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REPORT

The Single Market

– a *gateway* to growth and competitiveness

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

This report, *The Single Market – a gateway to growth and competitiveness*[1], published in March 2024, lists **11 specific and impactful policy initiatives** to strengthen the functioning of the Single Market.

The 11 recommendations provide a roadmap for a stronger and more united Single Market, leaving the detailed policy development and implementation to the next European Commission and Member States.

Based on a survey, interviews and a detailed literature review, this report gives a voice to French 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 achieving scale and enhancing their competitiveness at a global level.

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 economic growth and resilience in France.

As part of the study, a survey of French export-oriented SMEs was conducted in collaboration with Ipsos, an international market research firm with global survey capabilities.

Executive summary

Competitiveness, growth and prosperity for the French economy. 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.[2]

With 6 million jobs and 22% of France's working population dependent on exports, exporting is of great importance to the national economy and the French Government as the Prime Minister stated in 2023:

> "*To succeed and support our reindustrialisation, we also need strong action to support our companies on the international stage. This is both a means of strengthening our companies, enabling them to conquer new markets, and an effective tool for promoting French know-how. Helping French companies to export is at the heart of the Government's roadmap."*[3]

This report brings forward the **call for action from French SMEs** who point to the need for continued efforts to simplify and streamline EU policies to fully unlock the potential of the Single Market. These SMEs form the backbone of the French economy, accounting for 99.8% of all firms but only for 25% of total French exports. These numbers reflect that exporting is a difficult activity that requires significant financial and human resources. Nevertheless, 60% of the SMEs' total exports are destined for the Single Market[4], and the results presented in this study confirm that the Single Market is a platform for SMEs to internationalise, diversify exports and grow muscles to compete globally.

Based on a survey of 386 export-oriented French SMEs (see Appendix 1 for further details on the survey methodology, interviews and a detailed literature review), this report gives a French perspective on how an ambitious reboot of the Single Market can help these SMEs scale up, become more competitive and contribute to the resilience of the French economy. French SMEs call for European policy makers to:

- **Simplify and streamline policies to unlock potentials |** Differing regulatory requirements are cited as the most critical barriers for French SMEs to do more business in the Single Market. 52% of the SMEs assess that regulatory barriers increase their costs, 49% say that regulatory differences erode their competitiveness and 43% experience lower employment. French SMEs confirm that drawing a red line against red tape will increase intra-EU exports, make it easier to source within the Single Market and reduce barriers to engaging in public procurement across borders in the Single Market. This will stimulate growth and job creation in Europe.
- **Accelerate the use of digital tools to spur exports |** Digitalisation plays a vital role in driving growth, generating job opportunities and contributing to a sustainable future. Based on 2022 data on the Digital Economy and Society Index (DESI), France is above the EU average in terms of digital performance and not far behind the European digital frontrunners. 85% of the French SMEs believe that increased use of digital tools can help their company sell more on the Single Market, and they call for improved digital infrastructure, more digital public services and a larger pool of available human capital as policy initiatives that can help them become more digital.

- **Implement 11 specific 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 French 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 French SMEs has been underlined by business cases.

The 11 recommendations are detailed below.

Set a bold and ambitious vision for the Single Market

The Single Market integration from 1995 to 2015 has permanently increased France's GDP per capita by 1.7%, created 436,000 jobs and increased the citizens' purchasing power by EUR 670 (every year).[5] Moreover, today, more than 56% of France's total exports go through the Single Market and 70% of the country's imports originate from the Single Market, underlying the importance of the Single Market for many French consumers and firms.

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, i.e., the free movement of goods, capital, services, and people, 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 (see box below). This proposal is supported by the survey, where SMEs rank regulatory differences across Member States as one of the most critical barriers to doing business in the Single Market.

Y-Brush is a French manufacturer of y-shaped electric toothbrushes with sonic vibration. Their revolutionary toothbrushes deep clean teeth in just 10 seconds. Y-Brush, operating within the European Single Market, faces significant bureaucratic and regulatory obstacles, particularly concerning the specificity of their product line. National interpretations often differ, introducing uncertainty. For instance, while Y-Brush's toothbrushes are categorised as cosmetic items in Germany, they fall under a distinct category in France, subject to different regulations. Similarly, navigating packaging requirements proves challenging across the European market. To adhere to complex EU and country-specific regulations, Y-Brush must undertake additional measures, thereby escalating operational costs.

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 when they encounter problems doing business in the Single Market.

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. Similarly, going beyond EU directives (so-called 'gold-plating') creates regulatory fragmentation in the Single Market.

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 France's GDP per capita by 0.6%, and the increased production of goods and services can support 160,000 jobs per year.[6] Gains from removing excessive additional regulation comes on top of this.

We propose that the Commission takes new initiatives to close the compliance gap of existing regulations and use the Better Regulation Toolbox[7] (such as the SME test and think small first concept, the digital ready requirement and the "once only" concept 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 (see box below).

Novoma produces high-quality food supplements to meet a multitude of different needs for healthy living. Novoma has faced numerous obstacles and delays related to the registration of their food supplements and the preparation of documents necessary for their introduction to a new market (namely, Italy, Spain and Germany). This can be even more burdensome in cases where different countries interpret and enforce EU regulations differently - or where additional layers of national regulation exist for food supplements. Different interpretation and application of regulations, as well as the accumulation of additional national regulation, such as those affecting food supplements, increase uncertainty for businesses.

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[8], 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

The French National Energy and Climate Plan (NECP) has committed to achieving a 20% reduction in greenhouse gas emissions between by 2030 and a 50% reduction by 2050, compared to the reference year 2012. In doing so, France plans to reduce primary fossil fuel consumption by 40% by 2030, compared to the reference year of 2012, with 33% of final energy consumption coming from renewable energy sources. The additional investments for realising the energy and climate objectives are estimated to range between EUR 25-40 billion per year, a significant share of which will be dedicated new renewable energy installations, such as wind energy.[9] Barriers to trade in climate technologies make the green transition more costly for countries such as France and risk slowing it down.

With this study, we offer a roadmap that outlines an iterative approach to mapping and removing regulatory barriers to trade in climate goods and services within the Single Market. In terms of specific initiatives, we bring forward the request from 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 French 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. French SMEs encourage the Commission to apply digital tools and solutions that lower the costs of collecting, updating and utilising information. A single VAT ID and an extended VAT one-stop-shop (OSS) can help companies (see box below), save time and money when it comes to VAT registration in other Member States.

Y-Brush, the French manufacturer of electric toothbrushes, has encountered several challenges with VAT procedure throughout its expansion across the Single Market. For instance, in order to sell its products in Germany, the company must obtain a German VAT number, necessitating a registration process conducted entirely in Germany. Moreover, on a quarterly basis, the company is required to submit information pertaining to various VAT statements and declarations to maintain their local VAT numbers. The process of generating and filing VAT reports across multiple countries incurs substantial administrative costs and demands significant time investment.

Digital labelling, for example, can lower costs for SMEs (see box below). Also, the Commission should ensure that the advancement of new EU directives (particularly in the ESG field) will not create new fragmentations in the coming years.

Novoma, the French producer of food supplements, meet a multitude of different needs for healthy living. Novoma perceives that national labelling requirements can be a considerable challenge when selling to other countries on the Single Market (namely, Italy, Spain and Germany). This problem relates especially to physical labels, which need to be augmented and separately printed for different European countries in local languages. 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 Novoma from having to tailor their physical packaging to individual markets, providing greater flexibility and production scale.

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 digital 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. France was one of the initial 12 members of 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 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 from 1995 to 2015 permanently increased French GDP per capita by 1.7%, created 436,000 jobs and increased the citizen's purchasing power by EUR 670.

Standardisation and regulatory harmonisation benefit SMEs in particular, and 57% of French 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.

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[10], and its significance will grow if the ambitions of the European Political Community to accept new members to the EU are realised.[11]

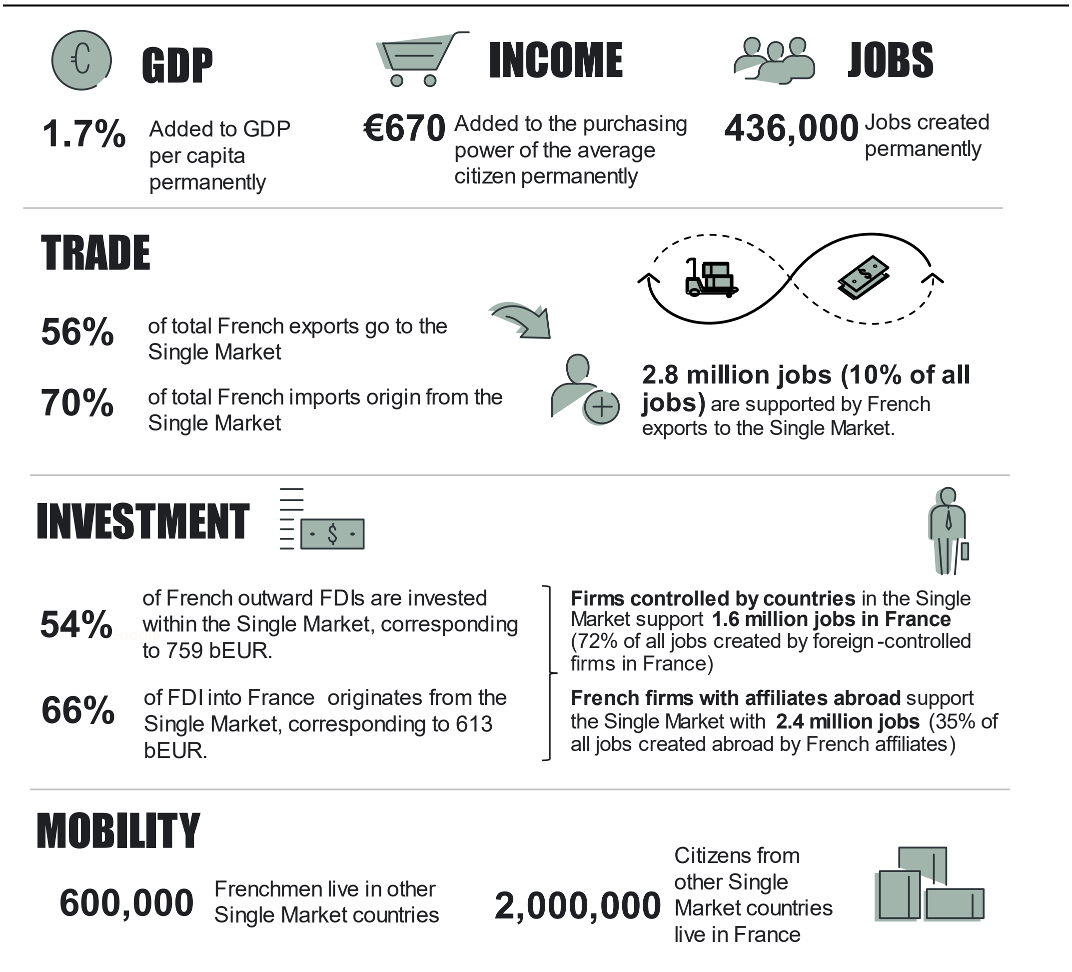
Access to the Single Market allows French firms to specialise and export goods and services in which they have a comparative advantage. Also, French consumers benefit from having access to a variety of goods and services imported at lower prices. The Single Market integration from 1995 up until 2015 has permanently increased France's GDP per capita by 1.7%, compared to a situation without an increase in integration. Similarly, the Single Market integration has permanently created 436,000 jobs and increased an average citizen's purchasing power by EUR 670, see Figure 1.[12] If the continued integration since 2015 is also considered, the economic benefits are likely to be even larger. Today, more than every fifth job in France depends on trade[13], and 10% of all jobs depend on trade within the Single Market.[14]

Today, more than 56% of France's total exports go through the Single Market, and 70% of France's total imports originate from the Single Market, underlining the Single Market's importance for many French consumers and firms – especially SMEs – where internationalisation is concerned.[15]

The free movement of capital has benefitted the French economy overall. Today, 66% of foreign direct investments (FDI) in France originate from members of the Single Market, corresponding to a total stock of inward FDI of EUR 613 billion. Likewise, 54% of all

French outward FDI are invested in members of the Single Market, considering that the large French investments into the UK no longer count as intra-EU FDI after Brexit.[16] Similarly, the free movement of people has made it easier to live abroad, and 600,000 Frenchmen currently live in other EU countries, while two million EU citizens live in France.[17]

Figure 1: The Single Market has created permanent benefits for French workers and consumers[18]



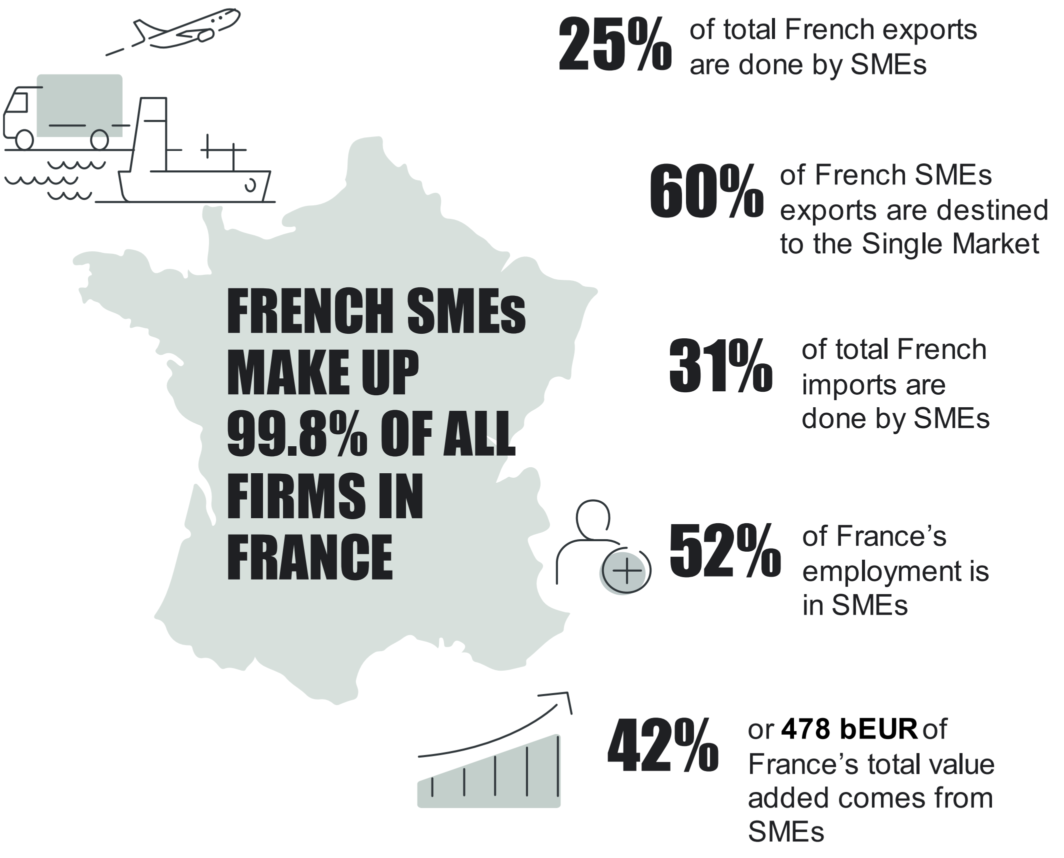
The Single Market is a platform for SMEs to scale up

SMEs form the backbone of the French economy, accounting for 99.8%[19] of all firms and 42% of the country's GDP in 2022. These SMEs account for 52% of France's private sector employment[20] and are (together with large companies) key drivers of innovation, as they bring innovative solutions to global challenges like the fights against climate change.[21]

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.[22,23]

Standardisation and regulatory harmonisation at a proportionate level are therefore particularly beneficial for SMEs that strive to scale up and enter new markets, access European value chains and strengthen their international competitiveness.[24] According to 2022 Eurostat data, SMEs account for 25% of total French exports, and 60% of the SMEs' total exports are destined for the Single Market.[25]

Figure 2: French SMEs gain from access to the Single Market



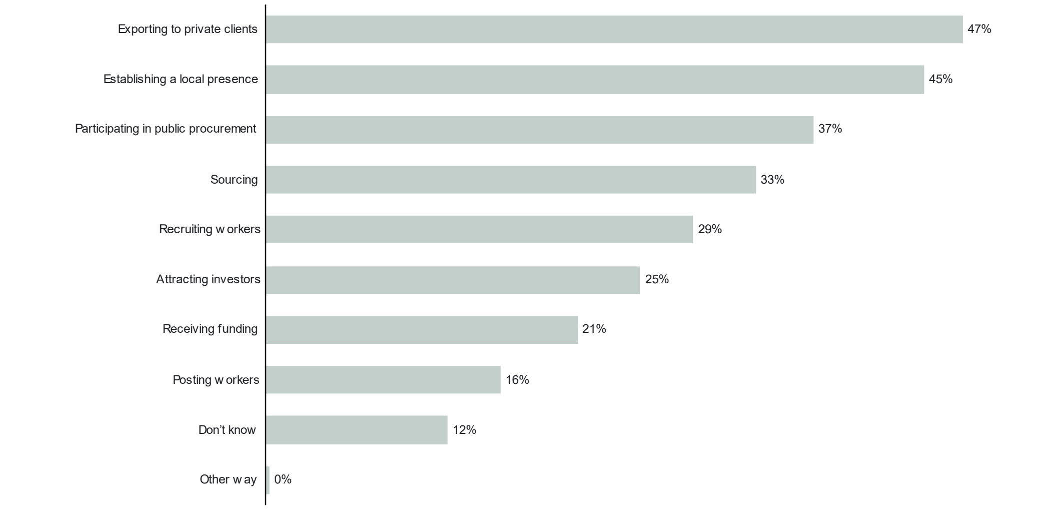
Note: SMEs are by the European Commission defined as enterprises with less than 250 employees.

Among the SMEs that participated in the survey, 86% state that access to the Single Market is important to their business. 13% of the SMEs say that they benefit to a great extent from the Single Market, while 73% assess that they benefit to some (52%) or a lesser extent (21%), see Figure 15 in Appendix 1.

The SMEs in the survey mainly export to private businesses as well as individuals (47%) or establish a local presence (45%) from other firms in the Single Market, see Figure 3. Other activities include participating in public procurement (37%) and sourcing (33%).

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

Figure 3: French SMEs gain from access to the Single Market



Source: Implement Economics based on a survey of 386 French SMEs (see Appendix 1 for further details).
Note: Response to question: 'In which way does your company convey business in the Single Market?', n=307. 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 France 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.[26,27] In total, the EU secured up to 4.2 billion doses of vaccines for EU citizens.[28]

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.[29]

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.[30] French firms have access to 45 trade agreements with 78 countries, including the EFTA countries,[31,32] and no trading partner has more trade agreements than the EU.[33] 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.

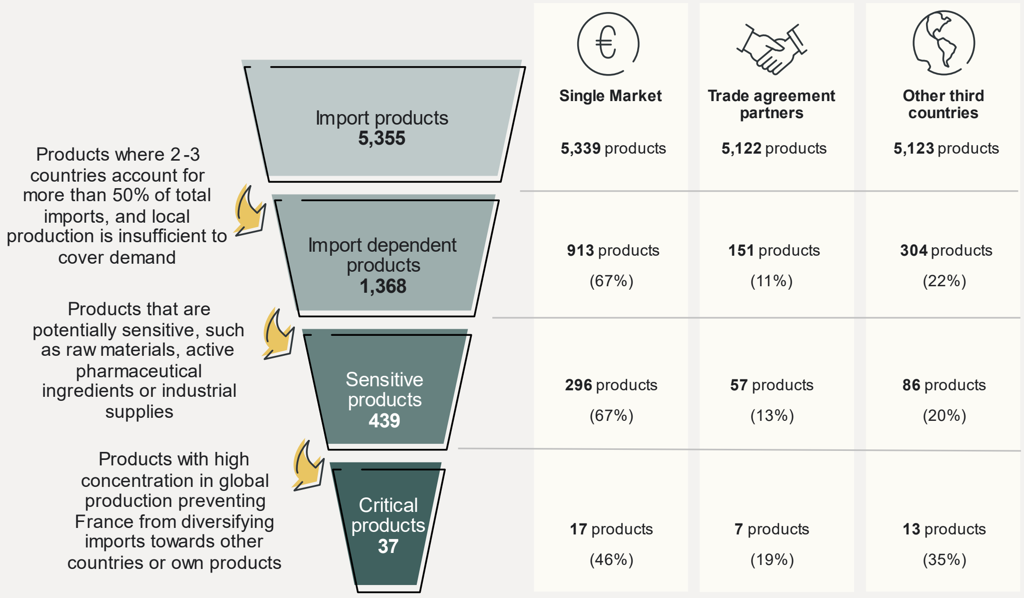
Setting global standards | The harmonisation of regulatory requirements and specifications of goods or services crossing borders within the Single Market have paved the way for a series of European standards. In a globalised world, shaping or ultimately setting the standards can provide a powerful first-mover advantage by minimising the adjustment costs for EU firms, which are then able to operate in export markets based on their home market rules.[34] Several European standards have been adopted at an international level, and modern EU trade agreements serve to boost the global adoption of EU standards.[35]

Balancing specialisation and resilience | The Single Market enables Member States to specialise and import what others can produce better, see Figure 4. France currently imports 5,355 products. Where 1,368 of these are concerned, imports are concentrated in just two or three countries, and France's production and economy depend on having access to these countries and maintaining good political relations with them. The main bulk of these products are imported from partners where trade takes place under regulated terms (913 products are imported within the Single Market and 151 from trade agreement partners). The remaining 304 products are imported from third countries, and negotiating trade agreements with these countries can help French firms further diversify their imports and build more resilient global supply chains.

Figure 4: The Single Market has enabled specialisation and helped build resilience[36]

France imports a total of 5,355 products. Based on a methodology developed by the European Commission, we have assessed the import dependency of France 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 France is insufficient to cover total demand. The high concentration of imports can expose French 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 French 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 French 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 France shares its import dependency with all other countries. In case of supply interruptions, France (as well as all other countries) have very limited opportunities to redirect imports to other locations.



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 and increased digitalisation

BACKGROUND

Initiatives to standardise and harmonise regulation across members have helped dismantle obstacles to doing business within the Single Market, but significant regulatory barriers still exist. Also, the advancement of new directives (particularly in the ESG field) creates a risk of increased fragmentation in the coming years.

In collaboration with Ipsos, we have conducted a survey among French 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 SMEs from reaching their full potential in terms of trading 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

86% of the SMEs say that they have benefitted from the Single Market, mainly through exports to private clients and sourcing from other firms.

47% of the SMEs say that differing regulation across member states to a great or some extent limits their scope to doing business in the Single Market.

45% of the SMEs perceive regulatory barriers as preventing them from participating in public procurement - an area seen as offering great business potential.

83% of the SMEs state that simplification of administrative procedures will help them do more business in the Single Market.

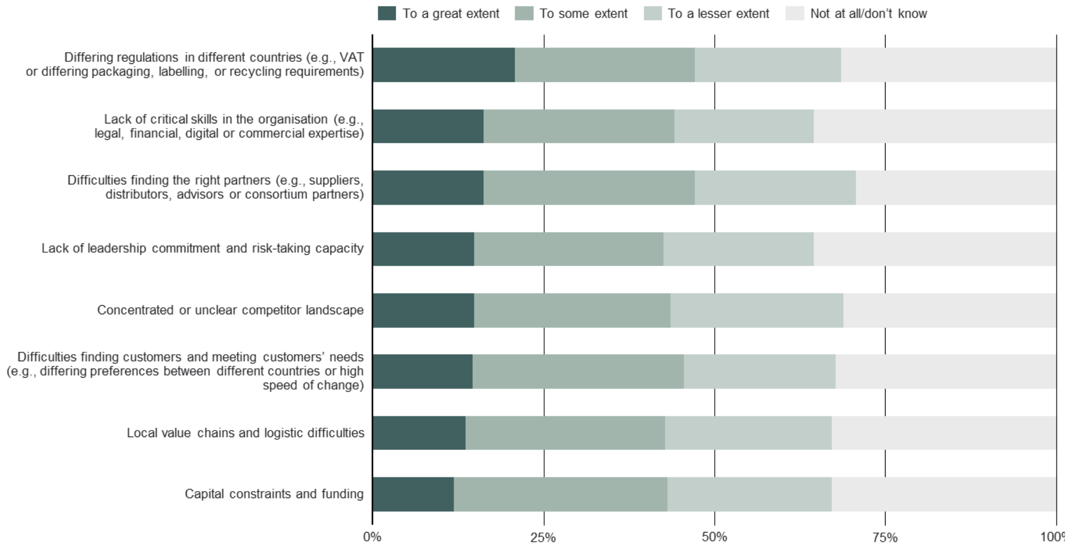
French SMEs call for regulatory harmonisation and simplification

The Single Market has come a long way in removing obstacles to the free flow of goods services, capital and people across borders. The French SMEs that participated in the survey confirm that they benefit from the Single Market and, moreover, that there continues to be a potential for simplifying and harmonising regulation.

86% of the SME exporters say that they have benefitted from the Single Market, mainly through exports to private clients (businesses and individuals) and establishing a local presence (see Figure 3 and Figure 15 in Appendix 1). The prospective SME exporters confirm that there is potential for them to benefit from the Single Market. 35% of the SMEs see a potential for increasing their exports to private clients, 33% for participating in public procurement, 30% for establishing a local presence in other Members States and 28% for recruiting workers (see Figure 16 in Appendix 1).

Differing regulation across Member States is seen as one of the most critical barriers for French SMEs. 21% of the SMEs say that this barrier to a great extent limits their scope for doing business in the Single Market (47% say that it to some or lesser extent is a critical barrier), see Figure 5. Almost as critical a barrier as differing regulation is difficulties finding the right partners, lack of critical skills in the organisation as well as other traditional export barriers that are typically addressed at the national level, through various export promotion and accelerator activities.[37]

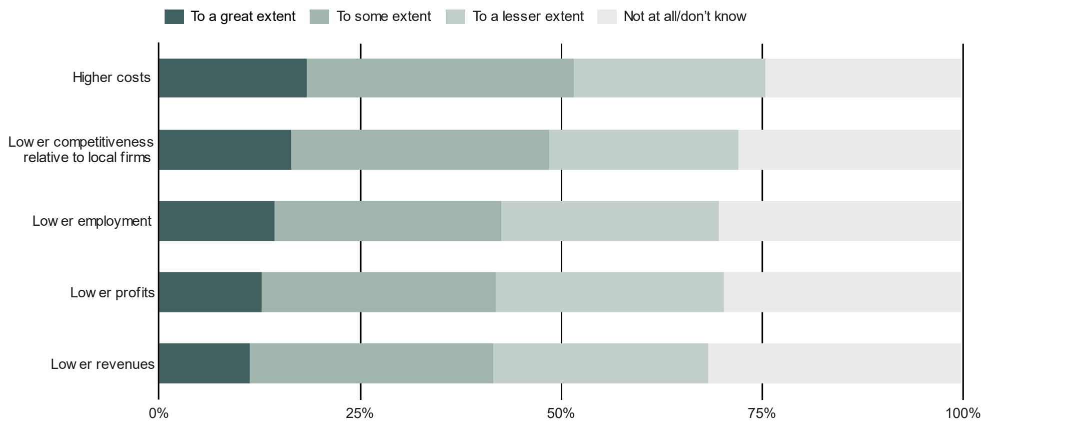
Figure 5: Critical barriers to doing business in the Single Market



Source: Implement Economics based on a survey of 386 French 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=369.

The SMEs assess that regulatory barriers to a great or some extent increase their costs (52%), erode their competitiveness relative to local firms (49%) and, consequently, lower their contribution to employment (43%), see Figure 5.

Figure 6: Consequences of regulatory barriers for exporting SMEs



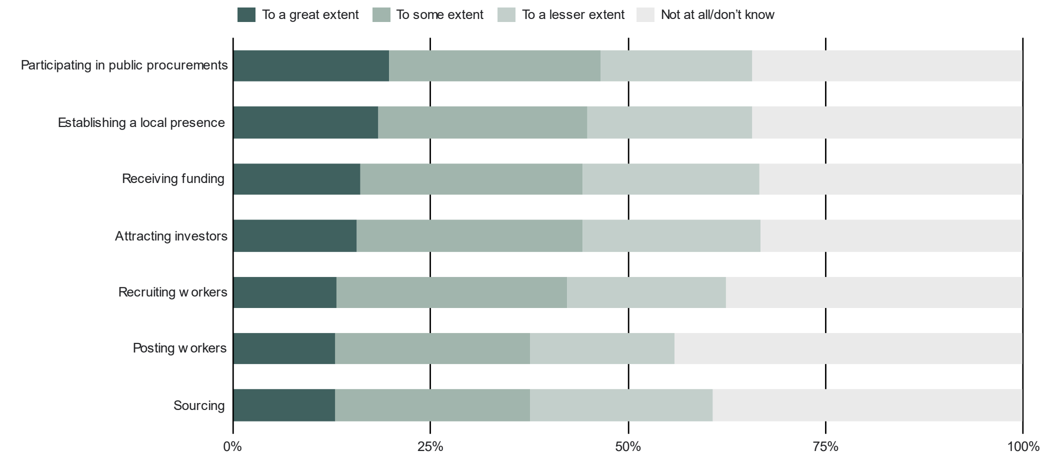
Source: Implement Economics based on a survey of 386 French SMEs (see Appendix 1 for further details).
Note: Response to question: 'What are the implications for your business of regulatory barriers to doing business within the Single Market?', n=298.

Because of the regulatory barriers and their consequences, the French 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, improved product innovation and reduced delivery times.

45% of the SMEs find that regulatory barriers prevent them from participating in public procurement, see Figure 6. This is also an area where the prospective SME exporters see great potential for growing their business within the Single Market (see Figure 16 in Appendix 1). Active involvement in cross-border public procurement is a way for SMEs to enhance their operational efficiency. Participation in public procurement not only facilitates cost optimisation but also provides an avenue for SMEs to access new markets, foster innovation and build strategic partnerships.

Moreover, 44% of the SMEs assess that regulatory barriers prevent them from establishing a local presence in other members of the Single Market, but regulatory barriers also limit the scope for receiving funding and attracting investors.

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



Source: Implement Economics based on a survey of 386 French 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=303.

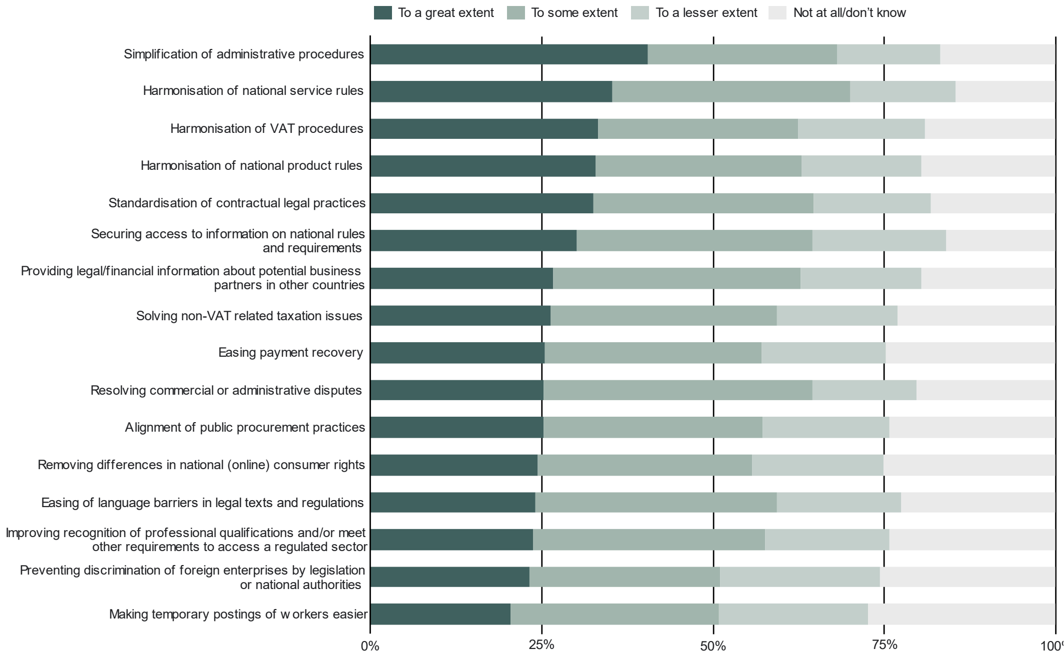
The SMEs identify several policy initiatives that can help reduce regulatory barriers.[38] 83% of the SMEs point to simplification of administrative procedures, of which 43% say that this initiative to a great extent will help them do more business via the Single Market. The call for simplification aligns 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, French SMEs welcome the following initiatives to:

- **Harmonise VAT procedures |** This call for action from French 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 French 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



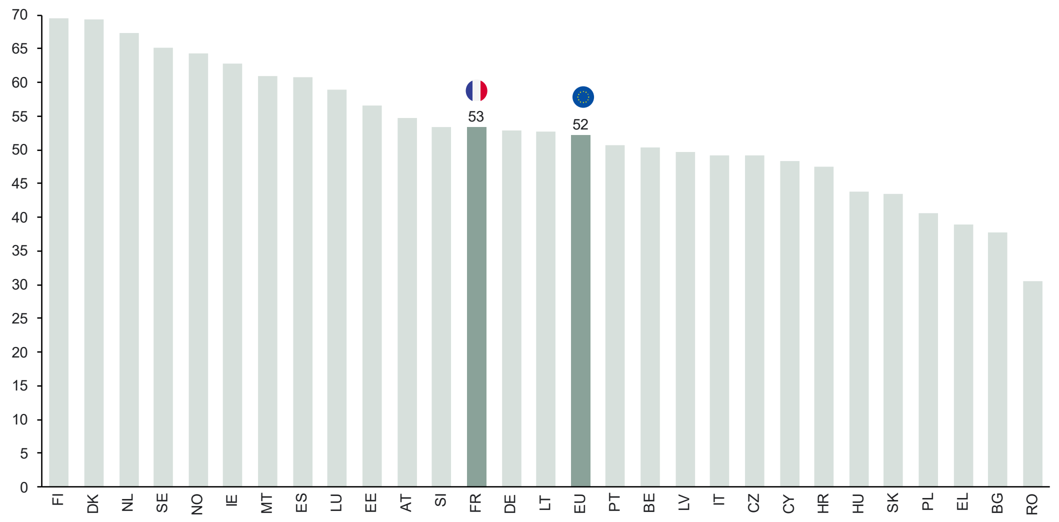
Source: Implement Economics based on a survey of 386 French SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent would the following policy initiatives help your company do more business within Single Market?', n=352.

Increased digitalisation can help SMEs improve their exports

In today's rapidly evolving global landscape, digitalisation plays a vital role in driving growth, generating employment opportunities and contributing to a sustainable future through its positive impact on environmental objectives.[39] By embracing digital technologies, SMEs are in a better position to navigate international markets, streamline operations and enhance their export capabilities.

In the 2022 Digital Economy and Society Index (DESI), France ranks above the EU average (53 compared to 52) and is not far behind the European digital front runners, see Figure 9.[40]

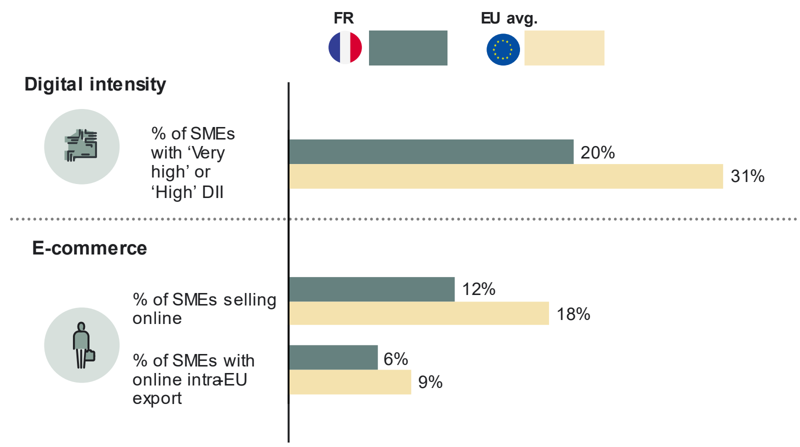
Figure 9: The digital performance of France is above the EU average



Source: Implement Economics based on 2022 data from the European Commission.
Note: The DESI score is calculated as a weighted average of four different dimensions: Digital Public Services, Integration of Digital Technology, Connectivity and Human Capital. The dimensions are of equal importance and are therefore given the same weight in the calculation. The indicators within each dimension are weighted according to importance.

Measured by the Digital Intensity Index (DII), French SMEs are below the EU average (20% of French SMEs have a very high or high DII compared to an average of 31% for the EU), see Figure 10. Compared with other EU SMEs, French SMEs also appear less advanced in terms of their engagement in e-commerce sales, with 12% of French SMEs selling online (EU average of 18%), and 6% of French SMEs with online intra-EU exports (EU average of 9%).

Figure 10: French SMEs are behind EU SMEs in applying digital tools[41]

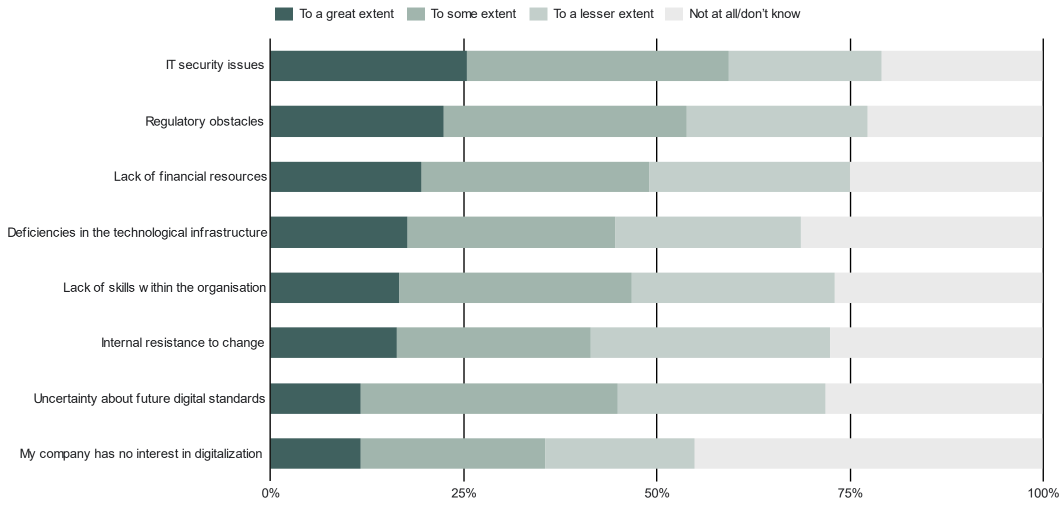


Source: Implement Economics based on data from the European Commission on the application of digital tools.
Note: The Digital Intensity Index measures the use of different technologies by enterprises and reflects the extent to which enterprises are digitalised. The data points are only for SMEs defined as companies with 10-249 employees.

85% of the French SMEs that participated in the survey believe that increased use of digital tools can help their company sell more through the Single Market, while 19% even believe that it can help their exports to a great extent, see Figure 23 in Appendix 1.

Multiple factors hinder French SMEs from adopting more digital tools, see Figure 11. The SMEs point to IT security issues (26%) and regulatory obstacles (22%) as the two main factors that to a great extent prevent them from adopting more digital tools. Furthermore, lack of financial resources, deficiencies in the technological infrastructure, and lack of skills within the organisation to a lesser extent hinder the adoption of digital tools.

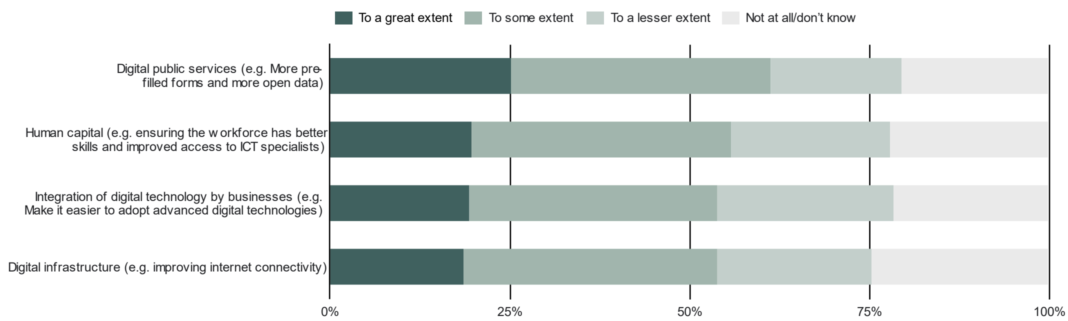
Figure 11: Multiple factors hinder French SMEs from adopting more digital tools



Source: Implement Economics based on a survey of 386 French SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent do the following factors hinder your company from adopting more digital tools?', n=349. Deficiencies in the technological infrastructure include e.g. access to/quality of high-speed internet in the municipality where the company is located.

The SMEs find that there are several areas in which policy makers can help speed up digitalisation, see Figure 12. 61% of the SMEs say that more digital public services would help them become more digital, and 56% indicate the potential of human capital e.g., ensuring a skilled workforce and improved access to ITC specialists. Likewise, 54% of the SMEs point out that improved integration of digital technologies by businesses and improved digital infrastructure would help them become more digital.

Figure 12: There are several areas in which policy makers can help SMEs become more digital

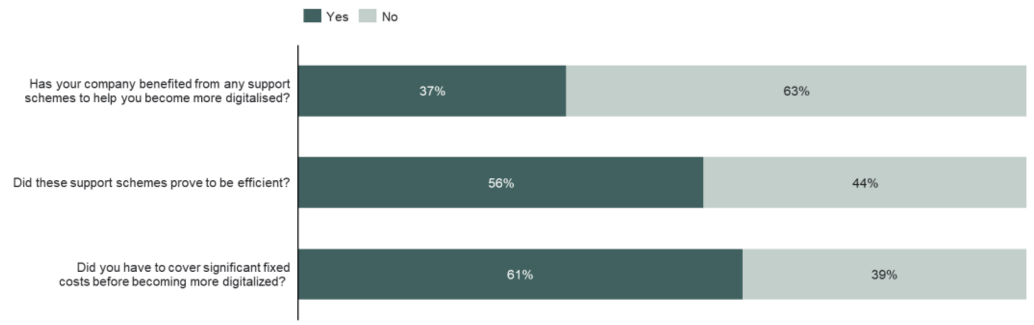


Source: Implement Economics based on a survey of 386 French SMEs (see Appendix 1 for further details).
Note: Response to question: 'In which of the following areas can policy makers help your company become more digital?', n=349.

Government support schemes can also play a crucial role in helping SMEs embark upon or accelerate their digitisation journeys. 37% of SMEs have benefited from support schemes aimed at facilitating their digital transformation. Among those who received support, 56% expressed satisfaction with the efficacy of these schemes in enhancing their business operations.

However, the survey also unveiled a significant challenge faced by SMEs in their journey towards digitalisation. More than 60% of the surveyed SMEs disclosed that they had to allocate substantial financial resources before being able to embrace digital technologies and modernise their operations. This financial burden underscores a critical barrier hindering SMEs from fully harnessing the benefits of digitalisation, despite the existence of supportive schemes.

Figure 13: Support schemes have helped French SMEs become more digitalised



Source: Implement Economics based on a survey of 386 French SMEs (see Appendix 1 for further details).
Note: Response to question: ‘Has your company benefited from any support schemes to help you become more digitalised?’ (n=351), Did these support schemes prove to be efficient? (n=293) and ‘Did you have to cover significant fixed costs before becoming more digitalised?’ (n=351).

3 Set a bold and ambitious vision for the Single Market

BACKGROUND

After more than 30 years of continued integration, 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 French 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.[42]

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 (see box below), as described in the business case below.

COMPLEX AND DIVERGING REGULATORY REQUIREMENTS DRIVE UP COSTS

Y-Brush manufactures y-shaped electric toothbrushes with sonic vibration. Their revolutionary toothbrushes deep clean teeth in just 10 seconds. Headquartered in Lyon, France, the company is present across the European Single Market. Approximately 50% of Y-brush's sales come from exports, mainly to Germany, Belgium, Italy, as well as Hungary and the Netherlands.

Call for action

Y-Brush, operating within the European Single Market, faces significant bureaucratic and regulatory obstacles, particularly concerning the specificity of their product line. National interpretations often differ, introducing uncertainty. For instance, while Y-Brush's toothbrushes are categorised as cosmetic items in Germany, they fall under a distinct category in France, subject to different regulations.

Similarly, navigating packaging requirements proves challenging across the European market. To adhere to complex EU and country-specific regulations, Y-Brush must undertake additional measures, thereby escalating operational costs.

> ***"Our collaboration with a German reseller uncovered numerous, unforeseen regulations, prompting substantial compliance expenses. Despite initial assumptions of our compliance, we discovered discrepancies due to varying European rules among countries."***

Benjamin Cohen, CEO and Co-founder at Y-Brush

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 Y-Brush. 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.[43] These conclusions are also confirmed by the interviews conducted with French 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.[44]
- **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 French SMEs call for more proactive initiatives to remove the regulatory uncertainty that stems from contradictory and/or overlapping regulation.[45]

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.[46] 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

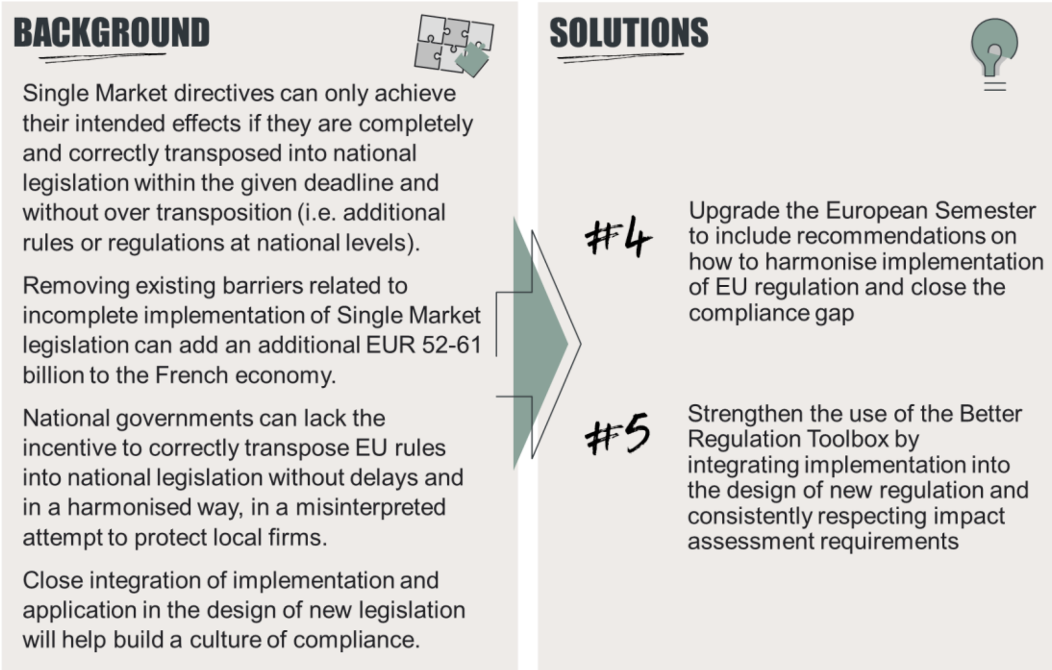
As described in Chapter 2, digitisation is a key driver of productivity and future economic growth.[47] Data flows, i.e., the possibility for firms to have access to, use and transfer data is a prerequisite for digitisation. Digital technologies and solutions also enable and accelerate the green transition across the economy and society.[48]

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.[49] Several data flow obstacles persist and are often rooted in rules aimed at protecting personal privacy (data protection).[50] 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 French SMEs.

4 Build a culture of trust and compliance



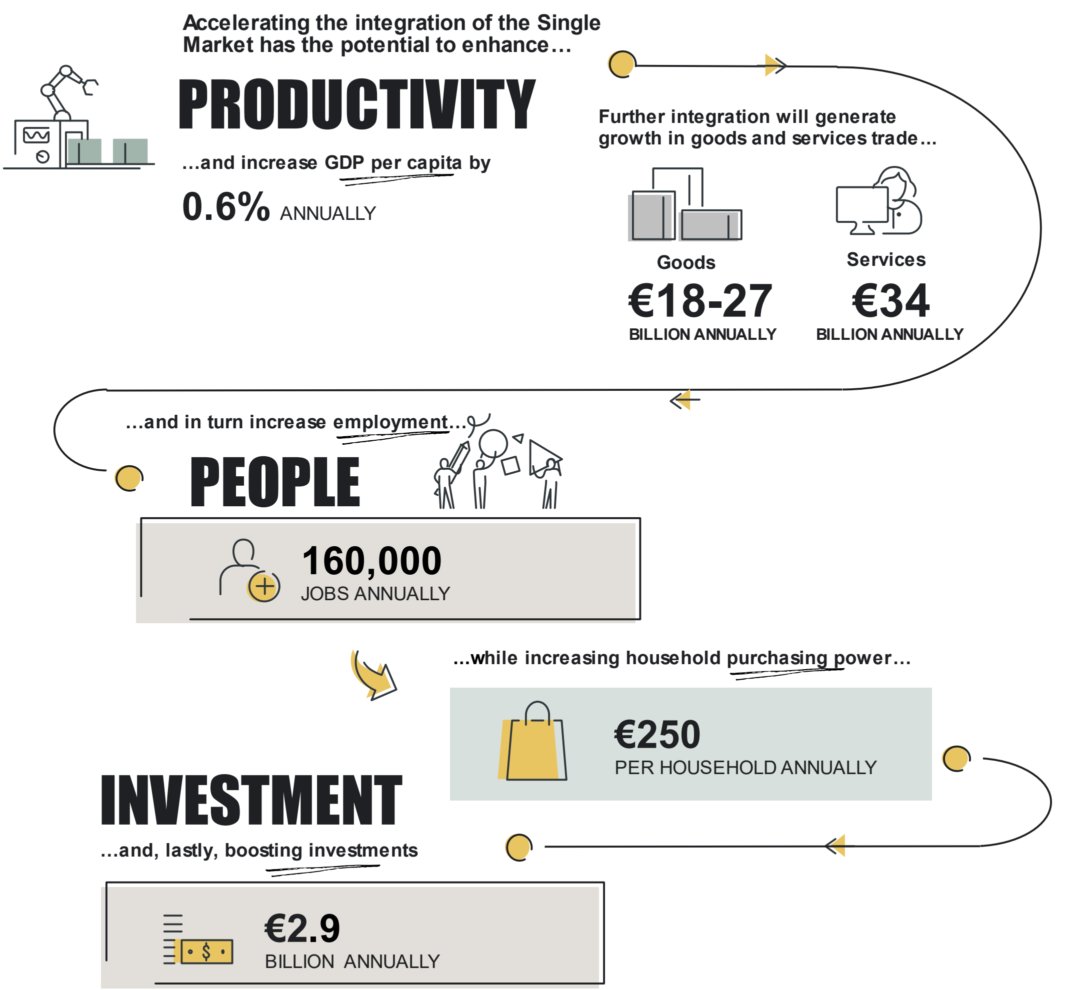
#4 Upgrade the European Semester to include recommendations on how to harmonise implementation of EU regulation and close the compliance gap

Removing existing barriers due to incomplete implementation of EU rules is foreseen to generate large EU-wide economic benefits.[51] The European Commission estimates that removing existing barriers related to the 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).[52]

Similar impacts can be expected in France. If benefits for France correspond to France's contribution to total intra-EU trade, GDP per capita could increase by 0.6%, and the goods and services sectors would permanently add EUR 52-61 billion to French GDP every year (EUR 18-27 billion and EUR 34 billion for goods and services, respectively[53]). Furthermore, the increased production of goods and services is expected to support 161,000 jobs annually. Benefits will spread to French households, where household income (purchasing power) is expected to increase permanently by EUR 250. Lastly, investments are expected to increase by EUR 2.9 billion (see Figure 14).[54]

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

Figure 14: Potential benefits in France 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 the 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 French SMEs (see box below), from doing more business through the Single Market.

LACK OF STANDARDISATION IN NATIONAL AND EU REGULATIONS CREATE UNCERTAINTY

Founded in 2012, Novoma specialises in high-quality food supplements to meet a multitude of different needs for healthy living. Novoma initially sold its goods from their own website, and since 2018, the company has expanded to the Amazon marketplace, which is now the predominant sales channel. The company's main markets include France, Italy and Spain. Novoma also sells in Germany, but competition is very fierce.

Call for action

Formally, food supplements are regulated as foods in the EU and are governed by various laws and regulations. Novoma has faced numerous obstacles and delays related to the registration of their food supplements and the preparation of documents necessary for their introduction to a new market (namely, Italy, Spain and Germany). This can be even more burdensome in cases where different countries interpret and enforce EU regulations differently - or where additional layers of national regulation exist for food supplements - 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 for SMEs.

"Each country has their own requirements when it comes to food supplements. These requirements are difficult to navigate and can constitute large hurdles when first entering a new market."

Lucas Pinos, Founder at Novoma.

Potential

Different interpretation and application of regulations, as well as the accumulation of additional national regulation, such as those affecting food supplements, increase uncertainty for businesses. This also increases expansion time to new markets – amounting to estimated 6 months for Novoma for regulatory hurdles alone.

Simplifying and standardising regulations is key to closing the compliance gap within the Single Market – this is needed to lower entry costs and lower risks associated with expansion for SMEs.

#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.[55]

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 French National Energy and Climate Plan (NECP) has committed to achieving a 20% reduction in greenhouse gas emissions between by 2030, and a 50% reduction by 2050, compared to the reference year 2012. In doing so, France plans to reduce primary fossil fuel consumption by 40% by 2030, compared to the reference year of 2012, with 33% of final energy consumption coming from renewable energy sources. The additional investments for realising the energy and climate objectives are estimated to range between EUR 25-40 billion per year, a significant share of which will be dedicated new renewable energy installations, such as wind energy.

Regulatory barriers pose significant obstacles to global trade in climate goods (up to 10 times more than tariffs[56]), 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.[57] 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.[58]

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.[59] 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.

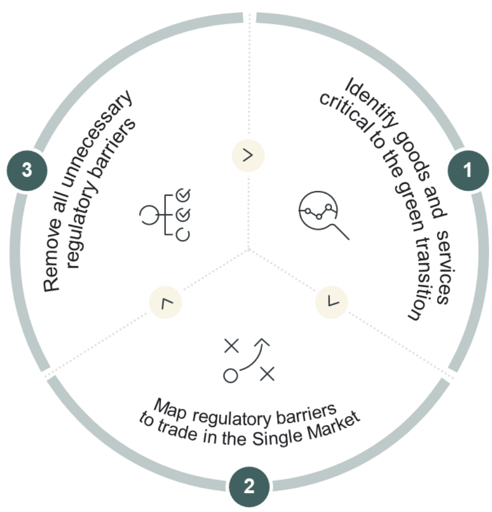
- **Step 3** | Take bold steps to remove unnecessary or unjustified regulatory barriers to trade in climate goods and services that are hindering the green transition at both the EU and national level.

The iterative process is illustrated in the figure below. The three steps should be repeated for an expanded list of green goods and services.

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 regulations do 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 French 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.[60]

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 French producers to comply with EPR regulations related to all the products sold in any given Member State, while at the same time lowering regulatory barriers to trade (and therefore increasing trade) within the Single Market and strengthening circularity.

#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.[61] 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). Despite simplifications introduced by the European VAT one-stop-shop system, SMEs (see boxes below) continue to encounter challenges with VAT procedures.

VAT REGISTRATION REQUIREMENTS MAKE IT DIFFICULT TO SELL IN VARIOUS COUNTRIES

Call for action

Y-Brush, the manufacturer of y-shaped electric toothbrushes, finds that, despite simplifications introduced by the European VAT one-stop-shop (OSS) system, there are still many challenges related to EU VAT procedures. For instance, in order to sell its products in Germany, the company must obtain a German VAT number, necessitating a registration process conducted entirely in Germany. Moreover, on a quarterly basis, the company is required to submit information pertaining to various VAT statements and declarations to maintain their local VAT numbers. The process of generating and filing VAT reports across multiple countries incurs substantial administrative costs and demands significant time investment.

> ***"In Germany alone, we incur €4,000 in annual expenses related to VAT registration, regulation and other expenses - a burden replicated to varying extents in other countries as well."***
>
> Benjamin Cohen, CEO and Co-founder at Y-Brush

Potential

Creating a single VAT ID in the EU and extending the VAT OSS to cover all goods transactions, would allow SMEs, such as Y-Brush, to comply with VAT obligations using a single registration number, applicable for the entire Single Marker. This would help reduce complexity and cut costs associated with VAT registration.

VAT REGISTRATION REQUIREMENTS POSE CHALLENGES TO SMES SELLING ACROSS BORDERS

Bananair is a French company specialising in the design and manufacture of fun, comfortable, and oversized home goods, including bean bags, cushions and stuffed animals. Headquartered in Paris, France, the company is present across the European Single Market. Approximately 50% of Bananair's sales come from exports, mainly to Italy, Germany and Belgium.

Call for action

Despite the simplifications introduced by the European VAT one-stop-shop (OSS) system, Bananair, like many other SMEs, continues to encounter challenges with VAT procedures. The challenges met include, among other things, paperwork, translation requirements and time investments. Moreover, Bananair has encountered delays in sales and deliveries as a consequence of the time-consuming processes associated with VAT registration across borders. This is further complicated by the requirement for Bananair to have a VAT number simply to stock products in certain countries. The process of generating and filing VAT reports across multiple countries incurs substantial administrative costs and demands significant time investment.

> ***"The complexities, costs and difficulties associated with VAT registration in different countries has significantly hampered our development and growth. In addition to the time-consuming processes, including soliciting freelance translation services, we spend roughly €1500 per trimester on VAT-related matters"***
>
> Julian Vaysse, CEO and Co-founder at Bananair

Potential

Creating a single VAT ID in the EU and extending the VAT OSS to cover all goods transactions, would allow SMEs, such as Bananair, to comply with VAT obligations using a single registration number, applicable for the entire Single Marker. This would help reduce complexity and cut costs associated with VAT registration.

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 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 French SMEs would find most beneficial for doing more business in the Single Market.

As well as reducing administrative burdens on SMEs and granting them greater access to the European Single Market, tax authorities will also benefit from a Single VAT ID, as reduction in complexity increases compliance.[62] From the perspective of national governments' public finances, the simplification is likely to result in increased trade leading to additional VAT revenues and a more competitive market in the EU. Finally, customers will benefit from a larger selection, more competitive prices and a better shopping experience when buying goods online.

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

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 selling smaller quantities. 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.[63] 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.[64] Also, we ask that physical labelling should only contain the minimum essential information.

DIGITAL LABELLING COULD ENABLE EASIER ENTRY TO NEW EUROPEAN COUNTRIES

Call for action

Novoma, the French company specialising in high-quality food supplements to support healthy living, perceives that national labelling requirements can be a considerable challenge when selling to other countries on the Single Market (namely, Italy, Spain and Germany). This problem relates especially to physical labels, which need to be augmented and separately printed for different European countries in local languages. When entering a new country, having to produce labels that comply with national labelling requirements can be risky and costly for a small company.

Potential

The patchwork of national requirements that Novoma observes on the European market, including labelling requirements, makes entering new countries more difficult.

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 companies from having to tailor their physical packaging to individual markets, providing greater flexibility and production scale.

"Using a digital label as a second form of label (in addition to French labelling) would be much easier to manage."

Lucas Pinos, Founder at Novoma

#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, French 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.

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

Appendix 1 Description of the SME survey

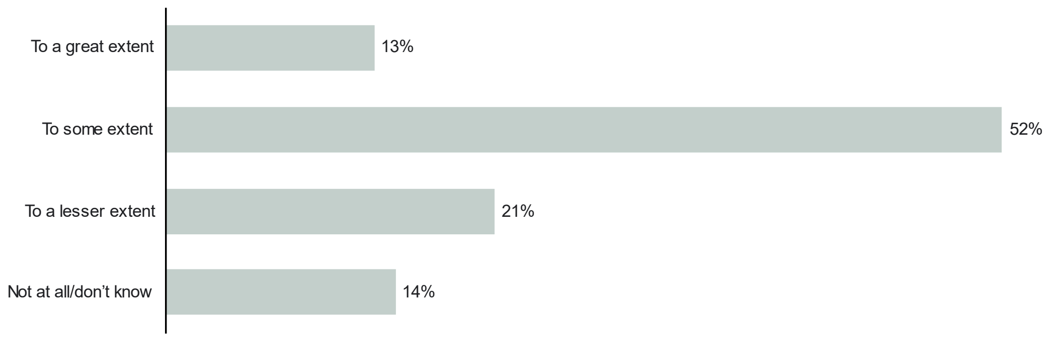
To identify key barriers and possible solutions to conducting business on the Single Market, we carried out a survey in close collaboration with Ipsos. The target group of the survey was SMEs that either export (SME exporters) or would like to export through the Single Market (potential SME exporters).

According to Eurostat data, around 46,900 French SMEs are currently exporters (around 2% of the French population of SMEs). 58% of the French SME exporters have less than 10 employees and 42% have more than 10 employees. The latter group of larger SMEs account for a large share of total exports by the SMEs.

In total, 386 French SMEs participated in the survey. 325 of the respondents are exporters (84%). Of these SME exporters, 7% of the SME exporters have less than 10 employees. This implies that the small SME exporters are underrepresented compared to the population of SME exporters. However, this also implies that the larger SME exporters are very well represented and that implications for a large share of SME exports are covered by the survey. Most of the respondents conduct business in 'Manufacturing' (13%) and 'Other service activities' (13%).

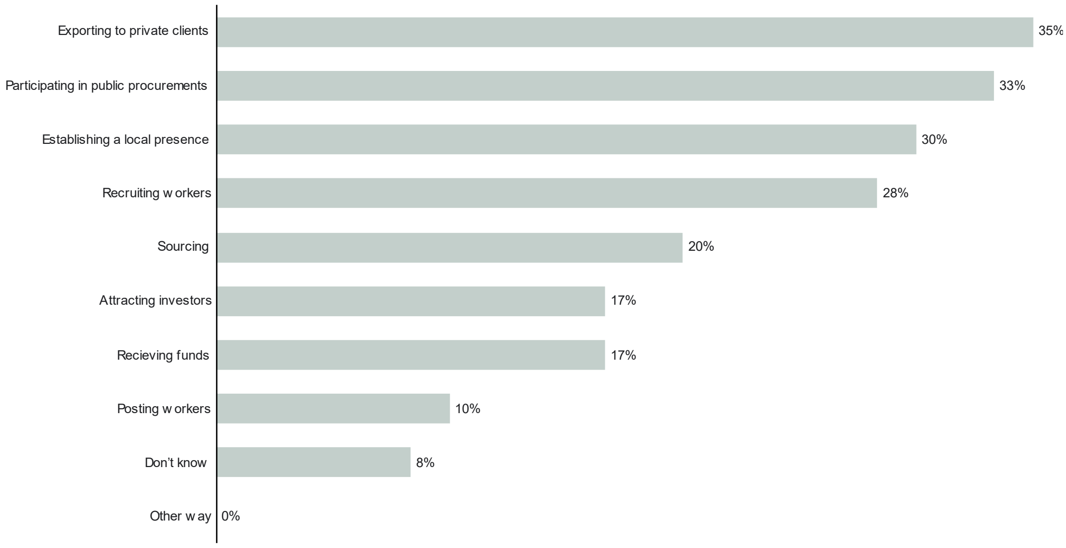
61 (16%) of the respondents currently do not export but would like to begin exporting (potential exporters). Since we have no information about how large a share of the full SME population is potential exporters, it is difficult to assess their representativeness. The detailed responses in this appendix indicate that there are only minor differences between the responses from SME exporters and potential SME exporters.

Figure 15: Benefits from doing business in the Single Market, exporters



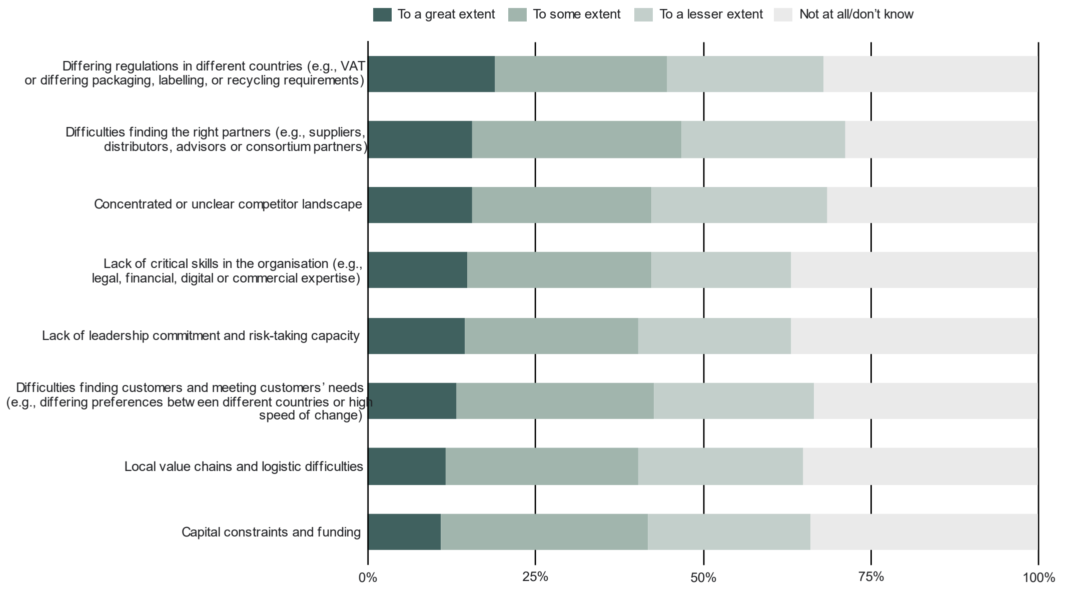
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent does your company benefit from the Single Market?', n=307.

Figure 16: Potentials for growing business in the Single Market, potential exporters



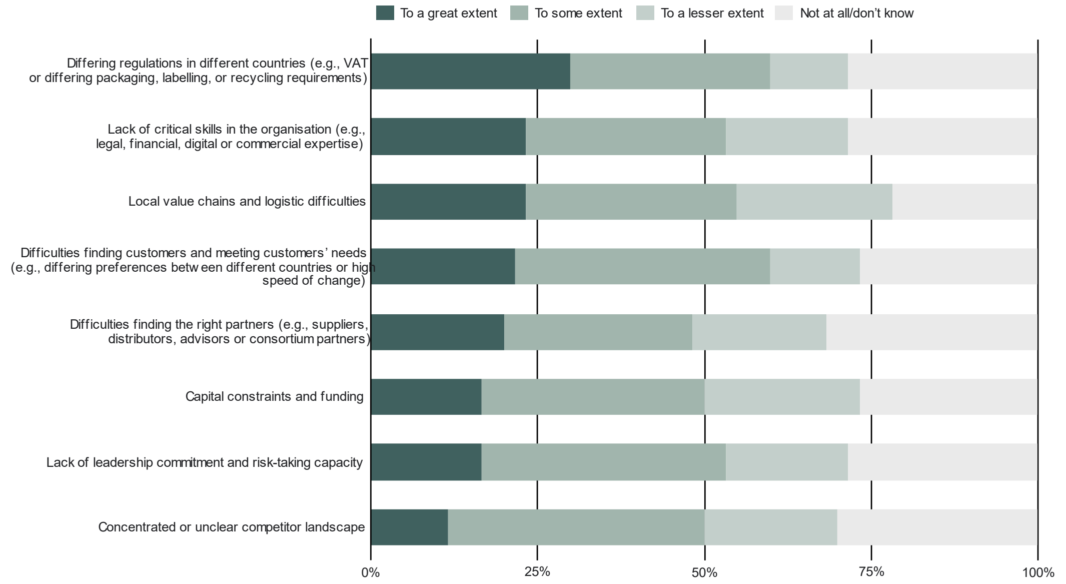
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'Where do you see the largest potentials within the Single Market for growing your business?', n=60.

Figure 17: Critical barriers to doing business in the Single Market, exporters



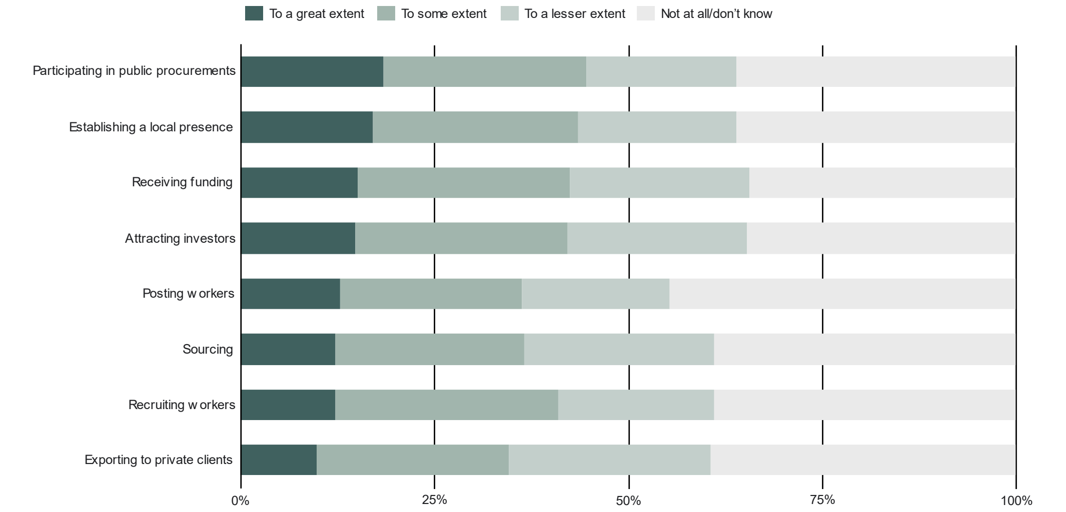
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=309.

Figure 18: Critical barriers to doing business in the Single Market, potential exporters



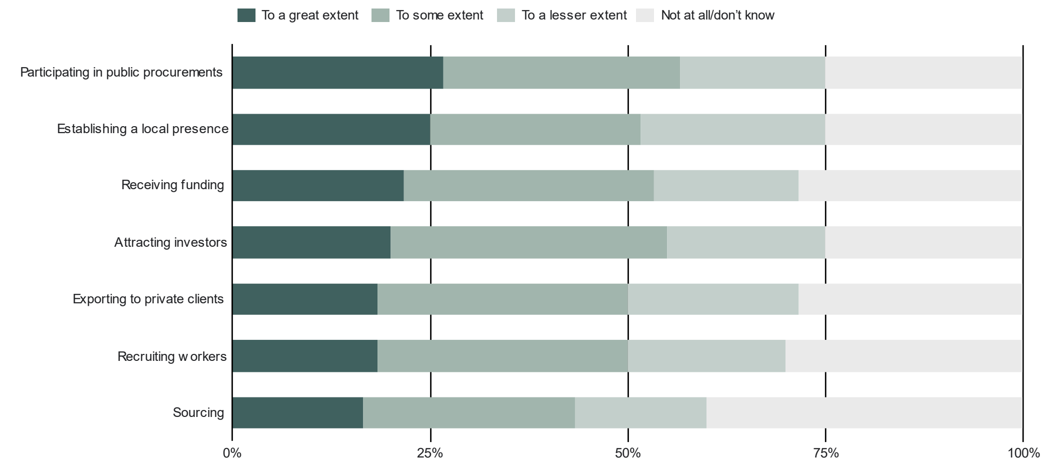
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=60.

Figure 19: How regulatory barriers hinder doing more business in the Single Market, exporters



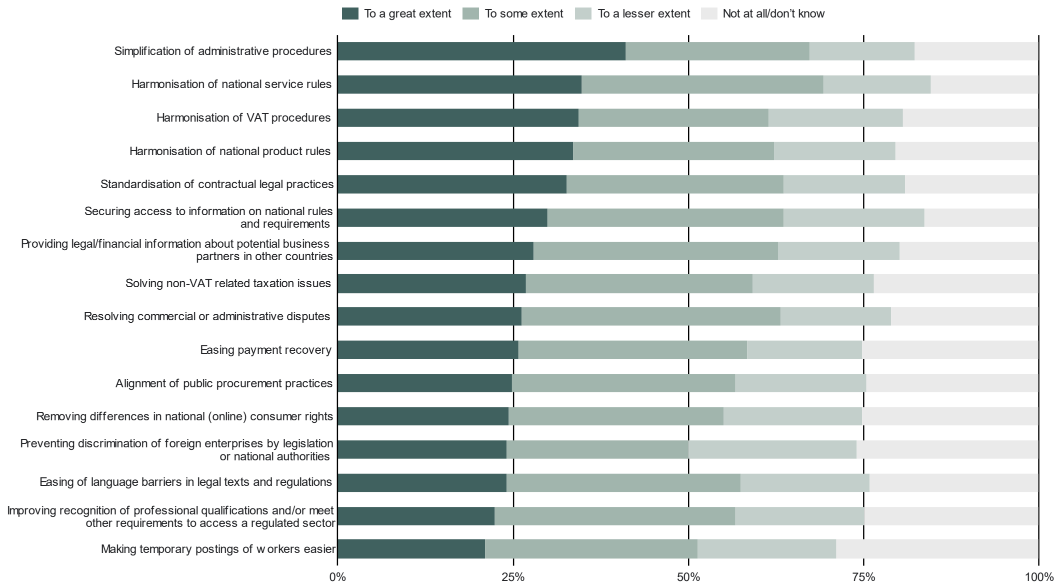
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent do regulatory barriers prevent your firm from doing more business in the Single Market?', n=303.

Figure 20: How regulatory barriers hinder doing business in the Single Market, potential exporters



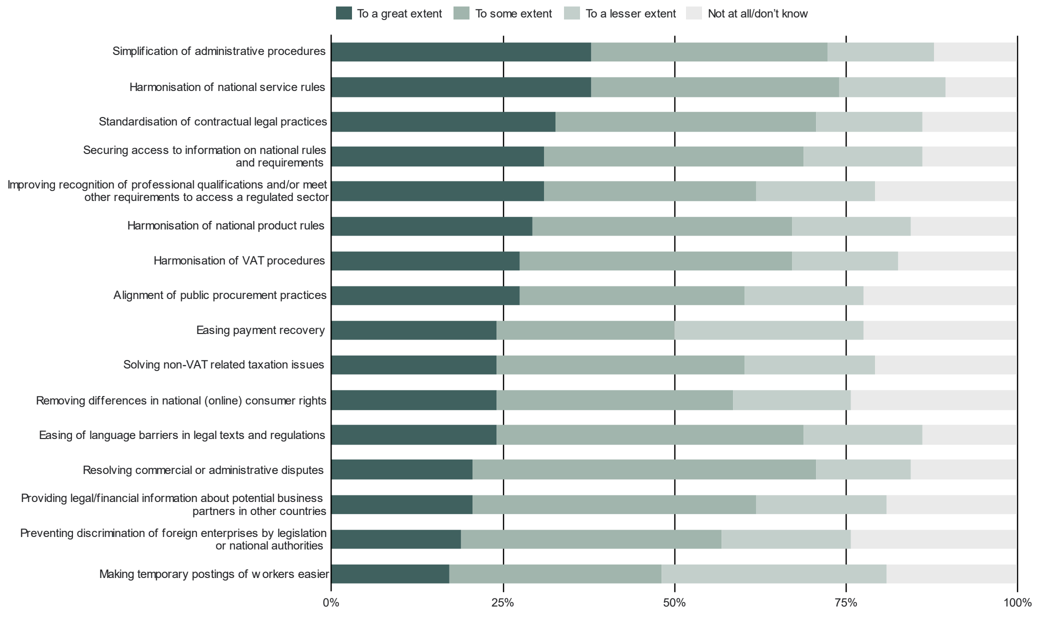
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent do regulatory barriers prevent your firm from doing business in the Single Market?', n=60.

Figure 21: Policy initiatives that can help doing business in the Single Market, exporters



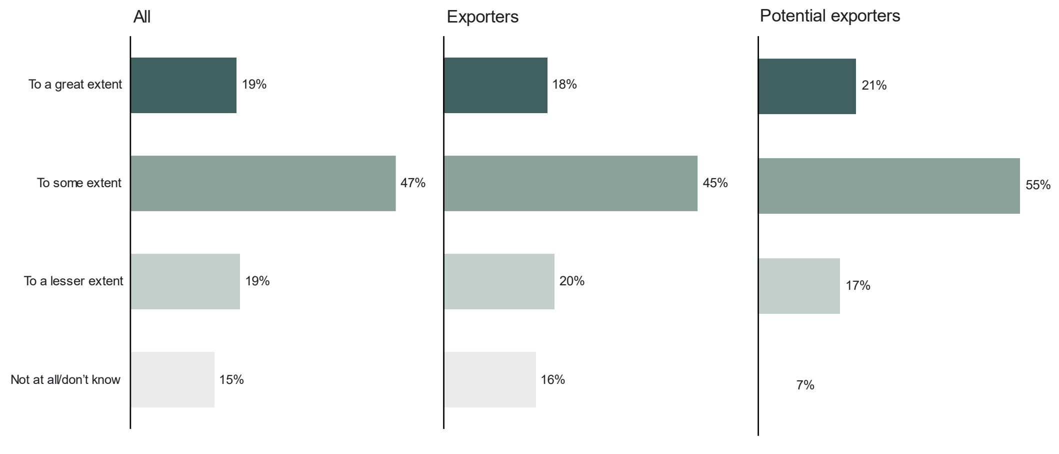
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=294.

Figure 22: Policy initiatives that can help doing business in the Single Market, potential exporters



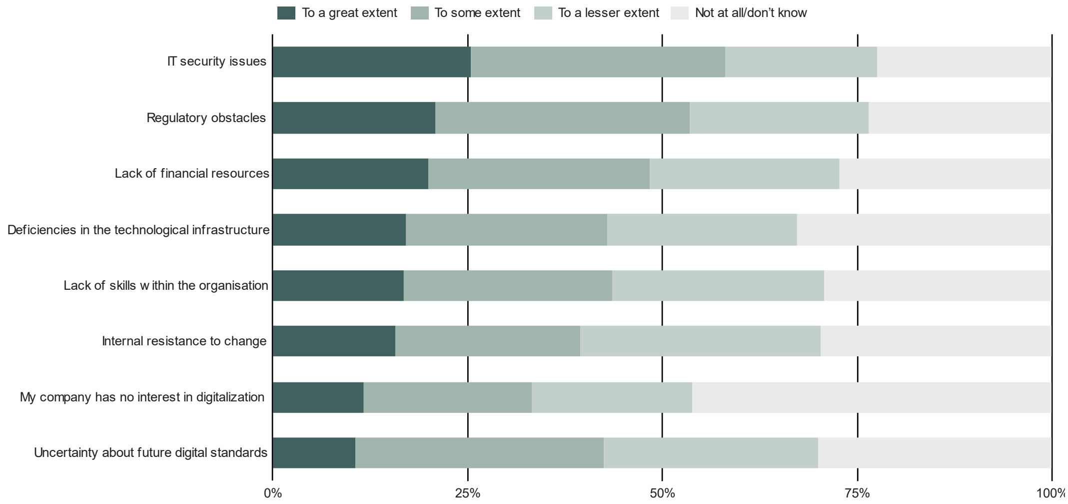
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=58.

Figure 23: How increased use of digital tools can increase exports through the Single Market



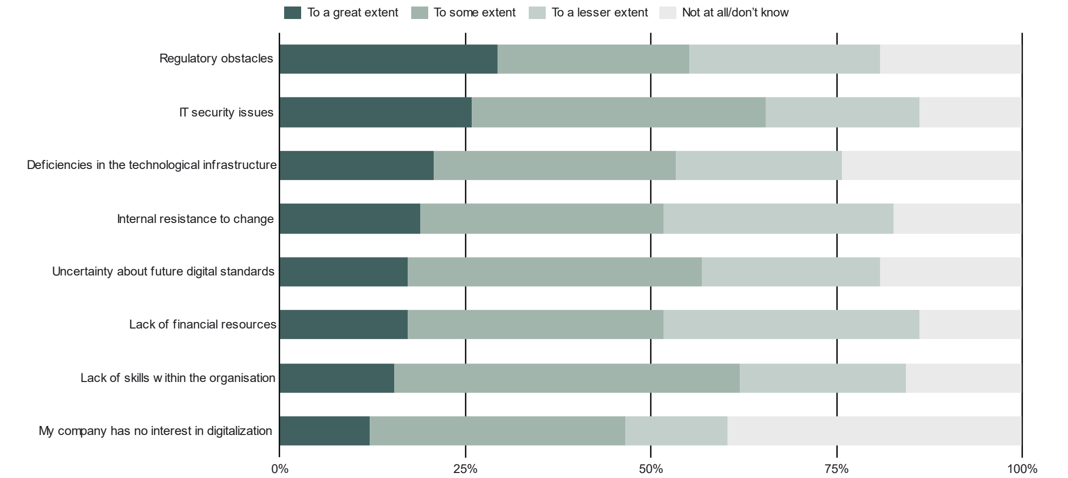
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent do you think that increased use of digital tools would help your company export more to the Single Market?', n=351 (293 exporters and 58 potential exporters).

Figure 24: The SMEs experience of whether EU regulation caters for the specific needs of SMEs



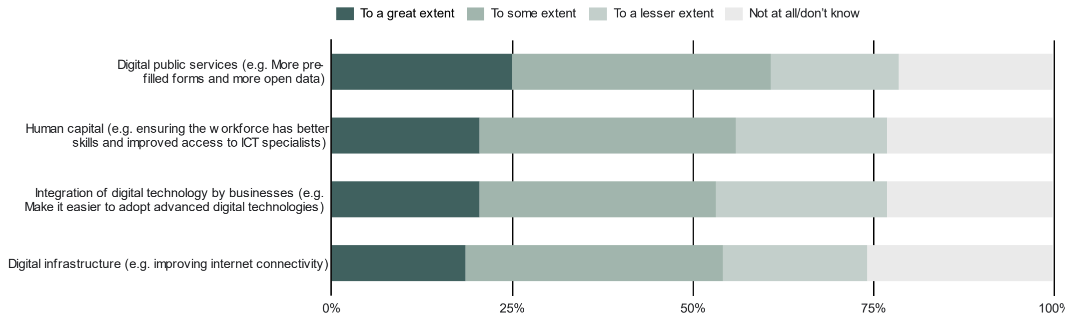
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent do the following factors hinder your company from adopting more digital tools?', n=291.

Figure 25: Factors hindering the adoption of more digital tools, potential exporters



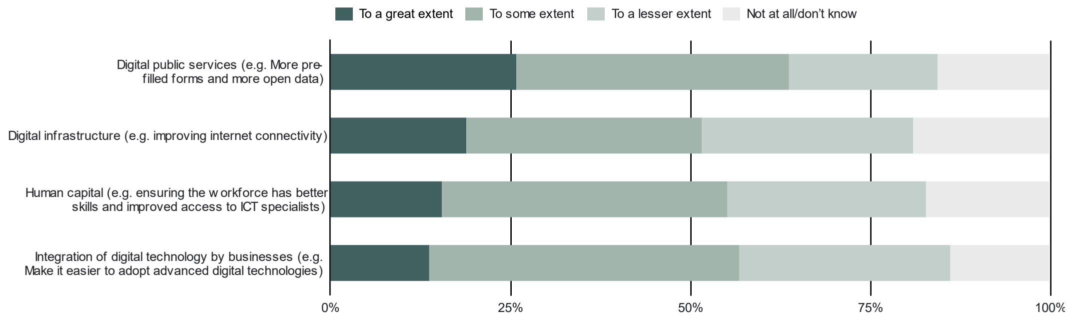
Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'To what extent do the following factors hinder your company from adopting more digital tools?', n=58.

Figure 26: Policies that can help companies become more digital, exporters



Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'In which of the following areas can policy makers help your company become more digital?', n=291.

Figure 27: Policies that can help companies become more digital, potential exporters



Source: Implement Economics based on a survey of 386 French SMEs.
Note: Response to question: 'In which of the following areas can policy makers help your company become more digital?', n=58.

List of endnotes

1 Implement Economics (2023). *The Single Market – a gateway to growth and competitiveness"*.

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

3 Ministry of Europe and Foreign Affairs in France (2023) - *Osez l'export ! Le monde comme horizon*.

4 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.

5 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.

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

7 The Better Regulation Toolbox from 2021 contains a set of guidelines and specific tools with the purpose of adopting high-quality regulation – EU regulations that 'meet the objective while being targeted, effective, easy to comply with and with the least burden possible'. See European Commission (2021). *Better Regulation Guidelines*. Commission Staff Working Document SWD(2021) 305 final.

8 The European Semester provides a central framework of processes within the EU socio-economic governance. The main objectives of the European Semester are contributing to ensuring convergence and stability in the EU; contributing to ensuring sound public finances; fostering economic growth; preventing excessive macroeconomic imbalances in the EU; and implementing the Europe 2020 strategy. See European Council (2022). *European Semester*.

9 Food and Agriculture Organization (2020). *Integrated National Energy and Climate Plan for France.*

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

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

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

13 In France, 10% of jobs depends on Intra-EU export (European Commission (2018). *EU export to the EU: Effects on employment and income*) and another 12% depends on extra-EU export (European Commission (2021): *EU exports to the world: effects on employment*), according to the newest publications.

14 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.

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

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

17 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 Spaniards living in these countries are not included.

18 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.

19 European Commission (2023). 2023 SME country fact sheet.

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

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

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

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

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

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

[36] European Commission (2021). *Strategic Dependencies and Capacities*.

[37] 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.*

[38] 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*.

[39] Implement Consulting Group (2022). *Digital Decarbonisation – How the Digital Sector is Supporting Climate Action.*

[40] European Commission (2021). *Digital Economy and Society Index (DESI) 2020 – France* and European Commission (2023). *Digital Economy and Society Index (DESI) 2022 – France.*

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

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

[44] European Commission (2020). *Single Market Scoreboard.*

[45] 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.

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

[47] European Commission (2020). *Shaping the digital transformation in Europe*.

[48] Implement Consulting Group (2022). *Digital Decarbonisation - How the Digital Sector is Supporting Climate Action,* commissioned by Google.

[49] 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.

[50] Kommerskollegium (2021). *Främja Dataöverföring och Datadelning genom ett Nytt Dataflödestest*.

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[53] The calculations are based on European Commission (2020). *A Single Market that Delivers for Businesses and Consumers.* We applied the French share of total Intra-EU trade to get a country-level estimate for the growth potential in goods and services trade in France from Eurostat (2023). *Trade by NACE Rev. 2 activity and enterprise size class [EXT_TEC01].*

[54] 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].*

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[60] Implement Consulting Group (2024). *Extended Producer Responsibility in the EU.*

61 European Commission (2017). *Modernising VAT for E-commerce: Question and Answer*.

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

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

64 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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