



Ursula von der Leyen, President European Commission
Antonio Costa, President European Council
Roberta Metsola, President European Parliament

Brussels, 5 February 2026
Prot.005

Subject: Informal EU leaders' retreat on European Competitiveness

Dear President von der Leyen,
Dear President Costa,
Dear President Metsola,

On behalf of SMEUnited, we would like to provide you with key areas for action to strengthen the contribution of crafts and small and medium sized enterprises (SMEs) to EU's competitiveness, resilience and social cohesion, ahead of the informal EU leaders' retreat on 12 February.

The 26.1 million crafts and SMEs across Europe provide 65% of employment, ample training opportunities in dual learning systems, and know-how that makes them unique and indispensable to strengthen Europe's position in the world. They are examples of global leadership in innovation and specialised markets, form the core of strong supply chains and provide an attractive living environment in rural and metropolitan areas alike. Yet today, too many SMEs are struggling to cope with regulatory complexity, fragmented markets, high energy costs, unfair competition and limited access to finance.

If the EU is serious about sovereignty, security and prosperity, **"Think Small First" must become a strategic principle** guiding political choices, as already reflected in EU Summit conclusions of April 2024.

First, regulatory simplification must deliver concrete relief for SMEs. Excessive regulatory and reporting requirements reduce their capacity to invest, grow, and compete globally. Omnibuses revising existing legislation and making it more fit for purpose should be continued. We ask to prioritise an omnibus to simplify EU labour legislation. At the same time, regulatory simplification should not undermine legal certainty nor provisions to guarantee a level playing field for SMEs. Furthermore, future legislation must be designed from the outset with SMEs in mind, including proportionate requirements, realistic timelines, effective guidance and an "advise first, sanction later" approach. Member States must avoid gold-plating and ensure consistent transposition, implementation and enforcement across the Union, while running national simplification efforts. Finally, restraint must be shown when putting in place new rules. Trust must be given to entrepreneurs to reach objectives without determining in detail the road of how to achieve those.

Second, the EU must fully mobilise the Single Market as a tool for reindustrialisation and security. The opportunity to operate cross-border must be balanced with the freedom to stay. A vast majority of SMEs prefer to remain active only at local level and contribute to employment, training and social cohesion – which should be incentivised by dedicated measures. On the other hand, long-standing barriers to cross-border activities continue to fragment industrial ecosystems and weaken supply chains. Roadmaps with concrete timelines and milestones to address barriers to the "classical" freedoms as well as critical areas for Europe's society and economy (such as capital, energy, digital markets) should urgently be implemented by the Commission and Member States. A simple and optional 28th regime for company law should enable SMEs to develop cross-border activities.

Third, ensuring a level playing field is essential. European SMEs today face unfair competition from non-EU operators, particularly through digital platforms. EU openness should not undermine the viability of our enterprises. Member States must focus on enforcing existing regulations more effectively and ensure that products sold on platforms meet EU safety, labour, and environmental standards. The public sector can play a key role in shaping demand for critical technologies, particularly digital and clean tech, and in safeguarding Europe's own capacities. The use of European preference as a criterion in public procurement, where appropriate, can support European SMEs growth and innovation, while better leveraging the size of the Single Market. This should be applied strategically and precisely, across clearly defined value chains, inspired by the Draghi report, which identifies sectors where security, resilience and sovereignty are critical. The sectors in which such an approach applies, and the requirements have to be clearly defined and equal access for SMEs must be guaranteed.

Fourth, energy resilience and affordability are decisive for SME competitiveness. High and volatile energy prices continue to undermine SMEs' ability to invest and maintain production in Europe. A speedy realisation of a real Energy Union with stronger interconnection capacity is essential. SMEs should also be supported in energy efficiency, self-production and grid access, with shorter permitting procedures allowing for energy investments. They should not disproportionately be affected by regulatory costs linked to the energy transition.

Fifth, digital sovereignty must work for SMEs. Access to data, digital infrastructure, AI and cloud services under fair and secure conditions are essential for innovation, cybersecurity and industrial competitiveness. Digital regulation should strengthen Europe's technological autonomy while remaining workable for SMEs, enabling them to participate fully in digital and defence-related value chains.

Sixth, access to finance is a crucial lever for SME competitiveness. Financial instruments included in the Multiannual Financial Framework (MFF) must prioritise policies that enable SMEs to thrive. SME representatives must be involved in decisions concerning the use of the funds. In addition, parts of the funds should be ringfenced for SMEs, or specific programs should include an objective for SME participation. Europe has to create a well-functioning Savings and Investment Union to mobilise private investments. This also depends on the willingness of Member States to take steps for necessary harmonisation in taxation, company law, insolvency procedures and supervision.

Finally, SMEs are a key actor for preparedness and resilience. SMEs experience a disproportionate impact as a result of geopolitical tensions and natural disasters, potentially disrupting business continuity. Activities to increase preparedness should encompass capacity building for SMEs. Furthermore, we must strive toward stability and predictability in a strong, coordinated and united stance.

Europe's competitiveness, security and sovereignty depend on political choices made today. We urge you to take action and make SMEs a core pillar of Europe's competitiveness, reindustrialisation and security agenda.

Yours sincerely,



Davide Galli
President



Véronique Willems
Secretary General

Cc: Heads of State and Government