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February 2024

REPORT

The Single Market

– a *gateway* to economic growth

How simplified and streamlined policies can help unlock the potential of the Single Market, especially for innovative Polish small and medium-sized enterprises (SMEs) to boost their exports and gain global competitiveness.

This report, *The Single Market – a gateway to diversification and resilience*, published in March 2024, lists **11 specific and impactful policy initiatives** to 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.

Based on a survey, interviews and a detailed literature survey, this report gives a voice to Polish SMEs on the challenges they experience when doing business in the Single Market. The report also points to policy solutions that would help them use the Single Market as a platform for gaining scale and building muscles to compete globally.

The overall work was commissioned by Amazon and conducted by Implement Consulting Group as an independent assessment of how further integration of the European Single Market can support growth and resilience in Poland.

The work is supported by an advisory group composed of representatives from the KIG National Chamber of Commerce and Amazon. As part of the study, a survey was conducted among Polish SMEs, assisted by GONITO and IPSOS.

Executive summary

Since its establishment more than 30 years ago, the Single Market has been the engine of the EU's growth and prosperity. Its economic size has given the EU political weight in global negotiations and bilateral arrangements. Further reduction of barriers and continued integration are essential for the Single Market to remain the key driver of EU's competitiveness, prosperity and resilience.[1] EU leaders have therefore called for an independent High-Level Report on the future of the Single Market. In parallel to this, governments from 15 Member States (including Poland) have raised concerns over a 'Single Market fatigue' and call for 'political will for its further development'.[2] These governments have pushed forward building blocks for a new horizontal Single Market Strategy to secure the EU's long-term competitiveness:[3]

This report brings forward the **call for action from Polish SMEs** who point to the need for continued efforts to simplify and streamline EU policies to fully unlock the potential of the Single Market. Based on a survey of 262 export-oriented Polish SMEs, interviews and a detailed literature survey, this report gives a SME perspective on what SMEs need, and how an ambitious reboot of the Single Market can help them scale up, diversify exports and develop muscles to compete globally. Key conclusions are:

- **SMEs benefit from the Single Market |** The Single Market integration has triggered massive economic benefits for its members. For Poland, is has permanently increased GDP per capita by 2%, created 323,000 jobs and increased an average citizen's purchasing power by EUR 360.[4] 98% of the export-oriented SMEs that participated in the survey state that they have benefitted from having access to the Single Market. 77% of Polish SMEs' total exports are destined for the Single Market.
- **Simplified and streamlined policies can unlock potential |** Differing regulatory requirements are cited as one of the most critical barriers for Polish SMEs to do more business in the Single Market. 80% of the SMEs assess that regulatory barriers increase their costs, 72% experience lower profits and 72% say that regulatory differences erode their competitiveness. The SMEs confirm that reducing red tape will increase intra-EU exports, make it easier to establish a local presence in other Member States and reduce barriers to engaging in public procurement across borders in the Single Market. This will stimulate growth and job creation in Poland.
- **11 recommendations for an ambitious reboot of the Single Market |** The SME survey and business cases in this report confirm that the policy initiatives proposed by Swedish SMEs and described in the report *Reboot of the Single Market – How to support the growth of SMEs through a strong and united Single Market* will also help Polish SMEs do more business via the Single Market. The 11 specific and impactful policy initiatives to strengthen the effective functioning of the Single Market presented to the Swedish EU Presidency in November 2022 are therefore also highlighted in this report, and the relevance for Polish SMEs has been underlined by business cases.

Set a bold and ambitious vision for the Single Market

The establishment of the Single Market created a need to harmonise legislation and establish common standards to ensure that domestic and foreign firms are subject to the same requirements, fostering fair competition and a level playing field when doing business across borders in the Single Market. Securing the four freedoms of the Single Market warrants ongoing review and updates of EU regulations to technological developments, global conditions and key societal challenges.

To reinstate the Single Market at the centre of the EU policy agenda, we propose the adoption of an ambitious Single Market Strategy to ensure that regulatory fragmentation does not unnecessarily limit trade and drive-up costs for SMEs, such as Inphysio.

Inphysio is a small Polish company, specialising in products to support a healthy lifestyle, including products for exercise, massage and recovery. National requirements and various bureaucratic hurdles impede the company's sales on the Single Market, as they dedicate time and financial resources to hiring additional consultants to advice on market-specific regulations. Inphysio expects that regulatory simplification, harmonisation, and the introduction of common standards would reduce costs for the company.

We also urge the Commission to take specific steps to ensure that existing EU regulations do not place unnecessary burdens on SMEs. Improved access to information, for example by making SMEs aware of the opportunities offered by SOLVIT – the network of national administrations under the auspices of the European Commission working to offer a faster, informal alternative to starting a court case, submitting a formal complaint to the Commission or launching a petition. Getting the SOLVIT-centres to act proactively on structural cases and increasing awareness around SOLVIT can help SMEs, such as Alasta, when they encounter problems doing business in the Single Market.

Alasta is a 50-person Polish company, specialising in cabinets and mirrors. Diverging regulations relating to the electrical systems of Alasta's products in different countries pose a great challenge for the company. Special reports need to be submitted to national authorities, and obtaining the required tests and certificates in each country is a time-consuming process. The company has not used SOLVIT, but an effectively functioning SOLVIT could spare internal resources and time when entering new markets in the EU.

Another way to reduce burdens is to implement a data flow test that would give businesses the possibility to challenge data protection decisions that are perceived as disproportionate.

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 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 regulations	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.

Ensure compliance and simplify administrative procedures

EU directives can only achieve their intended effects if they are completely and correctly transposed into national legislation within the given deadline. Frictionless trade in the Single Market requires fewer, improved regulations as well as complete, correct and immediate transposition into national legislation. Removing barriers that exist due to the incomplete implementation of EU rules across all Member States is foreseen to permanently increase Poland's GDP per capita by 0.5%, and the increased production of goods and services can support 81,000 jobs.[5]

We propose the Commission to take new initiatives to close the compliance gap of existing regulations and use the Better Regulation Toolbox (such as the SME test and think small first concept, the digital ready requirement and the "once only" in relations with public administration), to ensure that new EU regulations are designed in a way that is easy to implement and works for SMEs, such as Inventia Technology.

Inventia Technology is a company that was founded in 2002, specialising in the production of natural cosmetics and supplements, including natural collagen. Inventia has experienced that different countries interpret and enforce EU regulations relating to nutritional supplements and natural collagen differently, whereby companies need to navigate variations to ensure compliance in different markets. The differences and "grey zones" in regulation that exist increase uncertainty for businesses. Simplifying and standardising regulations is key to closing the compliance gap, which is needed to lower entry costs and lower risks associated with expansion for SMEs, such as Inventia.

4. Upgrade the European Semester to include recommendations on how to harmonise the implementation of EU regulations 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 in the design of new regulations 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.

Remove regulatory trade barriers to create a green and circular Single Market

According to the Polish National Energy and Climate Plan (NECP), Poland aims to achieve 21-23% of renewable energy share in gross final energy consumption by 2030. To achieve this, the Polish Government expects to increase the use of advanced biofuels, introduce offshore wind energy and accelerate the development of renewable energy micro installations.[6] Barriers to trade in climate technologies make the green transition more costly for countries such as Poland and risk slowing it down.

This study offers a roadmap that outlines an iterative approach to mapping and removing regulatory barriers to trade in climate goods and services within the Single Market. We also bring forward the request from Polish SMEs to design the digital European passport in a way that makes it easier for SMEs to become more circular and comply with new EU regulation.

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 European Digital Product Passport in a way that makes it easier for businesses to become more circular	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 to reduce costs and create conditions for growth

In the experience of Polish SMEs participating in the survey, the efficiency and effectiveness of EU legislation are often undermined by a high degree of complexity in its actual application. Polish SMEs, such as LUK Furniture, encourage the Commission to apply digital tools and solutions that lower the costs of collecting, updating and utilising information.

LUK Furniture sells home furniture – from smaller items, such as lamps and wall clocks, to larger items such as beds and sofas. While LUK Furniture has managed to expand to various European countries, this has not occurred without difficulties. One difficulty relates to waste management – and in particular the many diverging extended producer responsibility (EPR) schemes across the EU. This complexity poses great uncertainties and financial risks for the company, leading to additional costs paid to e.g., consultations with local specialists. Simple, streamlined, and harmonised regulation on producer responsibility is needed to help SMEs scale up through the Single Market, including on EPR schemes.

Furthermore, a single VAT ID and an extended VAT one-stop-shop (OSS) can help companies, such as FOLNET Group, save time and money when it comes to VAT registering in other Member States.

FOLNET Group sells various construction materials through a variety of different e-commerce channels. Over the course of expanding its business to more European countries, the company has experienced a lack of consistent VAT interpretations regarding the VAT one-stop-shop (OSS). The company has also experienced that it can be both slow and complicated to receive VAT numbers from different foreign authorities, and applications cannot be submitted electronically or without the consultation of an external tax advisor. The introduction of a single VAT number would have significant impacts on the costs and speed at which companies, such as FOLNET, are able to expand across the Single Market.

The SMEs also point out that digital labelling can lower costs for SMEs like Caro Group.

Caro Group sells home furnishing items, predominantly wallpapers, posters and other decorations for interior walls, online to a European customer base. The company reports that it can be incredibly challenging and costly for SMEs to comply with different national labelling requirements when selling to other countries on the Single Market. A digital label would make it much easier and less costly to include and update product information in all required languages. Digital labelling would also save Caro Group from having to tailor their packaging to individual markets, providing greater flexibility and production scale.

Finally, a more competitive framework for cross-border payments, including the availability of cheaper payment options, will facilitate cross-border trade among SMEs as fees will be lower.

Caro Group, a retailer of home furnishing items, has experienced high fees on cross-border transactions to be disproportionately high. The company reports that it It can be hard for them to remain competitive with local players, not only due to typically longer delivery times, but also due to high cross-border payment fees. A more competitive ecosystem for payment systems, bringing down merchant fees, would level the playing field for Caro Group, and enable them to increase their market potential on the Single Market.

8. Create a one-stop shop for the Extended Producer Responsibility (EPR) systems of Member States	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 digit al labelling as a true substitute for physical labelling	Provide 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 developing easy, fast, reliable and low-cost cross-border payment methods 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.

1 Peace and prosperity from the Single Market

BACKGROUND

In 1993 the Single Market was created to increase economic prosperity and peace in the EU by fostering the free flow of goods, services, capital and people among its members. Poland is one of the newer members from 2004.

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

The size of the Single Market makes the EU an attractive partner for negotiating trade agreements and gives its members leverage to push for a more sustainable future in global policy dialogues.

KEY FACTS AND FIGURES

The Single Market integration has permanently increased Polish GDP per capita by 2.0%, created 323,000 jobs, and increased the citizen's purchasing power by EUR 360.

Standardisation and regulatory harmonisation benefit SMEs in particular, and 77% of Polish SMEs' total exports are destined for the Single Market.

The focus in this report is on the Single Market but it is highly important that the EU continues to leverage the Single Market in the external dimension as well, particularly to negotiate more EU trade agreements.

1.1 The Single Market opens up Europe to businesses and citizens

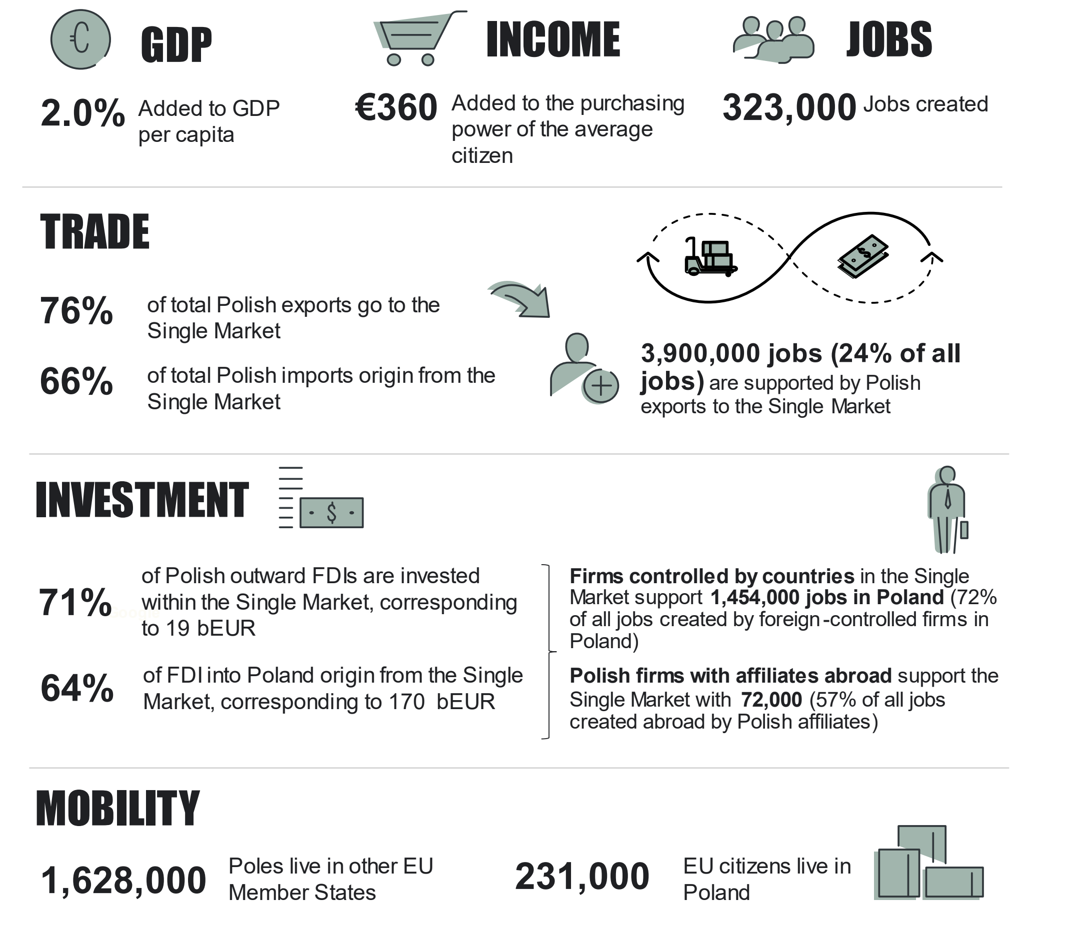
The Single Market is designed to enable goods, services, capital and people to move freely across countries by removing border regulation, custom duties and tariffs. It consists of the 27 EU Member States and the four EFTA Member States (Iceland, Liechtenstein, Norway and, to a certain extent, Switzerland). The Single Market is the world's largest trader in both goods and services[7], and its significance will grow if the ambition of European Political Community to accept new members to the EU is realised.[8]

The Single Market integration from 1995 up until 2015 has standardised and harmonised regulation, which has triggered massive economic benefits for its members. For Poland, is has permanently increased GDP per capita by 2.0%, created 323,000 jobs and increased an average citizen's purchasing power by EUR 360, see Figure 1.[9] If the continued integration since 2015 is also considered, the economic benefits are likely to be even larger. Today, almost 40% of all jobs in Poland depend on trade[10], and 24% of all jobs depend on trade within Single Market.[11]

Access to the Single Market allows Polish firms to specialise and export goods and services in which they have a comparative advantage. Today, more than 76% of total Polish exports go through the Single Market, and 66% of Poland's imports originate from the Single Market. This underlines the Single Market's importance for many Polish firms, especially SMEs, where internationalisation is concerned.[12] Also, Polish consumers benefit from having access to a variety of goods and services imported at lower prices.

The free movement of capital has benefitted the Polish economy overall. Today, 64% of foreign direct investments (FDI) in Poland originate from members of the Single Market, corresponding to a total stock of inward FDI of EUR 170 billion. Likewise, 71% of all Polish outward FDI are invested in members of the Single Market.[13] Similarly, the free movement of people has made it easier to live abroad, and 1.6 million Poles currently live in other Member States, while 231,000 citizens from other Member States live in Poland.[14]

Figure 1: Polish workers and consumers benefit from the Single Market[15]



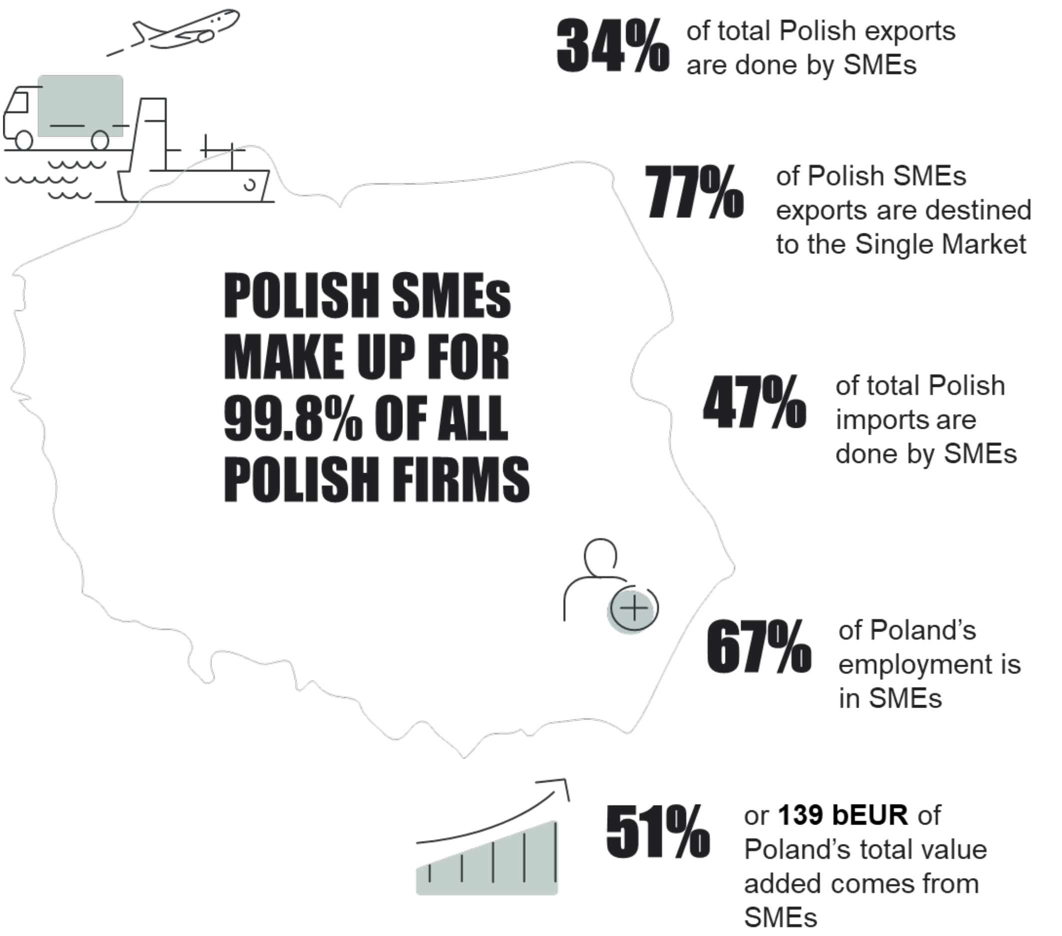
The Single Market is a platform for SMEs to scale up and mature

SMEs form the backbone of the Polish economy, accounting for 99.8%[16] of all firms and 51% of the country's GDP.[17] These SMEs account for 67% of Poland's private sector employment[18] and are key drivers of innovation, as they bring innovative solutions to global challenges like climate change.[19]

SMEs generally have fewer resources and capital available compared to larger enterprises, and regulatory burdens and administrative requirements are disproportionately difficult for them to endure. The costs associated with 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 manage trade barriers.[20,21]

Standardisation and regulatory harmonisation are therefore particularly beneficial for SMEs that strive to scale up, enter new markets, access European value chains and strengthen their international competitiveness.[22] According to 2021 Eurostat data, SMEs account for 34% of total Polish exports, and 77% of the SMEs' total exports are destined for the Single Market.[23]

Figure 2: Polish SMEs benefit from access to the Single Market



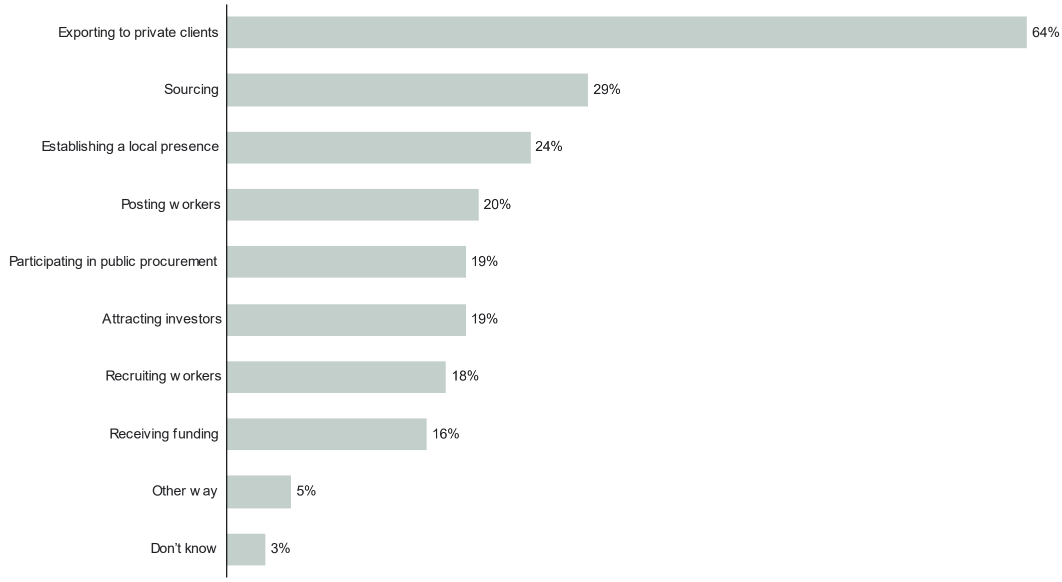
Note: SMEs are defined as enterprises with less than 250 employees.

Among the SMEs that participated in the survey, 98% state that they have benefitted from having access to the Single Market. 39% of the SMEs say that they benefit to a great extent from the Single Market, while 59% assess that they benefit to some (43%) or a lesser extent (16%), see Figure 10 in Appendix 1.

The SMEs in the survey mainly export to private businesses as well as individuals (64%) or source (29%) from other firms in the Single Market, see Figure 3. Other activities include establishing a local presence (24%) and posting workers (20%).

This report aims to demonstrate how European policy makers and the next Commission can continue to simplify, harmonise and standardise EU regulations to the benefit of innovative European SMEs, enabling them to scale up and become globally competitive. The 11 recommendations in the remaining chapters are specific examples of initiatives called for by Polish SMEs.

Figure 3: Polish SMEs mainly use the Single Market for exporting and sourcing



Source: Implement Economics based on a survey of 262 Polish SMEs (see Appendix 1 for further details).
Note: Response to question: 'In which way does your company convey business in the Single Market?', n=193. Shares summarise to more than 100% as respondents can choose multiple answers.

The Single Market secures leverage and a global voice

The Single Market has not only stimulated prosperity for Poland by facilitating more value-creating interactions between its member countries. The size of the Single Market makes the EU an attractive partner for negotiating trade agreements and gives its members leverage so they can push for a more sustainable future. Some examples are:

Manoeuvring through global health crises | Centralising the procurement of vaccines at the EU level gave Member States better bargaining power and access to vaccines on a larger scale, in the required time, with good delivery conditions and a diversified pool of suppliers.[24,25] In total, the EU secured up to 4.2 billion doses of vaccines for EU citizens.[26]

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 provides leverage in terms of the economic pressure imposed by EU sanctions, such as those on Russia.[27]

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 trade agreements on their own with as favourable conditions.[28] Polish firms have access to 45 trade agreements with 78 countries, including the EFTA-countries,[29,30] and no trading partner has more trade agreements than the EU.[31] These agreements have improved access to and lowered the prices of raw materials and intermediate inputs while also providing preferential access to key export markets.

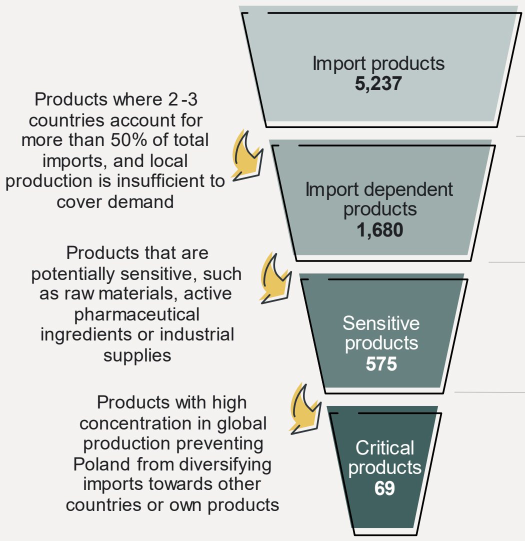
Setting global standards | The harmonisation of regulatory requirements and specifications of goods or services crossing borders within the Single Market have paved the way for a series of European standards. In a globalised world, shaping or ultimately setting the standards can provide a powerful first-mover advantage by minimising the adjustment costs for EU firms, which are then able to operate in export markets based on their home market rules.[32] Several European standards have been adopted at an international level, and modern EU trade agreements serve to boost the global adoption of EU standards to secure a level playing field between European firms and their third-country competitors.[33]

Balancing specialisation and resilience | The Single Market enables Member States to specialise and import what others can produce better, see Figure 4. Poland currently imports 5,237 products. For 1,680 of these products, imports are concentrated from only 2-3 countries, and Poland'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 (1,155 products are imported within the Single Market and 143 from trade agreement partners). The remaining 382 products are imported from third countries, and negotiating trade agreements with these countries can help Polish firms diversify their imports even more and build more resilient global supply chains.

Figure 4: The Single Market has enabled specialisation and helped build resilience[34]

Poland imports a total of 5,237 products. Based on a methodology developed by the European Commission, we have assessed the import dependency of Poland based on three different definitions of import dependency:

- **Import dependent products |** For products in this group, imports origin from 2-3 countries, and local production in Poland is insufficient to cover total demand. The high concentration of imports can expose Polish 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 Polish citizens (e.g., pharmaceutical ingredients) or for maintaining production (e.g., raw materials and intermediate goods). The sensitivity of these products adds to the exposure of the Polish economy 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 Poland shares its import dependency with all other countries. In case of supply interruptions, Poland (as well as all other countries) have very limited opportunities to redirect imports to other locations.



Single Market	Trade agreement partners	Other third countries
5,237 products	**4,752** products	**4,768** products
1,155 products (69%)	**143** products (9%)	**382** products (23%)
395 products (69%)	**58** products (10%)	**122** products (21%)
41 products (59%)	**12** products (17%)	**16** products (23%)

Source: Implement Economics based on the BACI (Base pour l'Analyse du Commerce International) dataset.
Note: The BACI dataset consists of bilateral trade flows at the product level in 2019. Products correspond to the harmonised system nomenclature (6-digit code).

2 SMEs call for simpler regulation

BACKGROUND

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.

In collaboration with CNA, we have conducted a survey among Polish SMEs to identify key barriers and possible initiatives that will make it easier for SMEs to conduct business in the Single Market.

This report focuses on regulatory barriers that prevent Polish SMEs from reaching their full potential in terms of trading goods and services across borders in the Single Market.

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.

KEY FINDINGS FROM SURVEY

98% of the SMEs say that they have benefitted from the Single Market, mainly through exports to other firms.

79% of the SMEs say that differing regulation across member state to a great or some extent limits their scope to doing business in the Single Market.

63% of the SMEs perceive regulatory barriers as restrictive for receiving funding, an area seen as offering great business potential.

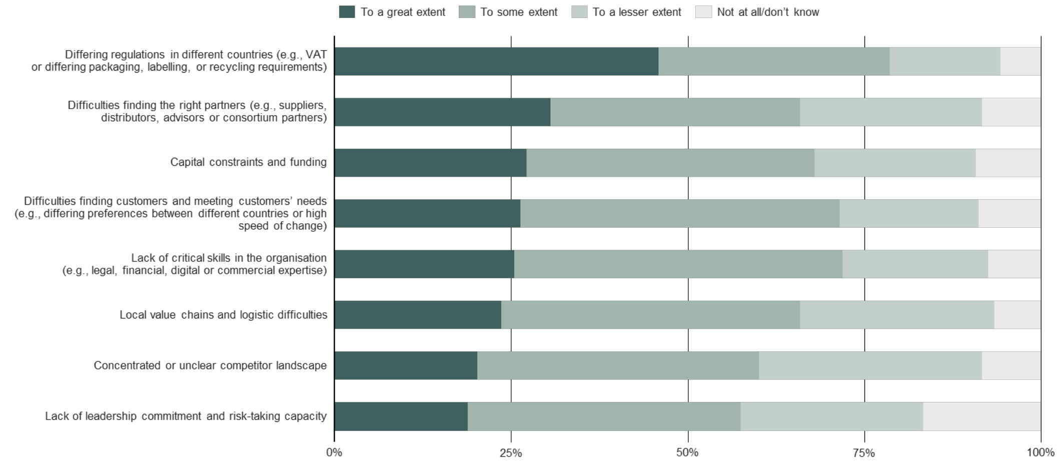
86% of the SMEs state that simplification of administrative procedures will help them do more business in the Single Market.

The Single Market has come a long way in removing obstacles to the free flow of goods, services, capital and people across borders. The SMEs participating in the survey conducted as part of this report confirm that they benefit from the Single Market and, moreover, that there continues to be a potential for simplifying and harmonising regulation. The participants include both SMEs that currently export (SME exporters) and SMEs that would like to start exporting (potential SME exporters).

In particular, 98% of the SME exporters say that they have benefitted from doing business in the Single Market, mainly through exports to private clients (businesses and individuals) and sourcing (see Figure 3 and Figure 10 in Appendix 1). The potential SME exporters also expect to benefit from the Single Market. 32% of these SMEs see a potential for exporting to private clients, 26% for participating in public procurement and 23% for attracting investors (see Figure 11 in Appendix 1). Only a limited number of potential SME exporters participated in the survey, and this finding may therefore not be representative of other Polish SMEs that are currently not exporting but would like to begin exporting to the Single Market.

Differing regulation across Member States is seen as the most critical barrier for Polish SMEs. 46% of the SMEs say that this barrier to a great extent limits their scope for doing business in the Single Market (49% say that it to some or lesser extent is a critical barrier), see Figure 5. Almost as critical as differing regulations are capital constraints, local value chains and logistics difficulties as well as other traditional export barriers that are typically addressed at the national level through various export promotion and accelerator activities.[35]

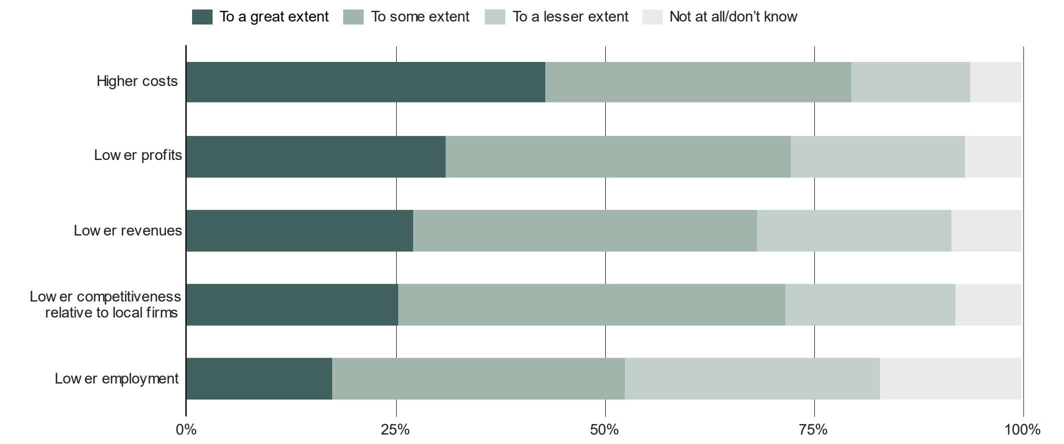
Figure 5: Critical barriers to doing business in the Single Market



Source: Implement Economics based on a survey of 262 Polish SMEs (see Appendix 1 for further details).
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=228.

The SMEs assess that regulatory barriers to a great extent increase their costs (43%), lower their profits (31%) and reduce revenues (27%), see Figure 6.

Figure 6: Consequences of regulatory barriers for exporting SMEs

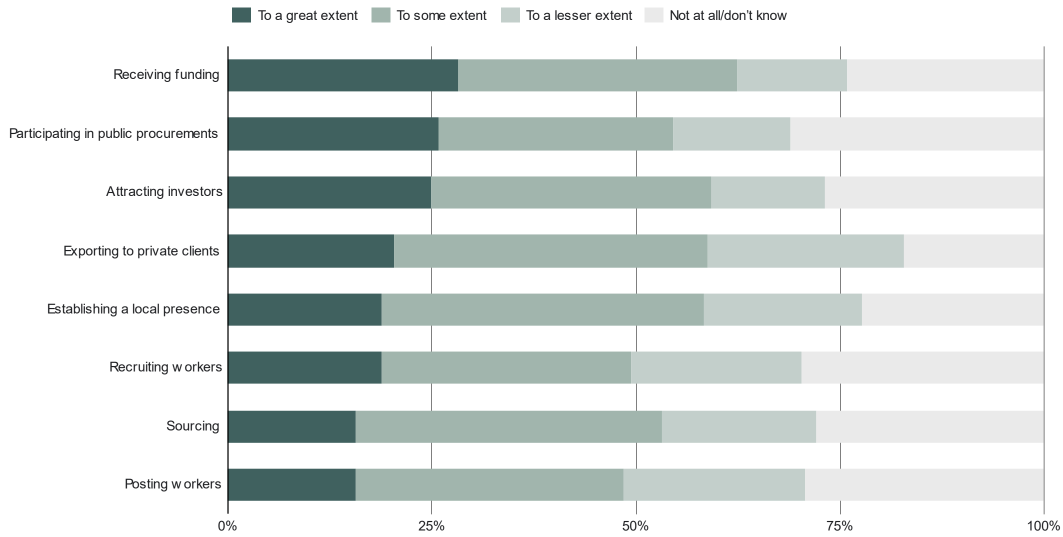


Source: Implement Economics based on a survey of 262 Polish SMEs (see Appendix 1 for further details).
Note: Response to question: 'What are the implications for your business of regulatory barriers to doing business within the Single Market?', n=177.

Consequently, the Polish 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 from reduced regulatory barriers through lower prices, a wider selection of products, improved product innovation and reduced delivery times.

60% of the SMEs find that regulatory barriers prevent them from receiving funding from other Member States, see Figure 7, while 25% even say that regulatory barriers to a great extent limit their opportunities for receiving funding. This is also an area where the potential SME exporters see great potential for growing their business within the Single Market (see Figure 11 in Appendix 1). Moreover, 56% of the SMEs assess that regulatory barriers prevent them from exporting to private clients in the Single Market, but regulatory barriers also limit the scope for attracting investors and establishing a local presence.

Figure 7: Regulatory barriers prevent SMEs from doing more business in the Single Market

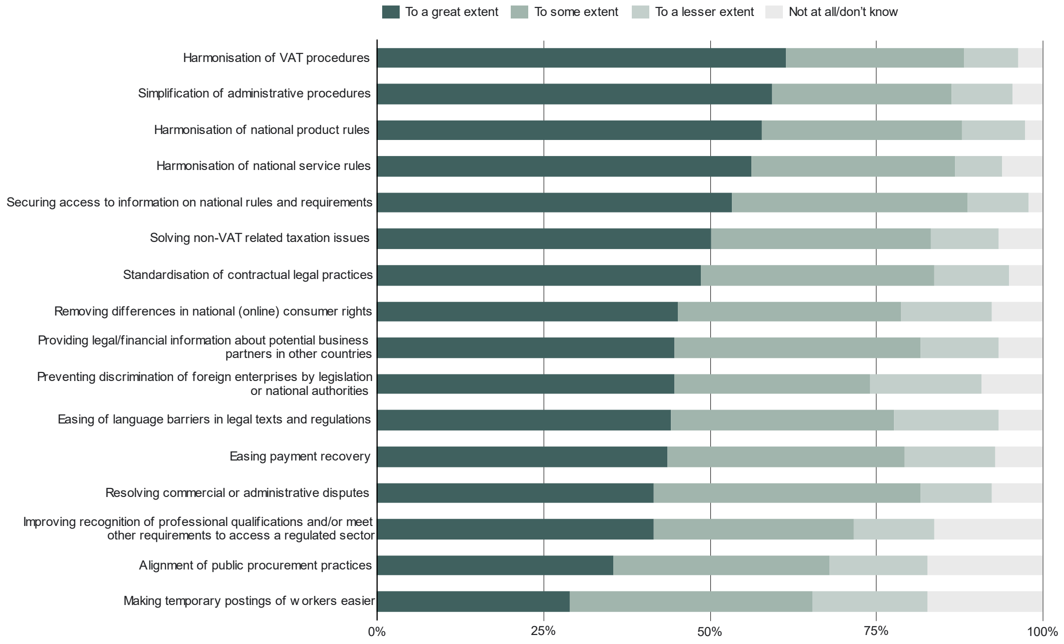


Source: Implement Economics based on a survey of 262 Polish SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent do regulatory barriers prevent your firm from doing more business in the Single Market?', n=216.

The SMEs identify several policy initiatives that can help reduce regulatory barriers.[36] 86% of the SMEs point to simplification of administrative procedures, of which 59% say that this initiative will, to a great extent, help them do more business via the Single Market. The call for simplification aligns with several recommendations brought forward in this report, such as the adoption of an ambitious Single Market Strategy (recommendation #1), a data flow test (recommendation #3), a business-oriented design of the digital European product passport (recommendation #7) and the recognition of digital labelling (recommendation #10). More specifically, Polish SMEs welcome the following initiatives to:

- **Harmonise VAT procedures |** This call for action from Polish SMEs is directly linked to our recommendation to create a single VAT ID and extend the VAT one-stop-shop (recommendation #9).
- **Harmonise national product and service rules |** The upgrade of the European Semester (recommendation #4) and the removal of barriers to trade and climate goods and services (recommendation #6) aim to harmonise implementation of EU regulation and reduce regulatory fragmentation across members of the Single Market. Also, our recommendation to strengthen the use of the Better Regulation Toolbox (recommendation #5) aims to make new regulation easier to implement and therefore prevent new regulatory fragmentation from arising in the future.
- **Secure access to information on national rules and requirements |** Our recommendations to strengthen SOLVIT (recommendation #2) and create a one-stop-shop to Member States' extended producer responsibility (EPR) systems (recommendation #8) will make information more accessible for Polish SMEs.
- **Easing payment recovery |** Our recommendation to create conditions for the development of easy, fast, reliable and low-cost cross border payments (recommendation #11) also aims to ease payment recovery.

Figure 8: Policy initiatives can help firms to do more business in the Single Market



Source: Implement Economics based on a survey of 262 Polish SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent would the following policy initiatives help your company do more business within Single Market?', n=197.

3 Set a bold and ambitious vision for the Single Market

BACKGROUND

At its 30th anniversary, 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.

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.

This study calls for the Polish Presidency and all EU governments and institutions to set a bold and ambitious vision for the Single Market to leverage the historic achievements of regulatory harmonisation.

SOLUTIONS

#1 Adopt an ambitious Single Market Strategy

#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

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

#1 Adopt an ambitious Single Market Strategy

Securing the four freedoms of the Single Market warrants ongoing review and updates of EU regulation. The Single Market will never be a finished product but will instead need to adjust to technological developments, global conditions and key societal challenges. We urge the next European Commission to be ambitious and visionary when setting out to secure the long-term competitiveness of the EU.

The long-term view on competitiveness outlines how the EU can build on its strengths and achieve more than merely bridging the growth and innovation gap. A forward-looking, well-defined and coordinated EU framework will foster thriving businesses, able to compete on the global market, with attractive jobs and setting global standards.[37]

To achieve this, 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.

Adopting an ambitious Single Market Strategy can reduce the complex and uneven regulatory requirements that drive up costs for SMEs, such as Inphysio, as described in the business case below.

OBSTACLES ACCUMULATE DURING THE BUSINESS JOURNEY

Inphysio is a small Polish company specialised in products to support a healthy lifestyle, including products for exercise, massage and recovery. The company was established just three years ago but is the result of 25 years of experience in several medical-related companies. Inphysio sells its products through traditional channels, an online store as well as the Amazon marketplace. They export products to almost all of Europe, with a strong focus on France, Benelux and Spain.

Call for action

Through its expansion on the Single Market, Inphysio has encountered several regulatory obstacles that accumulate through its business journey. National requirements and various bureaucratic hurdles impede sales, and for SMEs these challenges necessitate hiring additional consultants, incurring additional costs.

> ***"Aside from time, hiring additional consultants specialising in specific market regulations generates annual costs in the range of several thousand euros."***
>
> Michał Perner, Inphysio

Potential

The existing patchwork of directives, regulations and national laws drives up transaction costs for businesses, and these costs are often disproportionately high for SMEs, such as Inphysio. Regulatory simplification, harmonisation and the introduction of common standards will reduce costs, with positive knock-on impacts for public and private entrepreneurs.

#2 Strengthen SOLVIT and commit SOLVIT to act more proactively and to raise awareness

SOLVIT is a problem-solving network that was established in 2002 to help (free of charge) people or businesses when their cross-border rights in the Single Market are breached by public authorities – be it at a local, regional or national level.

SOLVIT is based on co-operation between Member States under the auspices of the European Commission. It intends to offer a faster, informal alternative to starting a court case, submitting a formal complaint to the Commission or launching a petition. There are SOLVIT-centres in all EU Member States, as well as in Iceland, Liechtenstein and Norway.

A review of the SOLVIT institutions across countries shows that European firms lack awareness about the opportunities offered by SOLVIT and, even when they are aware, they rarely use SOLVIT and often lack confidence in SOLVIT as a relevant partner in finding a solution.[38] These conclusions are also confirmed by the interviews conducted with Polish SMEs as part of this study. There is also room for improving the functionality of SOLVIT in several countries:

- **Securing staffing and qualifications |** There is a lack of qualified case handlers and excessive staff turnover rate in several SOLVIT-centres.[39]

- **Addressing structural issues |** SOLVIT is in many cases an underutilised, valuable source of information regarding more structural problems.
- **Identifying regulatory uncertainties |** SOLVIT is mainly used for reporting cases of misapplication of Single Market rules, but Polish SMEs (such as Alasta described in the business case below) call for more proactive initiatives to remove the regulatory uncertainty that stem from contradictory and/or overlapping regulation.[40]

AN EFFECTIVELY FUNCTIONING SOLVIT NETWORK WILL MAKE IT EASIER TO ENTER NEW MARKETS

Alasta is a 50-person Polish company, specialising in cabinets and mirrors, with their biggest export product being LED-backlit mirrors. The company has sales in 14 different foreign markets through various online marketplaces.

Call for action

The Single Market has greatly facilitated Alasta's sales. However, the varying regulations in each country relating to the electrical systems of Alasta's products pose a challenge. Special reports need to be submitted to national authorities, and obtaining the required tests and certificates in each country is a time-consuming process – not to mention the time that it takes to first gather the appropriate information on national specificities. The company has not used SOLVIT, but an effectively functioning SOLVIT could spare internal resources and time when entering new markets in the EU.

"A well-established SOLVIT institution could significantly simplify dealings with foreign offices when sufficiently robust and developed."

Kamil Krawczyk, Sales Manager at Alasta

Potential

A strong and proactive SOLVIT network could help SMEs, such as Alasta, in having a singular point of up-to-date, comprehensive information on national requirements, laws and legal practices. If effectively functioning, SOLVIT could also facilitate the verification of the work of Alasta's foreign offices. Such a solution would make it easier for Alasta to enter new EU markets, as currently this is associated with sizeable time and financial commitments.

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.[41] This initiative should be aligned with the Commission's proposed Single Market offices, but we recommend its mandate to require it to act more proactivity and raise awareness among relevant users, particularly SMEs.

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

As described in Chapter 2, digitisation is a key driver of productivity and future economic growth.[42] Data flows, i.e., the possibility for firms to have access to, use and transfer data is a prerequisite for digitisation. Digital technologies and solutions also enable and accelerate the green transition across the economy and society.[43]

For these reasons, 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.

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 – one of the main barriers to doing business in the Single Market according to Polish SMEs.

4 Build a culture of trust and compliance

BACKGROUND

Single Market directives can only achieve their intended effects if they are completely and correctly transposed into national legislation within the given deadline.

Removing existing barriers related to incomplete implementation of Single Market legislation can add an additional EUR 29-34 billion to the Polish economy.

National governments can lack the incentive to correctly transpose EU rules into national legislation without delays and in a harmonised way, in a misinterpreted attempt to protect local firms.

Close integration of implementation and application in the design of new legislation will help build a culture of compliance.

SOLUTIONS

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

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

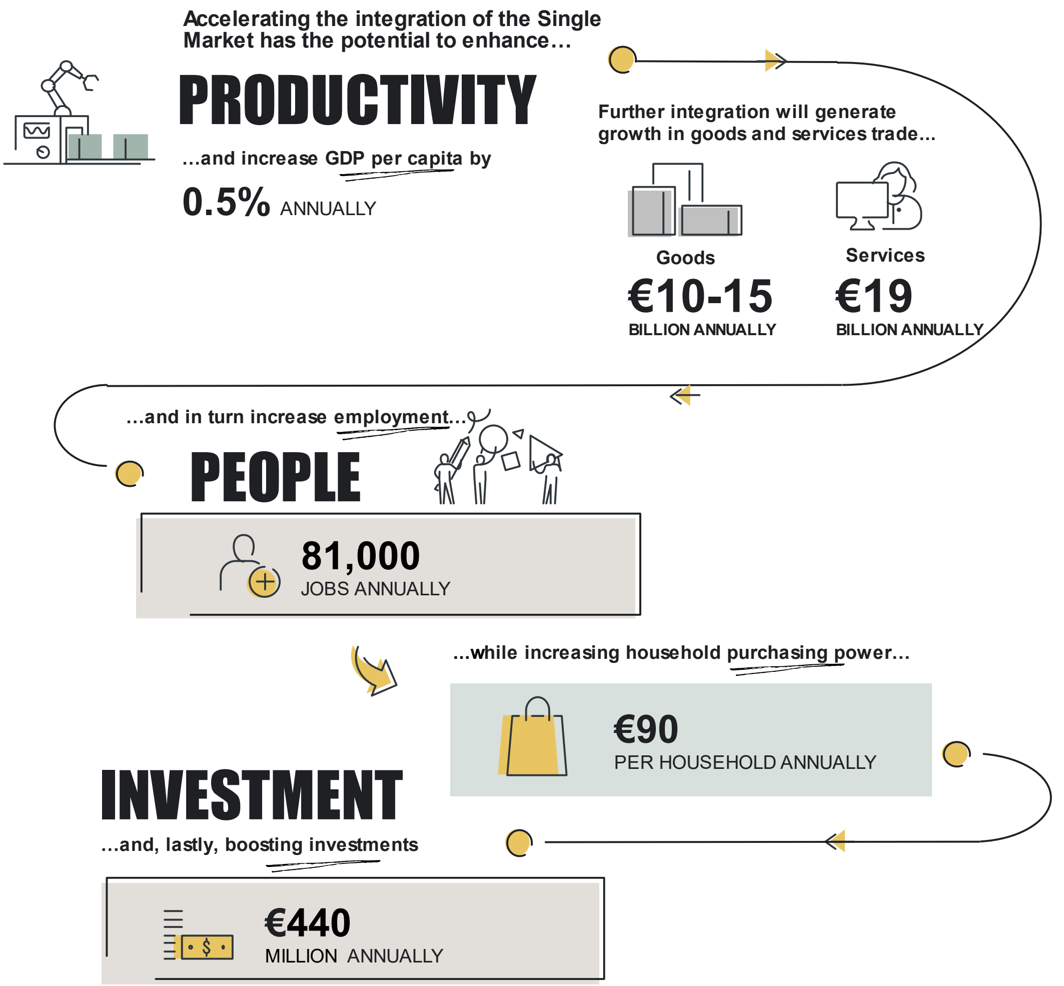
#4 Upgrade the European Semester to include recommendations on how to harmonise implementation of EU regulation and close the compliance gap

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 EUR 520-600 billion to EU GDP annually (a permanent increase in EU income level).[47]

Similar impacts can be expected in Poland. If benefits for Poland correspond to Poland's contribution to total intra-EU trade, GDP per capita could increase by 0.4%, and the goods and services sectors would permanently add EUR 29-34 billion to Polish GDP (EUR 10-15 billion and EUR 19 billion for goods and services, respectively[48]). Furthermore, the increased production of goods and services is expected to support 81,000 jobs annually. Benefits will spread to Polish households, where household income (purchasing power) is expected to increase permanently by EUR 90. Lastly, investments are expected to increase by EUR 440 million (see Figure 9).[49]

Given Poland's existing share of trade within the Single Market and the trade potential identified by the SMEs that participated in the survey, benefits for Polish firms from improved market access are likely to be high.

Figure 9: Potential benefits in Poland from removing existing barriers in the Single Market



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 Polish SMEs, such as Inventia Technology, from doing more business through the Single Market.

LACK OF STANDARDISATION IN NATIONAL AND EU REGULATIONS CREATE UNCERTAINTY

Inventia Technology was founded in 2002 and specialises in the production of natural cosmetics and dietary supplements. Inventia Natural Collagen, introduced in 2006, is one of the brands of the company and is sold almost on the entirety of the European market. The brand was originally sold in beauty salons and pharmacies across Europe, but now the main sales channels are through e-commerce.

Call for action

The regulation of natural collagen products in the EU is governed by various laws and regulations, including those related to cosmetics, food supplements and medical devices, depending on the intended use of the product. The most significant obstacle that Inventia Technology faces relates to the registration of products and the preparation of documents necessary for the introduction of supplements and cosmetics to the specific market. This can be even more burdensome in cases where different countries interpret and enforce EU regulations differently, whereby companies need to navigate variations to ensure compliance in different markets.

The costs associated with the extensive documentation can be very high, and especially so for SMEs.

Potential

The differences and "grey zones" in regulation that exist in some industries, and for some categories of products, such as natural collagen and cosmetic products, increase uncertainty for businesses. Simplifying and standardising regulations is key to closing the compliance gap, which is needed to lower entry costs and lower risks associated with expansion for SMEs, such as Inventia.

"We heavily support the standardization of regulations for not just the EU, but also the whole of Europe."

Piotr Kałęcki, Owner at Inventia Technology

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

High-quality legislation is 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 (particularly SMEs). Finally, high-quality legislation is designed to facilitate its transposition and practical application in the first place.

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 that effectively reduces complexity and administrative costs of doing business in the Single Market. The Better Regulation Toolbox, with impact assessments as a key ingredient, is a way for the Commission to design, deliver and support the implementation of high-quality policies.[50]

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 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 Remove regulatory trade barriers to create a green and circular Single Market

BACKGROUND

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 is a prerequisite for the green transition.

The development of a circular EU economy rests on smart regulation to avoid new administrative burdens, limit compliance costs for business and create a simple framework governed by legal certainty. Fragmentation in the Single Market risks slowing down the green transition, and it is crucial that the harmonisation of EU rules continues and is made as easily accessible to EU firms as possible.

SOLUTIONS

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

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

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

The transition to a new, decarbonised production and consumption system requires that climate-related technologies and services become available and are fully deployed. 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.

The Polish National Energy and Climate Plan (NECP) has Poland declares to achieve 21-23% of renewable energy share in gross final energy consumption by 2030. To achieve this, the Polish Government expects to increase the use of advanced biofuels, introduce offshore wind energy and accelerate the development of renewable energy micro installations.[51]

Regulatory barriers pose significant obstacles to global trade in climate goods (up to 10 times more than tariffs[52]), 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.

Regulatory barriers also hinder the free flow of climate goods and services within the Single Market. The wind industry, for example, experiences complex, contradictory and fragmented regulation that erode their global competitiveness.[53] As wind energy is expected to cover 43% of Europe's electricity by 2030, regulatory barriers make the green transition excessively costly and put pressure on public budgets.[54]

It is difficult to formulate an exact definition of climate goods and services, and there is a risk that the complexity of the problem ends up stalling progress and perhaps even hindering the dismantling of regulatory barriers to trade within the Single Market. We therefore propose that a process be set up where the European Commission applies a “step by step” approach to regulatory harmonisation with the following three steps:

- **Step 1** | Define an initial list of climate goods and services. A preliminary list is offered in deep dive analysis of Single Market barriers to trade in climate goods and services, which could be a starting point for the work.[55] This could be a minimum list of climate goods and services that are generally accepted as being critical for the green transition.

- **Step 2** | Map regulatory barriers that hinder free trade in the defined climate goods and services across borders in the Single Market. The mapping should be exhaustive and cover the full business and consumer journey. The mapping should also aim to cover all sources of regulatory barriers, such as lack of compliance with EU regulation, fragmentation in the national implementation of EU regulation, intellectual property rights, uneven access to public procurement, etc.

- **Step 3** | Take bold steps to remove unnecessary or unjustified regulatory barriers to trade in climate goods and services that are hindering the green transition at both the EU and national level.

The iterative process is illustrated in the figure below.

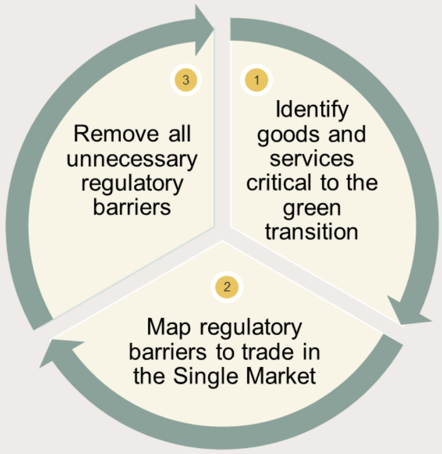
A ROADMAP TO CREATING A TRUE EUROPEAN GREEN SINGLE MARKET

We propose to take a step-by-step approach to removing unnecessary regulatory barriers to trade in climate goods and services within the Single Market.

Complete the three-step process for an **initial list of climate goods and services** that are critical to the green transition and remove regulatory barriers that are unnecessarily restrictive to trade within the Single Market.

Expand the list as new innovative climate solutions emerge and repeat the three-step process.

Continuously ensure that new regulation does not create fragmentation in the European Green Single Market.



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

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 to provide a comprehensive understanding of materials and products as well as their associated environmental impact. In addition, sector-specific product legislation is looking to extend this to also improve the display of product compliance information.

A well-designed DPP can make important product-specific information available in a digital form, 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 mandatory product information 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 Use digital tools to cut costs and create conditions for growth

BACKGROUND

Policy makers play a key role in ensuring a good business environment and keeping regulation updated to changes in economic and technical conditions.

The efficiency and effectiveness of EU legislation can be undermined by a high level of complexity in the application by European firms, particularly by SMEs that have less resources available to cover administrative costs.

Digital tools can be applied to lower the costs of collecting, updating and making information available. Reducing regulatory barriers will enable SME exporters to upscale their business and make it profitable for more Polish SMEs to start doing business in the Single Market.

SOLUTIONS

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

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

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

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

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

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 within Member States. Across the EU, there are well above 81 different EPR regulations (Packaging, WEEE – Waste of Electronical and Electrical Equipment, SUP – Single Use Plastics) to comply with.[56]

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

We recommend establishing a truly all-encompassing EU-wide mechanism to handle EPR: a digital EPR 'one-stop-shop' solution that would facilitate single EPR registration and reporting across all Member States. This one-stop-shop would also serve as a centralised and up-to-date information portal on EPR requirements across all Member States.

Such a solution should drastically reduce bureaucracy, both for the producers as well as for the authorities. The solution should help making EPR more cost effective for Polish producers, such as LUK Furniture and PYC Sport, 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.

UNCLEAR REGULATION CREATES UNCERTAINTY AND ADDITIONAL COSTS

Established in 2016, LUK Furniture sells home furniture – from smaller items, such as lamps and wall clocks, to larger items such as beds and sofas. They conduct business in several other Member States, including Germany, Czech Republic and Slovakia. In the coming year, they plan to also expand to Italy, Spain, Romania, Hungary and possibly also Estonia, Lithuania and Latvia. The company sells entirely online, both on the Amazon marketplace as well as on their own online store in each respective country of sales.

Call for action

While LUK Furniture has managed to expand to various European countries, this has not occurred without difficulties. For instance, national requirements add layers of complexity on top of EU regulation and require excessive documentation. One example relates to waste management – and in particular the many diverging extended producer responsibility (EPR) schemes across the EU. This complexity poses great uncertainties and financial risks for SMEs like LUK Furniture, leading to additional costs paid to e.g., consultations with local specialists.

Simple, streamlined and harmonised regulation on producer responsibility is needed to help SMEs scale up through the Single Market, including on EPR schemes.

Potential

Streamlining EPR requirements and the creation of a digital one-stop-shop for EPR can facilitate single EPR registration and reporting. It can also serve as a centralised and up-to-date information portal on EPR requirements across all Member States, operating at the product-level. This will make business less costly and risky for an SME like LUK Furniture, facilitating expansion across the Single Market.

"Simplifying regulations would undoubtedly make it easier for us to decide to enter additional markets."

Miłosz Sułkowski, Export Sales at LUK Furniture

COMPLIANCE WITH VARYING EPR SCHEMES IS COSTLY, DIFFICULT AND TIME-CONSUMING

Since its establishment, PYC Sport has been selling sporting equipment. For the first four years of operation, the company sold only snowboarding equipment, but has since expanded to summer equipment, covering rollerblades, scooters and skateboards. The company currently boasts an annual turnover of EUR 40 million, which largely comes from e-commerce. At present, they operate throughout Europe, selling directly to customers in some markets and working with distributors in others. The company's largest market is Germany, followed by the domestic market, which accounts for approximately 30% of sales.

Call for action

PYC Sport finds that there are several layers of regulation to consider when entering into contracts on producer responsibility, and Member States have very different applications of EU regulation. The varying extended producer responsibility (EPR) schemes across the EU makes compliance costly, difficult and time-consuming. On top of it all, it creates very high level of uncertainty, which may in some cases impede sales on new markets.

"Different countries have different regulations, and agreements with waste recipients must be signed everywhere. This subject raises many questions and uncertainties for us."

Marcin Pyć, President at PYC Sport

Potential

Currently, compliance with diverging EPR requirements requires weeks of correspondence with subcontractors and authorities for PYC Sport. The creation of a digital one-stop-shop for EPR can facilitate single EPR registration and reporting. It can also serve as a centralised and up-to-date information portal on EPR requirements across all Member States, operating at the product-level, making cross-border business less risky and complex.

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

Currently, an SME will require on average 13 documents to complete one VAT registration process, 100 days to get a VAT number, around EUR 8,000 per country per year in compliance costs and up to 60 VAT filings per country per year to be submitted.[57] In 2022, the European Commission proposed a series of measures to modernise and make the EU's VAT system work better for businesses and more resilient to fraud by embracing and promoting digitalisation (the VAT in the Digital Age proposal).

We call for the European Commission to adopt the VAT in the Digital Age proposal with no delays and thereby 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, such as FOLNET Group, 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 Polish SMEs would find most beneficial for doing more business in the Single Market.

As well as reducing administrative burdens for 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.[58] 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.

VAT REGISTRATION REQUIREMENTS PROHIBIT EU EXPANSION

FOLNET Group specialises in the sale of construction materials through various e-commerce channels. The company is present in Germany, Austria, France and the Benelux countries, and it has ambitions to establish presence in Italy and Spain in the near future.

Call for action

Over the years of development, from selling out of a garage to shipping packages across Europe from a modern logistics centre, FOLNET has encountered nearly all challenges typical to a rapidly growing e-commerce company. One particular challenge that the company has faced relates to the lack of consistent VAT interpretations regarding the VAT one-stop-shop (OSS). Depending on the place where the parcel is dispatched/handed over from, they have encountered different interpretations regarding the applicability of VAT OSS. Moreover, the company has experienced that it can be both slow and complicated to receive VAT numbers from different foreign authorities, and applications cannot be submitted electronically or without the consultation of an external tax advisor.

"For example, obtaining a German VAT number for a Polish company was not straightforward. The process was multi-staged and complicated."

Jakub Staszewski, CEO at FOLNET

Potential

The VAT OSS has been a step in the right direction, however, the introduction of a single VAT number would have significant impacts on the costs and speed at which companies, such as FOLNET, are able to expand across the Single Market. Such an improvement would also significantly facilitate sales, directly impacting access to cheaper and better services and goods in the EU.

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

To place products on the EU market, producers are required to indicate a variety of product compliance and conformity information on their products – both at the EU and Member State level. Varying labelling requirements present a high resource and administrative cost to producers, especially for SMEs, such as Caro Group described in the business case below. For example, a company wanting to sell its products (no matter what product type) in another Member state would have to translate and label the product in the local language according to the national and EU. Additionally, the EU still relies exclusively on physical marking on products and/or product packaging, whereby EU legislative proposals thus far have maintained digital communication on product labels as a voluntary complement to the physical labels.

Digital labelling (e.g. through a QR code on the physical label) 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 further information and instructions can be found online.

Digital labels also have the advantage of being easy to update, easy to read (due to no constraints on size or space) 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.[59] Once-written product information may quickly become irrelevant as technologies advance, legislations change, the economy becomes increasingly circular and trade expands to different regions. 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 by removing undue barriers between Member States with different language requirements.

We welcome the European Commission's global leadership in introducing meaningful digital labelling solutions. There is significant potential in embracing digital tools, such as the Digital Product Passport accessible via a QR code (or other equivalent data carrier), to communicate hazard, sustainability and safety information as well as use instructions to users in all EU languages and in a prominent manner that can easily be kept up to date. This shift to digital solutions should also be complemented by reduced information on the physical pack/label, simplifying product information display for consumers.

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.[60] Also, we ask that physical labelling should only contain the minimum essential information.

DIGITAL LABELLING CAND ENABLE EASIER EXPANSION TO NEW EUROPEAN COUNTRIES

Caro Group sells home furnishing items, predominantly wallpapers, posters and other decorations for interior walls, online to a European customer base. The company's biggest export markets include Germany, France, Spain and Italy. Since moving to the Amazon marketplace, under the brand "Feeby", the company is serving an even larger B2C segment.

Call for action

It can be incredibly challenging and costly for SMEs, such as Caro Group, to comply with different national labelling requirements when selling to other countries on the Single Market. This problem is especially pronounced with physical labels, which need to be augmented and separately printed for different European countries, in the official languages of the countries in question. When entering a new country, having to produce labels that comply with national labelling requirements is extremely risky, and especially for SMEs, given the expected administrative costs as well as uncertainty concerning expected revenues.

Potential

The patchwork of national requirements that Caro Group observes on the European market, especially related to labelling requirements, slows down EU-wide expansion.

A digital label can make it much easier and less costly to include and update product information in all required languages. Digital labelling can also save Caro Group from having to tailor their packaging to individual markets, providing greater flexibility and production scale.

> ***"The automation potential behind digital labelling would be a huge time and cost-saving element for our business"***
>
> Marta Naranowicz, CEO and COO at Caro Group

Digital labelling (e.g. through a QR code on the physical label) 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.[61] 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.

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.[62] Also, we ask that physical labelling should only contain the minimum essential information.

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

As the survey clearly shows, Polish SMEs find it critical for the functioning of the Single Market that cross-border payment methods are affordable and effortless for businesses and consumers. The European Commission has already presented a Proposal for a Regulation of the European Parliament and of the Council on combating late payment in commercial transactions.

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, such as Caro Group described below.

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.

SMALL COST DIFFERENCES CAN GIVE LOCAL FIRMS AN ADVANTAGE

Caro Group sells home furnishing items, predominantly wallpapers, posters and other decorations for interior walls, online to a European customer base. The company's biggest export markets include Germany, France, Spain and Italy. Since moving to the Amazon marketplace, under the brand "Feeby", the company is serving an even larger B2C segment.

Call for action

Caro Group has encountered a number of regulatory and administrative challenges on its journey to expand across the European market as a small business. One challenge that the company has experienced relates to fees on cross-border transactions. Currently, the cross-border payment options available in Europe are dominated by a limited number of financial services corporations. They charge high fees to merchants, pushing up costs for consumers. SMEs, such as Caro Group, bear a bigger burden, as fees can be disproportionately high (given expected revenues) and even small price differences can impact customers' choice in other countries, making them turn to local businesses with more competitive payment options.

"It can be hard for us to be competitive with local players – not only due to typically longer delivery times, but also due to high cross-border payment fees."

Marta Naranowicz, CEO and COO at Caro Group

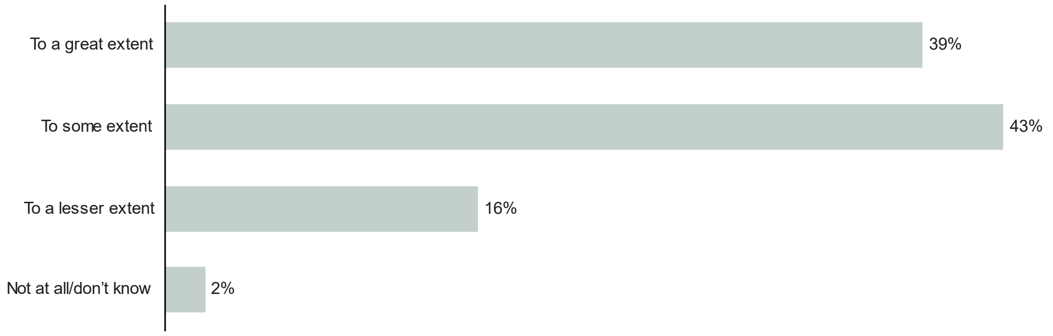
Potential

Cheap and easy cross-border payment methods are critical for the functioning of the Single Market. Creating conditions for the development of low-cost cross border payment systems will help ensure that consumers and merchants can do business with confidence across borders inside the Single Market at low cost. A more competitive ecosystem for payment systems would level the playing field for SMEs, such as Caro Group, and enable them to increase their market potential on the Single Market.

Appendix 1 Description of the SME survey

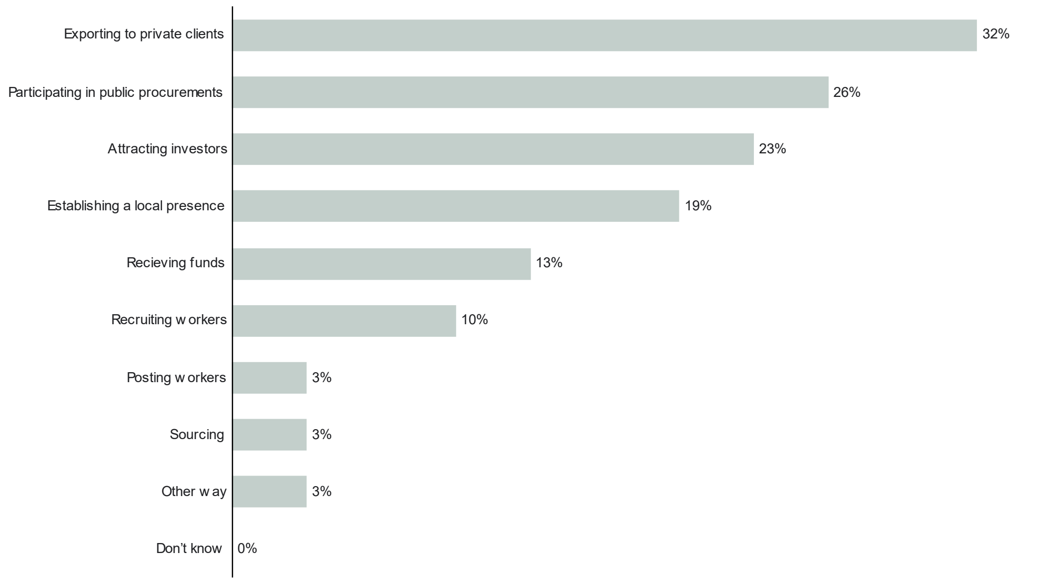
To identify key barriers and possible solutions to conducting business on the Single Market, we carried out a survey in close collaboration with Ipsos. The target group of the survey was SMEs that either export (SME exporters) or would like to export (potential SME exporters) through the Single Market. The survey contained a total of 18 questions across the two groups of respondents. In total, 262 SMEs participated in the survey, of which 84% (220) are exporters and 16% (42) are SMEs that currently do not export but would like to export (potential exporters). Most of the respondents conduct business in 'Wholesale and retail trade' (20%), 'Manufacturing' (17%) and 'Other service activities' (14%). The survey responses include a good representation of different-sized SMEs. This appendix contains detailed responses.

Figure 10: Benefits from doing business in the Single Market, exporters



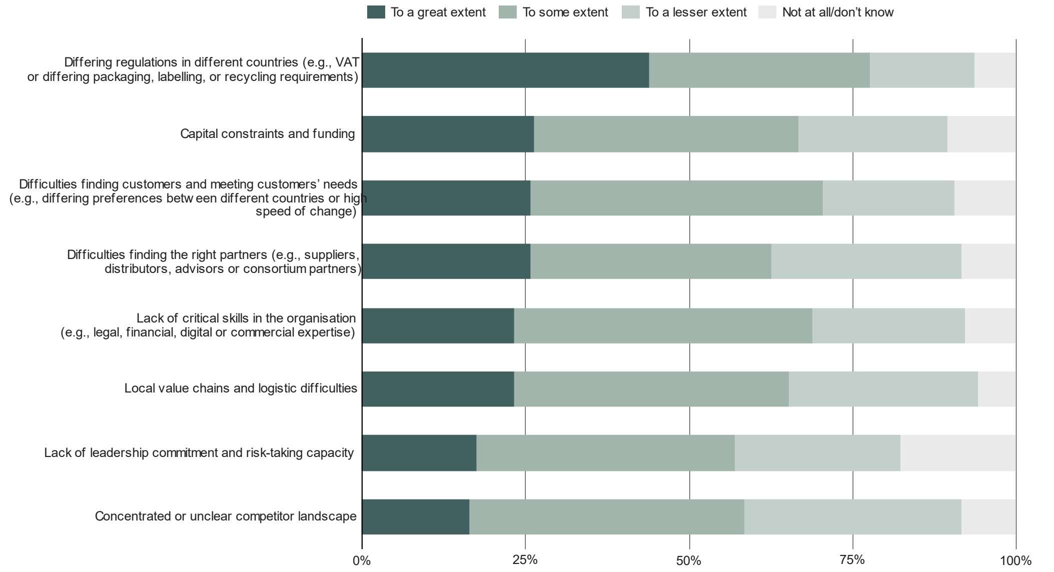
Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'To what extent does your company benefit from the Single Market?', n=193.

Figure 11: Potentials for growing business in the Single Market, potential exporters



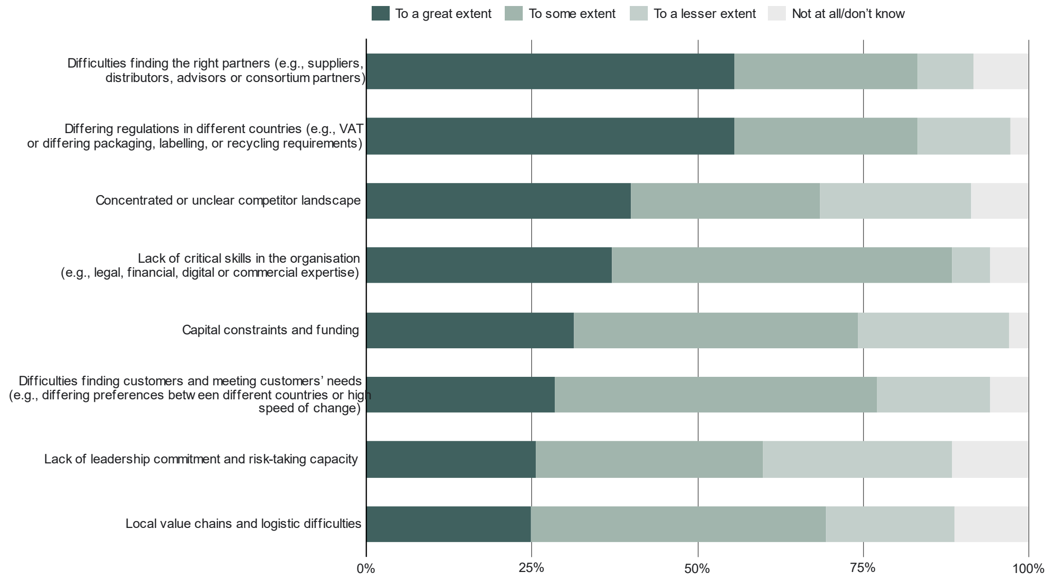
Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'Where do you see the largest potentials within the Single Market for growing your business?', n=31.

Figure 12: Critical barriers to doing business in the Single Market, exporters



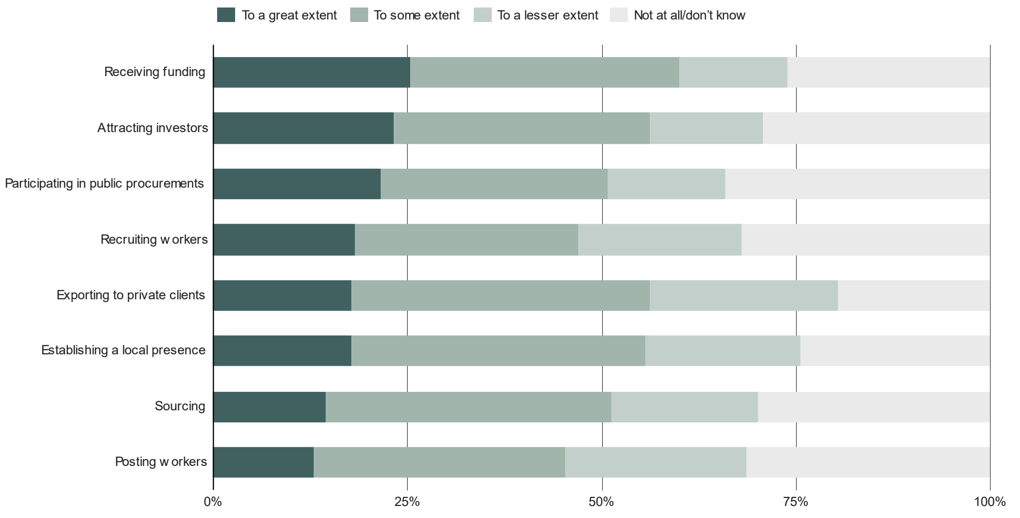
Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=193.

Figure 13: Critical barriers to doing business in the Single Market, potential exporters



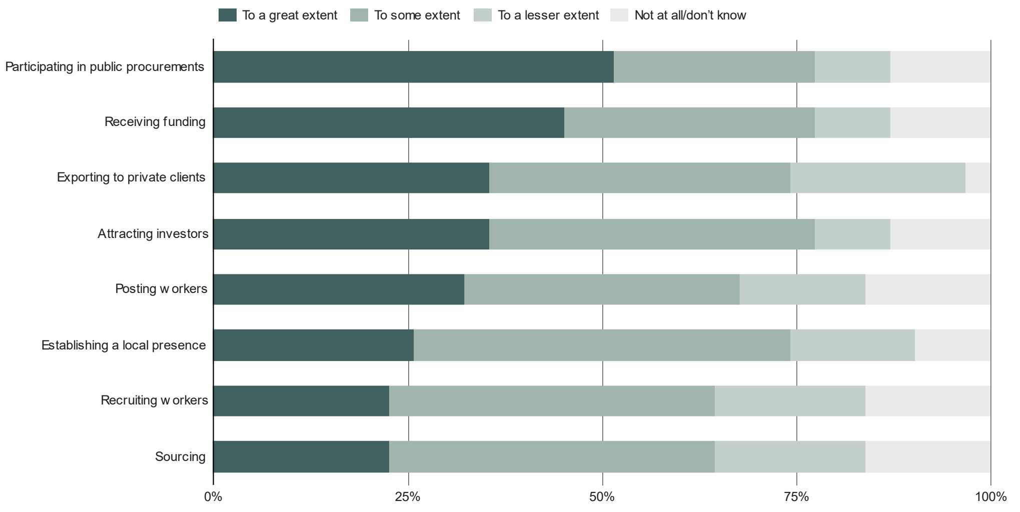
Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=35.

Figure 14: How regulatory barriers hinder doing more business in the Single Market, exporters



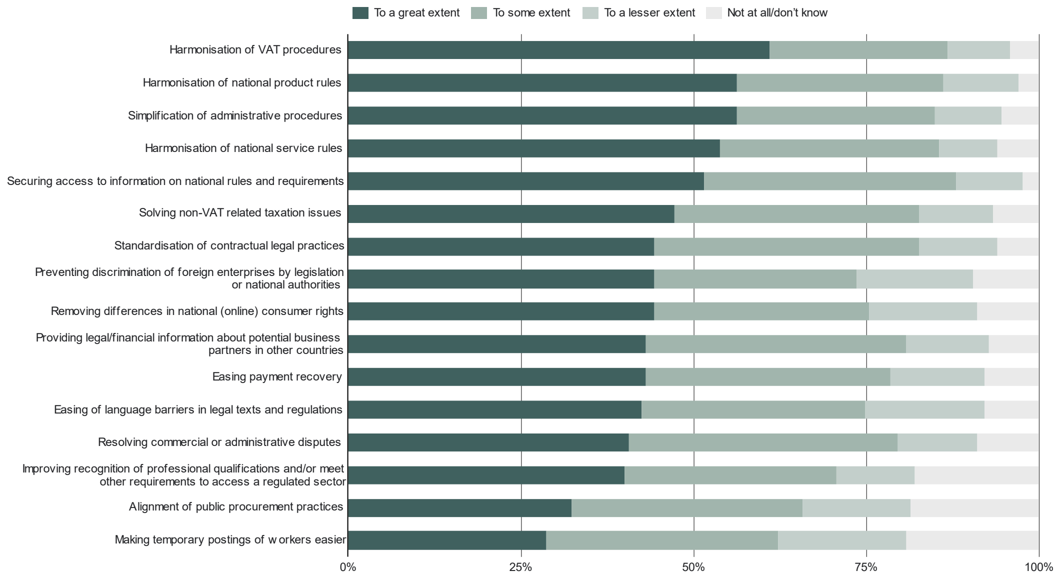
Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'To what extent do regulatory barriers prevent your firm from doing more business in the Single Market?', n=185.

Figure 15: How regulatory barriers hinder doing business in the Single Market, potential exporters



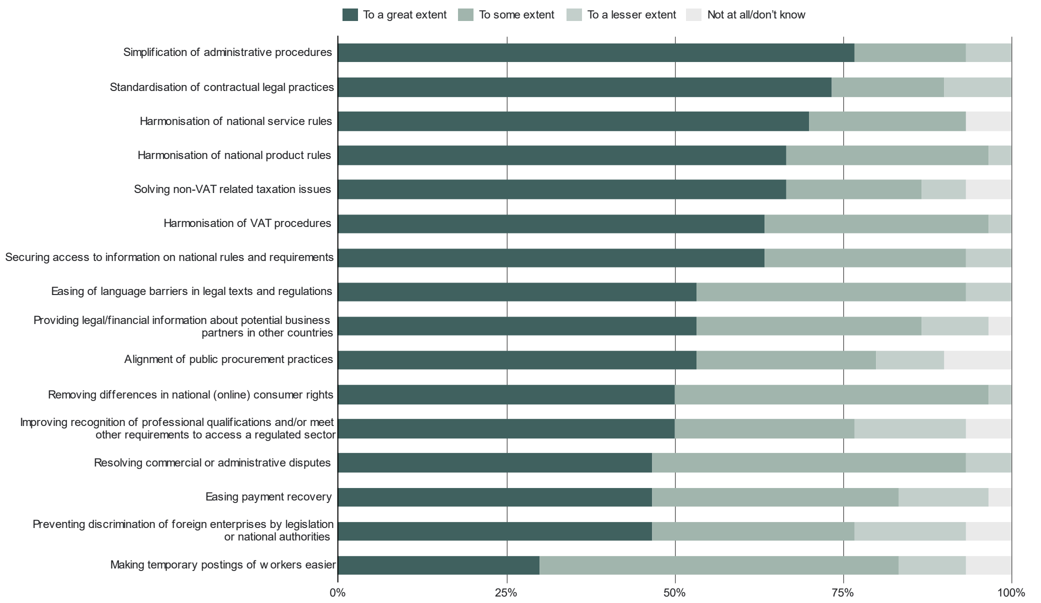
Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'To what extent do regulatory barriers prevent your firm from doing business in the Single Market?', n=31.

Figure 16: Policy initiatives that can help doing business in the Single Market, exporters



Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=167.

Figure 17: Policy initiatives that can help doing business in the Single Market, potential exporters



Source: Implement Economics based on a survey of 262 Polish SMEs.
Note: Response to question: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=30.

List of endnotes

1 European Commission (2023). *EU competitiveness beyond 2030: looking ahead at the occasion of the 30th anniversary of the Single Market.*

2 Non-paper of Croatia, Czechia, Denmark, Estonia, Finland, Ireland, Latvia. Lithuania, Malta, The Netherlands, Poland, Portugal, Slovakia, Slovenia and Sweden on a new horizontal Single Market Strategy.

3 Non-paper of Croatia, Czechia, Denmark, Estonia, Finland, Ireland, Latvia. Lithuania, Malta, The Netherlands, Poland, Portugal, Slovakia, Slovenia and Sweden on a new horizontal Single Market Strategy.

3 LE Europe (2017). *The EU Single Market: Impact on Member States.* The estimation results quantify the extent to which the levels of the outcome variables were higher in 2015 than they would have been in the absence of increased Single Market integration.

4 European Commission (2020). *A Single Market that Delivers for Businesses and Consumers.*

5 Ministry of Climate and Environment (2020). *Poland's National Energy and Climate Plan for the Years 2021-2030.*

7 OECD (2022). *Trade in goods and services*.

8 See https://www.epcsummit2023.md/president-maia-sandus-message-regards-organisation-epc-summit.

9 LE Europe (2017). *The EU Single Market: Impact on Member States.*

10 In Poland, 24% of jobs depend on Intra-EU export (European Commission (2018). *EU export to the EU: Effects on employment and income*) and another 15% depends on extra-EU export (European Commission (2021): *EU exports to the world: effects on employment*), according to the newest publications.

11 European Commission (2018). *EU export to the EU: Effects on employment and income.* Here using the share of jobs supported by intra-EU exports, as no estimate exists for the Single Market.

12 OECD (2023). *X – TEC by partner countries and size-class [TEC3_REV4].*

13 OECD (2023). *FDI statistics by partner country and by industry – Summary [BMD4].*

14 Eurostat (2023). *Population on 1 January by age group, sex and country of birth [MIGR_POP3CTB] and* Eurostat (2023). *EU and EFTA citizens who are usual residents in another EU/EFTA country as of 1 January [MIGR_POP9CTZ].* No datapoint exist for Malta, Cyprus, and Estonia in the last source, implying that citizens living in these countries are not included.

15 The sources behind the infographic include the following: Overall benefits: LE Europe (2017). *The EU Single Market - Impact on Member States*, Trade: Eurostat [TEC3_REV4], [LFSI_EMP_A] and WKO (2023). *30th Anniversary of the Single Market – An unfinished milestone of integration,* Investment: Eurostat [FATS_OUT2_R2], [FATS_G1A_08], OECD [FDI statistics according to Benchmark Definition 4th Edition (BMD4)] and lastly Mobility: Eurostat [MIGR_POP3CTB], [MIGR_POP9CTZ]. Note: intra-EU export-supported jobs are estimated using data on export to the Single Market from WKO (2023) and the assumption used in WKO (2023) stating that every billion exported secures around 10,000 jobs.

16 Eurostat (2023). *Annual enterprise statistics by size class for special aggregates of activities (NACE Rev.2) [SBS_SC_SCA_R2].*

17 Eurostat (2023). *Annual enterprise statistics by size class for special aggregates of activities (NACE Rev.2) [SBS_SC_SCA_R2].*

18 Eurostat (2023). *Persons employed in the non-financial business economy by size class of employment [TIN00148].*

19 European Commission (2022). *Internal Market, Industry, Entrepreneurship and SMEs.*

20 WTO (2016). *Levelling the Trading Field for SMEs.*

21 USITC (2019). *U.S. SME Exports: Trade-related Barriers Affecting Exports of U.S Small and Medium-sized Enterprises to the United Kingdom*.

22 HBS (2018). *25 Years of the European Single Market*.

23 Eurostat (2023). *Trade by NACE Rev. 2 activity and enterprise size class [EXT_TEC01].* Note, data is only available for intra-EU export. Therefore, the calculation excludes exports to Norway, Liechtenstein and Iceland.

24 BEUC (2022). *Making the most of EU Advance Purchases of Medicines*.

25 European Commission (2022). *Questions & Answers on Vaccine Negotiations*.

26 European Commission (2022). *Safe COVID-19 Vaccines for Europeans*.

27 European Council (2022). *EU Sanctions against Russia Explained*.

28 Bradford, A. (2020). *The Brussels Effect: How the European Union Rules the World* (p. 71). Oxford Academic.

29 European Commission (2022a). *Negotiations and Agreements*.

30 WTO (2022). *Regional Trade Agreements Database*.

31 European Commission (2022). *EU Trade Agreements: Delivering for Europe's Businesses*.

32 Bradford, A. (2020). *The Brussels Effect: How the European Union Rules the World* (p. 23). Oxford Academic.

33 Bradford, A. (2020). *The Brussels Effect: How the European Union Rules the World* (p. 63). Oxford Academic.

34 European Commission (2021). *Strategic Dependencies and Capacities*.

35 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.*

36 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*.

37 European Commission (2023). *EU Competitiveness beyond 20430: Looking ahead at the Occasion of the 30th Anniversary of the Single Market*.

38 Eurochambres (2019). *The State of the Single Market: Barriers and Solutions.*

39 European Commission (2020). *Single Market Scoreboard.*

40 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.

41 De Streel et al. (2020). *The E-commerce Directive as the Cornerstone of the Internal Market, requested by the IMCO Committee*.

42 European Commission (2020). *Shaping the digital transformation in Europe*.

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 Unio*n.

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 Polish share of total Intra-EU trade to get a country-level estimate for the growth potential in goods and services trade in Poland from Eurostat (2023). *Trade by NACE Rev. 2 activity and enterprise size class [EXT_TEC01].*

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 (2023). *Trade by NACE Rev. 2 activity and enterprise size class [EXT_TEC01].*

50 European Commission (2021). *Better Regulation' Toolbox 2021* (Ch.1).

51 Ministry of Climate and Environment (2020). *Poland's National Energy and Climate Plan for the Years 2021-2030.*

52 De Melo, J. and J-M Solleder (2019). *The Role of an Environmental Goods Agreement in the Quest to Improve the Regime Complex for Climate Change.*

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55 Implement Consulting Group (2023). *A European Green Single Market.*

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58 European Commission (2022). *VAT in the Digital Age: Final Report, Volume 3: Single Place of VAT Registration and Import One-Stop Shop* (p. 41).

59 VVA (2018). *Study for the Introduction of an E-labelling Scheme in Europe.* DigitalEurope.

60 European Commission (2021). *Simplification and Digitalisation of Labels on Chemicals.*

61 VVA (2018). *Study for the Introduction of an E-labelling Scheme in Europe.* DigitalEurope.

62 European Commission (2021). *Simplification and Digitalisation of Labels on Chemicals.*

About us

Implement Economics is the economics expert unit of Implement Consulting Group. Our experts are advisers to corporate and government decision-makers within regulation, trade, digitisation, decarbonisation, and globalisation.

The team has conducted several studies on the Single Market and provided a series of studies for the European Commission and governments in Europe, Asia, and the Americas.

The team applies economic modelling, data analytics and econometrics to help solve worthwhile problems.

Headquartered in Copenhagen and with offices in Aarhus, Stockholm, Malmo, Gothenburg, Oslo, Zurich, Munich, Hamburg, and Raleigh (NC), Implement Consulting Group employs more than 1,000 consultants working for multinational clients on projects worldwide.

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