

TTIP Stakeholder Forum, 13 July 2016

Why SMEs benefit from TTIP

Thank you very much for the invitation to this stakeholder forum.

I represent the BDI, the Federation of German Industries.

We speak on behalf of 36 German sector associations with more than 100,000 large and small enterprises and around 8 million employees.

The German industry produces roughly 30 percent of EU exports to the United States. Actually, every fourth job in Germany depends on exports, in German industry even every second job.

Small and medium enterprises (SMEs) form the backbone of our economy. The precise numbers vary depending on the definition of SMEs. The European Commission refers to SMEs as companies that employ not more than 250 people and generate a revenue of less than €50 million or own total assets of €43 million or less. The German federal government relies on a more flexible definition by the Institut für Mittelstandsforschung (IfM), a German research foundation, which defines SMEs as companies with up to 500 employees and €50 million in annual revenue. According to this definition, 99.6 percent of German companies are SMEs. In other words, SMEs make up the vast majority of the companies we represent.

Generally speaking, there are three types of benefits of TTIP for SMEs on both sides of the Atlantic:

First, benefits exclusively for SMEs: I am talking about the planned SME chapter in TTIP. It should ensure two things: TTIP should be implemented in a way that helps SMEs. Therefore, a specific committee is envisaged to follow-up on SME issues. Moreover, the chapter should guarantee that SMEs get easy access to necessary information and support – e.g. by creating an online-helpdesk.

This is the first time that we are going to have a stand-alone SME chapter in an EU trade agreement. It will certainly improve the framework conditions for those SMEs that are planning to start or upgrade their transatlantic business.

In the absence of a uniform definition of SMEs, the definition in TTIP of companies to which the SME chapter applies should grant the necessary

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flexibilities to companies looking to utilize the benefits contained in the agreement. If we were to apply the Commission's definition of SMEs exclusively, a large number of medium-sized industrial exporters would be excluded from harnessing the opportunities that TTIP aims to create

The second group of benefits helps small and large companies alike. Tariff and non-tariff barriers impede trade and investment for enterprises of all sizes. However, SMEs have fewer financial and human resources as well as expertise to tackle bureaucratic customs procedures, regulatory differences, visa requirements, etc. Therefore, it is only logical to assume that an ambitious agreement will boost business opportunities especially for SMEs – particularly if we succeed on regulatory cooperation and the reduction of NTBs.

TTIP should make the rules of the game as SME-friendly as possible. For example, rules of origin in TTIP are a key factor for SMEs. If they are easy to apply, SMEs are more likely to use the preferential tariff rates offered by TTIP. In the past, EU trade agreements missed the chance of liberal rules and rather contributed to the spaghetti bowl of different requirements and conditions. Critics of TTIP often challenge the benefits of regulatory cooperation for SMEs. They question the chances of effectively eliminating NTBs. At the same time, these critics are worried about negative impacts of TTIP on standards in the areas of security, health, environment, etc.

TTIP-critical SME initiatives that exist in Germany are largely made up of companies people in independent professions or very small companies that are not involved in international trade. The concerns brought forward by those initiatives do not accurately represent the opportunities and challenges faced by SMEs in transatlantic trade. We believe that TTIP opens up opportunities for SMEs that currently partake in international trade or intend to do so in the future. More ambitious results in TIP mean more benefits for SMEs. No TTIP means no benefits.

For us, TTIP is not about percentage gains in economic studies. TTIP is about the facilitation of real business opportunities that – last but certainly not least – could improve the lives of millions of employees and consumers. At the same time, we are not interested in lowering standards or preventing appropriate regulations. We have stressed that many times. The EU-Canada agreement, CETA, proves that an ambitious free trade agreement does not need to compromise on those standards. The opposite is true: In many areas, including sustainable development, CETA helps to foster high international standards.

Third, some benefits might relate more directly to large companies but not SMEs. For instance, think of the elimination of tariffs on automobiles. Most manufacturers are rather large. They benefit directly from this tariff elimination. Nevertheless, many SMEs produce intermediate goods, such as inputs for automobiles that become part of an automobile. They are thus part of a supply chain and will benefit indirectly as sales and investments of their customers increase.

In addition, we do not share the concerns of certain critics that more competition through TTIP might come at the expense of SMEs. Often, small companies can react more quickly to changing market conditions than big multinationals. Many European SMEs are hidden champions – companies that are very specialized and competitive in their niche. They sell and source globally.

At this point, I would also like to highlight that investment protection provisions are not just beneficial for large companies. SMEs benefit from ISDS just as larger companies do. Provisions on investment protection foster trust in the partner country and lower the political risk for companies investing abroad. And SMEs make use of ISDS: According to an OECD study, 22 percent of the 95 cases evaluated were submitted by small investors. We also welcome that the EU proposal foresees simplified ISDS procedures for SMEs in TTIP. TTIP offers the opportunity to set new standards on investment protection that are more SME-friendly than the current regime.

Finally, the benefits for SMEs depend highly on the results of the negotiations. Our political leaders aim at a deal this year. I therefore call upon the negotiators to get the job done – while maximizing the benefit for SMEs.

Thank you very much!