

22 November 2022

SWEDEN'S EU PRESIDENCY:

11 proposals to reboot
the Single Market

SERVICE
enarsquad
Show Up.



This report aims to inspire the Swedish Government to push for an ambitious reboot of the Single Market during its EU Presidency. It also aims to inspire any new Single Market initiatives from the European Commission and other EU-institutional stakeholders.

Based on a survey of Swedish SMEs, interviews and a detailed literature survey, the report identifies **11 specific and impactful policy initiatives** that can help strengthen the effective functioning of the Single Market.

In combination, the 11 recommendations provide a roadmap for a stronger and more united Single Market, leaving the detailed policy development and implementation to the responsible EU institutions.

This report was commissioned by Amazon and conducted by Implement Consulting Group as an independent assessment of how further integration of the Single Market can support growth and resilience in the EU.

The work is supported by an advisory group composed of representatives from Svenskt Näringsliv, Företagarna, and Amazon. As part of the study, a survey was conducted among members of Företagarna, and the survey results represent perspectives of Swedish small and medium-sized firms doing business in the Single Market.

Table of contents

Executive summary	4
1. Peace and prosperity from the Single Market	9
1.1 The Single Market opens up Europe to firms and citizens	9
1.2 The Single Market is a platform for SMEs to scale up and mature	12
1.3 The Single Market secures leverage and a global voice	13
2. Removing regulatory barriers will benefit SMEs	16
2.1 Activities and potentials for growth of SMEs in the Single Market.....	16
2.2 Further simplification and harmonisation can help SMEs	21
3. Set a bold and ambitious vision for the Single Market.....	23
#1 Adopt an ambitious Single Market Strategy	23
#2 Strengthen SOLVIT by establishing a Single Market Ombudsman in every EU Member State, and commit SOLVIT to act more proactively on structural cases and to raise awareness	25
#3 Conduct a data flow test of all existing and new EU regulation	27
4. Build a culture of trust and compliance.....	28
#4 Upgrade the European Semester to include recommendations on how to harmonise implementation of EU regulation and close the compliance gap	28
#5 Strengthen the use of the Better Regulation Toolbox by integrating implementation into the design of new regulation and consistently respecting impact assessment requirements	31
5. Create a green and circular Single Market.....	33
#6 Map and remove regulatory barriers to trade in climate goods and services within the Single Market	33
#7 Design the digital European product passport in a way that makes t he circular work of businesses easier	35
6. Create growth with digital tools and solutions	37
#8 Create a one-stop-shop to the extended producer responsibility (EPR) systems of Member States	37
#9 Create a single VAT ID and extend the VAT one-stop-shop	38
#10 Recognise digital labelling as a true substitute for physical labelling.....	41
#11 Create conditions for the development of easy, fast, reliable, and low-cost cross-border payments for both euro and non-euro payments	42
Appendix 1 Description of the SME survey.....	44
Endnotes	53

Executive summary

In spring 2023, Sweden holds the Presidency of the EU Council of Ministers. The Swedish Government assumes this important responsibility at a time when it is critical for the European Union to stand firm and united around the core values of openness and democracy.

A call for action during the Swedish EU Presidency

In an era of increasing geopolitical tensions, re-evaluation of global value chains, and a global economy heading towards recession, the Single Market is key to securing growth and resilience of the EU economy. Based on a survey of almost 1,000 SMEs, interviews, and a literature review, we call for EU governments and institutions to:



SET A BOLD AND AMBITIOUS VISION FOR THE SINGLE MARKET

The Single Market is key to establishing an economy that works for people, securing a stronger Europe in the world, and making Europe fit for the digital age – three of the six headline ambitions in the European Commission's 2023 work programme.



BUILD A CULTURE OF TRUST AND COMPLIANCE

Frictionless trade in the Single Market requires complete, correct, and immediate transposition of regulation into national legislation. Removing existing barriers related to incomplete implementation of Single Market legislation can add an additional 520-600 bEUR to the EU economy.



CREATE A GREEN AND CIRCULAR SINGLE MARKET

Trade is a vehicle for incentivising innovation, spreading innovations across markets, and reducing the costs of transitioning to more sustainable production and consumption systems. Frictionless trade of climate goods and services within the Single Market is a prerequisite for the green transition.



USE DIGITAL TOOLS AND SOLUTIONS TO CREATE CONDITIONS FOR GROWTH

The efficiency and effectiveness of EU legislation can be undermined by a high level of complexity in the application by European firms. Digital tools can be applied to lower the costs of collecting, updating, and making information available within the Single Market.

For that purpose, we put forth 11 concrete recommendations.



SET A BOLD AND AMBITIOUS VISION FOR THE SINGLE MARKET

#1 Adopt an ambitious Single Market Strategy

Adopt a Single Market Strategy that clearly reinstates the Single Market at the forefront of the EU's integration project, green transition, and innovation agenda. The Single Market Strategy should take a holistic approach to the full business and consumer journey as well as to integrate regulation across all pillars of the Single Market.

#2 Strengthen SOLVIT by establishing a Single Market Ombudsman in every EU Member State and commit SOLVIT to act more proactively on structural cases and to raise awareness

Designate a Single Market Ombudsman (head of or in collaboration with SOLVIT) in each Member State as a national, independent body with access to effective remedies. A network of Single Market Ombudsmen is to be set up under the auspices of the European Commission to safeguard a uniform interpretation of the EU rules in the Member States.

#3 Conduct a data flow test of all existing and new EU regulation

Implement a data flow test that acknowledges the supremacy of the principle of data protection in the EU but limits the risk of creating unjustified burdens when applying data protection rules. This gives businesses a possibility to legally challenge data protection decisions that are perceived as disproportionate.



BUILD A CULTURE OF TRUST AND COMPLIANCE

#4 Upgrade the European Semester to include recommendations on how to harmonise implementation of EU regulation and close the compliance gap

Incentivise Member States to correctly apply and take political ownership for the correct application of EU rules by integrating recommendations on closing the compliance gap and harmonising implementation of EU regulation into the European Semester, governed by a mix of surveillance mechanisms and possible sanctions.

#5 Strengthen the use of the Better Regulation Toolbox by integrating implementation into the design of new regulation and consistently respecting impact assessment requirements

Put more weight on integrating implementation into the design of new regulation and avoid deviations from the requirement to make impact assessments. Impact assessments are critical for avoiding new regulations that are ill-conceived and for ensuring that new regulations achieve the policy objective, with recognition of unintended consequences and/or trade-offs.



CREATE A GREEN AND CIRCULAR SINGLE MARKET

#6 Map and remove regulatory barriers to trade in climate goods and services within the Single Market

Map and remove regulatory barriers to trade in climate goods and services within the Single Market to accelerate decarbonisation by structuring market signals, incentivising innovation, and reducing the price of new technologies. Develop a roadmap for removing critical barriers and monitor its implementation.

#7 Design the digital European product passport in a way that makes the circular work of businesses easier

Introduce a well-designed Digital Product Passport based on stakeholder input, including SMEs. This will minimise the risk that administrative burdens and costs for businesses reduce the potential of the passport to support circularity and create a lack of cohesion within the Single Market.

USE DIGITAL TOOLS AND SOLUTIONS TO CREATE CONDITIONS FOR GROWTH	
#8 Create a one-stop-shop to Member States' extended producer responsibility (EPR) systems	Establish a truly harmonised approach to EPR; a centralised and up-to-date digital EPR one-stop-shop solution that would facilitate single EPR registration and reporting across all Member States at the product-level.
#9 Create a single VAT ID and extend the VAT one-stop-shop	Simplify VAT procedures by creating a single VAT ID in the EU and expanding the existing VAT one-stop-shop concept to cover all goods transactions (including pan-EU inventory placement and onward sales).
#10 Recognise digital labelling as a true substitute for physical labelling	Bring EU labelling requirements to the digital era by providing manufacturers the option to choose whether to market their product digitally or physically – i.e., recognising digital labels as true substitutes for physical labels across product groups and Member States.
#11 Create conditions for the development of easy, fast, reliable, and low-cost cross-border payments for both euro and non-euro payments	Create a more competitive framework for cross-border payments to ensure that EU citizens have access to a diverse range of providers, all of whom operate within an open, competitive setting, including traditional financial providers such as banks, fintech providers, and platform operators.

Our recommendations give a voice to Swedish SMEs

Small and medium-sized enterprises (SMEs) are the backbone of the Swedish economy, accounting for 99.9% of all firms and 48% of GDP. Since 1990, these SMEs have created more than four out of five jobs in Sweden and account for 55% of Sweden's total employment. SMEs are the main drivers of innovation and develop innovative solutions to global challenges like climate change.

Since Sweden became a member of the EU in 1995, the Single Market has, on average, increased Swedish GDP per capita by 1.5%, created 70,000 jobs, and increased the citizen's purchasing power by 540 EUR – every year. The standardisation and regulatory harmonisation associated with the Single Market is particularly valuable for SMEs, which often lack the knowledge, scale, and economic resources to enter export markets with differing trade regimes and regulatory frameworks.

We have conducted a survey of around 1,000 Swedish SMEs as part of this study, of which 300 SMEs are either current or potential exporters. Of these SMEs, 95% say that they have benefitted from the Single Market, but around 75% of the SMEs say that regulatory barriers limit their scope for doing business in the Single Market to some extent.

Regulatory barriers increase costs, lower profits, and erode the competitiveness of Swedish SMEs relative to local firms. The SMEs in the survey uniformly confirm that lowering regulatory barriers can help them do more business in the Single Market. Close to 9 out of 10 SMEs state that simplification of administrative procedures will help them do more business in the Single Market. Equally important is securing better access to national rules, harmonising VAT procedures, and creating better conditions for cross-border payments.

A united Single Market offers a platform for SMEs to gain scale and build up muscles to compete globally. Consequently, the Swedish (and European) economy foregoes significant opportunities for creating more benefits for workers through higher job creation, better paid jobs, and improved job security. In addition, consumers miss out on benefits from lower prices, improved product variety, and reduced delivery times.

The report also intends to inspire future Single Market initiatives

The Single Market is one of the greatest successes of the EU and has effectively laid the foundation for the EU becoming the world's largest economy. The accumulated gain from the Single Market amounts to 8-9% of EU GDP. At the same time, consumers have benefitted from access to a large variety of goods and services produced in other countries at lower prices.

The size of the Single Market has moreover given the EU a stronger position in negotiations and dialogues with global partners. Using this leverage in difficult times of external shocks and global disruptions has helped build a more resilient and prosperous European economy.

Given the importance of the Single Market, this report also calls for future EU initiatives to continue setting a bold and ambitious vision of the Single Market. There are also a few policy areas of great importance to SMEs that have been left out of the study, but where future Single Market initiatives could make a significant difference:

- **Public procurement** | SMEs see great growth potential from removing regulatory barriers to their participation in public procurements within the Single Market, including language barriers, lack of transparency, and regulatory barriers. We encourage future EU presidencies and commissions to initiate research in this field and implement specific policy initiatives that make it easier for SMEs to participate in cross-border public procurements.
- **Copyright** | SMEs call for a harmonisation of service rules. As some software and digital services largely consist of copyrighted content, the free movement of services is closely related to copyright. Today, free movement is hindered by the fact that copyright consists partly of EU law and partly of national law. Some things can thus be protected in one country but not in another. We call for future EU presidencies and commissions to ensure that this patchwork of directives, regulations, and national laws, which drives up transaction costs with different rights and agreements for different Member States, becomes fully harmonised.

Scoping and preparing the report

The European Commission has a broad and far-reaching 2023 work programme. As the President of the EU Council of Ministers, it is the task of the Swedish Government to select what Single Market issues to prioritise during its term. Equally important, the Swedish Presidency will also start laying the foundation for the work of the new European Commission in 2024. In this report, we encourage the Swedish Government to focus on the acceleration of the integration of the Single Market – not to shift focus inwards but to leverage a strong and united Single Market that will benefit the EU in global negotiations and geopolitical dialogues.

The prioritisation of the 11 recommendations have required significant scoping and preparation. We have taken the perspective of SMEs, which are disproportionately negatively impacted by regulatory barriers. The recommendations will, however, benefit all firms irrespective of size. Benefits will spread to workers through higher job creation, better paid jobs, and improved job security. In addition, consumers will benefit through lower prices, improved product innovation, and reduced delivery times.

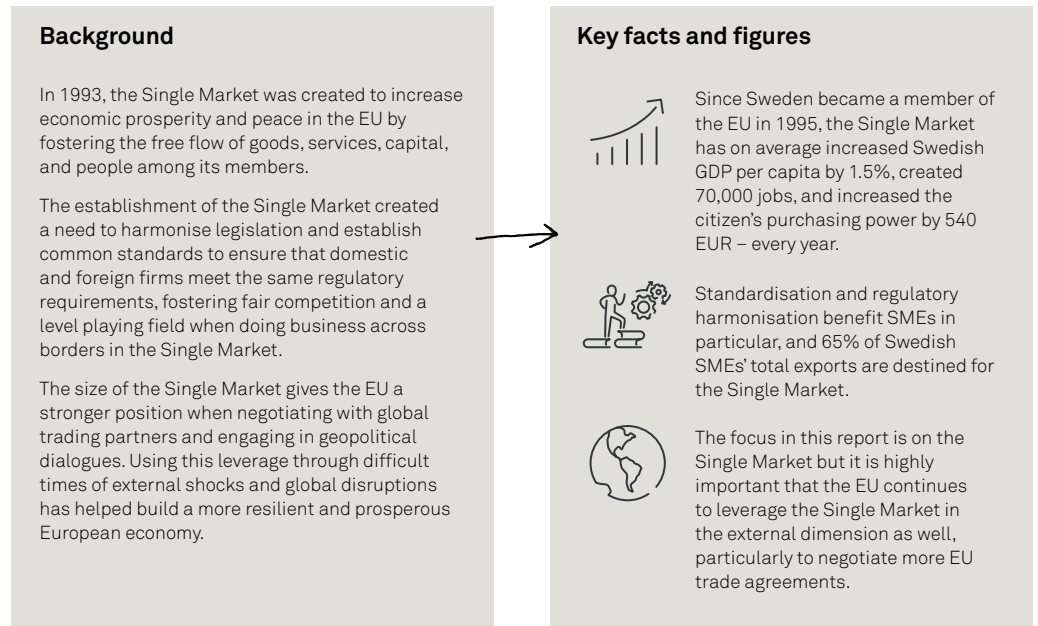
The development of policy recommendations

The policy recommendations brought forward in this report include policy initiatives that can be acted on in the short-term, but the aim is also to set the direction of an ambitious long-term vision for the Single Market. The relevance of the report therefore stretches beyond the Swedish Presidency.

The development of policy recommendations in this report has involved:

- **SME survey** | We carried out a survey together with the Swedish Federation of Business Owners, Företagarna, among members of the association. The objective of the survey was to identify key barriers and possible solutions to conducting business on the Single Market. In total, 987 SMEs participated in the survey, of which 300 SMEs are either existing or potential exporters.
- **Interviews** | We have conducted interviews with Swedish firms and civil servants to deepen our understanding of policy initiatives that can reduce significant barriers to doing business in the Single Market and to sharpen our policy recommendations.
- **Literature survey** | We have reviewed the literature to find documentation for the benefits from the Single Market and the growth potentials from further integration. We have also found inspiration for the policy recommendations in existing position papers.

1. Peace and prosperity from the Single Market



1.1 The Single Market opens up Europe to firms and citizens

The Single Market is designed to enable goods, services, capital, and people to move freely across countries by removing border regulation, custom duties, and tariffs. The Single Market consists of the 27 EU Member States and the four EFTA Member States (Iceland, Liechtenstein, Norway, and to a certain extent, Switzerland). Combined, members of the Single Market are the world's largest trader in both goods and services.¹

The establishment of the Single Market created a need to harmonise legislation and establish common standards across members to ensure that domestic and foreign firms meet the same regulatory requirements, fostering fair competition and a level playing field when doing business across borders in the Single Market.

Access to the Single Market has allowed Swedish firms to specialise and to export goods and services in which they have a comparative advantage. At the same time, Swedish consumers have benefitted from access to a large variety of goods and services produced in other countries at lower prices. Since Sweden became a member of the EU in 1995, the Single Market has, on average, increased Swedish GDP per capita by 1.5%, created 70,000 jobs, and



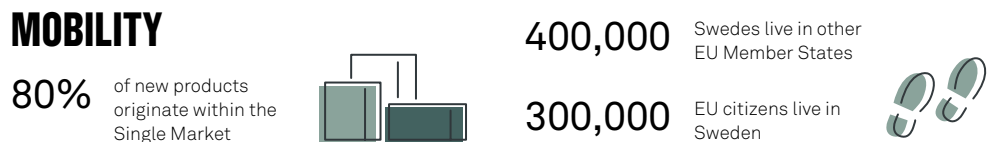
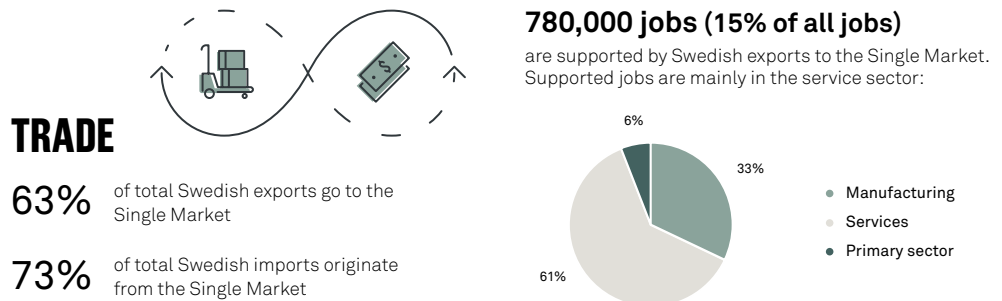
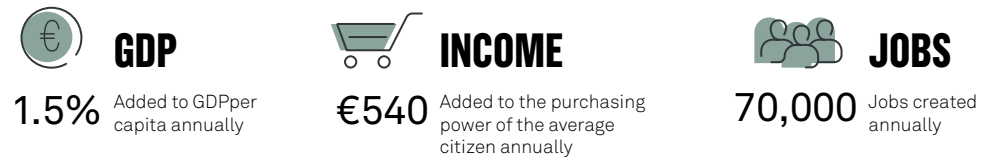
increased the citizen's purchasing power by 540 EUR – every year, see Figure 1.² In total, every third job in Sweden today depends on trade, and 50% of trade is with members of the Single Market.³

Today, more than 63% of Sweden's total exports go to members of the Single Market, and 73% of Sweden's total imports origin from the Single Market, which underlines the importance of the Single Market as a first step on the internationalisation journey for many Swedish firms, especially SMEs.⁴ Moreover, 80% of all new products in Sweden originate from the Single Market, spurring innovation and enhancing productivity.⁵

The free movement of capital has benefitted the overall Swedish economy. Today, 70% of foreign direct investments (FDI) into Sweden originate from members of the Single Market, corresponding to a total stock of inward FDI of more than 220 bEUR. Likewise, 58% of all Swedish outward FDI are invested in members of the Single Market.⁶ Similarly, the free movement of people has made it easier to live abroad, and 400,000 Swedes currently live in other EU countries, while 300,000 EU citizens live in Sweden.⁷

Figure 1.

The Single Market benefits Swedish workers and consumers



1.2 The Single Market is a platform for SMEs to scale up and mature

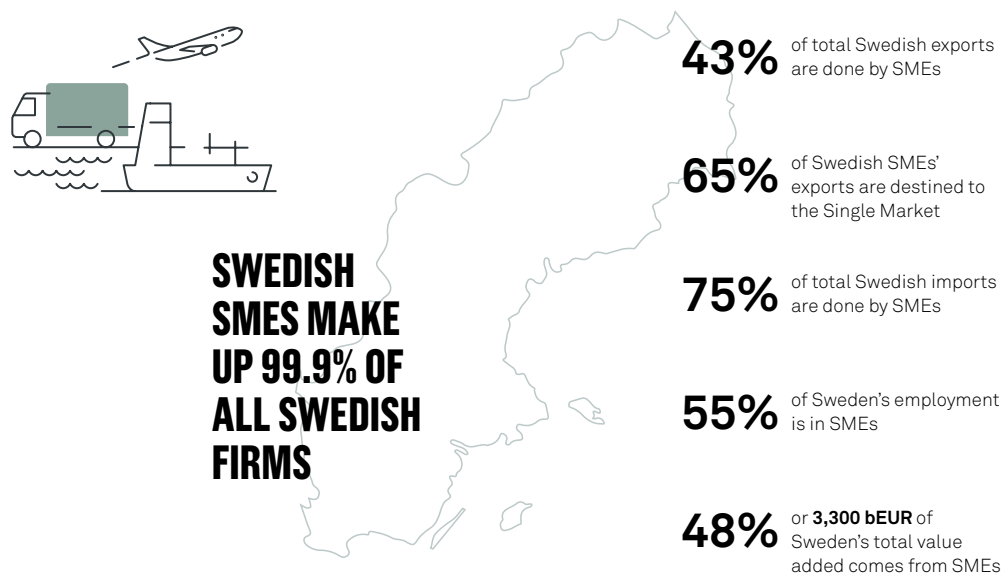
Small and medium-sized enterprises (SMEs) are the backbone of the Swedish economy, accounting for 99.9% of all firms and 48% of GDP.⁸ Since 1990, these SMEs have created more than four out of five jobs in Sweden⁹ and account for 55% of Sweden’s total employment.¹⁰ SMEs are the main drivers of innovation and bring innovative solutions to global challenges like climate change.¹¹

SMEs generally have less resources and capital available compared to larger enterprises, and regulatory burdens and administrative requirements are disproportionately difficult for them to carry. The cost of fragmented regulation and excessive administration are typically independent of the size of the cross-border activity, and SMEs tend to use a larger share of their resources to handle trade barriers.^{12, 13}

Standardisation and regulatory harmonisation are therefore particularly beneficial for SMEs that strive to scale-up and enter new markets, access European value chains, and strengthen their international competitiveness.¹⁴ SMEs account for 43% of total Swedish exports, and 65% of the SMEs’ total exports are destined for the Single Market.¹⁵

Figure 2.

Swedish SMEs gain from access to the Single Market



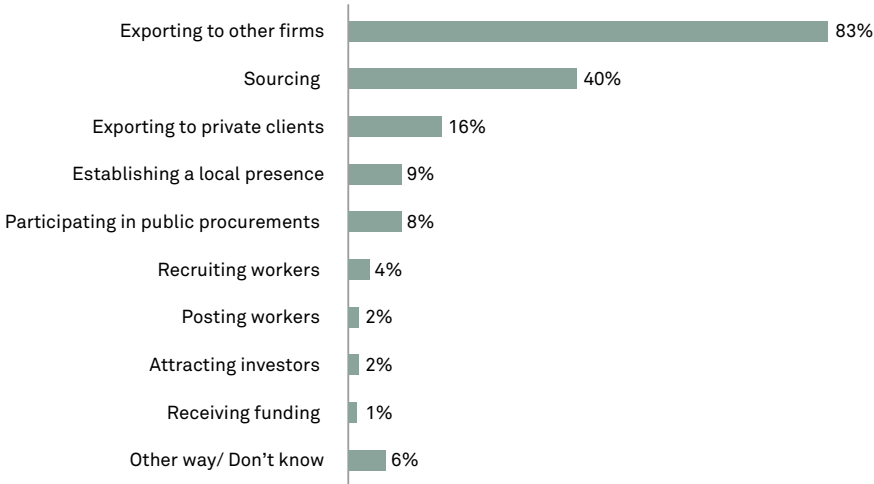
Note: SMEs are defined as enterprises with less than 250 employees.

Most SMEs (95%) that participated in the survey conducted as part of this study state that they benefit from access to the Single Market. 41% state that they benefit significantly, while 53% assess that they benefit to some or a lesser extent, see Figure 11 in Appendix 1.

The SMEs in the survey mainly export to (83%) or source from (40%) other firms in the Single Market. Other activities include exporting to private clients (16%), establishing a local presence (9%), and participating in public procurements (8%).

Figure 3.

Swedish SMEs mainly use the Single Market for exporting and sourcing



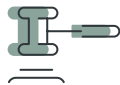
Source: Implement Economics based on an SME survey conducted by Företagarna (see Appendix 1 for further details).

1.3 The Single Market secures leverage and a global voice

The Single Market has not only spurred Swedish prosperity by facilitating more interactions between Member States. The size of the Single Market gives the EU a stronger position when negotiating with global trading partners and engaging in geopolitical dialogues. Using this leverage in difficult times of external shocks and global disruptions has helped build a more resilient and prosperous European economy. Some examples are:



Manoeuvring through global health crises | Centralising the procurement of vaccines at the EU level strengthened Member States' bargaining power and gave access to vaccines on a larger scale, in the required time, with good delivery conditions, and with a diversified pool of suppliers.^{16,17} In total, the EU secured up to 4.2 billion doses of vaccines for EU citizens.¹⁸



Giving economic power to EU sanctions | Sanctions are an essential tool of the EU's common foreign and security policy. The unifying rationale of most sanctions regimes is the attempt to alter, by economic pressure, the strategic choices of state and non-state actors. The size of the Single Market gives leverage to the economic pressure imposed by EU sanctions, such as EU sanctions on Russia.¹⁹



Securing market access and diversifying trade | The size of the Single Market makes the EU an attractive partner for business, and individual EU-Member States would not have been able to make as many and as favourable trade agreements on their own.²⁰ Swedish firms have access to 45 trade agreements with 78 countries, including the EFTA-countries,^{21,22} and no trading partner has more trade agreements than the EU.²³ These agreements have improved access to and lowered the price of raw materials and intermediate inputs, and they have also given preferential access to key export markets.



Setting global standards | The harmonisation of regulatory requirements and specifications of goods or services crossing borders within the Single Market have paved the way for a series of European standards. In a globalised world, shaping or ultimately setting the standards can give a powerful first-mover advantage by minimising the adjustment costs for EU firms, which are then able to operate in export markets based on their home market rules.²⁴ Several European standards have been adopted at an international level, and modern EU trade agreements act as a booster for the global adoption of EU standards to secure a level playing field between European firms and their third-country competitors.²⁵



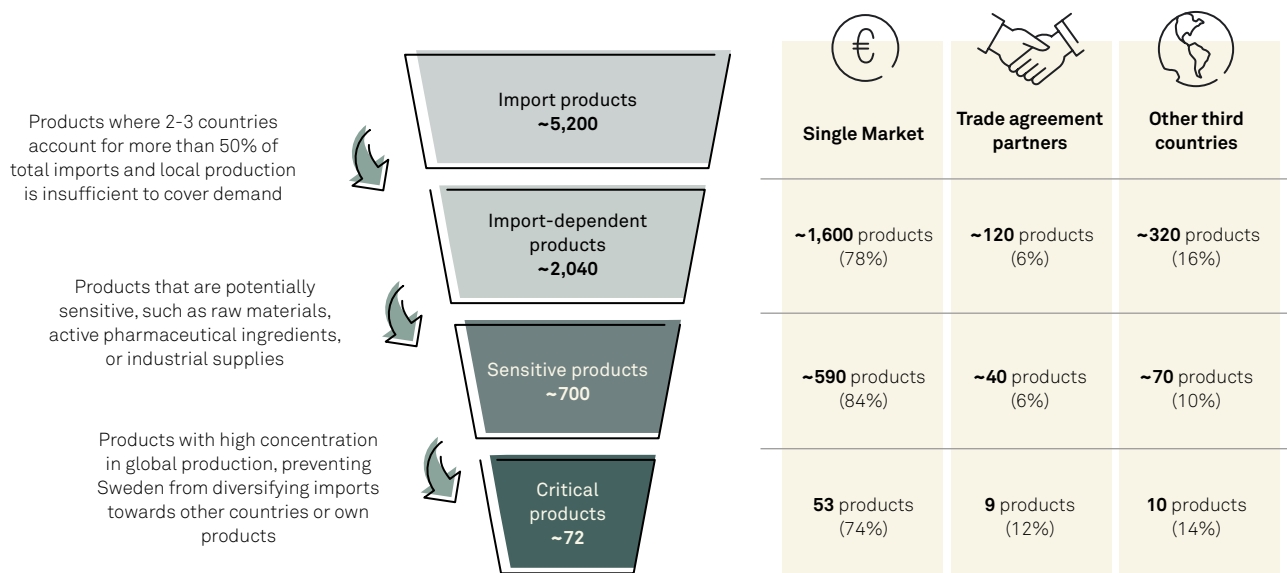
Balancing specialisation and resilience | The Single Market enables Member States to specialise and import what others can produce better, see Figure 4. Sweden currently imports more than 5,200 products. For 2,040 of these products, imports are concentrated from only 2-3 countries, and Sweden's production and economy is dependent on having access to and good political relations with these countries. The large bulk of these products are imported from partners where trade takes place under regulated terms (1,600 products are imported within the Single Market and 120 from trade agreement partners). The remaining 320 products are imported from third countries, and negotiating trade agreements with these countries can help Swedish firms diversify their imports even more and build more resilient global supply chains.

Figure 4.

The Single Market has enabled specialisation and helped build resilience²⁶

Sweden imports a total of 5,200 products. Based on a methodology developed by the European Commission, we have assessed the import dependency of Sweden based on three different definitions of import dependency:

- **Import dependent products** | For products in this group, imports originate from 2-3 countries and local production in Sweden is insufficient to cover total demand. The high concentration of imports exposes Swedish importers to disruptions in supply from the trading partner (e.g., due to logistic challenges and production lockdowns) and to geopolitical tensions around the trading partner.
- **Sensitive import-dependent products** | This sub-group of import-dependent products contains products that are particularly important to the well-being of Swedish citizens (e.g., pharmaceutical ingredients and healthcare products) or for maintaining production (e.g., raw materials and intermediate goods). The sensitivity of these products adds to the exposure of the Swedish economy and underlines the need to secure access to these products.
- **Critical import dependent products** | This sub-group of sensitive import dependent products contains products that are highly concentrated in global supply (global supply is concentrated in 2-3 countries). This means that Sweden shares its import dependency with all other countries. In case of supply interruptions, Sweden (as well as all other countries) have very limited opportunities to redirect imports to other locations.






Note: We use the BACI (Base pour l'Analyse du Commerce International) dataset, which consists of bilateral trade flows at the product level in 2019. Products correspond to the harmonised system nomenclature (6 digit code).

2. Removing regulatory barriers will benefit SMEs

<p>Background</p> <p>Initiatives to standardise and harmonise regulation across members have come a long way to dismantle obstacles to doing business within the Single Market, but significant regulatory barriers still exist.</p> <p>In collaboration with the Swedish Federation of Business Owners (Företagarna), we have conducted a survey among Swedish SMEs to identify key barriers and possible initiatives that will make it easier for SMEs to conduct business in the Single Market.</p> <p>This report focuses on regulatory barriers that prevent Swedish SMEs from reaching their full potential in terms of trading goods and services across borders in the Single Market.</p> <p>We encourage future EU presidencies and institutions to continue having focus on dismantling regulatory barriers, also within public procurements and recruitment that are not covered by this study.</p>	→	<p>Key findings from survey</p> <p>95% of the SMEs say that they have benefitted from the Single Market, mainly through exports to and sourcing from other firms.</p> <p>75% of the SMEs find that regulatory barriers to some extent limit their scope for doing business in the Single Market.</p> <p>35% of the SMEs perceive regulatory barriers as restrictive for their ability to participate in public procurements, an area seen as offering great business potential.</p> <p>87% of the SMEs state that simplification of administrative procedures will help them do more business in the Single Market.</p>
---	---	--

2.1 Activities and potentials for growth of SMEs in the Single Market

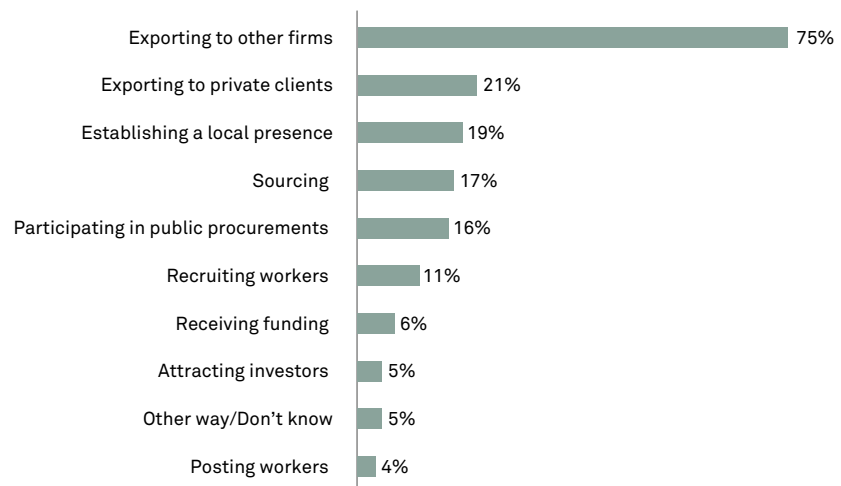
Surveys of European CEOs, entrepreneurs, and SMEs find that the Single Market has come a long way to dismantling obstacles to the free flow of goods, services, capital, and people across borders, but all see further potential that can be unlocked by removing remaining barriers.²⁷

CEOs		The average rating of the 'completeness' of the Single Market in terms of the four freedoms	75%
<hr/>			
Entrepreneurs		The share of entrepreneurs in the EU that see further potential for enabling their company to operate and compete freely in the Single Market	70%
<hr/>			
SMEs		The share of SMEs that consider obstacles within administration or differences in rules and legislation as significant or very significant	70%

The survey conducted as part of this report confirms that Swedish SMEs have a similar perception of the benefits and potential from the Single Market as their European counterparts. 95% of the Swedish SMEs say that they have benefitted from the Single Market, mainly through exports to and sourcing from other firms (see Figure 12 and Figure 13 in Appendix 1). The SMEs also confirm that there is potential to further benefit from the Single Market. 75% of the SMEs see a potential for increasing exports to other firms, 21% for exporting to private clients (particularly through e-commerce), and 19% for establishing a local presence in other members of the Single Market (particularly within services).

Figure 5.

SMEs see significant potentials for growing their business in the Single Market



Source: Implement Economics based on an SME survey conducted by Företagarna (see Appendix 1 for further details).

Note: Question from survey: 'Where do you see the largest potentials within the Single Market for growing your business?', n=251.

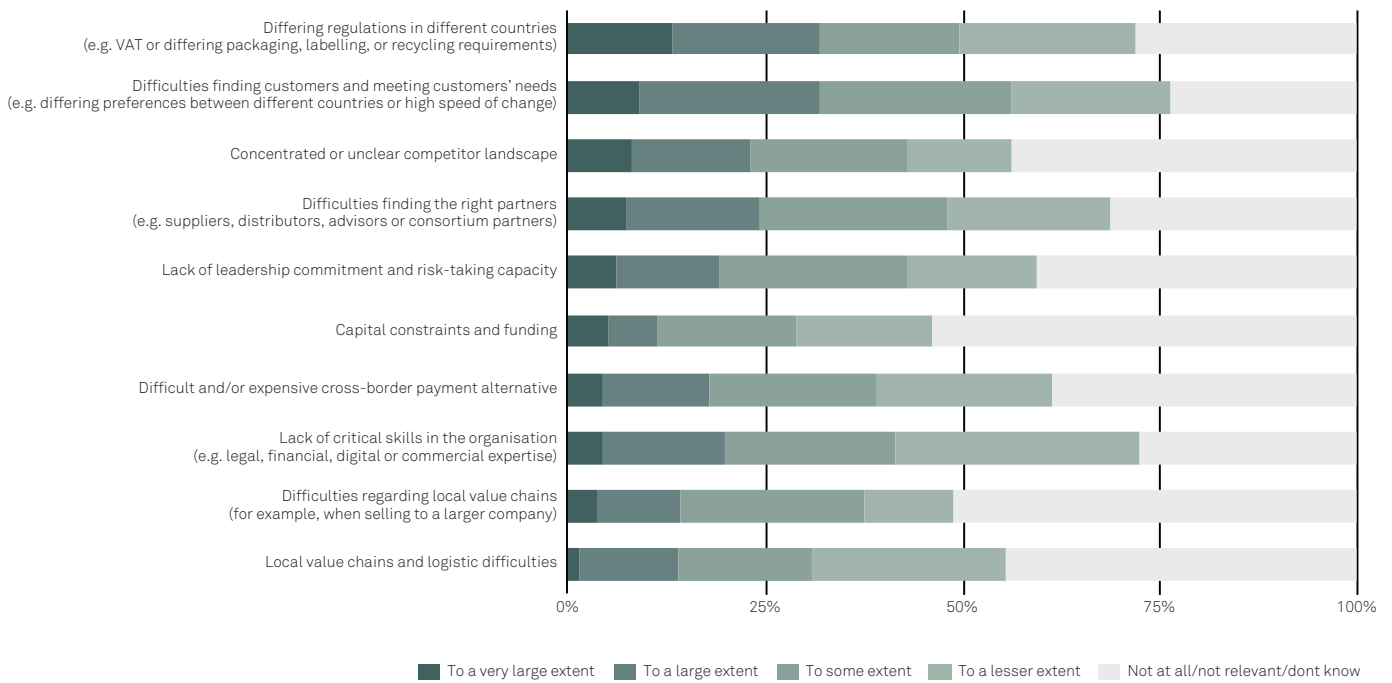
Results indicate that 75% of SMEs find that differing regulations across members in the Single Market limit their scope for doing business in the Single Market to some extent. Meanwhile, 32% say that they see regulatory barriers as critical for their opportunities for doing business in the Single Market to a very large or large extent, see Figure 6. Regulatory barriers are as challenging as finding customers and meeting customers' needs (75%).

However, they pose a larger problem for SMEs than facing a concentrated or unclear competitor landscape (56%) and other traditional export barriers that are typically addressed at the national level, through various export promotion and accelerator activities.²⁸

The SMEs assess that regulatory barriers increase costs (70%), lower profits (59%), and erode their competitiveness relative to local firms (54%), see Figure 18 in Appendix 1. Consequently, the Swedish (and European) economy misses out on significant opportunities for creating more benefits for workers through higher job creation, better paid jobs, and improved job security. In addition, consumers could benefit more from reduced regulatory barriers through lower prices, improved product innovation, and reduced delivery times.

Figure 6.

Critical barriers to doing business in the Single Market



Source: Implement Economics based on an SME survey conducted by Företagarna (see Appendix 1 for further details).

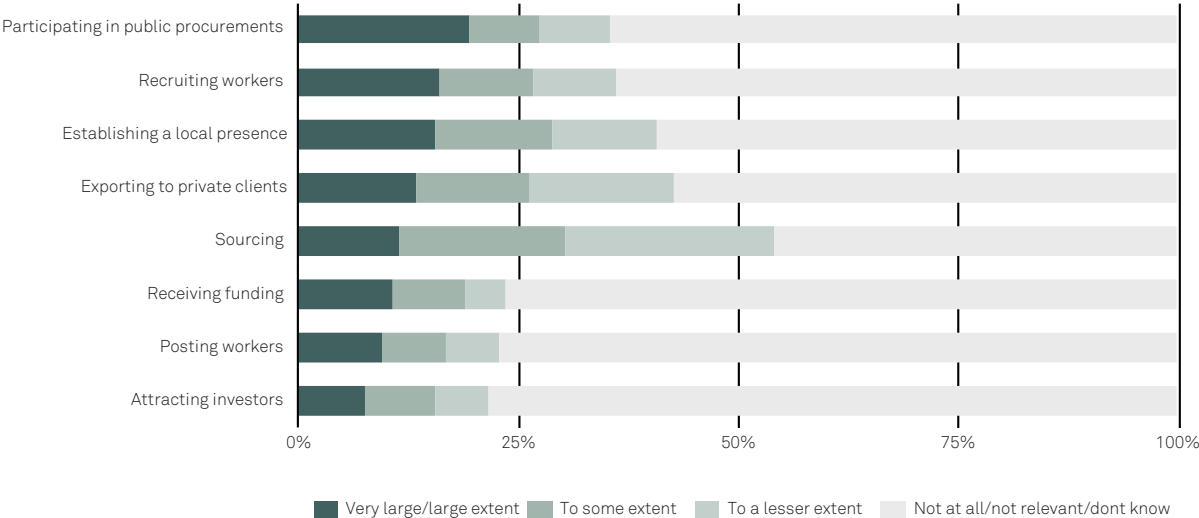
Note: Question from survey: 'What do you perceive as the most critical barriers to doing business within the Single Market?'; n=272.

Results show that 35% of the SMEs find that regulatory barriers restrict their ability to participate in public procurements, while 20% even say that regulatory barriers to a very large or large extent limit their cross-border public procurement opportunities. This is an area where Swedish SMEs see great potentials from expanding their business within the Single Market (see Figure 5).

Moreover, 63% of the SMEs assess that regulatory barriers prevent them from sourcing within the Single Market, but regulatory barriers also limit the scope for increasing their exports to private clients and establishing a local presence in other members of the Single Market (see Figure 7).

Figure 7.

Regulatory barriers prevent SMEs from doing more business in the Single Market

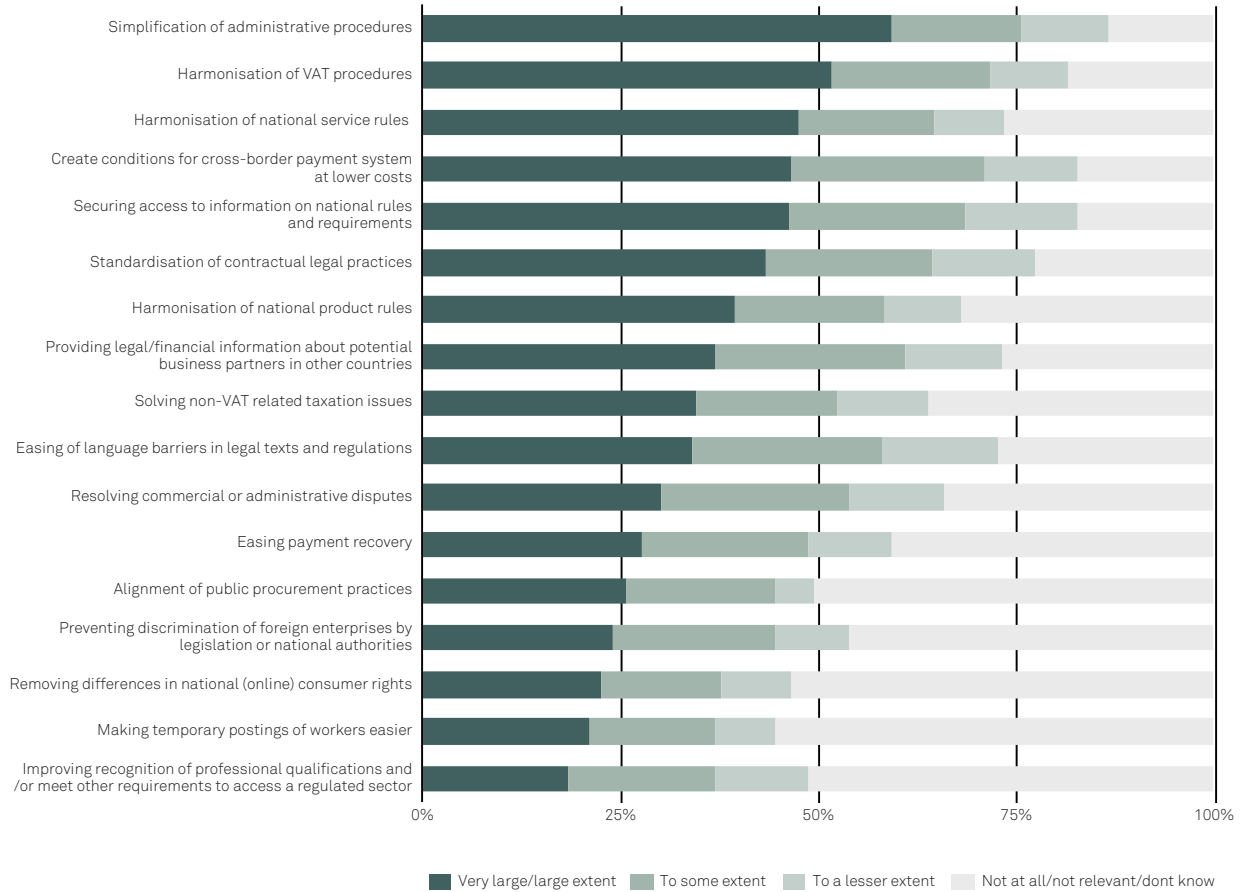


Source: Implement Economics based on an SME survey conducted by Företagarna (see Appendix 1 for further details)
 Note: Question from survey: 'To what extent do regulatory barriers prevent your firm from doing more business in the Single Market?'; n=263.



Figure 8.

Policy initiatives can help firms to do more business in the Single Market



Source: *Implement Economics* based on an SME survey conducted by *Företagarna* (see Appendix 1 for further details).

Note: Question from survey: 'To what extent would the following policy initiatives help your firm do more business within the Single Market?'; n=238.

2.2 Further simplification and harmonisation can help SMEs

The SMEs identify several policy initiatives that can help reduce regulatory barriers.²⁹ 87% of the SMEs point to simplification of administrative procedures, of which 59% say that this initiative to a very large or large extent will help them do more business in the Single Market. Almost as important are initiatives to:

- Create better conditions for cross-border payment at lower costs
- Secure access to information on national rules and requirements
- Harmonise VAT procedures

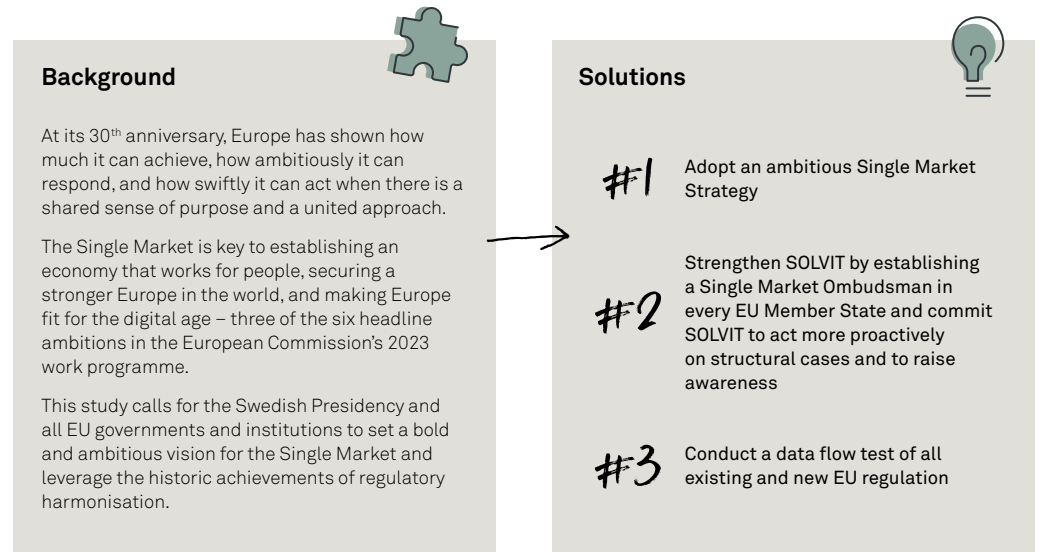
In the following chapters, we present 11 recommendations for rebooting the Single Market. These recommendations were developed based on the business challenges reported in the SME survey as well as accompanying interviews with Swedish industry organisations and businesses. In addition, the recommendations have been verified by an in-depth literature survey. There are a few policy areas of high importance to SMEs that have been left out of the study:

- **Public procurement** | SMEs see a great growth potential from removing regulatory barriers to their participation in public procurements within the Single Market, including language barriers, lack of transparency, and regulatory barriers.³⁰ We encourage future EU presidencies to initiate research in this field and implement concrete policy initiatives that make it easier for SMEs to participate in cross border public procurements.
- **Copyright** | SMEs call for a harmonisation of service rules. As some software and digital services largely consist of copyrighted content, the free movement of services is closely related to copyright. Today, free movement is hindered by the fact that copyright consists partly of EU law and partly of national law. Some things can thus be protected in one country but not in another. We call for future EU presidencies to ensure that this patchwork of directives, regulations, and national laws, which drives up transaction costs with different rights and agreements for different Member States, becomes fully harmonised.

In the overview below, we summarise the 11 recommendations and the regulatory barriers raised in the survey that they intend to address. Some recommendations address a specific challenge, while others are broader – inherently addressing a broader set of challenges. The background and proposed solution(s) of each of the challenges are explained in more detail in the following chapters.

Recommendations	Match with policy initiative requested by SMEs in the survey
#1 Adopt an ambitious Single Market Strategy	<ul style="list-style-type: none"> All regulatory barriers
#2 Strengthen SOLVIT by establishing a Single Market Ombudsman in every EU Member State and commit SOLVIT to act more proactively on structural cases and to raise awareness	<ul style="list-style-type: none"> Simplification of administrative procedures Securing access to information on national rules Preventing discrimination of foreign enterprises by legislation or national authorities Resolving commercial or administrative disputes
#3 Conduct a data flow test of all existing and new EU regulation	<ul style="list-style-type: none"> Simplification of administrative procedures
#4 Upgrade the European Semester to include recommendations on how to harmonise implementation of EU regulation and close the compliance gap	<ul style="list-style-type: none"> Preventing discrimination of foreign enterprises by legislation or national authorities Simplification of administrative procedures Harmonisation of national service rules Harmonisation of national product rules Removing differences in national (online) consumer rights
#5 Strengthen the use of the Better Regulation Toolbox by integrating implementation into the design of new regulation and consistently respecting impact assessment requirements	<ul style="list-style-type: none"> Simplification of administrative procedures Harmonisation of national service rules Harmonisation of national product rules
#6 Map and remove regulatory barriers to trade in climate goods and services within the Single Market	<ul style="list-style-type: none"> Simplification of administrative procedures Harmonisation of national service rules Harmonisation of national product rules
#7 Design the digital European product passport in a way that makes the circular work of businesses easier	<ul style="list-style-type: none"> Simplification of administrative procedures
#8 Create a one-stop-shop to Member States' extended producer responsibility (EPR) systems	<ul style="list-style-type: none"> Simplification of administrative procedures Securing access to information on national rules Simplification of administrative procedures Harmonisation of national product rules
#9 Create a single VAT ID and extend the VAT one-stop-shop	<ul style="list-style-type: none"> Securing access to information on national rules Harmonisation of VAT procedures
#10 Recognise digital labelling as a true substitute for physical labelling	<ul style="list-style-type: none"> Easing of language barriers in legal texts and regulations
#11 Create conditions for the development of easy, fast, reliable, and low-cost cross-border payments for both euro and non-euro payments	<ul style="list-style-type: none"> Create conditions for a cross-border payment system Easing payment recovery

3. Set a bold and ambitious vision for the Single Market



#1 Adopt an ambitious Single Market Strategy



Background

Securing the four freedoms of the Single Market warrants ongoing review and updates of EU regulation. The Single Market will never be complete but will need to adjust to technological developments, global conditions, and key societal challenges. The possible extension of the Single Market to Ukraine is a good backdrop for the adoption of a new Single Market Strategy.

It is necessary to take stock of its achievements over the past 30 years and look into the looming forecasts for the European economy, giving the Single Market the utmost priority. This is stated clearly in the European Commission’s 2023 work programme:³¹

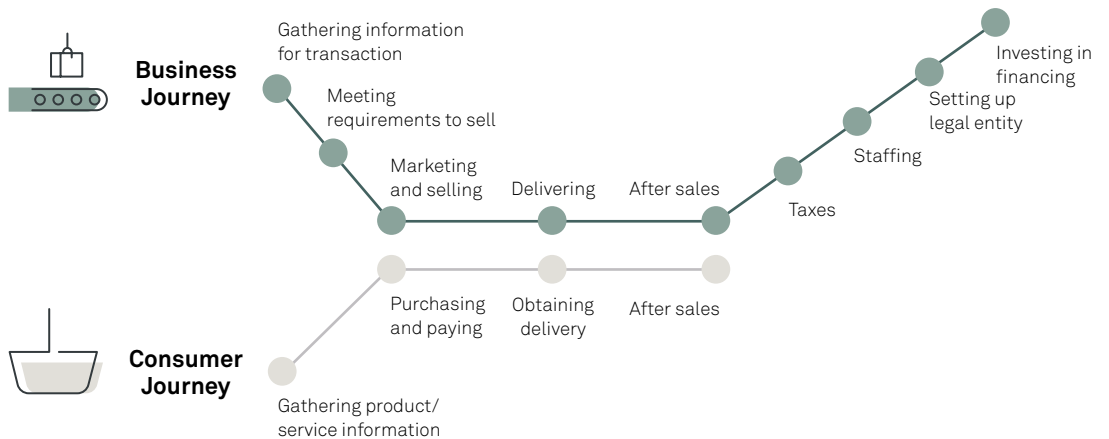
‘And Europe has shown time and again that it will rise to the occasion, whether on vaccines, economic recovery, sanctions, or support for Ukraine. In every instance, Europe has shown how much it can achieve, how ambitiously it can respond, and how swiftly it can act when there is a shared sense of purpose and a united approach. This must continue to be the driving force for our work in the year ahead.’



Solution

We urge the European Commission to be ambitious and visionary when they unfold their 2023 work programme for the Single Market. The European Commission should adopt a Single Market Strategy that clearly **reinstates the Single Market at the forefront** of the EU’s integration project. The Single Market Strategy should take a holistic approach to the full business and consumer journey to ensure that regulations do not unnecessarily limit trade in the Single Market. The Single Market Strategy should be backed by strong political leadership and integrate regulation across all pillars of the Single Market and modes of doing business.

For example, the increasing integration of trade in goods and services means that barriers to trade in services inflate costs for manufacturers and put them at a disadvantage in the global competition. Another example relates to software and digital services, which largely consist of copyrighted content. Today, free movement is hindered by the fact that copyright consists partly of EU law and partly of national law. Some things can thus be protected in one country but not in another. This patchwork of directives, regulations, and national laws drives up transaction costs with different rights and agreements for different Member States.



The Single Market does not exist in a vacuum. While focusing on the ease of doing business within the Single Market, the Single Market Strategy should therefore also form a strong foundation for attracting foreign investments, negotiating more trade agreements, securing talents, and accelerating the green transition globally.

#2 Strengthen SOLVIT by establishing a Single Market Ombudsman in every EU Member State, and commit SOLVIT to act more proactively on structural cases and to raise awareness



Background

SOLVIT was established in 2002 to help (free of charge) citizens and businesses facing problems resulting from a possible misapplication of Single Market rules. There are SOLVIT-centres in all EU Member States, as well as in Iceland, Liechtenstein, and Norway. Together, the centres form an informal problem-solving network under the auspices of the European Commission.

In 2020, SOLVIT handled around 2,600 cases with a resolution rate of 81%.³² However, firms only accounted for 135 SOLVIT cases in 2020 (5%), compared with the 2,500 cases that were submitted by citizens alone in 2020.³³ These figures stand in sharp contrast to surveys (such as the survey conducted as part of this study) that all point to regulatory barriers as one of the key obstacles to doing business across borders in the Single Market.

A recent survey of 600 firms conducted by Swedish Enterprise shows that 75% of the firms operating in the EU are unaware of the support that is available in relation to addressing barriers to operating on the Single Market.³⁴ Similarly, only 22% of surveyed European SMEs reported that they would submit complaints to SOLVIT when encountering obstacles related to their Single Market rights, compared with 81% and 75% that would instead get in contact with their lawyer and national chamber of commerce, respectively.³⁵

The low number of SOLVIT cases submitted by firms therefore indicates both a lack of awareness and a lack of confidence in SOLVIT as a relevant partner in finding a solution. However, raising awareness about SOLVIT will not be sufficient to solve the problem. There are at least three more structural issues affecting the functionality and potential of SOLVIT that must also be addressed:

- **Securing staffing and qualifications** | Due to the asymmetric distribution of costs (accruing to foreign firms that face higher entry barriers) and benefits (accruing to local firms that are more protected from competition in their home market), national authorities can lack the incentive to allocate the required resources to ensure compliance with EU rules. The European Commission has pointed out that there is a lack of qualified case handlers and excessive staff turnover rate in several SOLVIT-centres, which impact the quality of work throughout the network.³⁶
- **Addressing structural issues** | SOLVIT is an underutilised, valuable source of information about more structural problems, i.e., obstacles to the freedom of movement resulting from national rules (as opposed to administrative practices), for which the soft law approach of SOLVIT can seldom provide solutions.
- **Identifying regulatory uncertainties** | SOLVIT is mainly used for reporting cases of misapplication of Single Market rules. However, as confirmed by the survey and interviews conducted as part of this study, many regulatory barriers stem from contradictory and/or overlapping regulation that results in significant regulatory uncertainty (such as the uneven application of the country-of-origin principle).³⁷



Today, there are around 100,000 national, regional, and local authorities³⁸ responsible for the daily application of Single Market rules in the Member States, with only a fraction working within SOLVIT centres.

For some very specific areas, such as financial services, energy, or telecoms, national enforcement agencies have been set up in the Member States to safeguard compliance with EU rules. In all other areas, the European Commission is the sole institution that can monitor and effectively enforce the correct application of Single Market rules in the Member States.³⁹



Solution

We propose to establish a Single Market Ombudsman in every EU Member State (as the Head of or in collaboration with SOLVIT) to secure the correct application of EU rules. We also propose to commit SOLVIT to act more proactively on structural cases and to raise awareness, for example through structured roundtables with national business associations. Finally, SOLVIT should be a digital platform for reporting contradictory/overlapping regulation and addressing regulatory uncertainties.⁴⁰ The recommendation builds on the same three pillars as put forward by the Swedish Board of Trade.⁴¹

Firstly, each Member State shall designate an ombudsman for the Single Market. As a national, independent body, its role would be to protect the EU rights of businesses and citizens at the national level. Being part of the administration of the Member States, the ombudsman would be able to communicate with and monitor the national and local authorities in charge of applying EU rules in the country.

Secondly, the Single Market Ombudsmen must have access to effective remedies, such as the right to bring cases before the national courts. The recourse to judicial proceedings is central to an effective enforcement policy in other areas of EU law, such as competition law or the protection of personal data, and this will be an essential element of the proposed reform.

Thirdly, a network of Single Market Ombudsmen shall be set up under the auspices of the European Commission to safeguard a uniform interpretation of the EU rules in the Member States.⁴² Such network could allow for an exchange of best practices and may also include a case allocation mechanism for infringements that affect several Member States, as is the case in other areas.

In combination, the three pillars will reduce administrative costs for European firms as the enforcement and correct application of EU rules reduce regulatory fragmentation. The proposed solution also aims to prevent discrimination of foreign enterprises by legislation or national authorities and to resolve disputes. These are all challenges related to the Single Market brought forward by Swedish SMEs.



#3 Conduct a data flow test of all existing and new EU regulation



Background

The tension between data protection and data flow has characterised the digital economy from the beginning. Data flow, i.e., the possibility for firms to have access to, use, and transfer data is a prerequisite for digitisation. For example, this applies to the development of the ‘internet of things’ and artificial intelligence, which relies on processing large amounts of data.

Digital technologies and solutions also enable and accelerate the green transition across the economy and society.⁴³ For example, digital solutions are a critical enabler of demand flexibility for the forthcoming doubling of electricity use in Europe towards 2050. Also, the provision of real-time data to support climate-friendly transport choices or more climate-conscious heating behaviour in people’s homes is a cost-effective way of decarbonising. Moreover, energy security measures to reduce the EU’s imports of fossil fuels also depend on digital solutions. Around 40% of the pathway to the desired level of EU gas demand will require a degree of digital enablement.

For this reason, it is important to remove unjustified obstacles to data flows in the Single Market as the European Commission has attempted to do for example in the regulation of free flow of data.⁴⁴ Several data flow obstacles persist and are often rooted in rules aimed at protecting personal privacy (data protection).⁴⁵ This is a legitimate protection interest regulated in the EU statute on fundamental rights and thus can be said to have a constitutional value in the EU.

This means that other interests, such as the free movement of data, are subordinate to the data protection interest. EU rules that promote data flow – both within and outside the EU – can thus be declared invalid if they undermine data protection. There is thus a limit to how much the EU can liberalise data flows in the Single Market and towards third countries.

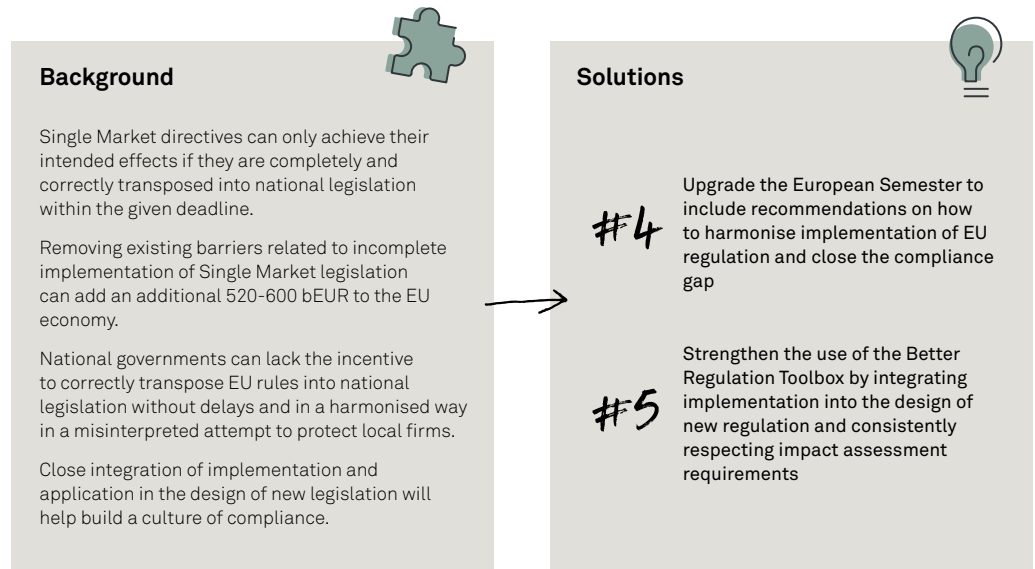


Solution

Given the overriding protection interest in personal privacy, we recommend the European Commission to put forward a proposal **to promote data flows as far as possible**. The proposal is to introduce a ‘data flow test’ intended to remove unjustified barriers. The starting point is that obstacles aimed at protecting personal privacy must be designed in a way that is least restrictive for data flows.

Such a test would oblige the legislator and regulator (at both EU and national levels) to systematically consider the free flow of data when applying data protection rules (e.g., devising new requirements, adopting guidelines or decisions in individual cases). It would also give businesses a possibility to legally challenge data protection decisions that are perceived disproportionate. Thus, the test would acknowledge the supremacy of the principle of data protection in the EU but limit the risk of abuses that would be harmful to data flows, innovation, and the green transition. Removing unjustified barriers to data flows will reduce administrative costs for European firms – the main barrier to doing business in the Single Market according to Swedish SMEs.

4. Build a culture of trust and compliance



#4 Upgrade the European Semester to include recommendations on how to harmonise implementation of EU regulation and close the compliance gap



Background

Single Market legislation can only achieve its intended effects if it is completely and correctly transposed into the national legislation of Member States by the deadline set out in the directives. Consistent transposition deficits (the gap between the number of Single Market directives adopted by the EU and transposed by a Member State) and conformity deficits (the percentage of EU directives incorrectly transposed by a Member State) add up to a large and persistent compliance gap for many members of the Single Market.

European business perspective on the transposition of EU directives

“Electrolux faces a number of diverging national laws and implementations of EU-set directives when selling cross-border within the Single Market. An example of this is the Packaging and Packaging Waste Directive, which Member States have implemented in different ways, sometimes introducing completely new requirements. For example, in France, a so-called Triman label is required on packing to indicate that a product falls within specific waste-sorting instructions.”

– Viktor Sundberg, VP Environmental and EU affairs at Electrolux

Removing existing barriers due to incomplete implementation of EU rules is foreseen to generate large EU-wide economic benefits.⁴⁶ The European Commission estimates that removing existing barriers related to incomplete implementation of EU rules on the Single Market would add an additional 520-600 bEUR to EU GDP annually (183-269 bEUR and 338 bEUR for goods and services, respectively).⁴⁷

Similar impacts can be expected in Sweden. If benefits for Sweden resemble benefits for the average EU Member State, GDP per capita could increase by 0.6% annually, and the goods and services sectors would add an additional 20-22 bEUR to Swedish GDP every year (7-10 bEUR and 12 bEUR for goods and services⁴⁸, respectively). Furthermore, increased production of goods and services is expected to increase employment by up to 28,000 jobs annually. Benefits will spread to Swedish households, where household income is expected to increase by 220 EUR annually. Lastly, investments are expected to increase by 650 mEUR annually⁴⁹ (see Figure 9).

Given Sweden's large share of trade within the Single Market, benefits for Swedish firms from improved market access are likely to be high. However, Sweden's compliance gap measured by the Single Market Scoreboard is above the EU average, and Sweden will need to get its own house in order.⁵⁰

National governments may (at least in the short term) lack the incentive to correctly transpose EU rules into national legislation without delays and in a fully harmonised way. Sometimes, this can result in so-called 'gold-plating'. Gold-plating is defined by the European Commission as 'an excess of norms, guidelines and procedures accumulated at national, regional and local levels, which interfere with the expected policy goals to be achieved by such regulation'.⁵¹ Gold-plating raises the costs for foreign businesses and constitutes a barrier to entering new markets, which can protect domestic firms while discriminating against foreign firms.



Solution

To incentivise Member States to correctly apply and take political ownership for the correct application of EU rules, we propose the upgrade of the European Semester to include recommendations on closing the compliance gap and harmonising implementation of EU regulation. The proposed solution builds on two important structures that already exist to support the functioning of the Single Market.

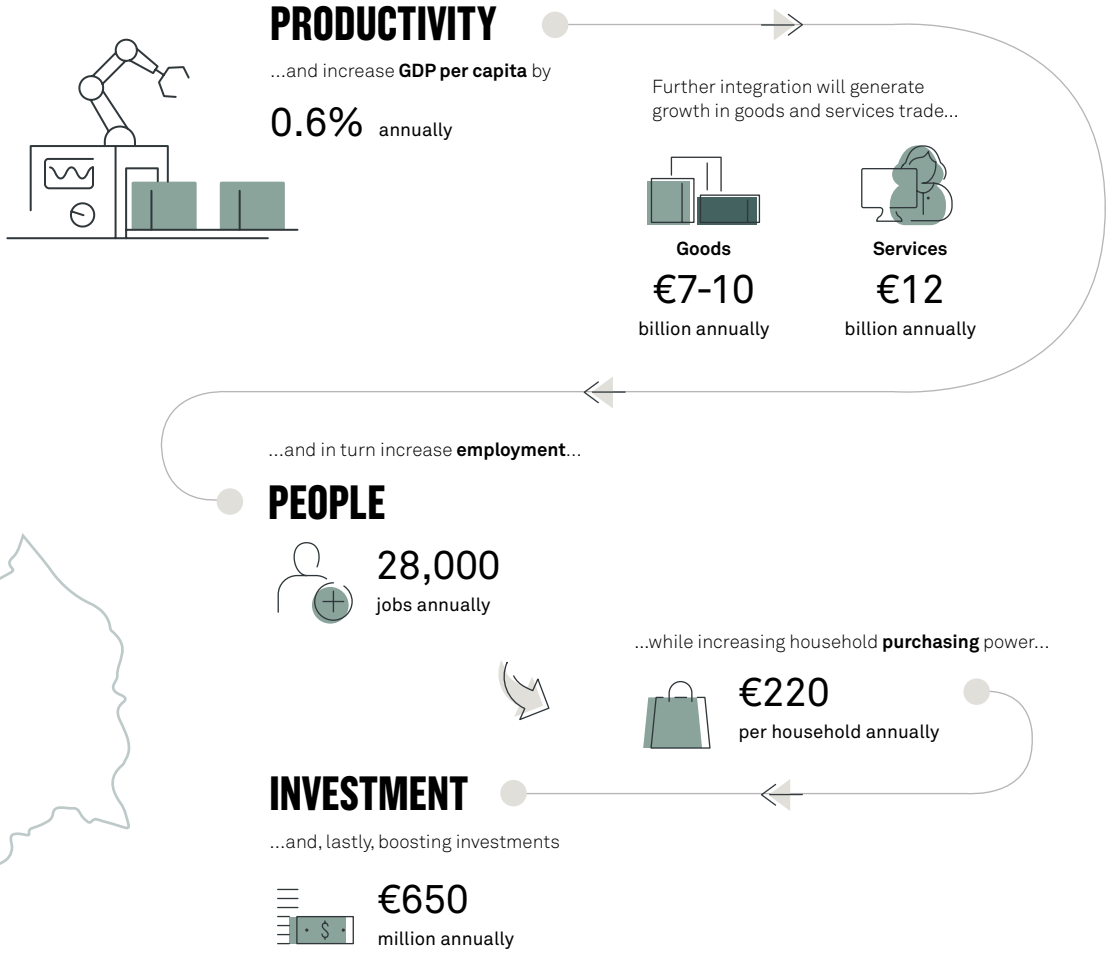
Firstly, the Single Market Scoreboard monitors Member States' performance when implementing the four freedoms, and it shows the results achieved, the feedback received, and the conclusions drawn. The Single Market Scoreboard is therefore a rich source of information that can form the basis for future action. Unfortunately, the Single Market Scoreboard was not updated for 2021, and we strongly encourage the European Commission to revert to its annual updates.

Secondly, the European Semester provides a central framework of processes within the EU socio-economic governance. The main objectives of the European Semester are contributing to ensuring convergence and stability in the EU; contributing to ensuring sound public finances;

Figure 9.

Potential benefits in Sweden from removing existing barriers in the Single Market

Accelerating the integration of the Single Market has the potential to enhance...



fostering economic growth; preventing excessive macroeconomic imbalances in the EU; and implementing the Europe 2020 strategy.⁵²

The persistent compliance gap undermines the trust of firms and citizens in the effective functioning of the Single Market. It also sends a clear signal to individual governments that lack of compliance has little consequences. We therefore propose to make recommendations on closing the compliance gap and harmonising implementation of EU regulation a part of the European Semester. The advantage is that the European Semester is governed by a combination of hard and soft law due a mix of surveillance mechanisms and possible sanctions, which can be utilised to incentivise governments to close the compliance gap.

The proposed solution will address several of the regulatory barriers that currently prevent Swedish SMEs from doing more business in the Single Market.

#5 **Strengthen the use of the Better Regulation Toolbox by integrating implementation into the design of new regulation and consistently respecting impact assessment requirements**



Background

Through its 'better regulation' policy, the Commission has committed to design, deliver, and support the implementation of high-quality policies. The Better Regulation Toolbox covers the whole EU policy cycle – planning, design, adoption, implementation, evaluation, and revision.⁵³

According to the Commission's own guidelines, an impact assessment is required when 1) a policy proposal is likely to lead to significant economic, environmental, or social impacts or entails significant spending; and 2) the Commission has a choice between alternative policy options ('room for manoeuvre'). The European Parliament, Council, and the Commission have a joint responsibility to deliver high-quality legislation.⁵⁴

High-quality legislation is required in areas where it has the greatest added value for European citizens and where it strengthens the competitiveness and sustainability of the EU economy. High-quality legislation is also a prerequisite for delivering on EU policy objectives in the simplest, most efficient, and effective way possible. Moreover, high-quality legislation is a means to avoiding overregulation and unnecessary administrative burdens for citizens, administrations, and businesses and particularly SMEs. Finally, high-quality legislation is designed to facilitate its transposition and practical application in the first place.

Recently, we have seen the Commission pushing through policy proposals that are likely to lead to significant economic, environmental, or social impacts or entail significant spending based on deficient impact assessments. One example is the lack of an impact assessment behind the proposed regulation that aims to ban the marketing of goods made with forced labour. Consequently, the proposed guidelines have been criticised for a lack of reality check and being unfit for SMEs, which have neither the capacities nor the market power to

apply them.⁵⁵ Other examples of deficient impact assessments include the Single Market Emergency Instrument (SMEI) and the Data Act.⁵⁶

Deviating from the requirement to make impact assessments or making the impact assessment obsolete in consecutive revisions is associated with the risk of adopting ineffective legislation with low value added that creates overregulation, unnecessary regulatory burdens for European firms, and unintended negative impacts. It also seems that stakeholders have varying possibilities to gain insight into the process and voice opinions, depending on which sector they have an interest in.⁵⁷



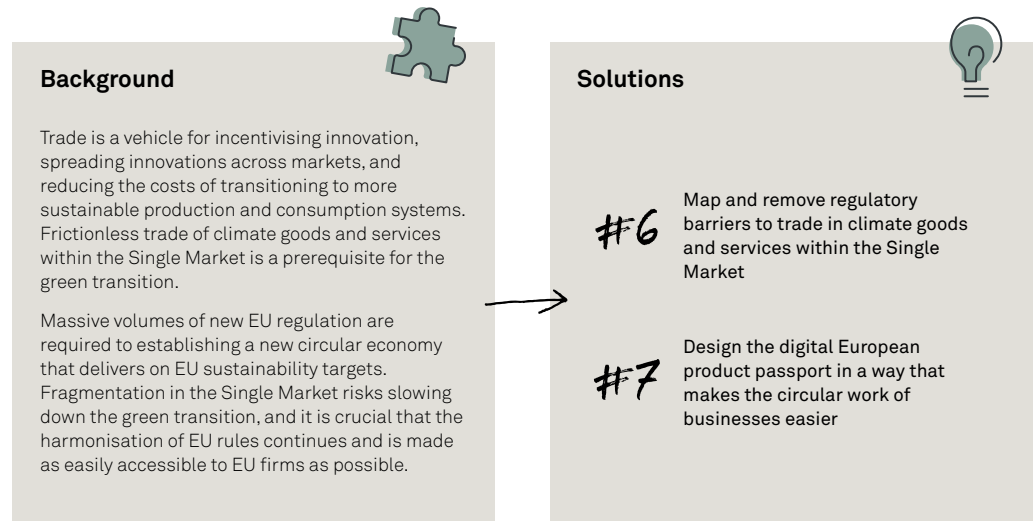
Solution

The persistent compliance gap and large administrative costs reported by firms doing cross-border activities in the Single Market indicate that more can be done to design EU legislation in a way that facilitates its effective transposition and practical application. Putting more weight on integrating implementation into the design of new regulation will help to create a culture of compliance among members of the Single Market. It will also strengthen the growth potential of European firms and in particular SMEs.

We recommend the European Commission to **strengthen the use of the Better Regulation Toolbox** by upholding the impact assessment requirement and putting more weight on integrating implementation into the design of new regulation. The proposed solution will contribute to reducing several of the existing regulatory barriers pointed out by Swedish SMEs, and the high-quality design of future regulation will reduce the risk of new administrative barriers and unintended negative impacts to emerge in the future.



5. Create a green and circular Single Market



#6 Map and remove regulatory barriers to trade in climate goods and services within the Single Market



Background

The transition to a new, decarbonised production and consumption system requires that climate-related technologies and services become available and are fully deployed. Trade is a vehicle for incentivising innovation, spreading innovations across markets, and reducing the costs of adopting new climate solutions.

The World Economic Forum has recently identified a list of 25 top climate goods that can enable emissions reductions.⁵⁸ These climate goods include energy supply, transport, carbon capture and storage (CCS) equipment, and goods for refrigerant management. Proposed climate technologies include wind and solar power, heat pumps, alternative refrigerants, insulation, efficient motors, LED lighting, smart thermostats, electric cars, and biogas stoves.

Regulatory barriers pose significant obstacles to global trade in climate goods (up to 10 times more than tariffs⁵⁹), and the top three barriers include technical barriers to trade (mainly standards, technical regulations, and labelling requirements as well as conformity assessment procedures, product testing, and certification), local content requirements, and challenges concerning government procurement.

The World Economic Forum furthermore points out that trade in climate goods to a large extent hinges on the ability to provide climate-related services. The report presents a list of climate services, including ‘traditional’ environmental services (such as sewage, refuse disposal, and sanitation) and ‘non-traditional’ services that enable or are indispensable to climate goods trade.

The ‘non-traditional’ environmental services appear most frequently in the three categories:

- Other professional technical and business services
- Construction services
- Telecommunication, broadcasting, and information supply services (also called digital services)

Research shows that a host of barriers limit global trade in these climate services, including barriers to setting up in a country, visa issues, discriminatory tax systems, and data transfer limitations.⁶⁰ Limiting climate-related services trade can result in missed opportunities for the sale and deployment of climate goods, see Figure 10 for an illustration of successful deployment of climate goods, with no barriers across the different modes of delivery of climate services.



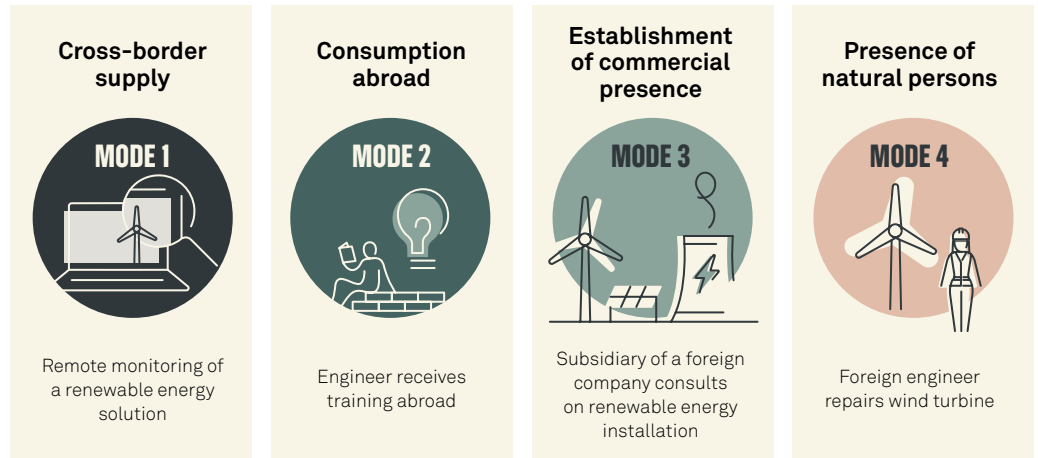
Solution

Addressing and removing regulatory barriers to trade in climate goods and services within the Single Market can accelerate decarbonisation in Europe by structuring market signals, incentivising innovation, and reducing the costs of adopting new technologies. A fully integrated Single Market in climate goods and services will also strengthen the international competitiveness of EU producers.

We recommend the European Commission to initiate a mapping of existing regulatory barriers to trade in climate goods and services within the Single Market. Based on the mapping, the European Commission should develop a roadmap for the **removal of critical barriers** and thoroughly monitor the implementation of the roadmap at both the EU and national levels. Furthermore, the European Commission should use lessons learnt from reducing barriers to trade in climate services to other types of services to get closer to a fully integrated Single Market for services.

Figure 10.

Services trade supports the adoption of climate goods



Source: *Implement Economics based on World Economic Forum (2022), Accelerating Decarbonization through Trade in Climate Goods and Services, Insights Report September 2022.*

#7 Design the digital European product passport in a way that makes the circular work of businesses easier



Background

The Digital Product Passport (DPP) is a key proposal of the Ecodesign for Sustainable Product Regulation (ESPR), which looks to gather information on a product over the value chain in order to provide a comprehensive understanding of materials and products as well as their associated environmental impact. The DPP sets out to promote sustainable production and circular business models, while providing consumers with a higher level of transparency over the value chains of products. As a digitalised solution, it aims to ensure more efficient transfer of information between actors and to consumers than physical alternatives.^{61,62}

On the flipside of the numerous opportunities are also challenges, including technical and legal issues concerning data management and sharing, intellectual property, as well as governance and market surveillance.⁶³ Comprehensive planning and testing will need to be done to ensure these challenges do not come in the way of realising the DPP's circular economy objectives and create more Single Market barriers for businesses.

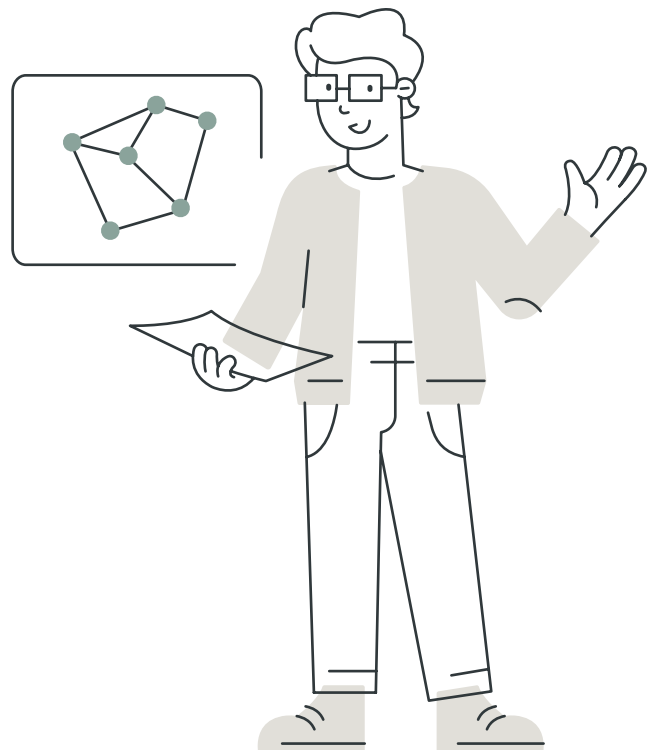


Solution

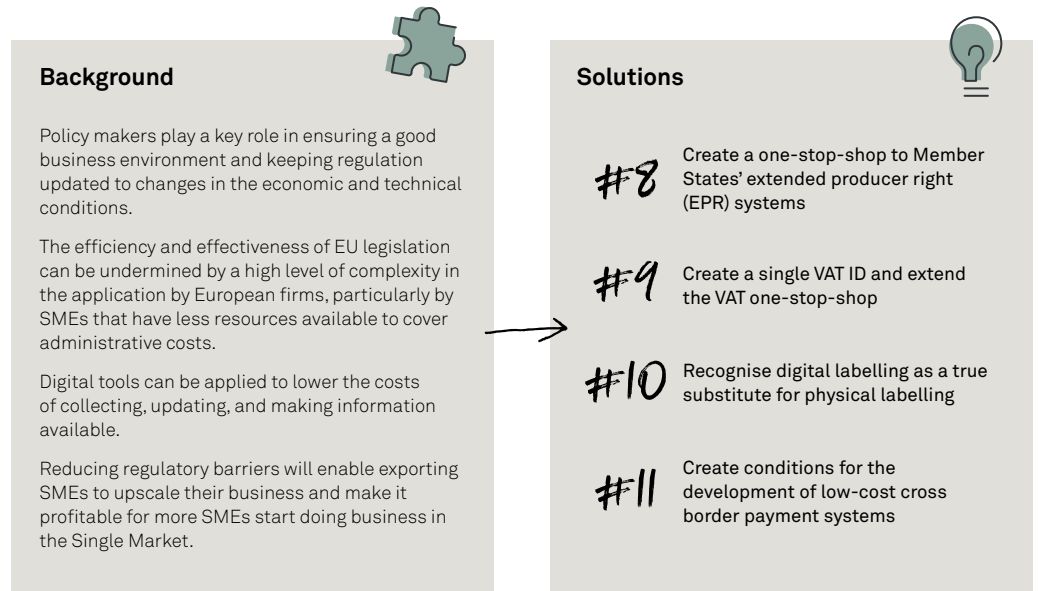
A well-designed DPP can make important product-specific information available, making it more accessible to actors in the value chain. As such, it can also serve as a powerful tool for businesses in their contribution to the decarbonisation of the economy. However, if not designed carefully and with stakeholder input, including especially the views of SMEs, there is risk that the DPP will introduce high administrative burdens and costs for businesses, therefore limiting its potential and creating a lack of cohesion within the Single Market.

Therefore, we recommend that **the DPP is designed with the following features:**

- That only relevant data is required, understanding the complexity of and time requirement for gathering detailed information along the entire value chain.
- The required data needs to be aligned with existing databases and systems as to not create silos or duplication of efforts.
- That intellectual property rights are protected – again requiring a careful consideration of the data that is absolutely relevant for meeting the objectives (essentially requiring only ‘need-to-know’ and not ‘nice-to-know’ data).



6. Create growth with digital tools and solutions



#8 Create a one-stop-shop to the extended producer responsibility (EPR) systems of Member States



Background

Extended producer responsibility (EPR) is an EU environmental policy tool that assigns responsibility to producers for the collection, sorting, and treatment of products at the post-consumer stage. EPR schemes vary widely across the EU, both between Member States and between different product categories. This means that the efficiency and effectiveness of EPR schemes are undermined by their high level of complexity and non-harmonisation, sometimes requiring separate registration of sales from producers in each Member State.⁶⁴

The diverging EPR requirements entail high administrative and financial burdens for businesses, potentially blocking their ability to trade within the Single Market. This is especially the case for SMEs, which often sell volumes that are too small to justify the disproportionately high compliance costs.

Furthermore, the current fragmented set-up of the EPR makes it susceptible to freeriding, whereby producers avoid the EPR obligations at their place of sale by not having a physical or legal entity in that location.⁶⁵ This puts legitimate producers, who must do and pay more to compensate, at a competitive disadvantage.



Solution

Harmonised EPR schemes can help strengthen the circular economy within the Single Market, while lowering unnecessary costs for businesses to act in an environmentally responsible manner.

We recommend **establishing a truly harmonised approach to EPR**: a digital EPR 'one-stop-shop' solution that would facilitate single EPR registration and reporting across all Member States. Overseen by the European Commission, this one-stop-shop would also serve as a centralised and up-to-date information portal on EPR requirements across all Member States, operating at the product-level. Ideally, significant work should be done to improve and speed up the standardisation of EPR schemes across Member States and, as much as possible, across product categories, prior to and otherwise after the launch of the EPR one-stop-shop.

Such a solution would make it easier and less costly for producers to comply with EPR regulations related to all the products sold in any given Member State, while at the same time lowering regulatory barriers to trade (and therefore increasing trade) within the Single Market and strengthening circularity.

Finally, allowing simplified compliance approaches via a Simplified Compliance Model (SCM) within the one-stop-shop solution would support, facilitate, and enable third-party sellers that use the online marketplace to comply with their EPR reporting and payment obligations. More specifically, the SCM would allow online marketplaces to report quantities placed on the market and pay associated EPR fees on behalf of third-party sellers.

#9 Create a single VAT ID and extend the VAT one-stop-shop



Background

Currently, an SME will require on average 13 documents to complete one VAT registration process, 100 days to get a VAT number, around €8,000 per country per year in compliance costs, and up to 60 VAT filings per country per year to be submitted.⁶⁶

The European Commission has recently commissioned a study on VAT⁶⁷, which covers three distinct but interrelated areas of VAT policy:

- Digital Reporting Requirements (DRRs);
- The VAT Treatment of the Platform Economy; and
- The Single VAT Registration and Import One-Stop-Shop (IOSS).



SME perspective on EU VAT rules

“Lack of uniform VAT rules and declaration makes it difficult and costly for an SME like N!CK’S to trade cross-border within the Single Market. For example, there are instances where our products may be stored in a new, temporary warehouse for only one month, and we still need declare VAT in the country where the warehouse is located. This itself requires considerable legal and administrative resources, especially given the very short period of storage. There are also often many language barriers associated with applying for VAT.”

– Pierre Magnusson, Head of E-commerce at N!CK’S

The purpose of the study was: (i) to assess the current situation regarding the three domains listed above; and (ii) to assess the impacts of several possible policy initiatives in these areas. The report is intended to feed into the preparation of an impact assessment by the European Commission to affirm possible legislative or non-legislative initiatives. The European Commission’s proposal will be published in Q4 2022.



Solution

We call for the Swedish Government to create a single VAT ID in the EU and extend the existing VAT one-stop-shop concept to cover all goods transactions (including pan-EU inventory placement and onward sales). Such a simplification will allow SMEs to comply with their VAT compliance obligations using a single VAT registration number, cutting down cost and complexity and helping drive growth. Less burdensome VAT procedures is one of the policy initiatives that Swedish SMEs would find most beneficial for doing more business in the Single Market. We therefore urge the European Commission to support the SME perspective in their Q4 proposal.

As well as reducing administrative burdens on SMEs and granting them greater access to the European Single Market, tax authorities will also benefit from a Single VAT ID, as reduction in complexity increases compliance.⁶⁸ From the perspective of national governments’ public finances, the simplification is likely to result in increased trade leading to additional VAT revenues and a more competitive market in the EU. Finally, customers will benefit from a larger selection, more competitive prices and a better shopping experience when buying goods online.



#10 Recognise digital labelling as a true substitute for physical labelling



Background

To place products on the EU market, producers are required to indicate a variety of different product compliance and conformity information on their products – both at the EU and Member State level. At the EU level, this includes requirements such as technical product documentation, CE marking, the EU Declaration of Conformity and traceability requirements (registered trademark or trade name and address), energy labels, and the WEEE label.⁶⁹The requirements vary depending on the products in question. For example, for substances and mixtures, fertilisers, and detergents producers are required to report specific chemical product information.⁷⁰

At the Member State level, producers are required to present information in the official language(s) of the Member State where the product is marketed, and in some instances, additionally comply with different national product-specific labelling requirements.⁷¹

These varying labelling requirements present a high resource and administrative cost to producers, especially for SMEs selling smaller quantities. Additionally, the EU still relies exclusively on physical marking on products and/or product packaging, whereby digital communication on product labels is done only on a voluntary basis.

Physical product labels are often overloaded with information written in fine print, making them difficult to read and understand. Furthermore, essential product information provided on the physical labels of a product is largely restricted to the content and language available at the time of manufacturing, meaning that this information is at risk of becoming lost or unreadable during the lifecycle of the product. As consumers expect increasingly more transparency on the products they consume, physical labelling is becoming an undynamic and restrictive way to convey important information that is both up-to-date and relevant.



Solution

Digital labelling can respond to the increased demand for transparency on products purchased by producers. It can convey more information to consumers, beyond what is possible on physical labels. For instance, in the EU medical device regulations, standards are already in place prescribing how a device needs to be labelled so that the user understands that the instructions and more information can be found online.

Digital labels also have the advantage of being easily updatable, findable, and able to be provided in all official languages for a specific product – at a much lower cost and higher convenience to producers than physical labels.⁷² As once-written product information may quickly become irrelevant as technologies advance and legislations change, digital labelling provides a more flexible, efficient, and scalable option to address this challenge. Digital labelling, as an alternative to physical labelling, can facilitate trade across borders within the Single Market.

Digital labelling proposals have received positive responses from consumers, firms, and authorities. Moreover, much of the rest of the world (more than 56% of the world economy), including leading economies such as the USA, China, and Japan, have already adopted digital labelling, while the EU is the last major economic power that does not allow the electronic display of product compliance.⁷³

We therefore recommend that the European Commission brings EU labelling requirements to the digital era by providing manufacturers the option to choose whether to market their product digitally or physically – i.e., recognising digital labels as true substitutes for physical labels across product groups and Member States. This should build on the momentum and learnings already taking place within the digital labelling proposals of the chemical regulations.⁷⁴

#11 Create conditions for the development of easy, fast, reliable, and low-cost cross-border payments for both euro and non-euro payments



Background

As the survey clearly shows, Swedish SMEs find it critical for the functioning of the Single Market that cross-border payment methods are affordable and effortless for businesses and consumers. Today, cross-border payment options in the EU are mostly limited to Visa and Mastercard payments, while domestic transfers benefit from a broader range of payment options, including bank transfers and instant mobile payments (such as Swish in Sweden). Higher fees on cross-border payments than domestic payments make it harder for foreign businesses to compete on price, potentially preventing them from selling products and services abroad and limiting the availability of goods and services for consumers.

The Payment Services Directive (PSD2) provides the legal foundation for electronic payments within the EU and sets out rules regarding security, protection of consumer financial data, authentication, fraud mitigation, user rights, and payment service provider obligations.

In May 2022, the European Commission launched both public and targeted consultations to review the PSD2.⁷⁵ More than 4,000 stakeholders responded, highlighting the perceived importance of creating better conditions for the development of a low-cost cross border payment system in the Single Market. The European Banking Authority (EBA) put forward more than 200 proposals to amend PSD2 aimed at:⁷⁶

- Enhancing competition
- Facilitating innovation
- Protecting consumers' funds and data
- Fostering the development of user-friendly services
- Preventing exclusion from access to payment services
- Ensuring a harmonised and consistent application of the legal requirements across the EU

From an SME perspective, inconsistencies in the implementation and interpretation of PSD2 requirements across EU Member States are particularly burdensome.



Solution

We encourage the EU to design an enabling, open, and competitive legislative framework to facilitate low-cost, easy, safe, and reliable cross-border payments. Regulators should avoid foreclosing access to seamless provision of cross-border solutions. Instead, appropriate incentives should foster a competitive ecosystem to empower consumers to make informed decisions, while reducing cost of payments for merchants.

A more competitive framework for cross-border payments would ensure that EU citizens have access to a diverse range of providers, all of whom operate within an open, competitive setting, including traditional financial providers such as banks, fintech providers, and platform operators. The EU should also lead the regulatory development concerning instant payments and central bank digital currencies to further modernise cross-border financial services, set high standards internationally, and ensure the competitiveness of the EU.



Appendix 1

Description of the SME survey

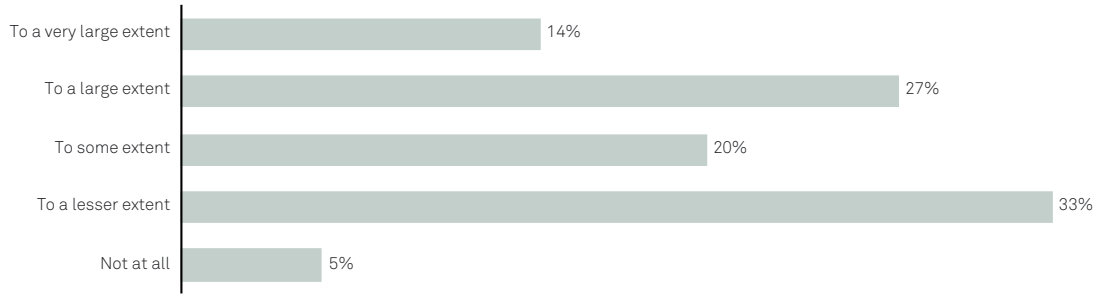
To support this study, we carried out a survey, together with the Swedish Federation of Business Owners, Företagarna, among members of the association. The objective of the survey was to identify key barriers and possible solutions to conducting business on the Single Market. The survey was open between 27 September and 4 October 2022. The target group of the survey was SMEs that either export to the Single Market or SMEs that would like to export to the Single Market, but do not do so today. The survey contained a total of 14 questions (12 in multiple-choice format and 2 open-ended questions).

In total, 987 SMEs participated in the survey, of which 76% (228) were exporting SMEs and 72 were SMEs that currently do not export but would like to export. Most of the respondents conduct business in 'manufacturing or heavy industry' (28%) and 'retail or wholesale' (16%). The survey responses include a good representation of different-sized SMEs.

A selection of responses has been used for analysing, prioritising, and designing the policy recommendations presented in the main chapters of the report. A more complete overview of the survey responses is provided in this appendix.

Figure 11.

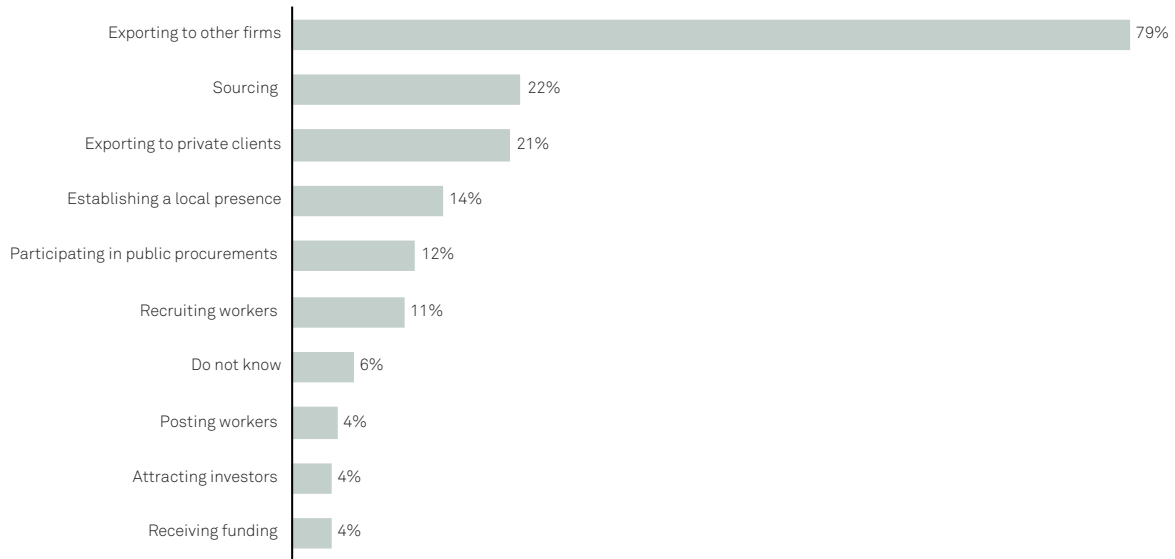
Exporting SMEs' benefits from doing business in the Single Market



Note: Question from survey: 'To what extent does your company benefit from the Internal Market?', n=204.

Figure 12.

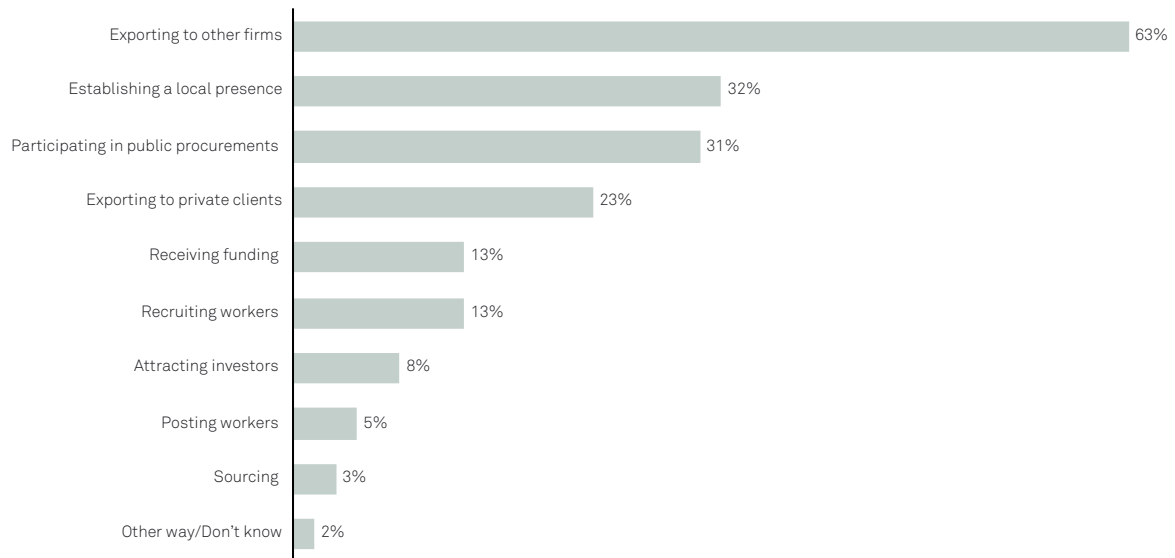
Potentials for growing their business in the Single Market, exporting SMEs



Note: Question from survey: 'Where do you see the largest potentials within the Single Market for growing your business?', n=189.

Figure 13.

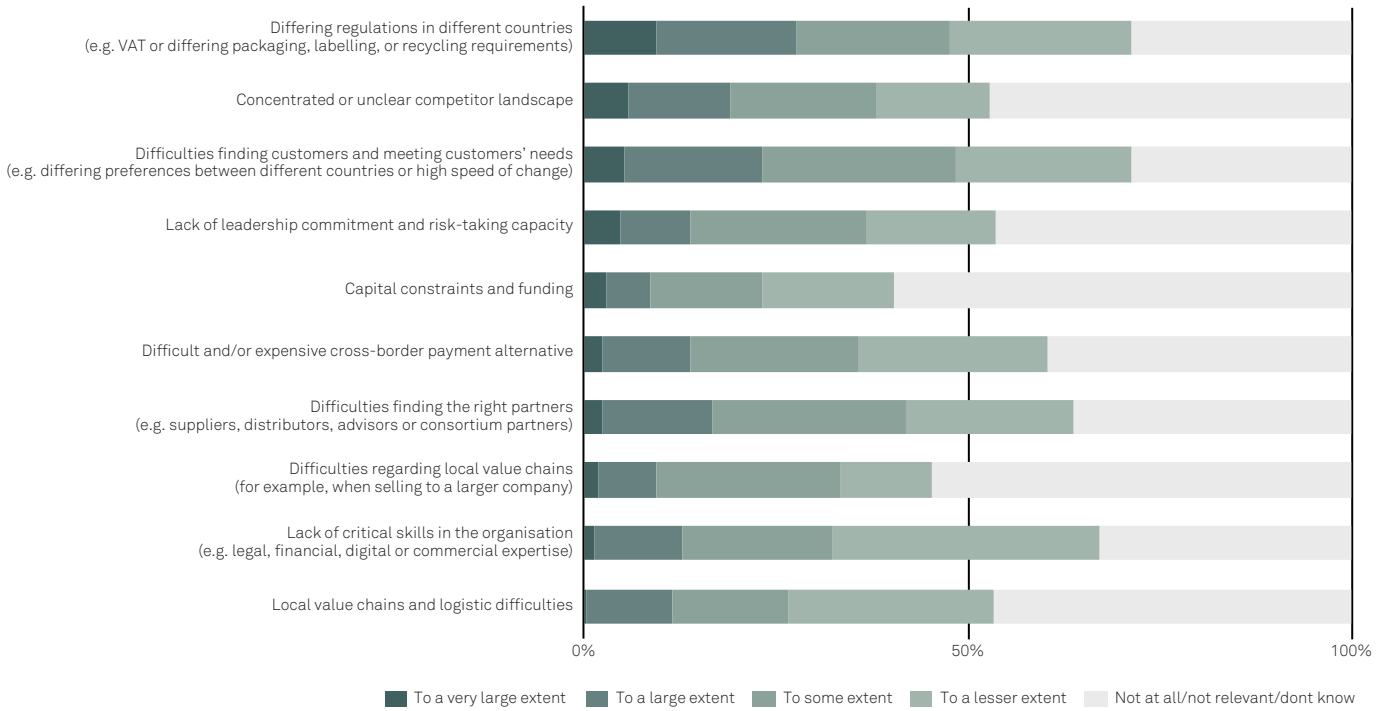
Potentials for growing their business in the Single Market, non-exporting SMEs



Note: Question from survey: 'Where do you see the largest potentials within the Single Market for growing your business?'; n=62.

Figure 14.

Critical barriers to doing business in the Single Market, exporting SMEs

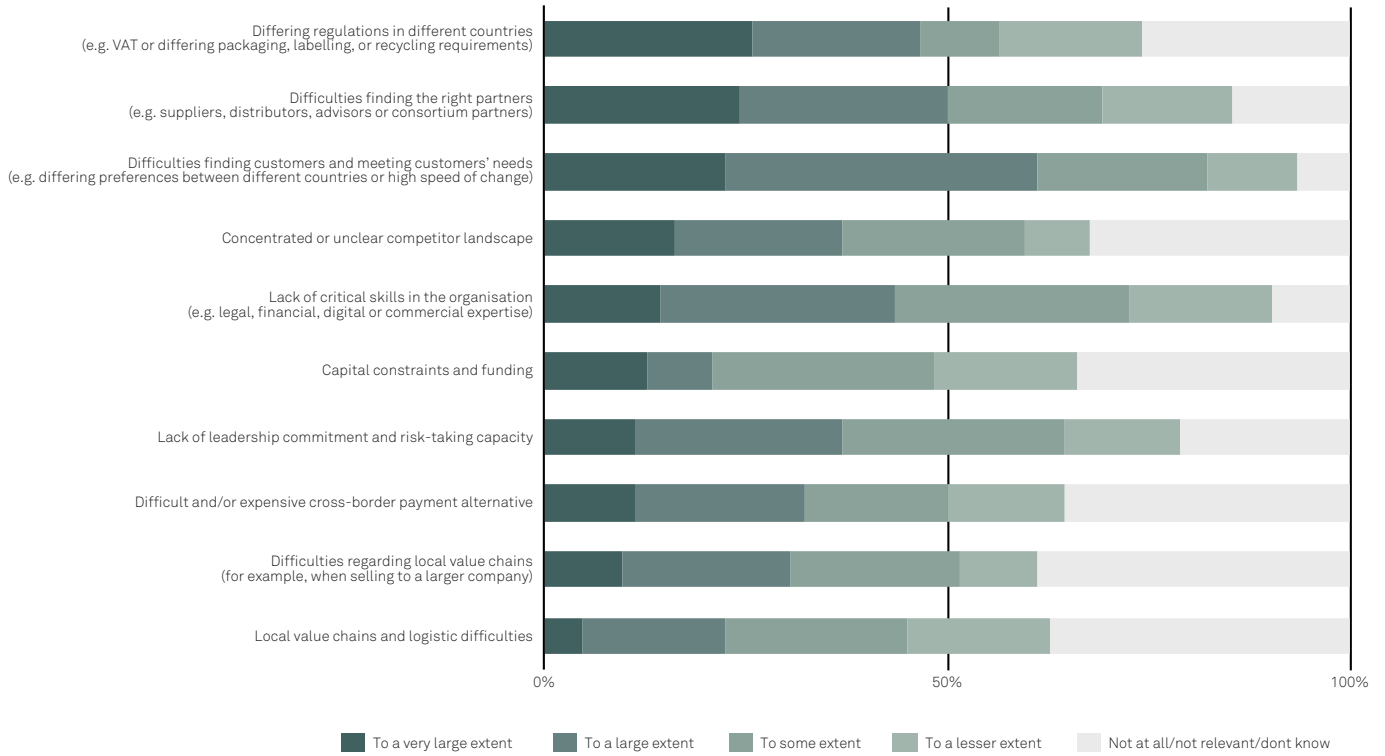


Source: Implement Economics based on an SME survey conducted by Företagarna.

Note: Question from survey: 'What do you perceive as the most critical barriers to doing business within the Single Market?'; n=210.

Figure 15.

Critical barriers to doing business in the Single Market, non-exporting SMEs

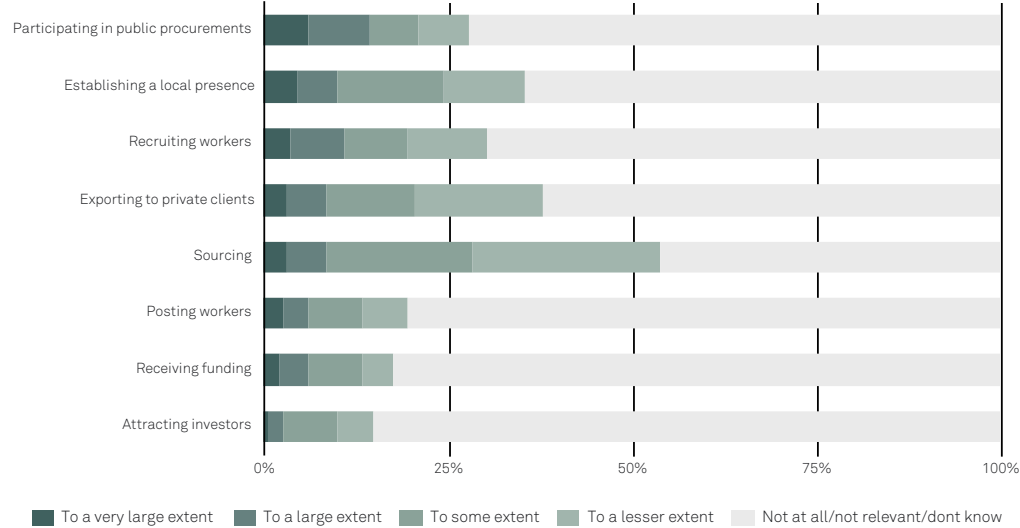


Source: Implement Economics based on an SME survey conducted by Företagarna.

Note: Question from survey: 'What do you perceive as the most critical barriers to doing business within the Single Market?'; n=62.

Figure 16.

Regulatory barriers, exporting SMEs

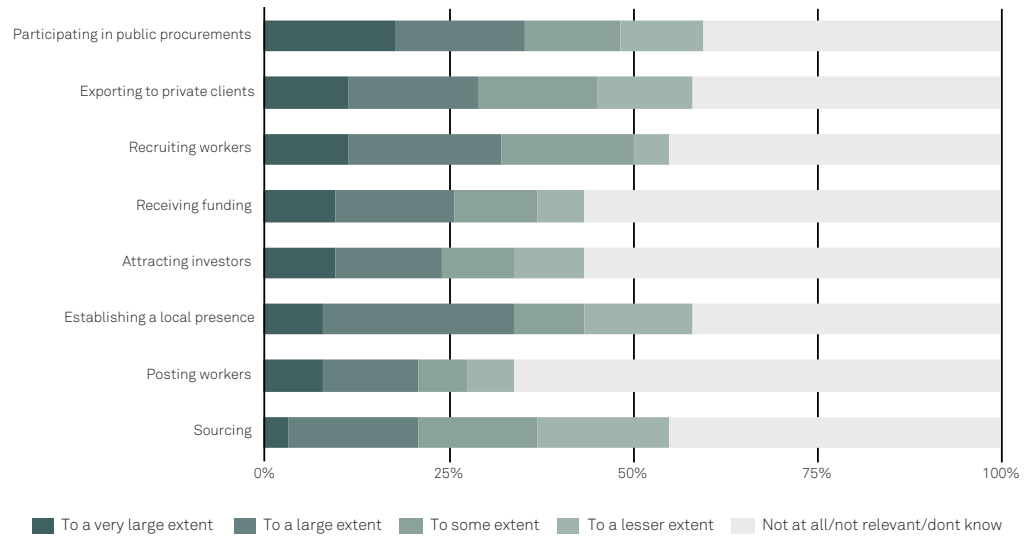


Source: Implement Economics based on an SME survey conducted by Företagarna.

Note: Question from survey: 'To what extent do regulatory barriers prevent your firm from doing more business in the Single Market?', n=201.

Figure 17.

Regulatory barriers, non-exporting SMEs

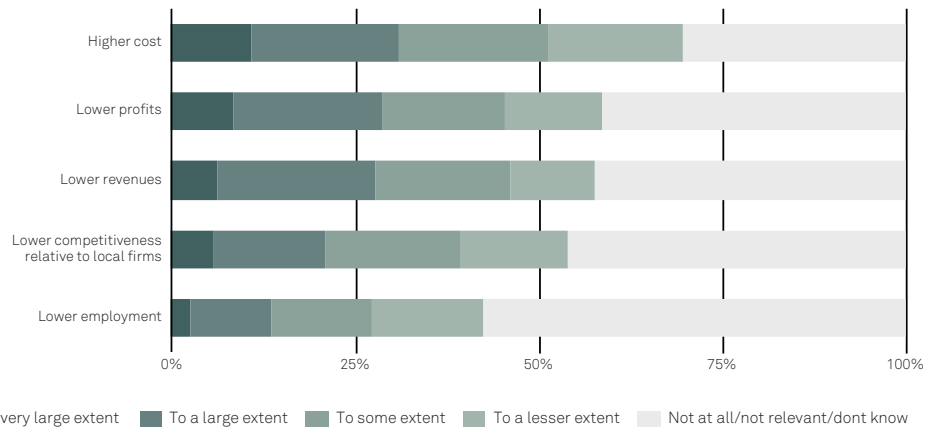


Source: Implement Economics based on an SME survey conducted by Företagarna.

Note: Question from survey: 'To what extent do regulatory barriers prevent your firm from doing business in the Single Market?', n=62.

Figure 18.

Consequences of regulatory barriers, exporting SMEs

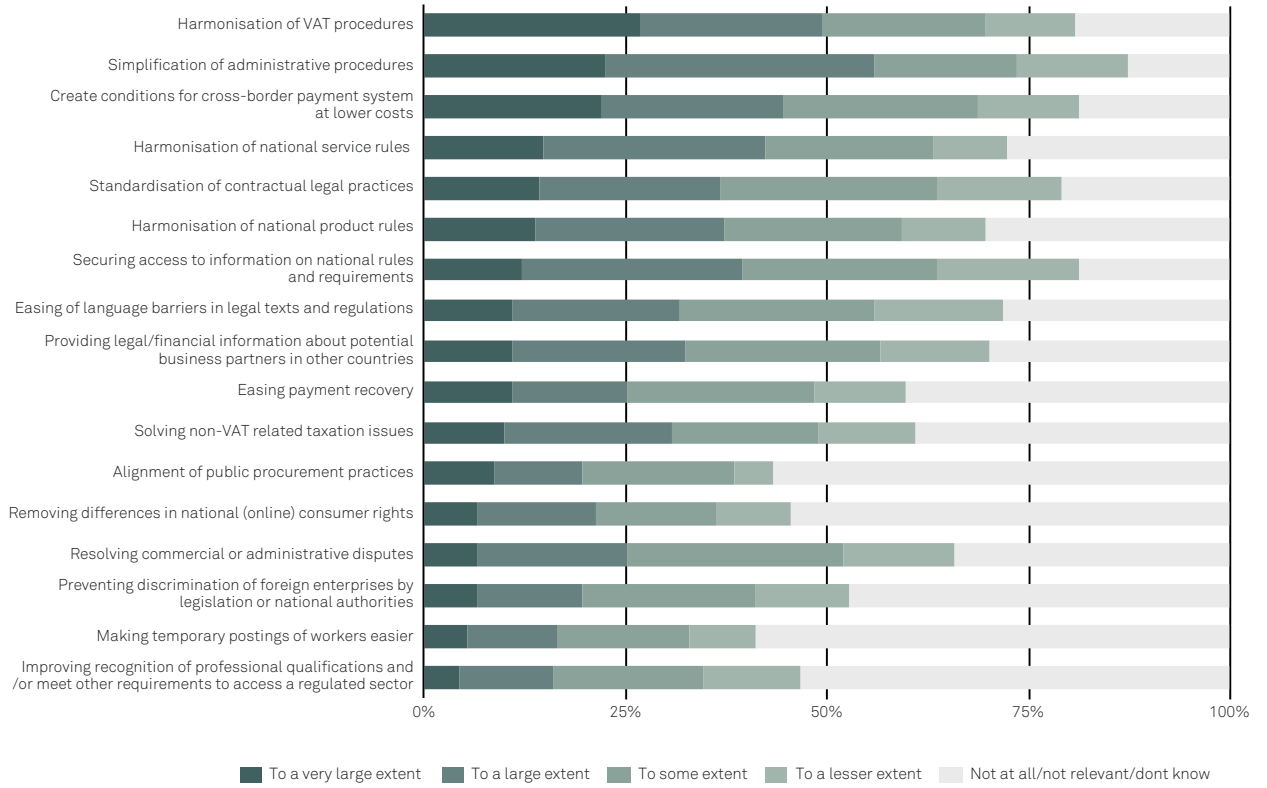


Source: Implement Economics based on an SME survey conducted by Företagarna.

Note: Question from survey: 'What are the implications for your business of regulatory barriers to doing business within the Single Market?', n=191.

Figure 19.

Policy initiatives that could help, exporting SMEs

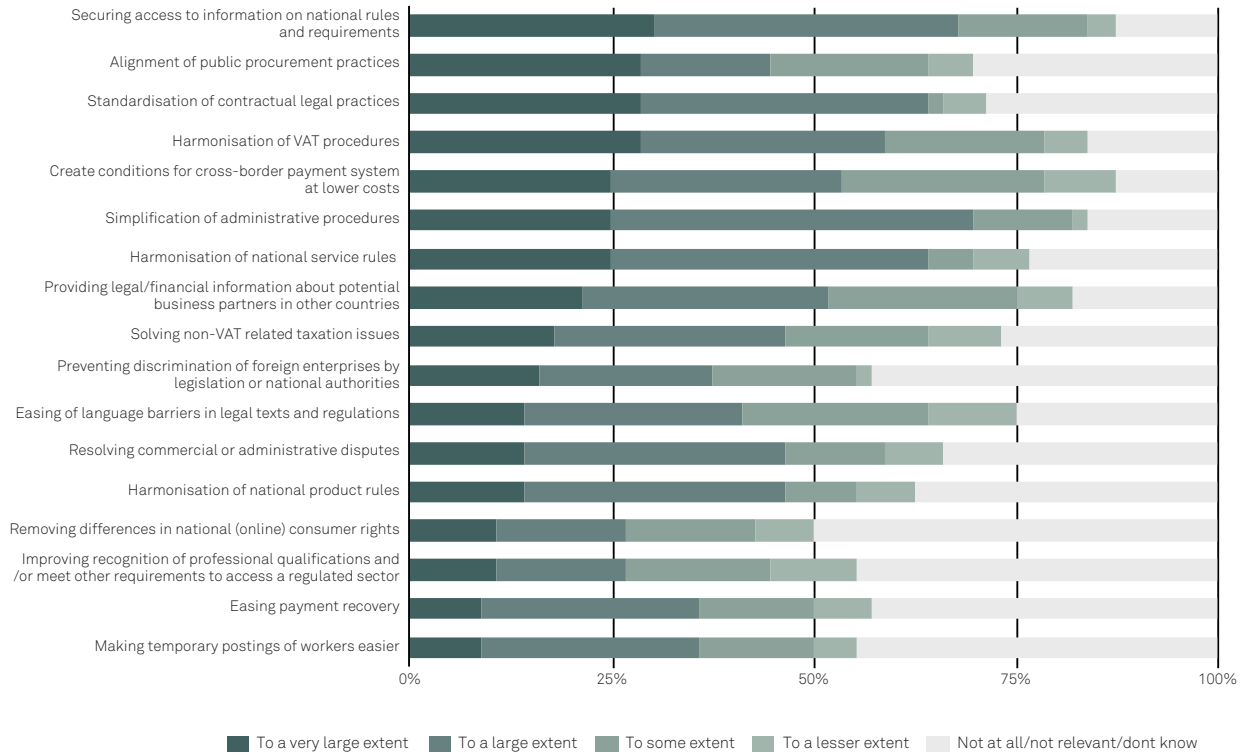


Source: Implement Economics based on an SME survey conducted by Företagarna.

Note: Question from survey: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?'; n=182.

Figure 20.

Policy initiatives that could help, non-exporting SMEs



Source: wImplement Economics based on an SME survey conducted by Företagarna.

Note: Question from survey: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=56.

Endnotes

- 1 OECD (2022). Trade in goods and services.
- 2 LE Europe (2017). The EU Single Market: Impact on Member States.
- 3 Regeringskansliet (2018). 25 år med EU:s inre marknad – Världens största gränsfria samarbetsområde för fler jobb, företag och ökad tillväxt.
- 4 Government Offices of Sweden, Ministry of Foreign Affairs (2022). The European Single Market – a Shared Success for Europe. Kommerskollegium (2021). Sveriges utrikeshandel med varor och tjänster-samt direktinvesteringar 1kv 2021.
- 5 Regeringskansliet (2018). 25 år med EU:s inre marknad – Världens största gränsfria samarbetsområde för fler jobb, företag och ökad tillväxt.
- 6 SCB (2020). Direct investment. Asset by Country. Year 2008-2020, FM0001T06.
- 7 European Commission (2022). Governance of Migrant Integration in Sweden. Svenskar i Världen (2022). Ny kortläggning: Antalet svenskar som bor utomlands ökar.
- 8 Svensk Näringsliv (2022). SME prioriteringar. European Commission (2022). SME Performance Review 2011/2022 – Sweden Country Sheet.
- 9 Yazdanfar, D. and Öhman, P. (2018). Growth and Job Creation at the Firm Level: Swedish SME data.
- 10 European Commission (2022). SME Performance Review 2021/2022 – Sweden Country Sheet.
- 11 European Commission (2022). Internal Market, Industry, Entrepreneurship and SMEs.
- 12 WTO (2016). Levelling the Trading Field for SMEs.
- 13 USITC (2019). U.S. SME Exports: Trade-related Barriers Affecting Exports of U.S Small and Medium-sized Enterprises to the United Kingdom.
- 14 HBS (2018). 25 Years of the European Single Market.
- 15 Eurostat (2022). Trade by NACE Rev. 2 Activity and Enterprise Size Class.
- 16 BEUC (2022). Making the most of EU Advance Purchases of Medicines.
- 17 European Commission (2022). Questions & Answers on Vaccine Negotiations.
- 18 European Commission (2022). Safe COVID-19 Vaccines for Europeans.
- 19 European Council (2022). EU Sanctions against Russia Explained.

Reboot of the Single Market

- 20 Bradford, A. (2020). *The Brussels Effect: How the European Union Rules the World* (p. 71). Oxford Academic.
- 21 European Commission (2022a). *Negotiations and Agreements*.
- 22 WTO (2022). *Regional Trade Agreements Database*.
- 23 European Commission (2022). *EU Trade Agreements: Delivering for Europe's Businesses*.
- 24 Bradford, A. (2020). *The Brussels Effect: How the European Union Rules the World* (p. 23). Oxford Academic.
- 25 Bradford, A. (2020). *The Brussels Effect: How the European Union Rules the World* (p. 63). Oxford Academic.
- 26 European Commission (2021). *Strategic Dependencies and Capacities*.
- 27 ERT (2021). *European Business Leaders Adjust Expectations Slightly Downward*; Eurochambres (2019). *The State of the Single Market: Barriers and Solutions*. European Commission (2020). *A Single Market that Delivers for Businesses and Consumers*.
- 28 The response categories used in this survey questions are from a survey commissioned by Business Finland and conducted by Implement Consulting Group, see Implement Consulting Group (2022). *Impact study on economic growth*.
- 29 The response categories used in this survey questions are based on the business survey from Eurochambres (2020). *The State of the Single Market: Barriers and Solutions*.
- 30 European Commission (2021). *SME Needs Analysis in Public Procurement*.
- 31 European Commission (2022). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions, Commission Work Programme 2023 - A Union Standing Firm and United*.
- 32 European Commission (2020). *Single Market Scoreboard*.
- 33 European Commission (2022). *Single Market Scoreboard: SOLVIT*.
- 34 Svenskt Näringsliv (2021). *Swedish Enterprise's Agenda for an Open and Competitive Single Market*.
- 35 Eurochambres (2019). *The State of the Single Market: Barriers and Solutions*.
- 36 European Commission (2020). *Single Market Scoreboard*.
- 37 The country-of-origin principle states that, where an action or service is performed in one country but received in another, the applicable law is the law of the country where the action or service is performed. Strengthening this principle ensures a regulatory regime that either provides full harmonisation of law or effectively applies country of origin principles based on a culture of trust among Member States and their administrations. This is necessary to address over-implementation and gold-plating. National authorities should fully respect the principle of mutual recognition and stop restricting market access based on national rules. Following this principle is important for the free movement of people and will pave the way for a full implementation of the Services Directive.
- 38 Eurostat (2020). *Statistical Regions in the European Union and Partner Countries* (p.7-8). 2020 edition.
- 39 Eurostat (2020). *Statistical Regions in the European Union and Partner Countries* (p.7-8). 2020 edition.
- 40 De Stree et al. (2020). *The E-commerce Directive as the Cornerstone of the Internal Market*, requested by the IMCO Committee.
- 41 Kommerskollegium (2022). *For a Single Market Ombudsman in every EU State*.
- 42 As pointed out by the Swedish National Board of Trade, similar networks are already in place in various areas of Union law and aim notably at avoiding divergences of interpretation by specialised authorities, for instance for the enforcement of the EU rules on competition (the European Competition Network), data protection (the European Data Protection Board), or consumer protection (the Consumer Protection Cooperation Network).
- 43 Implement Consulting Group (2022). *Digital Decarbonisation - How the Digital Sector is Supporting Climate Action*, commissioned by Google.
- 44 See EUR-Lex (2018). *Regulation (EU) 2018/1807 of European Parliament and of the Council of 14 November 2018 on a framework for the free flow of nonpersonal data in the European Union*.
- 45 Kommerskollegium (2021). *Främja Dataöverföring och Datadelning genom ett Nytt Dataflödestest*.
- 46 European Parliamentary Research Service (2014). *The Cost of Non-Europe in the Single Market*.
- 47 European Commission (2020). *A Single Market that Delivers for Businesses and Consumers*.
- 48 The calculations are based on European Commission (2020). *A Single Market that Delivers for Businesses and Consumers*. We applied the Swedish share of EU GDP to get a country-level estimate for the growth potential in goods and services trade in Sweden from Eurostat (2022). *Gross Domestic Product at Market Price, TEC0000*.
- 49 Implement Economics calculation based on LE Europe (2017). *The EU Single Market: Impact on Member States*, European Commission (2020). *A Single Market that Delivers for Businesses and Consumers*, and Eurostat (2022). *Gross Domestic Product at Market Price, TEC0000*.
- 50 European Commission (2020). *Single Market Scoreboard. Sweden, Transportation (Sweden)*.
- 51 Mateo Boci; Jan Marten De Vet; Andreas Pauer (2014). 'Gold-plating' in the EAFRD: To What Extent do National Rules Unnecessarily Add to Complexity and, as a Result, Increase the Risk of Errors?, Brussels: Directorate-General for Internal Policies of the Union.
- 52 European Council (2022). *European Semester*.

Contact

Eva Rytter Sunesen
+45 2333 1833
evar@implement.dk

Laura Virtanen
lavi@implement.dk

Line Børger
linb@implement.dk

Karoline Mangor
kman@implement.dk