at home.

In March 2007, EU leaders signed up to the ambitious 'Energy for a changing world' package which commits

The green road to recovery

As the European car industry was one of the sectors hardest hit by the economic downturn, the EU launched the European Green Cars Initiative as one of the three private-public partnerships in its Recovery Package. The initiative speeds up the allocation of available EU funds from various programmes to support R&D into green vehicles and proposes demand-side incentives at the national level, such as lower registration taxes or scrapping schemes.

The new strategy fleshes out and builds on this initiative to make it more comprehensive and long term. In fact, in April, the ad hoc industrial advisory group which was set up as part of the initiative to act as a high-level forum for strategic dialogue between the European Commission and industry players recommended that the EU should formulate an EU strategy for clean and energy-efficient vehicles.

Member States to cut their greenhouse gas emissions by 20% by 2020. It also sets a binding overall goal of increasing to 20% the share of renewables in the EU's energy mix.

A clean start

In a drive to boost both the environmental performance and global competitiveness of the European automotive sector in these difficult times, the European Commission has released a proposed European strategy for clean and energy-efficient vehicles, which deals with all categories of vehicles, from buses and lorries to cars, vans and motorcycles. The strategy not only paves the way to helping European car-makers exit the current crisis, but it also fits in with the EU's new 'Europe 2020' strategy which seeks to promote growth that is smart, green and inclusive.

"In 2010, the automotive industry enters into a defining phase for its future success," observed Commission Vice-President and Industry and Entrepreneurship Commissioner Antonio Tajani. "The new European strategy will provide a supportive framework based on a twin-track approach: improving the efficiency of conventional engines and making ultra-low-carbon mobility a reality for European consumers."

The strategy seeks, among other things, to address the EU's fossil fuel dependency; to accelerate the development of clean automotive technologies without compromising on safety; and to promote the mass-market uptake of these technologies.

It will achieve this through the development of a comprehensive regulatory framework for clean and more energy-efficient vehicles, by supporting research and innovation into green technologies, raising consumer awareness and promoting demand, and taking action at the global level to create more open global automotive markets. It will also deal with the employment challenges posed by restructuring the auto industry and re-skilling its workforce.

The Communication is now endorsed by a European Parliament Resolution and Council Conclusions. The first actions envisioned in the strategy should already be launched later this year. ■

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OPPORTUNITIES FOR ECO-INNOVATION PROJECTS

*Green technology and eco-innovative solutions are vital to the EU's future sustainability and competitiveness. In 2010, the European Commission launched a €35-million call for project proposals under its eco-innovation scheme, which aims to transform environmental challenges into new **business opportunities**.*

Eco-innovation is all about creative ideas which show that environmental protection and competitive growth can go hand in hand.

The EU's Competitiveness and Innovation Framework Programme (CIP) provides support for eco-innovation, thus making a significant contribution to the Environmental Technologies Action Plan (ETAP). This year's call was launched at the CIP Eco-Innovation Info Day in April 2010 and had a deadline of 9 September 2010. It concerned market replication projects, and was addressed mainly to small and medium-sized enterprises that had developed an environmental product, service, management practice or process which had a proven track record, yet is not fully marketed due to residual risks.

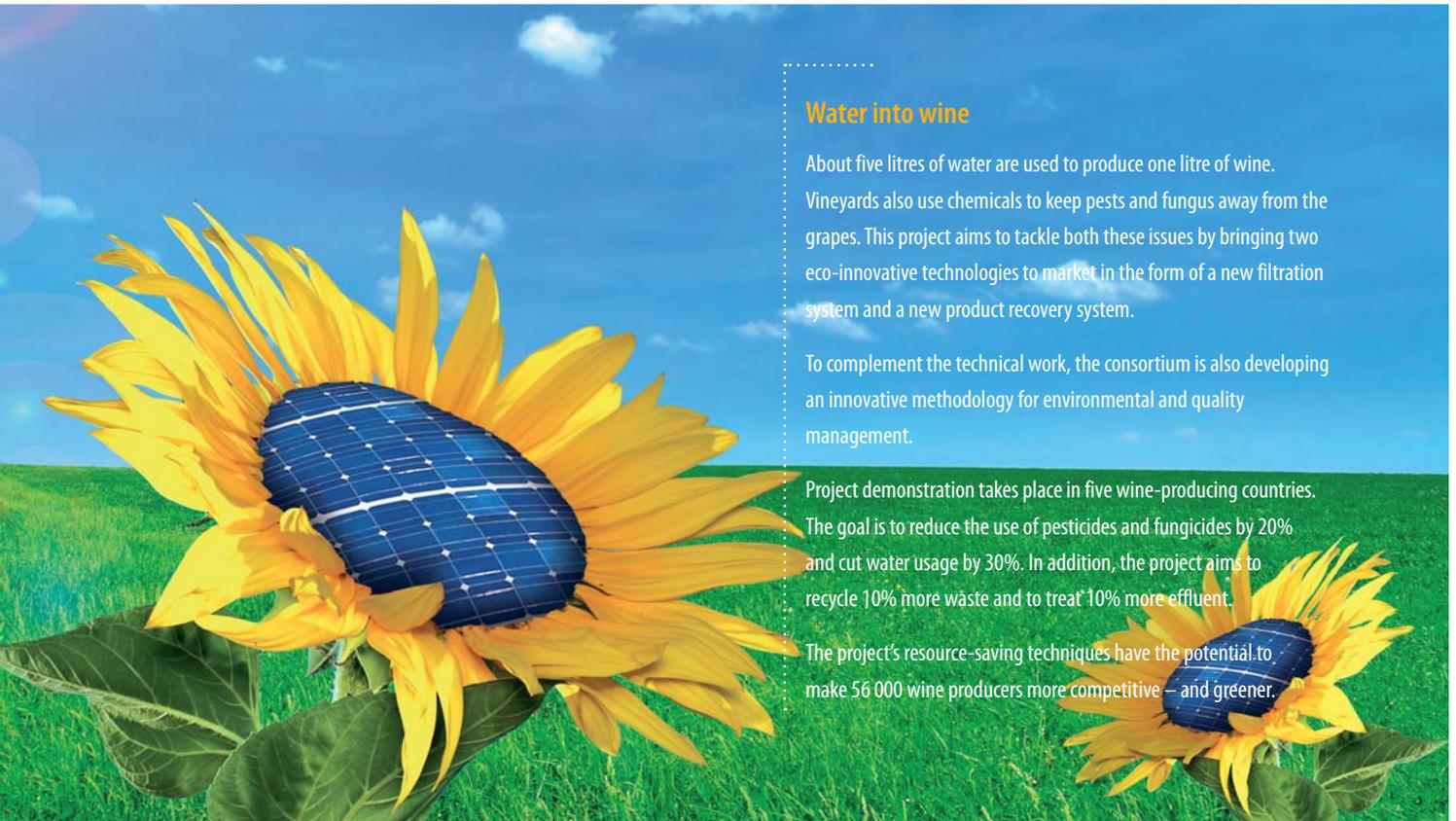
Through this latest call, funds were made available for projects in the following areas: materials recycling, sustainable building products, the food and drink sector, green business practices.

Concrete applications of plastic

The NUMIX project aims to recycle plastics for use in the construction industry. To do so, the project is harnessing innovative industrial processes to treat scrap produced through the sorting of recyclable plastics, which is then transformed into aggregate for lightened concrete and mortar.

The NUMIX team is looking at developing two products – expanded granules and flakes. A plant for producing flakes is already up and running, and concrete producers are showing a great deal of interest in the product.

The project tackles two pressing issues at the same time: global demand of concrete is steadily on the increase, so a reliable and more eco-friendly alternative is very appealing; plus NUMIX offers a great way to use the large amounts of plastic waste produced in the EU every year.



Water into wine

About five litres of water are used to produce one litre of wine. Vineyards also use chemicals to keep pests and fungus away from the grapes. This project aims to tackle both these issues by bringing two eco-innovative technologies to market in the form of a new filtration system and a new product recovery system.

To complement the technical work, the consortium is also developing an innovative methodology for environmental and quality management.

Project demonstration takes place in five wine-producing countries. The goal is to reduce the use of pesticides and fungicides by 20% and cut water usage by 30%. In addition, the project aims to recycle 10% more waste and to treat 10% more effluent.

The project's resource-saving techniques have the potential to make 56 000 wine producers more competitive – and greener.

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Up to 50 projects are likely to be selected for funding through this call, covering up to 50% of project costs. Projects that make it through the selection process must show an innovative approach and provide an end product that has the potential for market replication. They must be in tune with Europe's environmental policies, especially in terms of the efficient use of resources.

Growing success

The CIP's eco-innovation initiative runs from 2008 to 2013, with a total budget of about €200 million. Previous calls have proven to be hugely popular and nearly 100 projects are already up and running, receiving a total of around €60 million from the European Union (see boxes for examples). In addition, selected entries should mobilise about the same amount in funding from the private and public sector bodies that are involved in project consortia.

The previous calls succeeded in attracting the main target group, SMEs, which submitted 70% of applications. The most popular areas for submission were recycling followed by green business.

The 2009 call saw a 50% increase in applications compared to the previous year, attracting submissions from 614 organisations in 32 countries. The projects finally selected for funding from the 2009 call reveal the broad scope of EU support for eco-innovation.

For example, one consortium will use their funding to develop a new type of milk bottle made from a mixture of recycled paper and plastic, while another project aims to use laser technology for fruit labelling which will replace conventional paper labels.

Wider value

As well as being the 'green' strand of CIP, eco-innovation will make an active contribution to the EU's new strategy for economic growth. Europe 2020 sets out to build an economic future based on smart growth – which is about nurturing knowledge and innovation – while stimulating green business to promote a competitive, low-carbon economy that uses resources efficiently.

Although this year's funding round was due to close on 9 September 2010, there will be another opportunity in spring 2011. For more details, please see: www.ec.europa.eu/environment/eco-innovation/application_en.htm

Funding for the eco-innovation scheme is managed by the European Commission's Executive Agency for Competitiveness and Innovation (EACI). ■

OF MATERIAL IMPORTANCE

A vast array of raw materials, including minerals and 'high-tech metals', play a key role in the development of industrial applications and advanced consumer products. According to a recent report by an expert group in the framework of the EU Raw Materials Initiative, Europe is in a vulnerable position when it comes to securing its supply of some of these raw materials: out of 41 minerals and metals analysed, the experts labelled 14 as critical. The results of the report will be used in the drafting of strategies to ensure access to raw materials, which the European Commission will present in autumn 2010.

'Critical raw materials for the EU' was written by an ad hoc working group, chaired by the European Commission and made up of experts from national ministries, geological surveys and industry. The report was an important step towards achieving the objective of defining critical raw materials, as outlined in the EU's Raw Materials Initiative (see box).

After analysing 41 minerals and metals, the team produced a list of 14 raw materials which they deemed

critical to the EU: antimony, beryllium, cobalt, fluorspar, gallium, germanium, graphite, indium, magnesium, niobium, platinum group metals, rare earths, tantalum and tungsten. Forecasts indicate that demand for some of these could more than triple by 2030, compared to 2006 levels.

Demand is increasing for minerals and 'high-tech metals' due to the economic growth of developing countries. The emergence of new technologies and products also drives demand. For example, flat-screen TVs and mobile phones need metals, such as antimony, cobalt, lithium, tantalum and tungsten. Many of the new environmentally friendly products also need these raw materials. Electric cars require lithium and neodymium; car catalysts cannot work without platinum; and solar panels are developed using gallium and indium.

Resourceful initiative

The Raw Materials Initiative was launched by the European Commission in 2008 to ensure that European industry has fair access to the raw materials it needs.

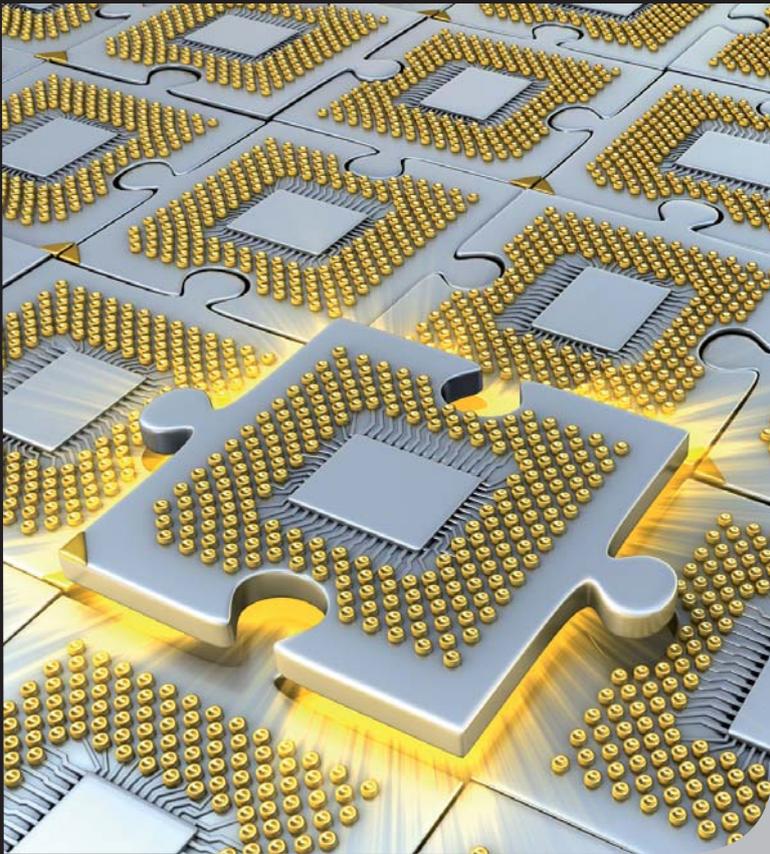
It seeks to ensure that European businesses and industry do not suffer a competitive disadvantage with resource-rich countries. The Initiative lays down measures in three areas to secure sustainable supplies:

- Ensuring fair access to supplies from outside Europe
- Improving conditions for mining within Europe
- Increasing the recycling rates of these important materials

The European Commission is currently in the process of drafting a strategy to secure access to raw materials, which will be published in autumn 2010.

Increasing demands on supply

Risks to reliable supplies to Europe come from fast-growing emerging economies, especially those which are blessed with their own deposits of minerals and metals. Now that a number of these countries are pursuing ambitious industrial development strategies, they are beginning to reserve more and more of these resources for their own use. Government measures, such as export taxes, quotas and subsidies are being used in a way that distorts the trade in raw materials on world markets.



Supply risk issues are compounded by the fact that production of some critical raw materials is often concentrated in a few countries. For instance, China produces more than 90% of the world's rare earths and antimony, about 90% of niobium comes from Brazil, and 77% of platinum comes from South Africa.

The nature of mining for these raw materials also has to be taken into account. They are often produced as by-products through the mining and processing of major metals like copper and zinc, which mainly drive their extraction. This can leave industry facing a crisis of availability, as happened in 2000 when there was a rush for tantalum due to the boom in mobile phone production.

The report also noted that the EU has its own valuable but under-exploited deposits of minerals and metals. "We need fair play on external markets, a good framework to foster sustainable raw materials supply from EU sources as well as improved resource efficiency and more use of recycling," said European Commission Vice-President Antonio Tajani, in charge of Industry and Entrepreneurship.

Gauging "criticality"

When considering whether a raw material is critical, the working group assessed two types of risk. Supply risk took account of the political and economic stability of the producing countries, along with levels of production concentration, whether any substitute materials are readily available, and rates of recycling. Similarly, the 'environmental country risk' took account of environmentally related risks.

The report makes a number of policy recommendations to help improve supply of critical raw materials and so minimise the risk of shortages.

More raw data

In addition to updating the critical list every five years, the group suggests efforts should be made to improve the information that is available on raw materials. It also wants to see more research into the life cycles of raw materials and the products they are used in.

Access to primary resources will have to improve to ensure supply. In the EU, that will require fair treatment of mining and extraction compared with other forms of land use. And more needs to be done to promote sustainable exploration in and outside Europe.

The EU will have to make sure that it keeps a close eye on trade and investment activities which hamper the smooth functioning of international markets for raw materials.

More must be done to improve the efficiency of recycling of raw materials. This means an end to stockpiling at home, dumping in landfills and incineration. Promoting more research into ways to optimise recycling could help bring about positive change.

The group also recommends that efforts should be made to find substitutes for some of these critical metals and minerals. Research in this area could be promoted under EU Framework Programmes. ■

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CREATING A **WINNING ENVIRONMENT FOR BUSINESS**

*This year's **European Enterprise Awards** rewarded national, regional and local initiatives which helped to build an entrepreneurial and business-friendly environment for European enterprises to exit the current crisis and chart a course to sustainable growth.*

More than 330 initiatives and projects in 28 European countries, which were narrowed down to 53 selected entries, competed for this year's coveted European Enterprise Awards (EEAs). "Small business needs the right soil to grow. The European Enterprise Awards winners are a living testimony of how the public sector can help plant the seeds for business creation and growth," said European Commissioner for Industry and Entrepreneurship, Commission Vice-President Antonio Tajani.

Unsurprisingly, given how finding effective exit strategies from the economic crisis is being prioritised across the EU, the 2010 EEAs focused on projects and initiatives that aid recovery and pave the way to sustainable growth. "As the difficulties of the EU economy... are being discussed all over Europe these

days, it is vital to acknowledge that encouraging entrepreneurship at local and regional level is a key ingredient for the success of any plan to exit the current difficult economic situation," noted Committee of the Region's Vice-President Ramón Luis Valcárcel Siso.

At a special award ceremony in Madrid, on 31 May 2010, the jury awarded a grand prize, as well as awards in five categories: promoting entrepreneurship, improving the business environment, the internationalisation of business, investment in skills, and responsible and inclusive entrepreneurship.

Enterprising ideas

First awarded in 2006, the EEAs recognise and reward excellence among public authorities in promoting entrepreneurship and small business at national, regional and local level. Every year, more than 300 initiatives in each of the 28 participating countries (the EU Member States and Norway) compete in the national rounds of the competition. Entries are judged by a high-level European jury.

In 2010, the jury's grand prize went to the Auvergne Regional Development Agency's 'Entrepreneurs in residence' project which sought to attract businesses to invest and locate in this region of France which is often perceived as rural and remote. The initiative offered participants individualised start-up support and funding which has resulted in the establishment of more than 200 businesses, employing over 600 people.

The art of business

The 'promoting entrepreneurship' prize was won by the Institute for Business Creation and Development at the Johannes Kepler University in Linz (AT) for its course on self-employment in the creative industries targeted at young arts students. It has helped young artists to develop more than 40 business ideas over the past five years.

The Swedish region of Halland walked away with the 'investment in skills' award for its strategy to instil entrepreneurship among schoolchildren. This early start is already reaping fruit: whereas in 2004, only 26% of young people in the region aspired to becoming entrepreneurs, this rose to 44% in 2008.

The winner of the 'improving the business environment' category was DATA Poslovne Soritve, a public-private partnership in Slovenia which provides free support to new entrepreneurs, with the dual aim of improving the enterprise environment and reducing the risk of business failure. The initiative has helped to decrease the number of closures of young businesses from 57% to 9%.

Acting on principles with practical effects

The European Enterprise Awards are one of the many initiatives the European Commission is carrying out under the auspices of the Small Business Act (SBA), a comprehensive policy framework which has succeeded in putting SMEs at the heart of European policy-making.

The implementation of the ten key principles and the underpinning legislative and policy actions of the SBA have contributed to strengthening a business-friendly environment in the EU. An 'SME test' is increasingly being applied when assessing the impact of a legislative initiative on SMEs to make sure that it does not create disproportionate burdens on small companies.

The 'internationalisation of business' prize went to the Euregional Start-up Initiative (EGI), a joint initiative of the Niederrhein University of Applied Sciences in Germany and the Teamvenlo consortium from the Netherlands, set up in 2006 to promote cross-border business activities in the northern Rhine region. To date, it has resulted in 64 new businesses and a number of interesting collaborations.

Building success

The District Labour Office of Nysa and the municipality of Paczków in Poland earned themselves the 'responsible and inclusive entrepreneurship' award for an innovative project which sought to tackle the dual challenge of unemployment and the housing shortage. In so doing, it enabled 176 unemployed people to become qualified construction workers on a project to build a block of 12 flats.

In order to enable others to draw lessons from these inspiring stories, all the entries shortlisted for the European Enterprise Awards will be added to the Small Business Act (SBA) database of good practice which contains examples of initiatives and projects to improve the business environment for SMEs carried out by public authorities from across the EU. ■

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SMALL BUSINESSES BENEFIT FROM INTERNATIONALISATION

*Internationalisation is vital for SMEs to prosper in an increasingly competitive world and could contribute to sustaining employment, according to a recent study. The survey maps the level of internationalisation of **European SMEs**, identifies the main barriers and advantages of internationalisation and proposes policy recommendations.*



The European Commission-funded study, 'Internationalisation of European SMEs', was carried out in 2009 and analyses all modes of internationalisation, namely direct exports, direct imports, foreign direct investment, subcontracting and international technical co-operation.

The study finds that there is a direct link between internationalisation and increased SME performance: international activities reinforce growth, enhance competitiveness and support the long-term sustainability of companies. Consequently, two main points highlighted by the study are: there are economic welfare gains from increasing the number of internationally active SMEs, and public support should play an important role in promoting greater internationalisation.

One important finding of the study is that a quarter of SMEs in the EU export or have exported at some point during the last three years. However, international

activities are mostly geared towards other countries inside the Union's single market, and only about 13% of EU SMEs are active in markets outside the EU. Nonetheless, European SMEs are more internationally active than their US and Japanese counterparts.

It pays to internationalise

The study found a strong correlation between SMEs being internationally active and having better-than-average business performance scores.

Although part of this may be due to 'self-selection', in the sense that SMEs achieving better performance are more likely to be active internationally, it is also probable that there is a direct, positive effect on the performance of enterprises that become internationally active. Indeed, the development of revenue streams in 2008 compared to 2007 showed a positive correlation between being internationally active and higher turnover growth. Internationally active SMEs also

reported higher employment growth from 2007 to 2008 than other SMEs, and international SMEs tend to be more innovative. Therefore, the internationalisation of SMEs could play an important role in sustaining employment as well.

The survey also underlines that public support mechanisms can play a pivotal role in the promotion of greater internationalisation and help address perceived

barriers to internationalisation, such as providing better access to information and access to financial support. Despite these benefits, public support goes largely unnoticed: only 16% of SMEs are aware of public support programmes for internationalisation and only a small number of SMEs actually utilise it.

Best supporting role

The study makes a number of recommendations on how public support programmes can better

aid SMEs. First and foremost, there is a need to increase awareness of the benefits of internationalisation among SMEs and provide easier access to public support. Information and counselling campaigns aimed at SMEs that are potentially international traders should be strengthened, and the type of support offered needs to be adapted according to the stage of the company's international development.

Governments also need to improve the access of micro and small SMEs to existing public financial support mechanisms and to relevant information sources. Lack of capital figured prominently in the survey. The study found that larger SMEs are generally more aware of public support programmes, and that financial support is generally more used the larger the enterprise.

Public bodies should also consider a unified approach to support measures aimed at stimulating innovation and internationalisation as there is a strong link between both. Internationally active firms more often

Practical solutions for SMEs

The Enterprise Europe Network (see page 20) is a key agent in fostering the link between internationalisation and innovation. It aims to provide entrepreneurs with access to market information, overcome legal obstacles and identify potential business partners.

The network, which comprises about 600 partners in 44 countries, also focuses on innovation support and transnational technology transfer services. It provides a forum for SMEs to share research results, participate in research programmes and apply for funding.

introduce product, service and process innovations, and 60% of internationally active SMEs developed these new products or services by themselves.

A world of innovation

The survey results confirm that firms see innovation both as being necessary to enter foreign markets and as a consequence of foreign market activities. This is reinforced by the fact that competition from foreign enterprises on home markets is a main driver for innovation.

Policy instruments for international business should not only be aimed at potential exporters but also at importers. While the focus of policy instruments is generally on exports, SMEs most often start their internationalisation process with imports and later go into export markets. Furthermore, policies should be developed to support greater use of the internet by SMEs and especially of e-commerce as this lowers barriers to internationalisation for smaller companies.

The high cost of internationalisation is a major barrier to SMEs, something that the report accepts is to some extent a 'fact of life'. Over the past few decades, however, major decreases in several areas, such as costs of communication and transport, have occurred. Public policy should contribute to reducing some of the other cost elements, including tariffs and quotas and other barriers to trade. ■

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RESPONSIBLE INDUSTRY

Corporate social responsibility (CSR) is good for society, the environment and business. That is why the European Commission is working to promote it in various industrial sectors.



Industry affects society and the natural environment. It does so through several channels, such as by creating jobs, producing useful goods, supporting community activities, helping solve societal issues, ensuring the environmental sustainability of its activities, etc. In order to make this impact as virtuous as possible, many companies have in place a corporate social responsibility (CSR) strategy and programme.

The European Commission defines CSR as: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."

Promoting CSR has been a high policy priority for the EU for many years, as illustrated by the 2006 Commission strategy to make the Union a "pole of excellence" in the field. In addition, the European Commission has supported a number of business-led initiatives to promote CSR, such as the European Alliance for Corporate Social Responsibility. It also facilitates dialogue through the European Multistakeholder Forum on CSR.

In order to ensure a wide uptake of CSR, the European Commission backs efforts, including a number of EU-funded projects, to promote it in individual industrial sectors. For instance, PRISME2 aims to create a networking programme dedicated to building CSR capacity among SMEs in the chemical industry. This was carried out in the context of 'Responsible

Care', the chemical industry's global voluntary initiative to improve its health, safety and environmental performance. The European Chemical Industry Council (CEFIC) has also created a Responsible Care toolbox for SMEs, covering a wide range of topics from occupational health and safety to energy efficiency and supply chain management.

The way ahead

The European Commission has made a commitment to "renew the EU strategy to promote corporate social responsibility" as part of the 'Europe 2020' strategy for smart, sustainable and inclusive growth.

Speaking at the United Nations in June, Industry and Entrepreneurship Commissioner Antonio Tajani said: "Corporate social responsibility is one of the necessary values underlying the new economic and social system that together we must build, taking account of the lessons from the crisis that we face today."

He outlined a number of priority areas, such as placing greater emphasis on company transparency on environmental, social and governance issues, and addressing the question of business and human rights. He also announced the intention to launch a process on corporate social responsibility in the field of pharmaceuticals, together with Member States and key European stakeholders in this domain, so as to promote access to medicine, both in Europe and in developing countries.



Similarly, the BRE project aims to foster CSR in the European construction sector by bringing together large firms, SMEs and other relevant stakeholders to develop a set of indicators which correlate sustainability and competitiveness measures, as well as to investigate the connection between social and economic value. The project has produced guidelines to enhance CSR: by analysing 44 best practices in different areas, it shows how the adoption of socially responsible behaviour can enhance the competitiveness of business in the construction sector and the territory it belongs to.

For its part, the COSMIC project is working to analyse the relationship between CSR and competitiveness all along the textile/clothing supply chain, including identifying the role played by demand factors and the main voluntary CSR instruments.

Restoring confidence

Given the additional costs involved, it is tempting to think of CSR as something of an optional luxury in difficult economic times. In fact, CSR is more important than ever in the context of the global financial and economic crises.

This is partly because public confidence in the social and environmental responsibility of businesses has been shaken. However, there are signs that confidence is recovering. For instance, the 2010 edition of a trust barometer reveals that trust in business has risen considerably, mainly driven by western economies. One of the reasons attributed to this improvement is the growing tendency among corporations to listen to and engage their stakeholders, and to play a role in addressing societal challenges. This clearly shows the importance of CSR.

Good for the bottom line

As the above illustrates, CSR is not just about protecting the environment, conserving natural resources and getting enterprises to help address and resolve societal issues, it is also good for business. By enhancing public confidence in a company, it can boost competitiveness.

The 2008 European Competitiveness Report found that CSR can have a positive impact on six different determinants of competitiveness: cost structure, human resources, customer perspective, innovation capacity, management of risk and reputation, and financial performance.

“CSR is an essential component of risk and reputation management for many companies, and becomes increasingly important as enterprises are exposed to greater public scrutiny,” the report concludes. “Certain aspects of CSR, such as the creation of employee-friendly work-places, can enhance a firm’s capacity for innovation.”

Despite its name, the benefits of CSR are not limited to corporations. Small and medium-sized enterprises (SMEs) can also reap the rewards of CSR. The European Commission has played a pioneering role in adapting the concept and tools of CSR to meet the needs of SMEs. Towards that end, the Commission has co-financed a number of projects in this field and has worked with a group of European experts to draw lessons on how best to support and encourage smaller enterprises to exercise their social responsibility. ■

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GATEWAY TO THE WORLD FOR SMALL BUSINESSES

Active in 19 countries outside the EU, the Enterprise Europe Network can help European small and medium-sized enterprises to internationalise beyond the single market, with all the benefits that can bring.

A recent study (see page 16) found that trading abroad is of major importance for European SMEs, and the European economy, given that internationally active SMEs report employment growth of 7% compared with only 3% for companies that have not internationalised.

In addition to helping European companies to make the most of their opportunities in the single market, the Enterprise Europe Network opens doors to markets beyond EU borders.

"With branches in 19 countries outside the EU – in Europe, the Middle East, Asia and the Americas – the Network is well-placed to help European enterprises establish themselves in foreign markets," says Joanna Drake, Director, Promotion of SMEs competitiveness, Directorate-General for Enterprise and Industry. "We offer companies looking to internationalise a whole range of services, from our business partnership database containing thousands of potential partner companies to matchmaking events and customised support."

Global reach, local knowledge

The Network is active in Iceland, Norway, Bosnia, Armenia, Croatia, the Former Yugoslav Republic of Macedonia, Serbia, Montenegro, Russia, Switzerland and

Turkey. In Asia, there are branches in China and South Korea. In the Middle East, the Network has a presence in Egypt, Israel and Syria.

In Syria, there are two main offices in Aleppo and Damascus, which were opened in December 2008. "The Network's presence in Syria helps European and Syrian enterprises to connect with one another and do business," explains Muhamad Shabarek of the Syrian Enterprise and Business Centre, part of the Network.

In the Americas, in addition to the United States and the recently joined Mexico, the Network is active in Chile. Its branch there is based at the EuroChile Business Foundation. "Throughout its 17-year history, EuroChile has provided trustworthy and quality information to Chilean and European companies," explains EuroChile's Manuela Caruz. "It has been fostering economic, commercial and technological co-operation in both regions. We also offer other advantages, such as the sponsoring of visits by experts to the country and the possibility of participating in international trade fairs."

EuroChile's main focuses are on the food and tourism sectors. Over the years, more than 12,000 European companies and nearly 19,000 Chilean firms have benefited from its support. It has also organised 175 brokerage events, helping nearly 3,000 SMEs. ■

Milestone in marble technology

Thanks to the Enterprise Europe Network, German SME Enviplan is now helping Egyptian marble companies turn out better-quality stone. "Some of the best ideas come from small companies," says Mohamed Samy, a Network expert from Egypt's Ministry of Trade and Industry. "This is one of the strengths of the Network: supporting companies with technological innovations, and then getting those innovations to where they are needed most."

Enviplan's advanced microflotation technology generates microscopic bubbles that rise to the surface and act as a magnet for pollutants, which can then be easily removed. It recently introduced its breakthrough to Egyptian government officials visiting the Network branch at Zenit GmbH in Germany. Drawing on experience in other sectors, Enviplan showed how microflotation could slash marble production costs, reduce pollution and boost the value of the finished product by making the surface smoother.

Following Network mediation, representatives from the Egyptian government-run Marble and Quarries Technology invited Enviplan to build a pilot plant in Cairo to demonstrate to local firms how the technology works in practice. Enviplan has already signed a technology-transfer agreement with Alexandria-based marble and granite maker Alex Tiles.

"We would never have been able to conclude these deals were it not for the Enterprise Europe Network," says Roland Damann, Enviplan's CEO.



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» Contact

Enterprise Europe Network

www.enterprise-europe-network.ec.europa.eu



Business Support on Your Doorstep

NEWS IN BRIEF

THE IMPORTANCE OF EDUCATION

The role of education in fostering entrepreneurial interest and talent is now widely recognised. A recent report, produced by a number of high-level panels, assesses how entrepreneurship education is delivered across Europe, and outlines strategies to improve the way the subject is taught. Recommendations include the formulation of national policy frameworks, better training for teachers and further involvement of local and regional stakeholders.

http://ec.europa.eu/enterprise/e_i/news/article_10214_en.htm



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INVENTIVE MINDS

Some of the world's most inventive minds were rewarded for their lasting contribution to technical and economic progress

at the European Inventors of the Year awards 2010 which was held on the sidelines of the European Patent Forum. Prizes were awarded in four categories: lifetime achievement, industry, SMEs/research institutes, and non-European countries.

http://ec.europa.eu/enterprise/e_i/news/article_10180_en.htm



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A QUESTION OF ATTITUDES

A recent Eurobarometer survey focuses on European attitudes to entrepreneurship and compares these with other countries, such as the United States, China, Japan and South Korea. The aim of the survey is to identify the reasons which encourage people to become entrepreneurs and to find out what obstacles exist. The results can help EU policy-makers to develop future policy responses. Some 45% of EU citizens would like to be self-employed. However, there are large differences between Member States concerning the desirability of self-employment.

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/232>



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NEW FRONTIERS IN SPACE APPLICATIONS

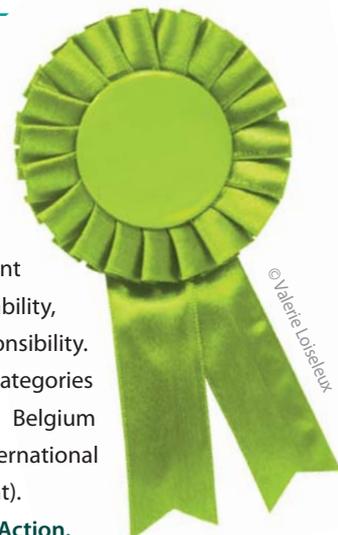
The market for applications using Global Navigation Satellite Systems (GNSS) is worth an estimated €100 billion. The European Commission has released an action plan that aims to place European industry at the forefront of this market, in particular by using its own satellite navigation programmes, Galileo and the European Geostationary Navigation Overlay System (EGNOS). Significant commercial and research opportunities linked to this sophisticated technology are available to stakeholders in Europe.

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/728&type=HTML>

AND THE GREEN MEDAL GOES TO...

The European Business Awards for the Environment recognise European businesses that make a particular contribution to sustainable development by combining innovation, economic viability, environmental concern and social responsibility. This year's awards were given in four categories and were won by companies from Belgium (product), Germany (process), Spain (international co-operation) and the UK (management).

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/664>



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ENTERPRISE & INDUSTRY *magazine*

The *Enterprise & Industry* on-line magazine provides regular updates on policy development, on legislative proposals and their passage to adoption, and on the implementation and review of regulation affecting enterprises. Articles cover issues related to SMEs, innovation, entrepreneurship, the Single Market for goods, competitiveness and environmental protection, industrial policies across a wide range of sectors, and more. In short, it addresses all EU policies under the responsibility of the European Commission's Directorate-General for Enterprise and Industry.

Three times a year, the best of the on-line articles, together with a feature article, are presented in the printed edition of the magazine. You can subscribe to receive the magazine – in English, French or German – free of charge by post. Visit the website and subscribe on-line.

Visit the magazine website to find out more:
www.ec.europa.eu/enterprise/e_i

On the site, you can sign up to receive notification of all new articles through the RSS feed.

The screenshot shows the homepage of the Enterprise & Industry online magazine. The header includes the European Commission logo and the title 'Enterprise & Industry online magazine'. The main content area is titled 'The magazine of Enterprise policy' and features three featured articles:

- 29.07.10** **Competitiveness, Energy and Environment**: **Responsible industry**. Corporate social responsibility (CSR) is good for society, the environment and business. That is why the European Commission is working to promote it in various industrial sectors.
- 23.07.10** **Industrial policy**: **Of material importance**. A vast array of raw materials, including minerals and 'high-tech metals', play a key role in the development of industrial applications and advanced consumer products. According to a recent report by an expert group in the framework of the EU Raw Materials Initiative, Europe is in a vulnerable position when it comes to securing its supply of some of these raw materials; out of 41 minerals and metals analysed, the experts labelled 14 as critical. The results of the report will be used in the drafting of strategies to ensure access to raw materials which the European Commission will present in autumn 2010.
- 15.07.10** **SMEs and Entrepreneurship**: **Small businesses benefit from internationalisation**. Internationalisation is vital for SMEs to prosper in an increasingly competitive world and could contribute to sustaining employment, according to a recent study. The survey maps the level of internationalisation of European SMEs, identifies the main barriers and advantages of internationalisation and proposes policy recommendations.

The sidebar on the left lists 'THEMES' such as Competitiveness, Energy and Environment, Innovation, SMEs and Entrepreneurship, Industrial policy, Single Market, and Better regulation. It also promotes the 'PRINT EDITION' with options for 'Latest edition', 'Archives', and 'Subscription'. The sidebar on the right lists 'A & I online articles' with dates and titles, and 'Most popular articles' with a search option for the 'Magazine Newsroom'.

