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Executive summary

SWEDEN'S EU PRESIDENCY:

11 proposals to reboot
the Single Market

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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.

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.

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