



BUILDING EUROPEAN GROWTH AND REGIONAL DEVELOPMENT!

15 proposals to boost the European economy

meti
MOVIMENTO DELLE IMPRESE DI TRILAVORO
LES ENTREPRISES DE LONG TERME

croissanceplus
GRANDIR ENSEMBLE

MAY 2019

INTERNATIONAL EXPANSION

Mobility

INVESTMENT

Apprenticeships

(SUSTAINABLE) GROWTH

Economic champions of regional development

EMPLOYMENT

Long-term

INDUSTRY

Innovation

PROSPERITY

Competitiveness

**MID-SIZED COMPANIES:
GLOBAL LEADERS AND KEY DRIVERS OF
REGIONAL DEVELOPMENT!**

The upcoming European elections will take place on 26 May 2019.

The MEPs and members of the Commission appointed in the coming months will have to make some crucial decisions for the future of our companies and of the citizens of Europe.

While many reforms must still be undertaken on a national level to foster the development of our companies and promote long-term growth within Europe, the European Union can and must use a series of strategic levers to bring forward new European leaders based in local areas. The European Union's future as an industrial and manufacturing power in the decades to come depends on this.

Europe can already rely on some real champions. We know them well. They are rooted in local areas, contribute to social cohesion and are a major source of employment. On a European scale, they account for more than 14 million enterprises and 60 million employees in the private sector. From the smallest to the largest, these enterprises form the industrial backbone of our local areas and are a driving force behind European growth. They are often global or European leaders in their sector, and embody a long-term form of European capitalism driven by a genuine spirit of international expansion.

Faced with fierce global competition, European and national authorities must absolutely promote these champions by paying them the attention they deserve: their development, competitiveness and specific features must be taken into account by those who wish to step up our continent's economic prosperity and its social and regional cohesion!

We manage and represent mid-sized enterprises and SMEs with growth potential. For us, Europe is not just an abstract idea, it is an everyday reality. This is why we want this major democratic event to kick-start a positive Europe-wide entrepreneurial dynamic and to result in the adoption of concrete measures which foster more proactive, more innovative and more sustainable growth.

It is with this aim that METI and CroissancePlus have drafted 15 proposals that our leaders will support with great enthusiasm during the coming public debate. It is time that Europe becomes proud of its economic champions and of its local areas!



Frédéric COIRIER
Co-Chair of METI,
Chairman of the
POUJOLAT Executive
Board



Philippe d'ORNANO
Co-Chair of METI,
Chairman of the SISLEY
Executive Board





Jean-Baptiste DANET
Chair of CroissancePlus,
Co-Chairman of
L'AMBASSADE

EUROPE IS AN OPPORTUNITY FOR OUR COUNTRY, OUR COMPANIES AND OUR EMPLOYEES!

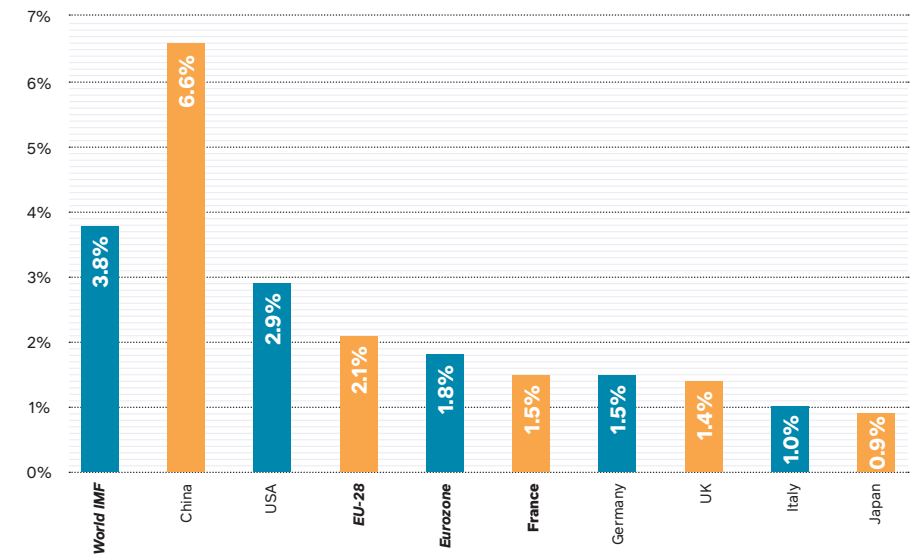
When the European Union introduced a “single market” on a continental scale, it provided its companies and employees with an area for exchanges and development that was unparalleled in the world. The EU’s economic and trade heritage is precious, and must be both protected and harnessed by adopting new political, legislative and international initiatives for the 2019-2024 period.

512 MILLION
INHABITANTS (EU-28)
6.9% OF THE WORLD'S POPULATION

GDP IN 2018

-  \$20,200 Bn
-  €15,869 Bn
-  \$13,119 Bn
-  \$5,063 Bn
-  €3,935 Bn
-  €2,766 B

GROWTH IN 2018



A TRADE SURPLUS OF
€21 Bn
€1,879 Bn of exports
€1,858 Bn of imports

EUROPEAN FDI (2015)

EU FOREIGN DIRECT INVESTMENTS INDICATE EUROPE'S INTEGRATION IN GLOBALISATION

The EU's FDI stocks in the rest of the world amounted to **€6,894 Bn** at the end of 2015 (+14.9% year on year).

Over the same period, investment stocks of the rest of the world in the EU rose even more significantly, reaching **€5,842 Bn** at the end of 2015 (+22.8%). The USA concentrated 37.2% of the EU's total stocks in the rest of the world (€2,561 Bn), way ahead of Switzerland (€829 Bn, i.e. 12.0%), Bermuda (€353 Bn, i.e. 5.1%), Brazil (€327 Bn, i.e. 4.7%), China (€288 Bn, i.e. 4.2%) and Canada (€249 Bn, i.e. 3.6%).

The EU accounts for the majority of France's trade: 59% of its exports and 58% of its imports, which generates around 3.2 million jobs.

LEVERAGING THE CONTRIBUTION OF RAPID-GROWTH SMES AND MID-SIZED COMPANIES TO EUROPEAN ECONOMIC PROSPERITY

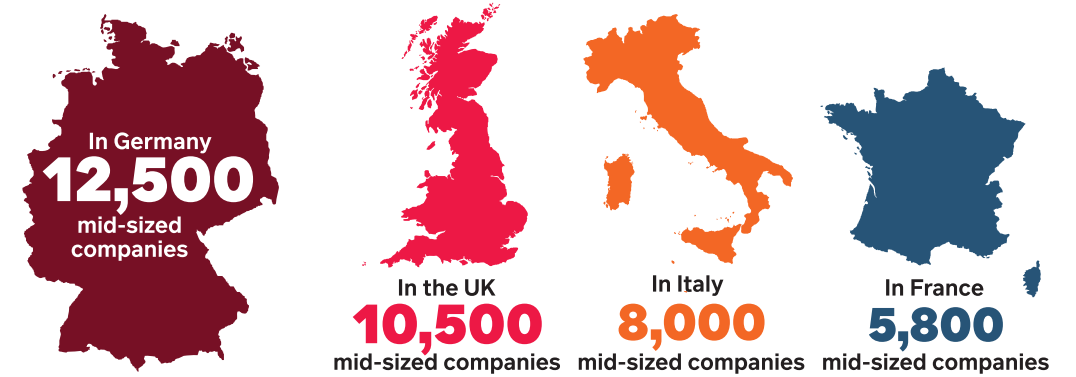
If it benefits from a clear understanding and targeted measures, the contribution of mid-sized enterprises and rapid-growth SMEs to Europe's economic prosperity will be even more substantial. It would be further promoted by the creation of a specific mid-sized company category on a European scale, the systematic use of administrative, legislative and regulatory "stress tests" which consider the development of mid-sized companies and by measures which prevent the adverse effects of regulatory thresholds on their growth.

01 Create a statistical mid-sized company category on a European level to assess the specific economic contribution of these enterprises and to leverage all the operational consequences in terms of legislative measures, access rules for public contracts, the application of the minimis condition with regard to state support, etc.

02 Systemise an administrative, legislative and regulatory "stress test" for "better law-making", by ensuring that all European economic, financial and social measures correspond to the realities that mid-sized enterprises face prior to their implementation, and that they are not an obstacle to these companies' development and growth.

03 Create a "European growth passport" which would protect mid-sized enterprises and rapid-growth SMEs from the effects of thresholds, in particular during their phases of strong growth and of scaling up (for the organisation of premises, staff representation bodies, the application of the minimis condition with regard to state support, etc.).

An industrial fabric which remains too disparate to create European leaders of all sizes

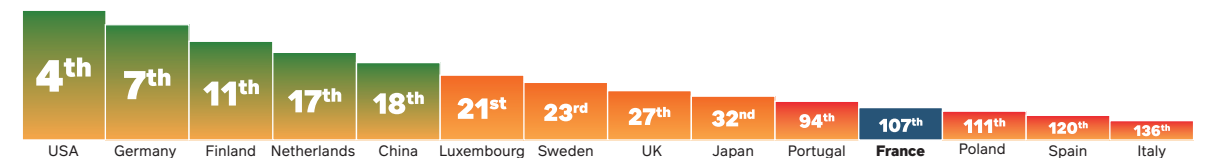


FRENCH MID-SIZED COMPANIES ARE THE CHAMPIONS OF LOCAL AREAS



THE ADMINISTRATIVE BURDEN: A SIGNIFICANT COMPETITIVENESS GAP FOR EUROPEAN COMPANIES

Ranking of the administrative burden per country (out of 140) in descending order



Source: World Economic Forum, Global Competitiveness Report, 2018. <http://reports.weforum.org/global-competitiveness-report-2018/competitiveness-rankings/#series=EOSQ048>

KEY FIGURES: NUMBER OF ACTS ADOPTED (REGULATIONS, DIRECTIVES, DECISIONS) OVER THE LAST FEW YEARS

Source: Europa.eu



More than 10,000 acts adopted under the Juncker presidency since 2014!

SUPPORTING INTERNATIONAL EXPANSION FOR MID-SIZED COMPANIES AND RAPID-GROWTH SMES

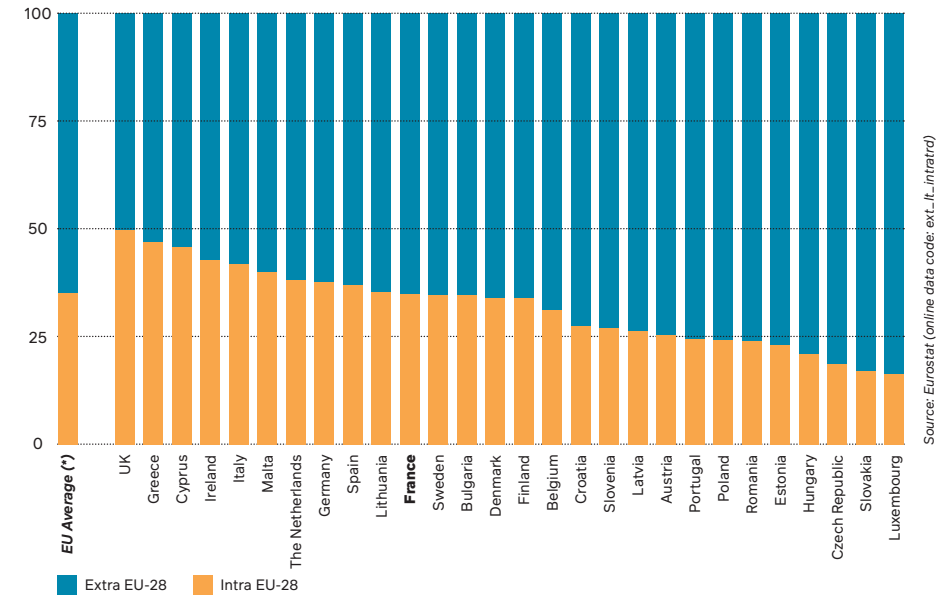
Mid-sized companies and rapid-growth SMEs are both the embodiment and the future of European capitalism as they balance economic, social and environmental goals. It is for this twofold reason that national and EU authorities must foster their international development in a more open and fairer competitive environment, by leveraging the means they enjoy with regard to legal regulation, trade policy and financial support.

04 Promote the European capitalist model, which combines economic competitiveness, environmental protection and long-term investment, by creating the conditions of fair competition for our companies in the global economy: open and reciprocal access to private and public contracts through bilateral or multilateral agreements, an international convergence of standards and practices concerning state aid, **the actual implementation of the European mechanism to screen sensitive foreign investments** by the EU and all its Member States.

05 Protect the interests of European mid-sized enterprises in terms of international competition: by giving them **priority access to EU public contracts**, on the basis of prices and the quality of products & services (under the European Small Business Act); by limiting the damage caused by the Brexit negotiations by signing an EU-UK trade agreement which prevents all forms of tax, regulatory and social dumping, and by implementing legal and financial mechanisms to **protect European companies from extra-territorial sanctions** (e.g. INSTEX for trade with Iran).

06 Steer the new European Fund for Strategic Investments towards heightened support for mid-sized companies (under Invest EU): **raising private investment capital to cover their capital requirement** and allowing a reduction of their debts which could facilitate mergers and acquisitions between European companies, with a view to leveraging Europe's industrial, IT and digital assets, consolidating all value chains and creating world-class European champions.

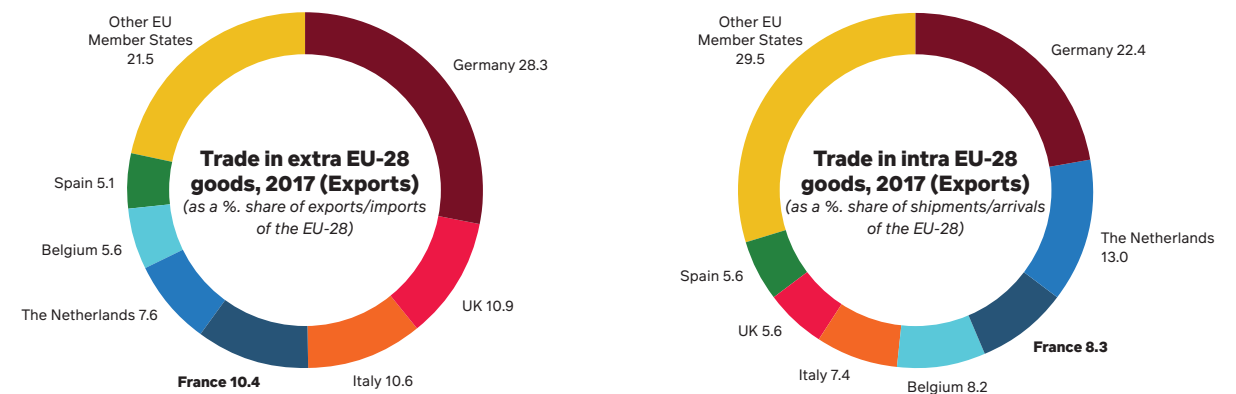
THE EUROPEAN MARKET, A VITAL OUTLET FOR MEMBER STATES AND THEIR COMPANIES



FRENCH MID-SIZED COMPANIES, INTERNATIONAL CHAMPIONS

MORE THAN **73.5%** OF MID-SIZED COMPANIES OPERATE INTERNATIONALLY | **34%** OF FRENCH EXPORTS | MORE THAN **12,000** SUBSIDIARIES BASED ABROAD | **4%** OF THE TOTAL NUMBER OF EXPORTERS

GERMANY AND ITS MITTELSTAND: DRIVING EUROPEAN EXPORTS AND A EUROPE OF INTERNATIONAL EXPANSION



ADAPTING THE EUROPEAN REGULATORY, TAX AND FINANCIAL ENVIRONMENT TO FOSTER LONG-TERM GROWTH

After years of economic and financial crisis and faced with political and geopolitical uncertainty, mid-sized enterprises and rapid-growth SMEs need a healthy and stable regulatory, tax and financial environment if they are to pursue their long-term development. This involves in particular the adoption of measures in favour of company transfers, an enhanced economic, monetary and banking union and greater European convergence in budgetary and tax matters.

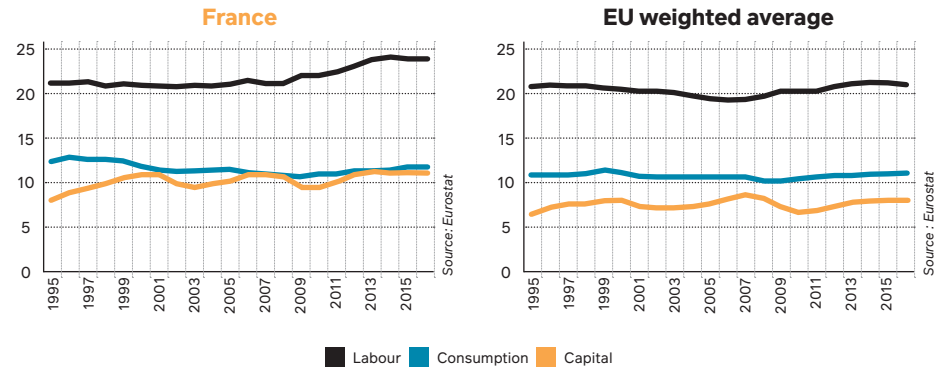
07 Standardise and stabilise the tax system for transfers of businesses as gifts to foster the long-term development and regeneration of companies according to European best practices (Spain, Belgium and Italy): this means applying these standards in France and elsewhere and, where possible, securing them on a European level.

08 Enhance the economic, monetary and banking union in order to provide better protection for European companies against future economic crises and to step up these companies' financial resistance by guaranteeing them **access to credit at the best price and the consolidation of their equity**: a scaling up of the "European Stability Mechanism", the completion of the banking union, including the European deposit guarantee scheme, and the creation of a real European capital market.

09 Provide a stable and robust European budgetary and tax environment by complying with the Stability and Growth Pact and the budget pact by stepping up fiscal and economic convergence between Member States, **adopting the draft Common Consolidated Corporate Tax Base**, controlling the corporate tax rate (European tax "snake") and **standardising production taxes on a European scale**.

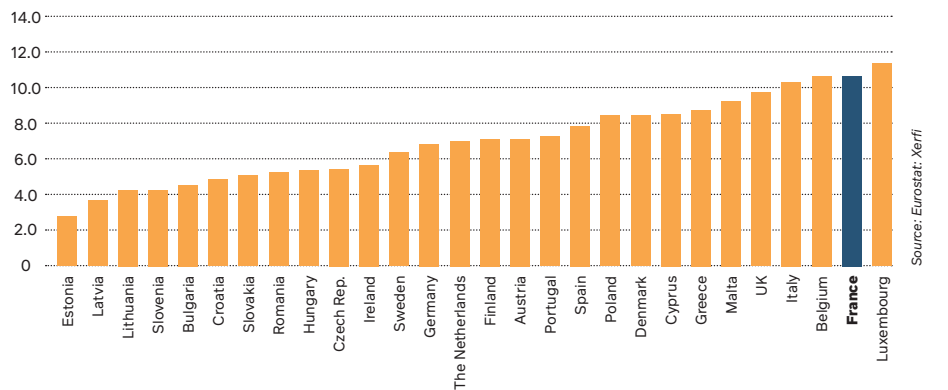
FRENCH COMPULSORY LEVIES WHICH PENALISE LABOUR AND CAPITAL!

Levies by major tax bases, as a % of GDP



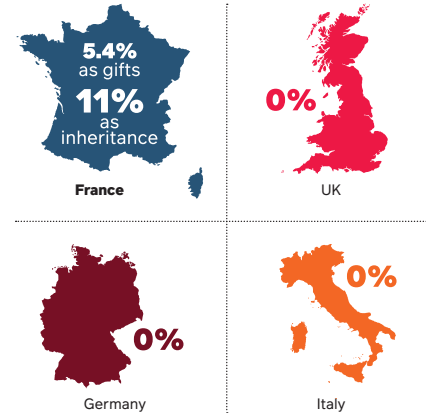
In 2016, France was the European country with the highest taxation.

CAPITAL TAX AS A % OF 2016 GDP



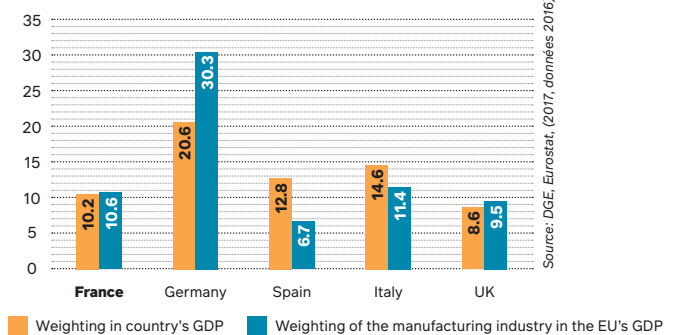
TRANSFERS

Grant Thornton on transfer taxation (2015)



INDUSTRY, THE CORNERSTONE OF GERMAN ECONOMIC SUCCESS

Weighting of the manufacturing industry in the main EU countries (as a %)



FOSTERING THE DEVELOPMENT OF HUMAN CAPITAL IN EUROPE

The anaemic demographics in Europe together with cost-driven international competition must, now more than ever, push us to leverage our human capital, at a time when mid-sized enterprises and rapid-growth SMEs are facing a labour shortage which hinders their development and weakens our economic dynamism. To correct this deficit, we must in particular encourage apprenticeships, vocational training and worker mobility within Europe, as well as improving employees' involvement in corporate culture.

10 Step up the development of apprenticeships and vocational training on a European level, with greater funding allocated to EU exchange programmes post-2020, **more full courses in another EU country** (such as "Erasmus Pro") and skills recognition between Member States, in order to boost the levels of apprentice mobility, training and language within the EU, and by doing so their integration in the labour market.

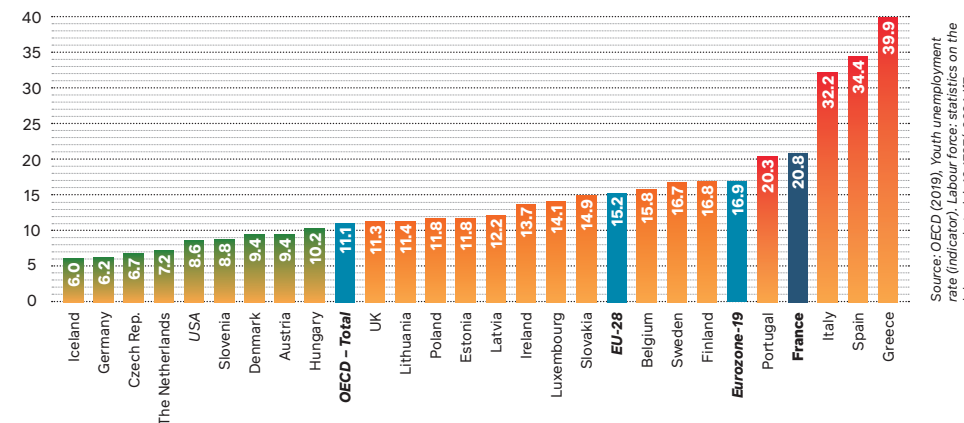
11 Enhance the mobility of workers and entrepreneurs by consolidating and promoting the free movement of European workers within the single market. This can be achieved by fostering exchanges and language learning, and by implementing **improved controls of the flows of posted workers**.

12 Strengthen an entrepreneurial model on a European level which involves employees in the results of the company's growth (development of employee benefits, profit-sharing, the allocation of free shares, etc.) and which fosters the development of the entrepreneurial spirit across the continent. A European Corporate Foundation status could be created to allow mid-sized enterprises operating in several Member States to involve their employees in sponsoring projects in local areas.

Helping young Europeans to find employment to save Europe's future:

YOUNG EUROPEANS' UNEMPLOYMENT RATES

Total, as a % of the young working-age population, 2018 or latest available data



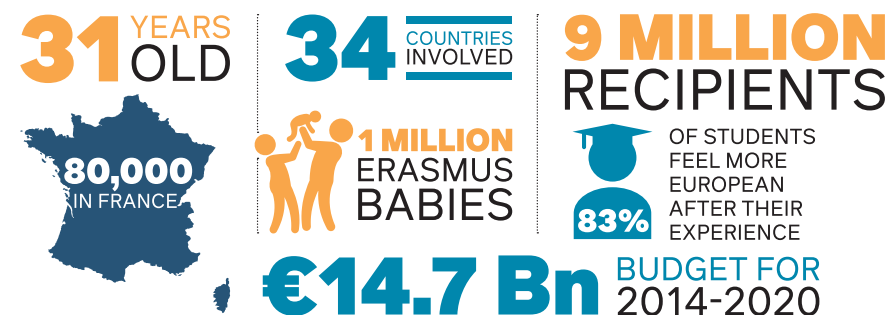
Source: OECD (2019), Youth unemployment rate (indicator). Labour force: statistics on the labour market. doi: 10.1787/c3634d7-en

One young European in ten left the education system without qualifications in the EU-28 in 2018.

Source: Eurostat, Key Figures on Europe, 2018.

Creating an Erasmus + for apprenticeships and vocational training

Erasmus +: a European success story and a source of inspiration to be replicated for vocational training and apprenticeships



EUROPE: AN AREA FOR MOBILITY AND PROFESSIONAL OPPORTUNITIES

Out of the **510,277,177 inhabitants of the EU** (2015):
2 million European residents work at least once a week in another Member State.
19 million people live in a Member State other than the one they were born in.
35 million were born outside the EU.

FRANCE IS THE EUROPEAN CHAMPION OF EMPLOYEE STOCK OWNERSHIP PLANS:

76% of French companies have plans for all their employees, against a **European average of 47%**.
36% of employees are shareholders in France, against **22% in Europe**.
4% of the capital is owned by employees who are not company directors in France, against **1.6% in Europe**.

PUTTING DIGITAL TECHNOLOGY AND GROUND-BREAKING INNOVATION AT THE CORE OF EUROPEAN PROJECTS

The digital revolution and ground-breaking innovations are priority challenges for the development of mid-sized enterprises and rapid-growth SMEs, and for the future of all aspects of the European economy. They must be placed at the core of the EU's political and legal plans, by creating a European Strategic Fund specifically for breakthrough innovations, implementing a genuine single digital market and encouraging R&D and training investments in these sectors.

13 Create a European Strategic Fund for ground-breaking innovations, based on the US "DARPA" model, as part of the European Council on post-2020 innovation, with a view to backing very high-risk projects and to stepping up the digital transformation of the European economy, mid-sized companies and rapid-growth SMEs in particular, in order to foster the emergence of European champions in the fields of digital technology, energy and climate and health, etc.

14 Implement a genuine single digital market, with sensible liberalisation and protection measures. This would give European companies the means to compete in the currently imbalanced competitive environment, while providing citizens the protections and guarantees required by democracy (location of servers in the EU, free access to data, freedom to choose a search engine, etc.)

15 Encourage R&D and training investments in innovation and trailblazing sectors, in particular as regards cybersecurity, artificial intelligence and digital technology, so that Europeans are better prepared to meet new industrial challenges.

Very diverse levels of innovation efforts in Europe: the north sets the example!

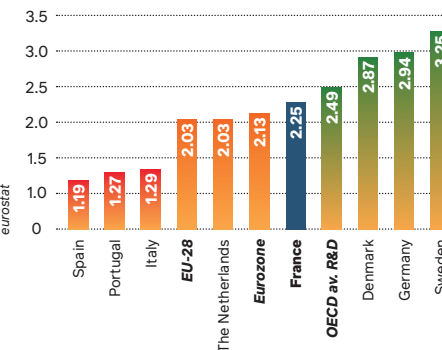
RANKING OF EUROPEAN COUNTRIES IN TERMS OF INNOVATION AND R&D



Source: European Commission, European Innovation Scoreboard, 2017.

GROSS DOMESTIC EXPENDITURE ON R&D THAT VARIES FROM COUNTRY TO COUNTRY (% of GDP, 2016)

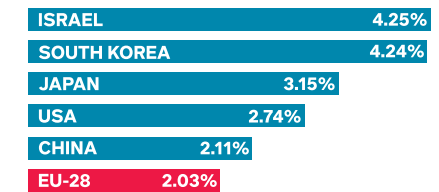
Source: <https://data.worldbank.org/https://ec.europa.eu/eurostat>



Europeans must close the digital and innovation gap

COMPARISON DATA

R&D in the European Union is significantly below that of other developed economies (as a % of GDP):



Locations of the 161 unicorns (privately-held companies valued at more than \$1 billion) in the digital sector in 2018:



EU/USA COMPARED

In 2018, 9 out of the 10 most visited sites in the world were affiliated to American players.

80% of users are outside North America

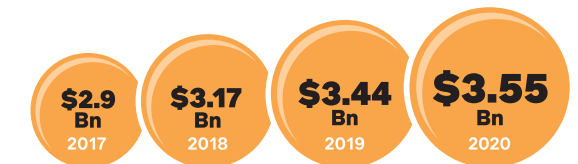
MARKET CAPITALISATION OF DIGITAL COMPANIES



Only 9 of the 100 leading global digital companies have headquarters within the EU

EU countries must invest more heavily in R&D and create a European Strategic Fund for ground-breaking innovations, based on the US DARPA model

DARPA budget constantly on the rise





**METI - Mouvement des Entreprises de Taille Intermédiaire
(Association of French Mid-sized Companies)**

Founded in 1995, METI brings together and represents the 5,800 French mid-sized companies. Its goals are threefold:

- **promote mid-sized companies on regional, national and European levels and support the ambitions of these local leaders in dealings with French and European public authorities**
- **advocate a more competitive environment in line with the European economic and tax environment**
- **foster long-term investment, the strength of mid-sized companies which combine economic dynamism and human values, in France and in Europe**



The leading French network for rapid-growth entrepreneurs, CroissancePlus was founded in 1997. It strives to be a driving force for proposals and influence with public authorities and opinion leaders with a view to fostering corporate growth and creating jobs in France.