EU policy and instruments for innovation and SMEs internationalization

- The experience and relevance of EU SMEs support in Asia-

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EU Innovation Policy and the new SME support instruments

- Innovation = competitiveness = growth
- Europe 2020 Agenda – “Innovation Union” Strategy 2010-2020
- “United in Diversity” ? – Challenge and opportunity
- SMEs key for growth – innovative SMEs ...the secret solution?
- Support instruments:
  **H2020 SME instrument** [Societal Challenges - Leadership in Enabling and Industrial Technologies (LEITs)] - €3 billion - close-to-market
  - Business innovation grants for feasibility assessment purposes (phase 1) : EUR 50,000 (lump sum) per project
  - grants for innovation development & demonstration purposes (phase 2): an amount in the indicative range of EUR 500,000 and 2.5 million
  - **Free-of-charge business coaching** and facilitated access to risk finance (phase 3) to facilitate the commercial exploitation of the innovation.

**COSME:** €2.3bn - 1.3 billion allocated to financial instruments that facilitate access to loans and equity finance for SMEs - 25 € bn leverage
  - **The Loan Guarantee Facility (risk sharing)** fund guarantees and counter-guarantees for financial intermediaries — up to 330,000 SMEs will receive loans backed by COSME guarantees (average loan 65,000) - target SMEs with 10 or less employees
  - **The Equity facility:** investments in risk-capital funds that provide venture capital to expansion and growth-stage SMEs - about 500 firms will receive equity financing

- **Access to Markets:** funding for Enterprise Europe Network, Your Europe Business portal, SME Internationalisation Portal, IPR SME Helpdesks, EU-Japan Centre for Industrial Cooperation.

Entrepreneurship
Innovative SME support in Japan

- 99.7% of Japan's 4.21 million companies are SMEs. The majority of products of large enterprises are made up of parts produced by SME subcontractors and therefore the SMEs contribution to Japanese economy is essential.

- SMEAgency established in 1948 - SME Basic Act in 1963 - Until the 1970's Japanese industrial policy was focused on heavy industries. - SMEs seen as an element for growth and competitiveness in the 1990s

- R&D/GDP ratio 3.4% (4% in S Korea)

SBIR – since 1999- Within the SBIR system JPY 30 billion (EUR 230 million) is made available for 60 support measures by six participating ministries.
- 1) subsidies are given to develop new products and open up new business areas
   - a) for SMEs and venture companies
   - b) for regional industry-academia -government cooperation projects,
- 2) a tax exemption is given for a percentage of research equipment (12%) and expenses (20% of income and corporate taxes),
- 3) low interest rate loans are given to businesses introducing and utilizing new technology,
- 4) stimulating management innovation by the introduction of new IT development,
- 5) stimulating IPRs by a reduction/exemption of patent fees.

Newly introduced support measures in 2015:
- Support for joint R&D activities among SMEs, universities and/or research institutes for innovative manufacturing (monozukuri)
  (Budget: ¥12.87 billion/EUR 100 million)
- Support for collaboration between SMEs, academic institutes and/or public sector for the development of new service model to strengthen competitiveness of local industries (¥0.99 billion/EUR 7 million)
- Promoting R&D collaboration between SMEs and technology-oriented institutes which provide advanced technology necessary for commercialization (¥1.42 billion/EUR 8.3 million)

Paradoxes: -Japan Risk aversion-the Japanese do not like big revolutionary/disrupting changes – they are adept of small, incremental changes/improvement (Kaizen). There is disruptive innovation in Japan, but it is controlled by large industrial companies with big resources which can hedge the risks). -Slow decision making process – inclination towards consensus, rather than strong individual opinions – individual, out of the box thinking is not encouraged.
Innovation & Internationalization

- **Innovation and Internationalization** breed from the same and are interdependent – therefore the barriers to innovation act as barriers to internationalization as well: knowledge, financial, skilled human resources

- only 13% of EU SMEs go beyond the EU Internal Market

- The link between innovation and internationalization has not been consistently approached until recently - a considerable dispersion of policy measures addressing either innovation or internationalization or both

- Support for SMEs internationalization to high growth global markets is very important (info, training, advocacy)

- Challenges for EU Support in third markets: legal competence (Lisbon Treaty – FDI – unclear)

  - **de jure** business development and FDI activities remain a domaine réservé of MS

  - **de facto** there is already a “European” dimension of external business support (pan European companies, industrial associations, EU support actions)

- For SMEs, complementary EU support/intervention is functionally and legally justified
SME SUPPORT
The New “Mantra” of EU Commercial Diplomacy

• 90% of EU Economy is made of SMEs yet only 13% are involved in international markets = a huge and untapped source of growth – EU intervention is justified

• "Small Business, Big World – a new partnership to help SMEs seize global opportunities“ –2011 EC Communication - the need for increased efficiency, transparency, coherence and collaboration. SMEs need support for internationalisation especially when distant markets outside the EU are concerned, with significant differences in culture and business environment - ASIA….Latin America?, Africa?

“Missions for Growth” - A new tool of high level EU Economic/Business Diplomacy

The emergence of European Commercial/Business Diplomacy

Corporate driven initiatives:

[Logos of EBO, Eurochambres, BusinessEurope]
EU Commercial Diplomacy in Asia

EU driven initiatives

- In Asia, there is already a substantial infrastructure in place in terms of business support to EU SMEs by the EU:
  - EU-Japan Centre for Industrial Cooperation, the SME Centre in China, the SME IPR Help Desk in China, the EABC in Thailand, the EBTC in India, the ASEAN IPR Help Desk,
  - The Executive Training Programmes in Japan and Korea
  - The EU Gateway programmes in Japan and Korea
  - “Asian Business Avenues” in ASEAN
  - “Enterprise Europe Network” partners covering some Asian countries (India, China, Korea, Japan)
  - “European Business Networks” in Philippines, Indonesia, Vietnam (initially called SME support Centres)
  - Setting Eurochambers with EU support in Cambodia, Laos and Myanmar.
  - Providing project support for Eurochambers in Malaysia and Indonesia
  - Market Access Teams coordinated by EU Delegations in Asia

- New 2015 “Coordination Platform for EU Business Internationalization in Asia”

CHALLENGES: unclear EU competence (FDI Tabu!) , duplications&competiton with MS, Euro-Chambers - big business agenda and diverging MS interests, SMEs are not a priority, EEN difficult to expand in Asia
Why Japan?

World’s third-largest market
Sophisticated consumers high purchasing power
World-class companies with unique technologies
Loyalty + commitment to long-term partnerships
High pace of technological innovation + product development (IPR protection)
Access to new Asian markets
Favorable business climate – “Abenomics”
Rapidly growing broadband society
Expanding environmental products market
Booming business in “silver care”

The Japanese are very kind and polite, why is so difficult to enter the Japanese market and to do business in Japan?

Why an EU-Japan Centre for Industrial Cooperation?
“JAPAN IS DIFFERENT !”

The need to Understand and Adapt to the Japanese Market (standards) and business culture:

- **Long-term relationship over short-term profit** - *You need a local partner* - TRUST
- **Slow decision making process** - inclination towards consensus
- **Risk aversion** - the Japanese do not like big revolutionary/disrupting changes - they are adept of small, incremental changes (Kaizen) - Country of Innovation ? !
- **Obsession with details and perfection** - the customer base is very demanding - Western way: “Devil is in the Details”, Vs. Asian way (Japanese) “God is in the Details”

- **Is Japan the most expensive place on Earth to set up business ?** Company set up in 14 days with 1 EUR: However, the certification procedures, adapting to the Japanese standards of safety and quality, setting up a distribution network, gaining trust and confidence, hiring local staff, will all come with a price...

- **Japan is the country of “Steady Buck” with the right commitment, not “fast Buck” !**

- **If you succeed in Japan you will succeed anywhere in Asia** - selling in Japan is a “quality certificate” (gaining access to a big and safe market with a high purchasing power and loyal customer base - long terms steady profit
EU-Japan Centre for Industrial Cooperation
ACTIVITIES 2014-2015

POLICY ADVICE

• Policy Seminars
• Policy Reports & Analysis
• Policy Recommendations (EU-Japan Business Round Table)

Special Reports:
- Sustainable Construction
- FDI
- SMEs

NEW: MINERVA FELLOWSHIP
Analytical Reports
10-12 fellowships/year

SERVICE TO BUSINESSES

• Training
  → Training for Executives (HRTP, WCM, Clusters mission)
  NEW: LEAN in Europe

  → Vulcanus in Europe/Japan - increase in nr of students to 50 on EU side and 20 on Japan side

• Information Service
  → Info Helpdesk
  → Clusters Support & Helpdesk
  → Japan Public Procurement info Portal
  NEW: “EU-Japan Business Bridge “Web Portal: 600 registered users, 30 guides, 30 webinars

SUPPORT FOR SMEs

Enterprise Europe Network (EEN)
NEW: “STEP IN JAPAN” - logistic support for SMEs
NEW: “KEYS TO JAPAN”-Business Plan Drafting Support
NEW: TAX AND PUBLIC PROCUREMENT HELPDESK

R&D INNOVATION

→ Helpdesk, website, newsletter
→ high tech cooperation and business partnerships using EEN

NEW: JEUPISTE project - Promotion of Horizon 2020
NEW: Japan National Contact Point for Horizon2020
NEW: ICT (MIC) Project s
NEW: GNSS.asia2
  → Promotion of Galileo in Japan
  → GNSS industrial cooperation strategy
NEW: Space.Japan
  - space industries cooperation downstream and upstream
MORE EFFICIENT EU SUPPORT TOOLS NEEDED

• Training, Business and Cluster Support Missions

• Info, IPR, logistic support

• Advocacy and Policy Advise – Strategies, Practices, Instruments, and Challenges

• Innovation and R&D international cooperation support – access to Horizon2020

• Dedicated SMEs support measures needed

Is the EU SME support experience in Asia relevant for other regions?