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April 2024

REPORT

A path to prosperity, competitiveness and growth

– putting *SMEs* back at the centre of the Single Market

A call from more than 3,350 export-oriented SMEs from 11 EU Member States to create a path to prosperity, competitiveness and growth by simplifying and streamlining Single Market regulation.

This report, *A path to prosperity, competitiveness and growth: putting SMEs back at the centre of the Single Market,* published in March 2024, lists **11 specific and impactful initiatives** to strengthen the Single Market.

The 11 recommendations provide a roadmap for a stronger and more united Single Market, with the aim of supporting EU policy makers ahead of the development and implementation of new policies for the European Commission mandate 2024–2029.

Based on a pan-European survey of more than 3,350 export-oriented SMEs from 11 EU countries (Austria, Belgium, the Czech Republic, Denmark, France, Germany, Ireland, Italy, Poland, Spain and Sweden), multiple interviews and a detailed literature survey, this report highlights how an ambitious reboot of the Single Market could help SMEs to scale up, become more competitive and contribute to the resilience of the EU economy.

The overall project was commissioned by Amazon and conducted by Implement Consulting Group. The work was supported by **national advisory groups** of varying composition, including KMU Forschung Austria, the Belgian Federation for Commerce and Services (COMEOS), the Czech Chamber of Commerce, the Confederation of Danish Industry & the Danish Chamber of Commerce, the German Association for SMEs (BVMW), the Irish Business and Employers Confederation (IBEC), the Italian Confederation of Craft and SMEs (CNA), the Spanish Confederation of Small and Medium Enterprises (CEPYME), the Confederation of Swedish Enterprise and the Swedish Federation of Business Owners. In some of the countries, the survey was conducted in collaboration with Ipsos, an international market research firm with global survey capabilities.

Executive summary

Since its establishment more than 30 years ago, the Single Market has been the engine of the EU's growth and prosperity. Its economic size has given the EU political weight in global negotiations and bilateral arrangements. Faced with a more conflictual, volatile and complex world,[1] 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 in the future.[2]

Ahead of the European Commission Work Programme 2024–2029, EU leaders have therefore called for independent high-level reports on the future of the Single Market and European competitiveness.[3]

> *"Competitiveness requires investments in research and innovation, continuous efforts to tackle unnecessary burdens on businesses, particularly SMEs and micro-enterprises, a competitive legislative and policy framework, an attractive business climate and maintenance of a functioning market economy. A more integrated Single Market, a more prominent role in digital development and an active policy of free and rules-based trade with the rest of the world will strengthen the EU's competitiveness."*

This report is a **call from European SMEs** for EU policy makers to:

- **Intensify efforts to harmonise rules at EU level |** Differing regulatory requirements is perceived as the most critical barrier for the SMEs to do more business in the Single Market. 83% of the SMEs assess that regulatory barriers increase their costs, 78% say that regulatory differences erode their competitiveness and 76% experience lower profits. 88% of the SMEs state that they could increase their exports if all Member States implemented EU regulations at the same time and in the same way. This would stimulate prosperity, growth and job creation in Europe.
- **Design and implement EU regulations that work for SMEs |** 95% of the SME exporters confirm that they have benefited from the Single Market. A deep dive analysis from Germany shows that 43% of the SMEs find that exporting to members of the Single Market has made it easier to start exporting to non-members. The Single Market at its full potential offers a strong platform for SMEs to scale up, diversify their exports and grow the muscles to compete internationally. This would strengthen Europe's competitiveness, industrial growth and ability to create global champions.
- **Create a digital and green Single Market |** Digitalisation plays a vital role in driving growth, generating job opportunities and contributing to industrial decarbonisation. A deep dive analysis from Spain, Austria and Germany shows that 89% of the SMEs believe that increased digitalisation can help their company sell more on the Single Market. These SMEs 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 profitable. Also, 86% of the SMEs agree that harmonising national service and product rules is important for them to grow their business within the Single Market, including for the climate goods and services needed to reach Europe's net-zero climate target.

Based on multiple interviews and a pan-European survey of more than 3,350 export-oriented SMEs across 11 countries (Austria, Belgium, Czechia, Denmark, France, Germany, Ireland, Italy, Poland, Sweden and Spain), this report highlights 11 specific policy initiatives that could help these SMEs scale up, become more competitive and contribute to the resilience of the EU economy. The recommendations build on generic survey questions from all countries and tailored questions used in deep dive analyses in the national Single Market studies. See Appendix 1 for further details on the survey methodology.

The export-oriented SMEs consist of companies that currently export (SME exporters) or would like to start exporting (potential SME exporters). This is a unique target group that is difficult to isolate and engage. Many SMEs are mainly oriented towards their home markets, with little interest in (and potential for) expanding abroad. Also, SMEs generally have limited resources available to overcome market access barriers, and landing their first export order is difficult. Finally, SME exporters are often extremely busy and rarely engage in consultations, surveys and interviews.

The 11 recommendations are listed below and represent a call for the Commission and Parliament to **put SMEs back at the centre of the Single Market**.

Set a bold and ambitious vision for the Single Market

The integration of the Single Market from 1995 to 2015 has permanently increased EU GDP by 1.7%, created 3.6 million jobs and increased the citizens' purchasing power by almost EUR 600.[4] The establishment of the Single Market created a need to harmonise legislation and establish common standards to ensure that domestic and foreign firms are subject to the same requirements, fostering fair competition and a level playing field when doing business across borders in the Single Market. Securing the four freedoms of the Single Market warrants revisions to and updates of EU regulations to keep pace with 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. 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.

We also urge the next Commission to take specific steps to ensure that existing EU regulations do not place unnecessary burdens on SMEs. Improve 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 European 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 integrating regulation across all pillars of the Single Market.

2. Strengthen SOLVIT by establishing a Single Market Ombudsman in every EU Member State and commit SOLVIT to act more proactively on structural cases and to raise awareness	Designate a Single Market Ombudsman (head of or in collaboration with SOLVIT) in each Member State as a national, independent body with access to effective remedies. A network of Single Market Ombudsmen is to be set up under the auspices of the European Commission to safeguard a uniform interpretation of the EU rules in the Member States.
3. Conduct a data flow test of all existing and new EU regulations	Implement a data flow test that acknowledges the supremacy of the principle of data protection in the EU but limits the risk of creating unjustified burdens when applying data protection rules. This gives businesses a possibility to legally challenge data protection decisions that are perceived as disproportionate.

Ensure compliance and simplify administrative procedures

EU directives can only achieve their intended effects if they are completely and correctly transposed into national legislation within the given deadline. Frictionless trade in the Single Market requires fewer, improved regulations as well as complete, correct and immediate transposition into national legislation. Removing barriers that exist due to the incomplete implementation of EU rules across all Member States is foreseen to permanently increase EU GDP by 0.6%, and the increased production of goods and services could support 1.3 million jobs per year.[5]

We propose that the Commission takes new initiatives to close the compliance gap regarding existing regulations and use the Better Regulation Toolbox (such as the SME test and the ‘think small first’ principle, the ‘digital ready’ requirement and the ‘once only’ principle 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.

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 of the correct application of EU rules by integrating recommendations on closing the compliance gap and harmonising implementation of EU regulations into the European Semester, governed by a mix of surveillance mechanisms and possible sanctions.
5. Strengthen the use of the Better Regulation Toolbox by integrating implementation in the design of new regulations and consistently respecting impact assessment requirements	Put more emphasis on integrating implementation into the design of new regulations 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

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

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 and facilitates product compliance	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 for 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 the European SMEs participating in the survey, the efficiency and effectiveness of EU legislation are often undermined by a high degree of complexity in its application in practice. The 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 save time and money when it comes to VAT registration in other Member States. 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.

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 with 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.

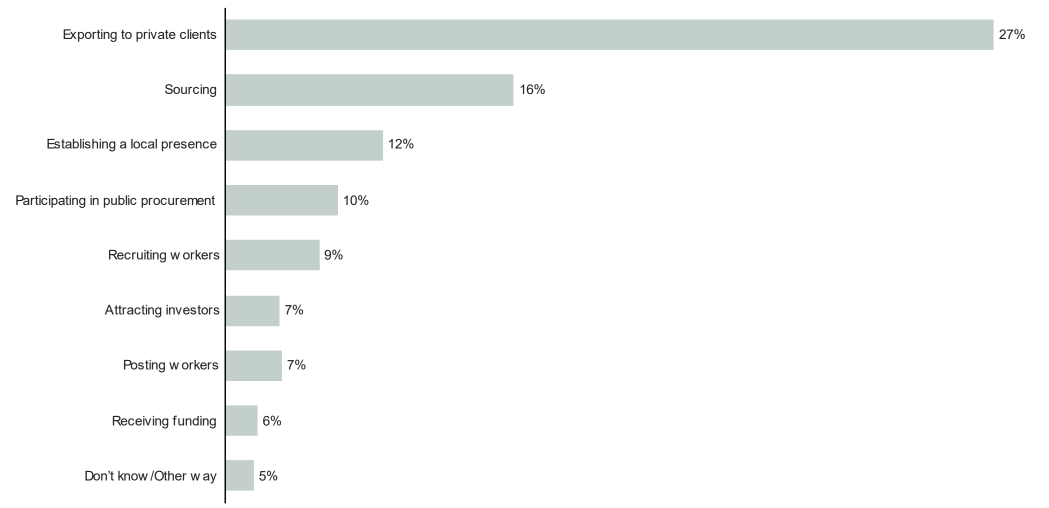
1 The Single Market is a platform for SMEs to grow

SMEs form the backbone of the EU economy, accounting for 96% of all EU firms and 52% of GDP in the EU.[6] Likewise, SMEs account for 64% of EU private sector employment[7] and are key drivers of innovation, as they bring innovative solutions to global challenges like climate change.[8] Despite their large number, SMEs accounted only for 37% of total EU exports in 2021, reflecting that exporting exposes SMEs to numerous barriers (including regulatory and administrative ones) and is a difficult activity that requires significant financial and human resources. Nevertheless, 65% of SMEs' total exports were destined for the Single Market[9], and the survey results confirm that the Single Market is a platform for SMEs to internationalise their business, diversify their exports and grow the muscles to compete globally.

1.1 SMEs grow their business through the Single Market

European SMEs conduct business in the Single Market through multiple channels. On average, SME exporters undertake two of the cross-border activities listed in Figure 1. The SMEs in the survey mainly export to private businesses and individuals (27%) or source (16%) from other firms. Other activities include establishing a local presence (12%) and participating in public procurements (10%).

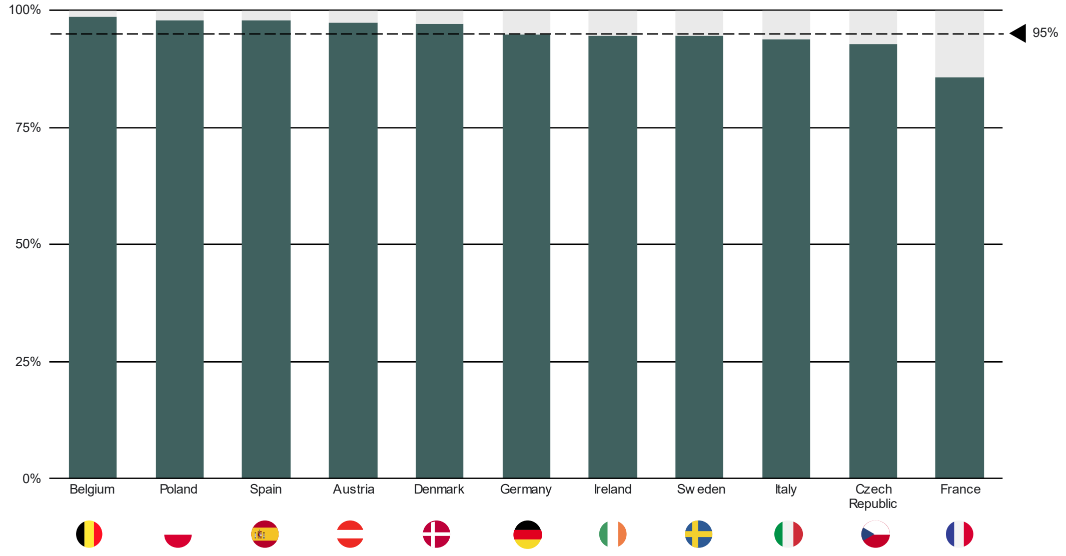
Figure 1: SMEs use the Single Market for exporting, sourcing and investing



Source: Implement Economics, based on a survey of 3,351 SMEs in 11 countries (see Appendix 1 for further details).
Note: Response to question: 'In which way does your company convey business in the Single Market?', n = 2,087. Responses have been weighted by the number of SMEs in each country.

On average, 95% of the SMEs confirm that they benefit from the Single Market, see Figure 2. Notably, only 3 and 4 surveyed SMEs in Belgium and Poland, respectively, disagree that they benefit from the Single Market (see Figure 25 in Appendix 1 for further details). SMEs with larger home markets, such as Germany, Italy and France, also confirm that they benefit from the Single Market.

Figure 2: SMEs uniformly confirm that they benefit from the Single Market



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (See Appendix 1 for further detail).
Note: Responses to question: 'To what extent does your company benefit from the Single Market?', n=2,435. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'. Average response has been weighted by the number of SMEs in each country.

1.2 SMEs internationalise through the Single Market

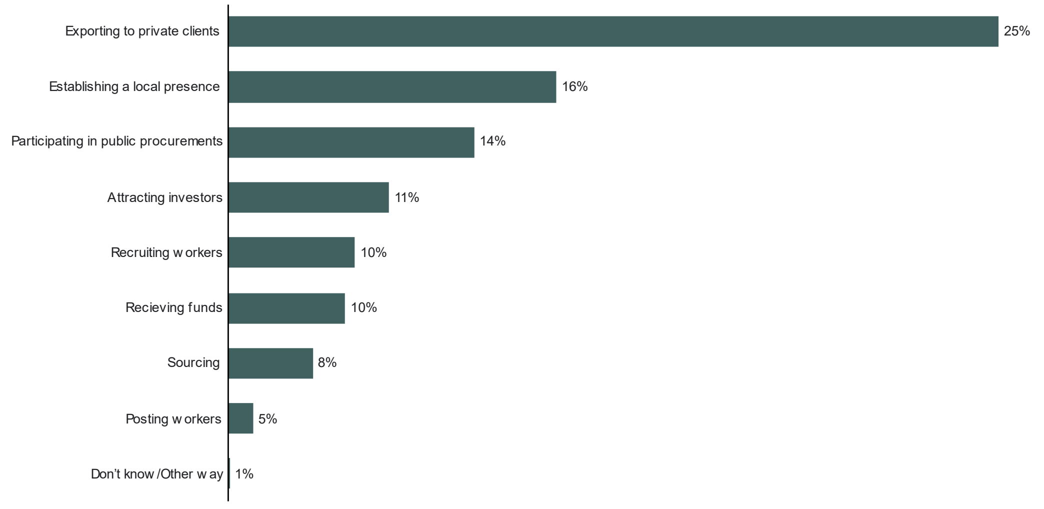
Exporting can be difficult for a variety of reasons, including navigating complex international trade regulations, dealing with currency exchange rates, finding reliable overseas partners, and understanding the specific requirements of different countries' markets. Additionally, logistical issues such as shipping and transportation can pose challenges, as can language and cultural differences.

Landing the first export order can be a huge challenge for an SME, and the national survey results show that French SMEs spend between 8 and 9 years on average landing their first export order. Similarly, expanding business to additional export markets requires significant resources.

12% of the surveyed SMEs in all the countries do not export currently, but some are likely to start exporting once they mature and gather the sufficient (human and financial) resources required to internationalise. The survey includes 418 SMEs who expressed an interest in exporting, but currently do not engage in export activities. These potential exporters see the Single Market as an opportunity to internationalise their business.

On average, the SMEs see opportunities through two of the activities listed in Figure 3. Namely, they view exporting to private businesses and individuals (25%) as well as establishing a local presence in the Single Market (16%) as potential strategies for expanding their business within the Single market. Additional growth opportunities identified by the SMEs were participating in public procurements (14%) and attracting investors (11%).

Figure 3: Potential SME exporters see a potential for internationalising through the Single Market



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (see Appendix 1 for further details).
Note: Response to question: 'Where do you see the largest potentials within the Single Market for growing your business?' n=311. Average response has been weighted by number of SMEs in each country.

1.3 SMEs diversify their exports through the Single Market

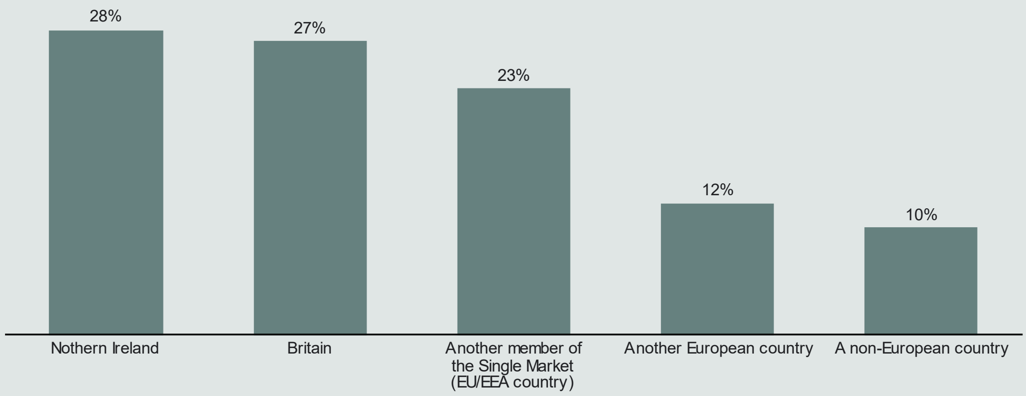
Companies often choose to export to neighbouring countries for various reasons. Firstly, proximity can make transportation and logistics easier and more cost-effective. Additionally, neighbouring countries may share cultural, linguistic or economic similarities, making it easier for companies to understand and navigate the market. Also, exporting to neighbouring countries can often present lower barriers to entry and fewer logistical challenges than exporting to more distant markets. For most European SMEs, the creation of the Single Market has therefore reduced entry barriers to their natural export markets.

From the tailored questions, we find that 77% of the surveyed Austrian SMEs indicated that their first export destination was either a country in their immediate or close vicinity (Germany, the Czech Republic, Slovakia, Hungary, Slovenia, Italy, Switzerland and Liechtenstein, which are all either EU or EEA countries). In Germany, 58% of the SMEs report that a country in the EU/EEA was their first export destination. It is this mechanism that exposed Irish companies, and SMEs in particular, to Brexit (see Box 1).

BOX 1: IRISH SMEs USE THE SINGLE MARKET TO DIVERSIFY

From an Irish perspective, the Single Market is not only a platform for increasing exports but also an opportunity to diversify exports. On average, 55% of the exports from the SMEs that participated in the Irish survey are destined for a close neighbour of Ireland – either Northern Ireland (28%) or Britain (27%). Only 23% of the SMEs' exports are on average destined for another member of the Single Market, see Figure 4. These export figures reflect historic internationalisation patterns pre-Brexit, where Irish SMEs saw Northern Ireland and Britain as their natural export markets.

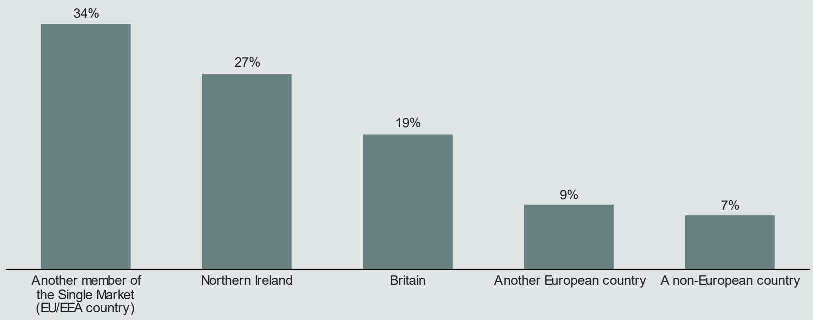
Figure 4: Irish SMEs mainly export to neighbouring countries



Source: Implement Economics, based on a survey of 203 Irish SMEs (see Appendix 1 for further details).
Note: Response to question: 'What share of your company's exports is destined for the markets listed below?', n=109.

Neighbouring countries are therefore often seen as a natural first export destination. 46% of the Irish SME exporters had either Northern Ireland (27%) or Britain (19%) as their first export destination, whereas only 34% had another of the 26 Single Market members as their first export destination, see Figure 5. Given the size of the Single Market compared to the neighbouring markets, there is a potential for Irish SMEs to increase and diversify their exports through the Single Market.

Figure 5: The Single Market is often the first export destination for Irish exporters



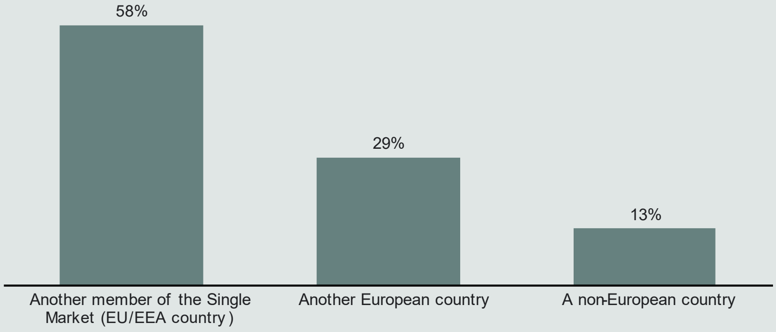
Source: Implement Economics, based on a survey of 203 Irish SMEs (see Appendix 1 for further details).
Note: Response to question: 'What was the first export destination of your company?', n=195.

The tailored survey results from the German Single Market study indicate that exporting to members of the Single Market also makes it easier for SMEs to start exporting beyond Europe and further diversify their business. 63% of the German exporters state that exporting to members of the Single Market has made it easier to start exporting to non-members (see Box 2). Likewise, potential German exporters expect it to be easier to export to members of the Single Market than to non-members.

BOX 2: GERMAN SMEs DIVERSIFY EXPORTS THROUGH THE SINGLE MARKET

The German SMEs that participated in the survey also confirm that access to the Single Market helps them internationalise. 58% of the SMEs had another member of the Single Market as their first export destination, see Figure 6: .

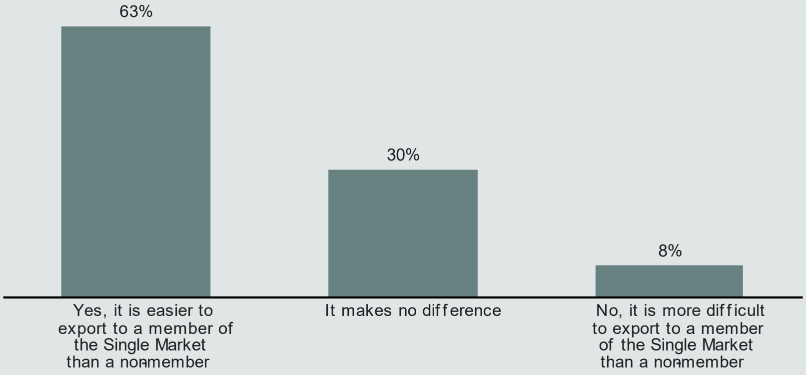
Figure 6: The Single Market is often the first export destination for German exporters



Source: Implement Economics, based on a survey of 715 German SMEs (see Appendix 1 for further details).
Note: Response to question: 'What was the first export destination of your company?', n=642.

63% of the German SMEs find it easier to export to a member of the Single market than to a non-member, whereas 30% think that it makes no difference whether they export to a member country or a non-member country, and 8% even find it more difficult to export within the Single Market than outside.

Figure 7: German SMEs find it easier to export to members of the Single Market



Source: Implement Economics, based on a survey of 715 German SMEs (see Appendix 1 for further details).
Note: Response to question: 'Is it easier for your company to export to members of the Single Market?', n=520.

2 SMEs call for simple and harmonised regulation

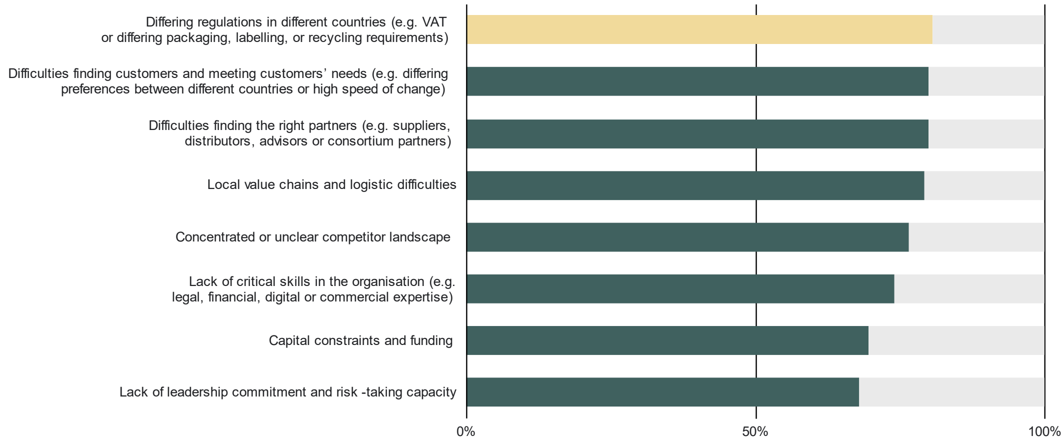
SMEs generally have fewer resources and less capital available compared to larger enterprises, and regulatory burdens and administrative requirements are disproportionately difficult for them to endure. The costs associated with fragmented regulation and excessive administration are typically independent of the size of the cross-border activity, and SMEs tend to use a larger share of their resources to manage trade barriers.[10,11] Standardisation and regulatory harmonisation are therefore particularly beneficial for SMEs that strive to scale up by entering new markets, accessing European value chains and strengthening their international competitiveness.[12]

2.1 Differing regulation hinders growth through the Single Market

The Single Market has come a long way in removing obstacles to the free flow of goods, services, capital and people across borders. Initiatives to standardise and harmonise regulation across Member States have opened new pathways for growth, particularly for SMEs that have less leverage to allocate resources to map national regulations in potential export destinations, make necessary adjustments and document compliance.

Differing regulation across Member States is the most critical barrier for SMEs looking to expand their business through the Single Market. 32% of the SMEs say that this barrier to a great extent limits their scope for doing business in the Single Market whereas 81% say that this barrier to at least some extent limits their scope for doing business in the Single Market, see Figure 8. Differing regulations are almost as critical a barrier as difficulties finding customers and meeting customers' needs. They also rank higher in criticality than difficulties in finding the right partners, as well as other traditional export barriers that are typically addressed at the national level, through various export promotion and accelerator activities.[13]

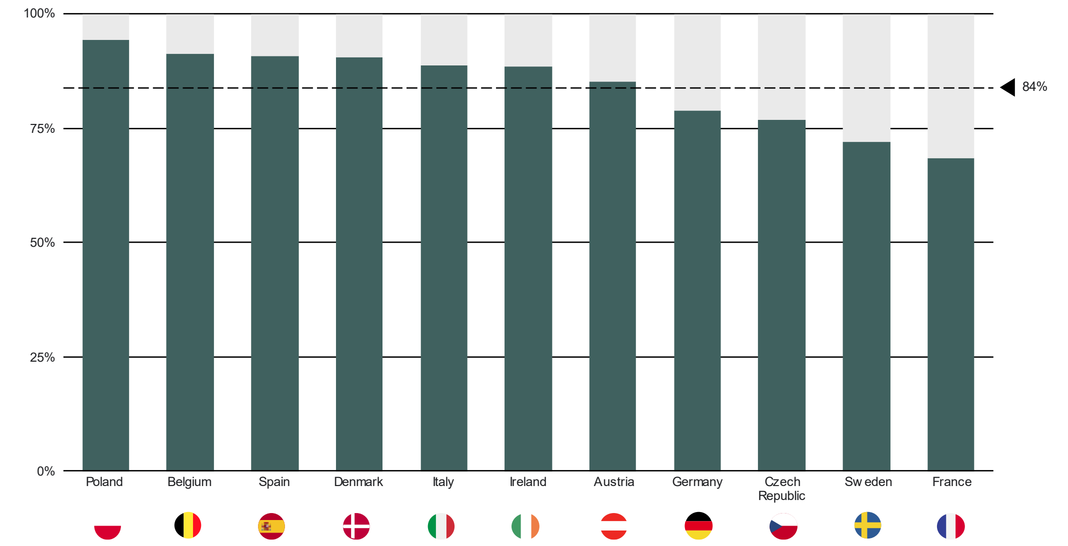
Figure 8: Differing regulation is the most critical barrier to doing business in the Single Market



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (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=2,732. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

Differing regulation is considered a critical barrier by most SMEs across the different countries, see Figure 9. In Poland, nearly all SMEs (94%) consider differing regulations as a critical barrier, while in France two-thirds (69%) consider the barrier critical.

Figure 9: SMEs almost uniformly identify differing regulations in different countries as a critical barrier

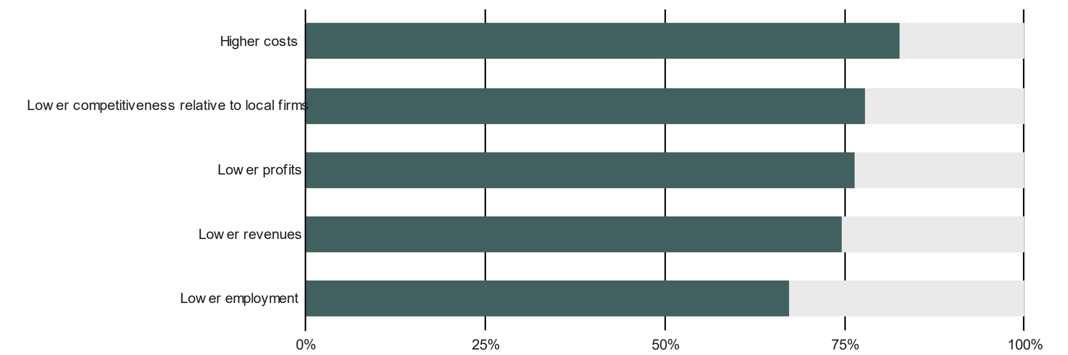


Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (see Appendix 1 for further details).
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market? – Differing regulations in different countries (e.g. VAT or differing packaging, labelling, or recycling requirements)', n=2,732. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

2.2 Regulatory barriers erode the competitiveness of EU SMEs

The participating SMEs report that regulatory barriers increase their costs (83%), erode their competitiveness relative to local firms (78%), and lower profits (76%), see Figure 10.

Figure 10: Regulatory barriers increase costs and erode the cost competitiveness of SMEs



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (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=2,241. Average response has been weighted by number of SMEs in each country. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

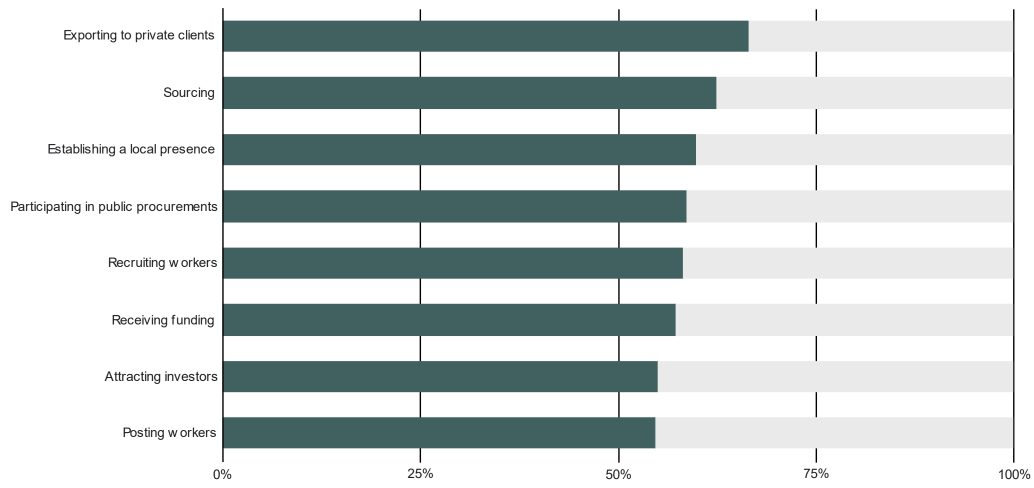
Because of the regulatory barriers and their consequences for SMEs (see Figure 10), members of the Single Market miss out on significant opportunities for creating more benefits for workers through higher job creation, better paid jobs and improved job security. In addition, consumers could benefit from reduced regulatory barriers through lower prices, a wider selection of products, improved product innovation and reduced delivery times.

2.3 Regulatory barriers prevent SMEs from scaling their business

66% of the SMEs find that regulatory barriers prevent them from exporting to private clients in other Single Market countries, see Figure 11. This is also an area where the prospective SME exporters see great potential for growing their business within the Single Market (see Figure 3). Exporting to private clients in another member country of the Single Market is a way for SMEs to expand their business, as it can increase their customer base and lead to increased sales and revenue, as well as the opportunity to diversify their customer portfolio. Reduction of regulatory barriers can therefore help improve long-term success for SMEs internationally.

Moreover, 63% of the SMEs assess that regulatory barriers prevent them from sourcing from, and 60% are prevented from establishing a local presence in, the Single Market.

Figure 11: Regulatory barriers prevent SMEs from participating in exporting to private clients



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (see Appendix 1 for further details).
Note: Response to question: 'To what extent do regulatory barriers prevent your company from doing more business in the Single Market?', n=2,514. Average response has been weighted by number of SMEs in each country. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

2.4 SMEs call for regulatory simplification and harmonisation

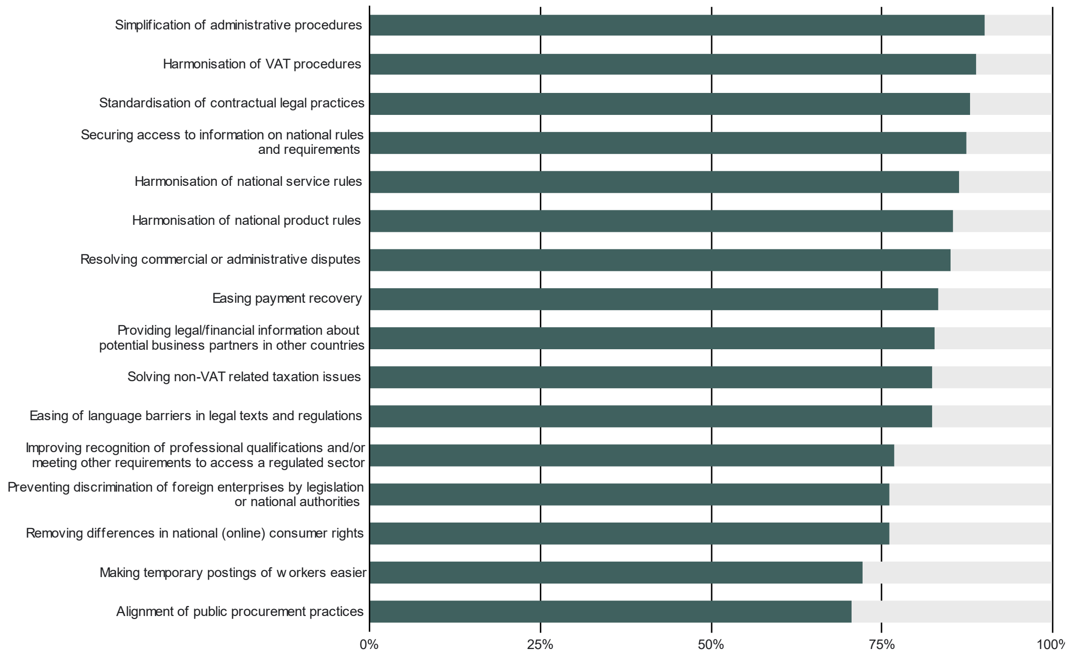
The SMEs point to several policy initiatives that could help to reduce regulatory barriers.[14] 90% of the SMEs point to simplification of administrative procedures, of which 54% say that this initiative will, to a great extent, help them do more business via the Single Market. In addition, surveyed SMEs also highlight securing access to harmonisation of VAT requirements (89%) and standardisation of contractual legal practices (88%) as potentially effective initiatives to help them do more business in 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 European Digital Product Passport (recommendation #7) and the recognition of digital labelling (recommendation #10).

More specifically, SMEs would welcome the following initiatives to:

- **Harmonise VAT procedures |** This call for action from 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 regulations 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 regulations 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 access Member States' extended producer responsibility (EPR) systems (recommendation #8) would make information more accessible for European 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 12: Policy initiatives can help firms to do more business in the Single Market



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (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 the Single Market?', n=2,385. Average response has been weighted by number of SMEs in each country. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

#1 An ambitious Single Market Strategy

Securing the four freedoms of the Single Market warrants revisions to and updates of EU regulations to adjust to technological developments, global conditions and key societal challenges. We urge the Commission to be ambitious and visionary when setting out to secure the long-term competitiveness of the EU.

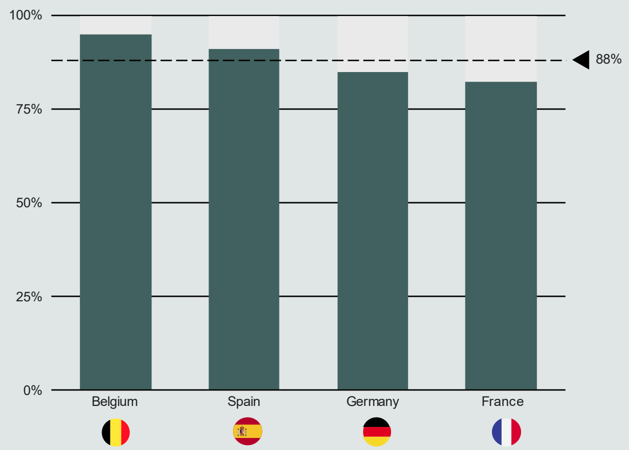
> *"The long-term view on competitiveness outlines how the EU can build on its strengths and achieve more than merely bridging the growth and innovation gap. A forward-looking, well-defined and coordinated EU framework will foster thriving businesses, able to compete on the global market, with attractive jobs and setting global standards."*[15]

As a tailored question, Spanish, German and French SMEs were asked whether it would help them export more if all Member States implemented EU regulations at the same time and in the same way. As can be seen from Box 3, 86% of the SMEs in these selected countries confirm that increased harmonisation would help them export more. To achieve this, the 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 be backed by strong political ownership and integrate regulation across all pillars of the Single Market and modes of doing business.

BOX 3: REGULATORY FRAGMENTATION HINDERS SMEs SCALING UP

Tailored questions from the Belgian, Spanish, German and French Single Market studies show that an average of 88% of the SMEs confirm that more even and timely implementation of EU regulations would help them export more, see Figure 13. This is particularly the case for Belgium, where 95% of the SMEs see an export potential from less fragmented EU regulations.

Figure 13: Even and timely implementation of EU regulations could help SMEs export more



Source: Implement Economics, based on a survey of 1,473 Belgian, Spanish, German and French SMEs (see Appendix 1 for further details).

Note: Response to question: 'To what extent would it help your company to export more if all Member States implemented EU regulations at the same time in the same way?', n=868. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

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.

BUSINESS CASES: REGULATORY HURDLES AND INEFFICIENCIES CUMULATE

Café Saula is a specialised **Spanish coffee producer** with a significant presence in Spain. The existing patchwork of directives, regulations and national laws drives up transaction costs. The SME expects its online sales to increase from 10% to 20% if regulatory barriers in the Single Market are removed, which will have positive knock-on impacts on job creation in Spain.

Lough Ree Distillery is a family-owned **Irish distillery business**, specialising in the production of whiskey, gin and vodka. The company exports to over 10 countries within the European Union and finds that doing business in the European Single Market is overall quite seamless. Nonetheless, they face hurdles and inefficiencies along their business journey – e.g. related to the Excise Movement and Control System, as well as the various additional certifications required by some Member States related to the sales and marketing of their alcohol products.

ABS Transportbahnen is an **Austrian SME** that specialises in the manufacturing of inclined lifts and funiculars. In the company's experience EU countries, as well as autonomous provinces, have different legal definitions for lift systems and thus different product and safety requirements. Administrative tasks related to the diverging national and sub-national regulations account for approximately 5–15% of the company's total project costs. A fully integrated Single Market would significantly cut costs and help the company grow.

Baroni Home is an **Italian e-commerce company**, selling furniture and furnishing accessories both domestically as well as to other countries in Europe. The company has encountered several regulatory obstacles that accumulate over the course of its business journey within the Single Market. The most limiting obstacles for the company relate to taxes and fees, which involve considerable administrative procedures and regulatory uncertainty, and make expansion to other EU countries risky and costly.

Fjälkinge Isolering & Plåtservice is a **family-owned Swedish company** specialising in insulation and sheet metal constructions. The company's services are highly specialised, and the company recruits workers from several EU countries. The construction industry is often regulated by national standards rather than EU legislation, which hinders the company's reuse of knowledge, materials and tools across Member States.

Inphysio is a **small Polish company** specialising in products to support a healthy lifestyle, including products for exercise, massage and recovery. National requirements and various bureaucratic hurdles impede the company's sales on the Single Market, as they need to dedicate time and financial resources to hiring additional consultants to advise on market-specific regulations.

Pentagon Sports is a **German company** selling bicycles, accessories and leisure items over the internet. While Pentagon Sports has experienced growth and success in selling to the European market, expanding to other countries has not been without difficulties and risk. The SME reports that there are simply too many national regulations, laws and requirements for a small company like themselves to keep track of. For example, different countries require different safety logos on the packaging of bicycles and related accessories.

Y-Brush is a **French manufacturer** of y-shaped electric toothbrushes with sonic vibration. Operating in the Single Market, the SME 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.

For these reasons, EU SMEs call for policy makers and the next Commission to:

Recommendation #1: Adopt an ambitious Single Market Strategy

#2 A stronger and more committed SOLVIT

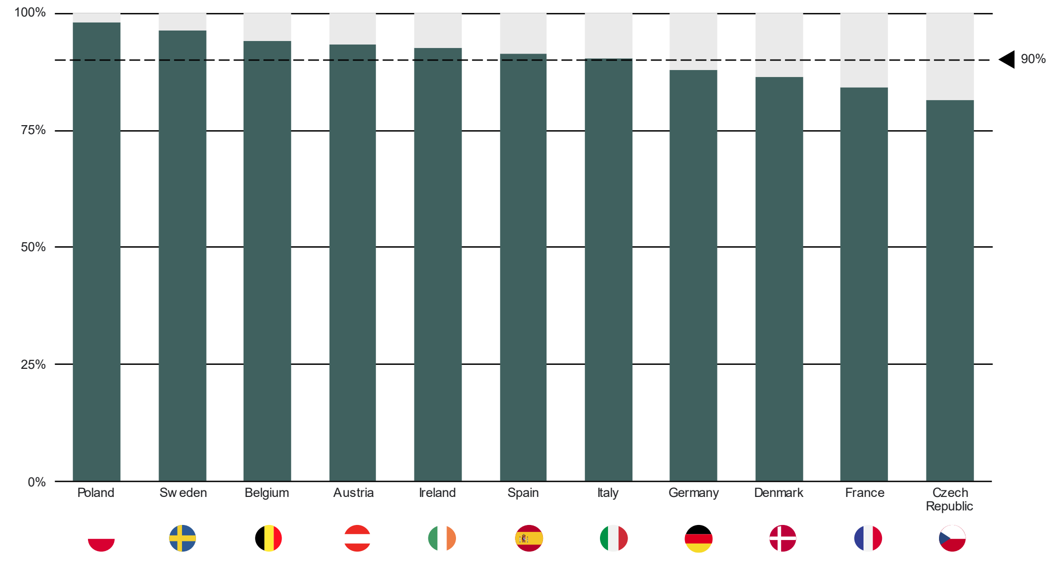
SOLVIT is a problem-solving network that was established in 2002 to provide people or businesses with free help when their cross-border rights in the Single Market are breached by public authorities – be it at a local, regional or national level. SOLVIT is based on co-operation between Member States 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.[16] These conclusions are also confirmed by the interviews conducted with EU SMEs as part of this study. There is also room to improve the functionality of SOLVIT in several countries:

- **Securing staffing and qualifications** | There is a lack of qualified case handlers and an excessive staff turnover rate in several SOLVIT centres.[17]
- **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 Irish SMEs (such as Heat Designs described in the business case below) call for more proactive initiatives to remove the regulatory uncertainty that stems from contradictory and/or overlapping regulation.[18]

90% of the SMEs believe that securing access to information on national rules and requirements could help them grow their business within the Single Market, see Figure 14. In Poland, nearly all SMEs (98%) believe that securing access to information on national rules and requirements could help them do more business within the Single Market.

Figure 14: Securing access to information on national rules and requirements could help SMEs grow



Source: Implement Economics. based on a survey of 3,351 EU SMEs in 11 countries (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 the Single Market? – Securing access to information on national rules and requirements', n=2,306. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

We propose the establishment of 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 committing 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.[19] This initiative should be aligned with the Commission's proposed Single Market offices, but we recommend that its mandate requires it to act more proactivity and raise awareness among relevant users, particularly SMEs.

BUSINESS CASES: ENSURING CORRECT APPLICATION OF EU LAW WILL HELP SMEs

Fülöp Essenzen is an **Austrian producer** of energising essences and sprays. The company faces difficulties obtaining clear and accurate information about local requirements, and staying up to date on requirements is time-consuming and costly. A strong and proactive SOLVIT network could help the SME become more aware of its rights and opportunities, and having a single point of up-to-date, comprehensive information on national requirements would enable Fülöp Essenzen to export to new countries more easily.

Heat Design is an **Irish company**, primarily selling stoves and electrical products. Approximately 85% of the company's sales come from Ireland, followed by the UK, while a small share comes from the EU. Breaking into the European market has been a significant hurdle for Heat Design. The company also faces challenges navigating different legal practices and the settling of potential disputes in contract agreements, when each EU country has its own legal and administrative traditions. Finding this information and staying up to date on any changes is time-consuming and costly. A strong and proactive SOLVIT network could offer a singular point of up-to-date, comprehensive information on national requirements, laws and legal practices.

Air Rail is a **Spanish SME** that sells, rents out and produces machinery for the airport and railway sectors. The SME spends significant time and resources on seeking information about local requirements, tailoring its machinery to national requirements and securing formal approvals. If the regulations were the same in all Member States, or if access to information were guaranteed when regulations are different, the company would be able to expand and undertake commercial projects that could double its turnover in the next three years.

Pasticceria Fraccaro is an **Italian seller** of bread and other bakery items established in 1932. Today, the company exports to 45 different countries in the world. The company reports that it is time-consuming and costly to find information on legal and contractual practices, as well as information on product-specific requirements in different EU Member States. These challenges have led to the company forming an internal 'quality control' office, tasked with finding the right information and ensuring compliance.

Alasta is a **50-person Polish company**, specialising in cabinets and mirrors. Diverging regulations relating to the electrical systems of Alasta's products in different countries pose a great challenge for the company. The company has not used SOLVIT, but an effectively functioning SOLVIT could spare internal resources and time when entering new markets in the EU.

Fjälkinge Isolering & Plåtservice is a **family-owned Swedish company** specialising in insulation and sheet metal constructions. The company's insulation and construction services are highly specialised, and the company recruits workers from several EU countries. The company is challenged by regulatory complexity and uneven implementation of EU regulations. The company has not been aware of the SOLVIT network and their right to bring a case to court when EU regulations are applied differently across Member States.

KHI Metals is a small, **2-person German company** working as an agent in the commercialisation of steel products, hydraulic systems for aviation, as well as special ball bearings for space travel and drones, and the SME acts as an intermediary between French producers and German off-takers. As a small company, KHI Metals has struggled heavily with bureaucratic hurdles and complying with complex and diverging legal requirements. These include everything from commission settlements and A1 certificates to VAT pre-registration requirements. The SME is not familiar with SOLVIT, but notes that an effectively functioning SOLVIT network could spare internal resources and time when dealing with various legal requirements.

For these reasons, EU SMEs call for policy makers and the next Commission to:

Recommendation #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

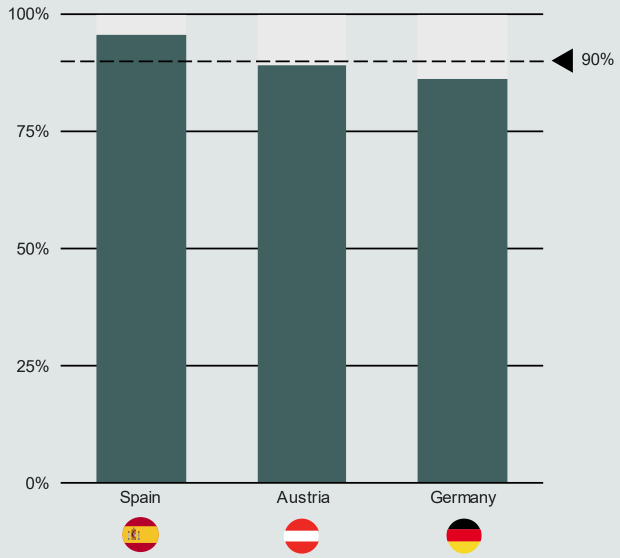
#3 A data flow test of EU regulations

Digitalisation is a key driver of productivity, innovation and economic growth.[20] Digital technologies and solutions also enable and accelerate the green transition across the economy and society.[21] Spanish, Austrian and German SMEs confirm that increased digitalisation could help them improve their exports. But they also find that regulatory barriers prevent them from adopting more digital tools, see Box 4.

BOX 4: REGULATORY BARRIERS RISK SLOWING DOWN DIGITALISATION

Tailored questions from the Spanish, Austrian and German Single Market studies show that on average 90% of the SMEs confirm that increased digitalisation could help them improve their exports. This is particularly the case for Spain, where 96% of the SMEs see an export potential from accelerated digitalisation.

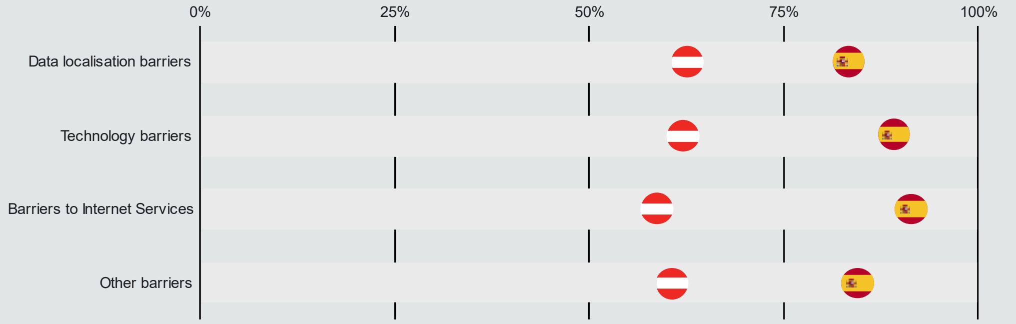
Figure 15: Increased digitalisation could help SMEs improve their exports



Source: Implement Economics, based on a survey of 1,343 Spanish, Austrian and German SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent do you think that increased digitalisation / use of digital tools would help your company export more through the Single Market?', n=949. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

Spanish and Austrian SMEs find that certain regulatory barriers prevent them from adopting more digital tools. The most restrictive ones are barriers to internet services (including regulatory regimes that limit the use of new business models as well as non-IP-related liabilities), data localisation barriers (including data storage requirements and bans on cross-border data flows) and technology barriers (including restrictive security standards and requirements to disclose proprietary source codes).

Figure 16: Regulatory obstacles hinder SMEs from adopting more digital tools



Source: Implement Economics, based on a survey of 628 Spanish and Austrian SMEs (see Appendix 1 for further details).

Note: Response to question: 'To what extent do the following barriers create regulatory obstacles that limit your company's adoption of digital tools?', n=324. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

Data flows, i.e. the possibility for firms to access, use and transfer data, is a prerequisite for digitalisation. The SMEs emphasise that 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.[22] Several data flow obstacles persist and are often rooted in rules aimed at protecting personal privacy (data protection).[23] 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 chance 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 would reduce administrative costs for European firms – one of the main barriers to doing business in the Single Market, according to EU SMEs.

BUSINESS CASES: REMOVING BARRIERS TO DATA FLOWS WILL REDUCE COSTS

Lettvint is a one-person **Austrian SME**, offering business advisory services in the areas of change processes and problem-solving, team and business coaching, as well as communications strategy. Lettvint faces considerable uncertainty and information barriers on data protection requirements at the national and sub-national levels in other EU countries. A 'data flow test', obliging national and EU legislators and regulators to systematically assess the potential disproportionality of their data protection requirements, would be a first step forward, coupled with increased harmonisation and better and more proactive information access points.

Agropal is a **Spanish SME** operating in various areas within the livestock sector, with greatest focus on the design and equipping of livestock facilities, and in particular pig farming facilities. Among other regulatory and bureaucratic hurdles, Agropal has faced challenges relating to national data protection laws, which require significant time and financial resources for the company to not only obtain information about national laws, but also to comply with them.

A 'data flow test' of existing and new regulations would help to ensure data protection requirements meet their intended purpose, without placing disproportionate burdens on businesses.

LEIA is a **Swedish start-up tech company** offering a postpartum health tracker app with medically validated content (created by doctors, psychologists, midwives, breastfeeding professionals, parent coaches, and others) that is easily accessible and tailored to individual needs. The LEIA app relies on personal data. Offering the app globally requires detailed knowledge about national regulations and, in particular, the General Data Protection Regulation (GDPR) requirements in the respective markets. LEIA frequently encounters grey areas in national guidelines, which makes it difficult to assess compliance. A data flow test could help ensure that personal privacy is preserved with the least restrictions on data flows.

VecCtor is a small **German solution provider and technology supplier** for digitalisation and automation of processes around industry 4.0, IoT, interfaces, security applications and telematics. The company occasionally provides technologies directly to customers as part of its full-service offerings, presenting numerous additional challenges. The vast and varied data requirements and documentation necessary to ship certain technologies or components, such as batteries, pose significant hurdles. Compounded by the absence of a common platform or service provider in the EU to streamline these processes, VecCtor is compelled to manage them manually. The lack of uniform and simplified technology shipping requirements, as well as the absence of a common platform (with required data) to manage shipping processes, creates additional work for VecCtor and obstructs potential dataflows.

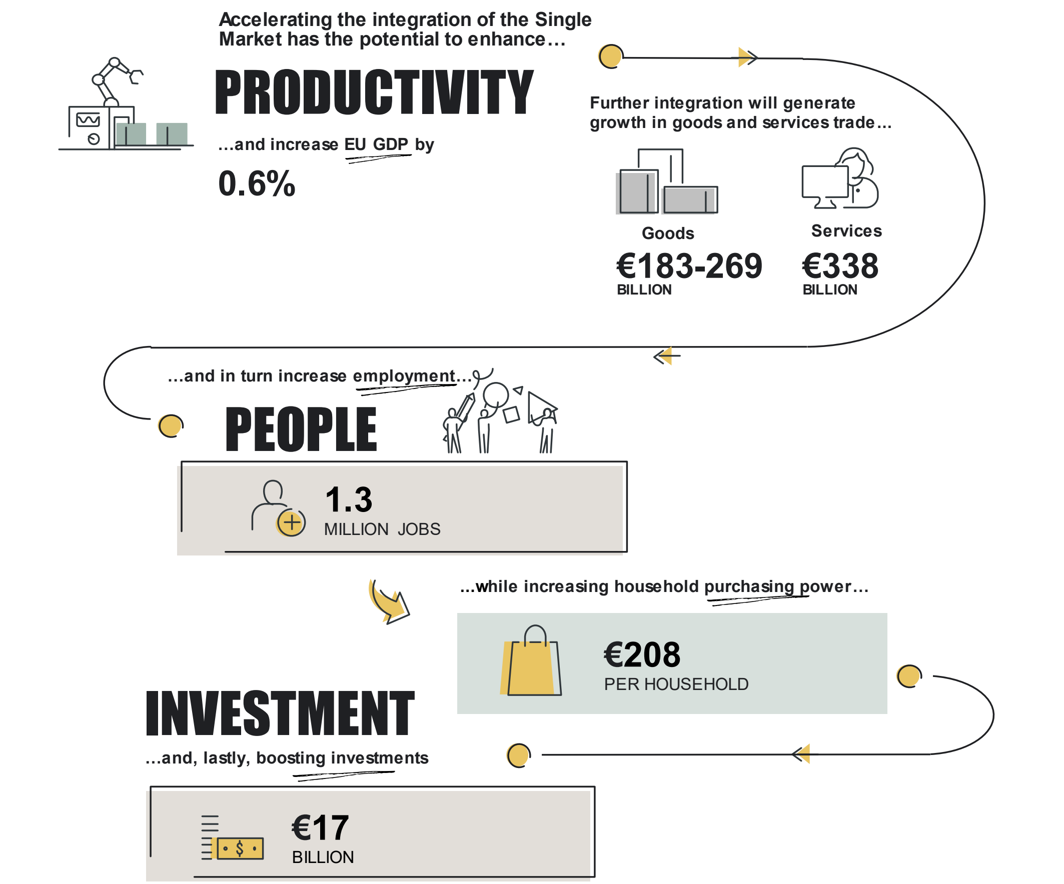
For these reasons, EU SMEs call for policy makers and the next Commission to:

Recommendation #3: Conduct a data flow test of all existing and new EU regulations

#4 Timely and harmonised implementation of regulation

Removing existing barriers due to the incomplete implementation of EU rules is foreseen to generate large EU-wide economic benefits.[24] The European Commission estimates that removing existing barriers related to incomplete implementation of EU rules on the Single Market would add an additional EUR 520–600 billion to EU GDP annually (a permanent increase in EU income level).[25]

Figure 17: Potential benefits from removing existing barriers in the Single Market[26]



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 few consequences – both current and potential new members, in the event of an enlargement. In response to a tailored question in the German Single Market study, 63% of the surveyed SMEs state that the Commission to a great or some extent should have greater authority to compel Member States to comply with EU regulations.

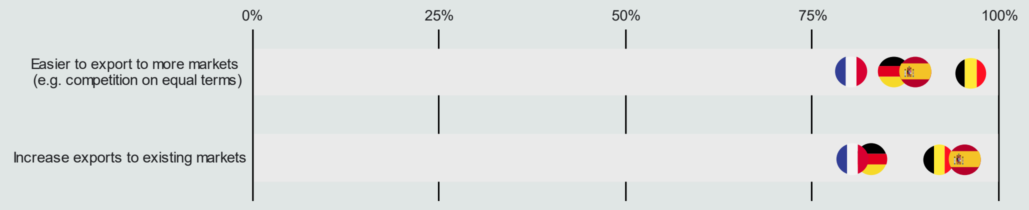
We therefore propose making recommendations on closing the compliance gap and harmonising implementation of EU regulations a part of the European Semester. The advantage is that the European Semester is governed by a combination of hard and soft law due a mix of surveillance mechanisms and possible sanctions, which can be utilised to incentivise governments to close the compliance gap.

The proposed solution would reduce the regulatory fragmentation that currently prevents SMEs from doing more business through the Single Market, see Box 5.

BOX 5: REGULATORY FRAGMENTATION LIMITS TRADE IN THE SINGLE MARKET

Tailored questions directed at Spanish, French, Belgian and German SMEs show that these companies generally agree that a national alignment of EU regulations could help them increase exports by either making it easier to export to new markets or by increasing exports to existing markets, see Figure 18. Notably, almost all the surveyed Spanish SMEs (94%) believe that the policy initiatives could help them increase their exports to existing markets.

Figure 18: Better and more harmonised national EU regulations could help SMEs to export more



Source: Implement Economics, based on a survey of 1,473 Spanish, French, Belgian and German SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent would it help your company to export more if all Member States implemented EU regulations at the same time and in the same way?', n=868. Response includes exports to new and existing markets. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

In response to a tailored question in the Belgium Single Market study, the SMEs also state that better and more harmonised national EU regulations could help them import more. 96% of the SMEs say that more harmonised regulations could make it easier to import more from more markets and 92% say that it would increase imports from existing markets. Access to imports from more markets and broader sourcing opportunities are likely to improve the competitiveness and resilience of European SMEs to the benefit of the entire economy.

Figure 19: Better and more harmonised national EU regulations could help SMEs to import more

Source: Implement Economics, based on a survey of 219 Belgian SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent would it help your company to import more if all Member States implemented EU regulations at the same time and in the same way?', n=213. Responses include imports to new and existing markets. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

BUSINESS CASES: REGULATORY FRAGMENTATION CREATES ENTRY BARRIERS

Kräutermax is an **Austrian SME** that trades in herbs, natural cosmetics and food supplements. Member States have different interpretations of whether Kräutermax's products classify as food supplements (under EU regulations) or pharmaceuticals (under national regulations). This 'grey area' creates significant uncertainty for the SME and leads to regulatory fragmentation. Limiting these ambiguities is a precondition for ensuring the correct and even application of EU regulations and eventually closing the compliance gap, which is required to lower entry costs and enable SMEs, such as Kräutermax, to expand across the EU.

General Plastics Scandinavia, based in **Sweden**, trades in a wide range of plastic materials. Many of the materials used by General Plastics Scandinavia are classified as waste and fall under the EU Waste Directive. The firm needs to obtain a statement from the Swedish Environmental Protection Agency that the company complies with EU regulations. This statement is based on the Swedish interpretation of the regulations, which deviate from the German, Austrian, and Italian interpretations. Inconsistent interpretation of common EU regulations and incomplete implementation into national legislation enhance the uncertainty of doing business across borders in the Single Market.

Inventia Technology is a **Polish company** specialising in the production of natural cosmetics and supplements, including natural collagen. Inventia experiences that different countries interpret and enforce EU regulations relating to nutritional supplements and natural collagen differently, meaning that companies need to navigate variations to ensure compliance in different markets. The differences and 'grey zones' in regulation that exist increase uncertainty. Simplifying and standardising regulations is key to closing the compliance gap, which is needed to lower entry costs and the risks associated with expansion for Inventia.

BabyFORTE Medical is a **German 20-person company**, specialising in high-quality nutritional supplements for men and women with pregnancy wishes, as well as expectant mothers. Regulatory fragmentation is a considerable challenge for the company and affects a large share of the company's product portfolio. Individual countries within the Single Market have different regulations of BabyFORTE's ingredients, e.g. maximum quantities of micronutrients such as B vitamins, zinc or selenium. There is further variation in whether they classify the product as food supplements or pharmaceuticals. Limiting these ambiguities would increase compliance, while lowering entry costs for BabyFORTE.

The **French company**, 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.

For these reasons, EU SMEs call for policy makers and the next Commission to:

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

#5 Consistent and efficient use of impact assessments

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 avoid 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 business across borders in the Single Market indicate that more can be done to design EU legislation that effectively reduces the 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.[27]

We recommend the European Commission to strengthen the use of the Better Regulation Toolbox by upholding the impact assessment requirement and putting more emphasis on integrating implementation into the design of new regulations. The recommendation put forward in this paper is aligned with the request for better regulation in the non-paper by 15 EU governments:

> *“Better regulation is the cornerstone in ensuring a properly functioning Single Market and a future-proof, transparent and stable legislative framework aiming to reduce regulatory burden and facilitate competitiveness. In general, a horizontal and technology-neutral approach enables the use of most innovative technologies.”*

In particular, the 15 governments call for the new Commission to apply impact assessments more consistently and thoroughly:

- Add a thorough, timely and high-quality impact assessment to each legislative proposal and ensure consultation with stakeholders.
- Include a Competitiveness Check and consider the cumulative impacts and costs of different initiatives and existing rules on the competitiveness of EU businesses, particularly SMEs and micro-enterprises.
- The impacts on the Single Market and its four freedoms should also be considered to avoid overlap and ensure consistency of the legislative framework.
- Consider extending the mandate of the Regulatory Scrutiny Board so that is can specifically ask for impact assessments in cases when they were not done.

The proposed solution would contribute to reducing several of the existing regulatory barriers pointed out by SMEs, and the high-quality design of future regulations would reduce the risk of new administrative barriers and unintended negative impacts emerging in the future.

BUSINESS CASES: IMPACT ASSESSMENTS REDUCE THE RISK OF NEW BURDENS

Nortem BioGroup is a **Spanish SME** that sells natural and ecological food products, cleaning products, cosmetics, and dietary supplements in Spain and across Europe. The company estimates that it takes around 3–12 months to launch in a new country, because it takes time to secure compliance with national and EU regulations. More one-stop shops for information on national requirements and reporting would be a great help. In addition, a more thorough use of the Better Regulation Toolbox would help ensure that EU regulations are designed to fit business needs and cater for specific SME concerns.

Bosch + Sohn is an **Austrian SME** that specialises in the development and production of medical devices. Costs associated with product approval have at least doubled compared to prior to the new EU Medical Devices Regulation (MDR). Simplifying approval procedures and increasing the number of Notified Bodies would help ensure that the MDR meets its objectives of guaranteeing patient safety and product availability while fostering a sustainable and attractive medtech innovation landscape in Europe.

Röyk is a **Swedish sustainable clothing brand** that was founded in 2010 after winning an innovation contest. Around 90% of Röyk's production is destined for the Swedish market, but demand for sustainable clothing is increasing across Europe. With the 2018 packaging waste legislation, the company faces new reporting requirements. For a company like them, it is critical that new and ongoing initiatives, such as the new EU Strategy for Sustainable and Circular Textiles and the 2023 revision of the Waste Framework Directive, are coordinated and based on the Better Regulation Toolbox, with solid impact assessments and a focus on implementation.

For these reasons, EU SMEs call for policy makers and the next Commission to:

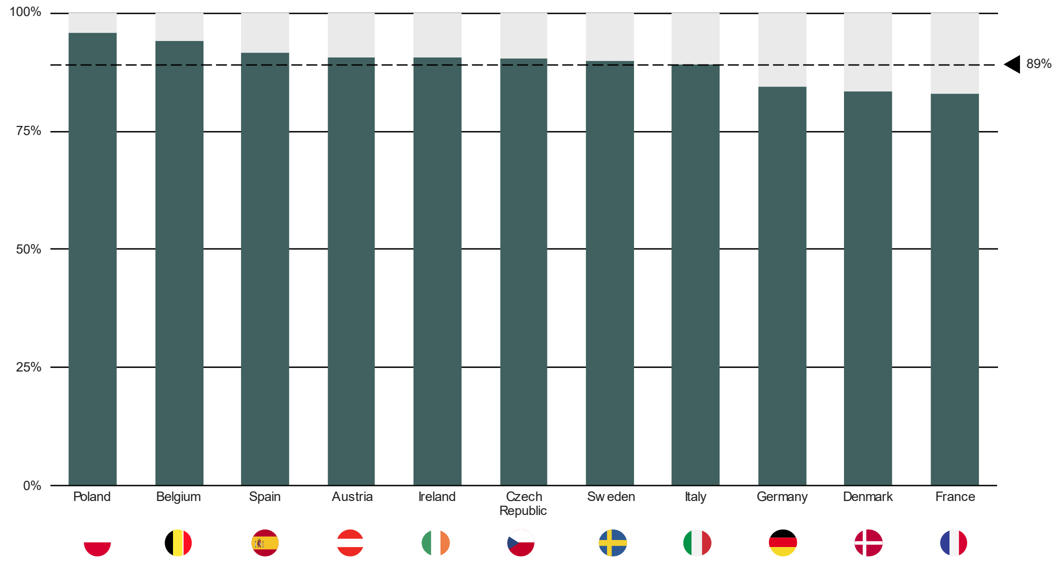
Recommendation #5: Strengthen the use of the Better Regulation Toolbox by integrating implementation into the design of new regulations and consistently respecting impact assessment requirements

#6 A green 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, including full harmonisation of national service and product rules, could 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 would also strengthen the international competitiveness of EU producers.

The survey and interviews conducted as part of this study highlight that the harmonisation of national product and service rules ranks highly on the wish list of SMEs. 89% of the SMEs agree that harmonising national service and product rules is important for them to grow their business within the Single Market, see Figure 20. In Poland, nearly all SMEs (96%) believe that a more harmonised Single Market could facilitate business growth.

Figure 20: SMEs call for harmonisation of national service and product rules



Source: Implement Economics, based on an SME survey of 3,351 EU SMEs (see Appendix 1 for further details).
Note: Response to questions: 'To what extent would the following policy initiatives help your company do more business within the Single Market? – Harmonisation of national service rules?' and 'To what extent would the following policy initiatives help your company do more business within the Single Market? – Harmonisation of national product rules?', n=2,385. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

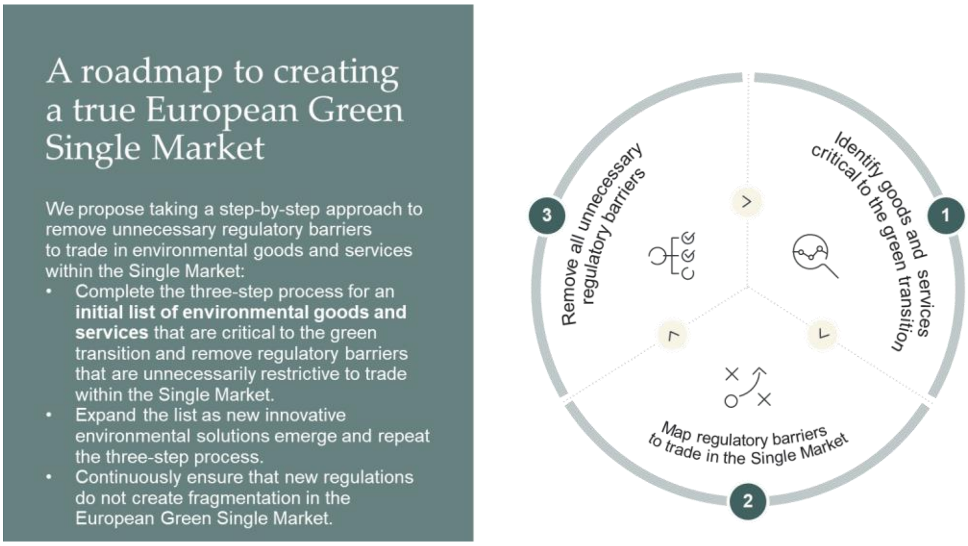
Regulatory barriers pose significant obstacles to global trade in climate goods (up to 10 times more obstructive than tariffs[28]), and the top three barriers are technical barriers to trade (mainly standards, technical regulations and labelling requirements, as well as conformity assessment procedures, 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 erodes their global competitiveness.[29] As wind power 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.[30]

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.[31] 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 regulations, fragmentation in the national implementation of EU regulations, 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.



This approach could help reduce the regulatory fragmentation and complexity that diminish profits and erode the competitiveness of EU firms, particularly SMEs.

BUSINESS CASE: REGULATORY BARRIERS HINDER TRADE IN GREEN GOODS

Austria Metal Trading (AMT) is an **Austrian SME** that specialises in the wholesale of metal products, including structural components for large photovoltaic (PV) plants. AMT needs to apply for additional national certification for some of its products to be used and/or applied in other EU countries. The costs associated with these national certification requirements are prohibitively high for a relatively small company like AMT, which makes some markets inaccessible or may require the establishment of a subsidiary in the relevant country. This can increase the costs of establishing PV plants, an important source of renewable energy, thereby hindering the green transition.

Ventilationscentrum is an **alliance of ventilation companies, supported by the municipality of Enköping in Sweden.** Ventilationscentrum develops training material, conducts courses, and offers advice on regulations related to ventilation technology. Energy savings and indoor climate improvements are key EU sustainability priorities, and the installation of efficient ventilation systems is critical to both. Removing regulatory barriers to the cross-border provision of installation, operation and maintenance services would help EU firms provide the ventilation systems and supportive services that are needed in the transition to a more sustainable economy.

For these reasons, EU SMEs call for policy makers and the next Commission to:

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

#7 A Digital Product Passport that supports circularity

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 the views of SMEs in particular, there is risk that the DPP will introduce high administrative burdens and costs for businesses, thereby 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 so as not to create silos or duplication of efforts.
- That intellectual property rights are protected – again requiring a careful consideration of the data that is absolutely relevant to meet the objectives (essentially requiring only 'need-to-know' and not 'nice-to-know' data).

BUSINESS CASES: DIFFICULT FOR SMEs TO COLLECT DATA FROM SUPPLIERS

Cogvis is an **Austrian technology company**, specialising in the development of a smart care solution called cogvisAI. It can be difficult for SMEs to obtain relevant product information for the DPP from suppliers, especially those outside of Europe. The DPP should be designed in a way that takes into consideration the resources required to gather detailed information along the entire value chain, and therefore should only require data that is considered relevant for meeting sustainability objectives.

Trevit is a **Swedish distributor** of a toothpaste and cosmetics. The company has recently replaced all its packaging in an effort to switch to lighter plastics that are more recyclable and offer better circularity. During the switch to lighter plastics in the packaging of their products, Trevit ensured that the new packaging complied with the different labelling requirements in the individual Member States. However, the requirement to have local languages on packages means that Trevit needs to use a larger outer packaging than the size of the products actually merits. Being free to replace parts of the physical labelling with a Digital Product Passport would enable Trevit to reduce the size of their outer packaging.

Emilia Food Love is an **Italian distributor** of Emilian food products. While a small company, Emilia Food Love is truly a globally oriented company in that 98–99% of its annual turnover comes from outside Italy – particularly the EU and the United States. The requirement to have local languages on packages means that Emilia Food Love, like other companies in the food industry, needs to use larger outer packaging than is actually required by the size of the product. A DPP would also enable Emilia Food Love to reduce the size of the packages that their products are wrapped in.

Klümper is a **family-owned German company**, specialising in gourmet ham goods. The SME finds that EU countries are increasingly sealing themselves off with various country-specific requirements and specifications relating to their industry. For example, the specification requirements related to raw ingredients differs from country to country. Likewise, the company is exposed to various country-specific requirements for packaging design and labelling, e.g. related to nutritional value specifications. Klümper highlights that the DPP should be designed in a way that takes into consideration the resources required for an SME to gather detailed information from suppliers. Furthermore, there should be efforts to harmonise requirements to ease compliance and elevate the potential of the DPP.

For these reasons, EU SMEs call for policy makers and the next Commission to:

Recommendation #7: Design the European Digital Product Passport in a way that makes the circular work of businesses easier and facilitates product compliance

#8 A one-stop shop for Member States' EPR systems

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 over 81 different EPR regulations (Packaging, WEEE – Waste Electrical and Electronic Equipment, SUP – Single Use Plastics) to comply with.[32]

Harmonised EPR schemes could 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.

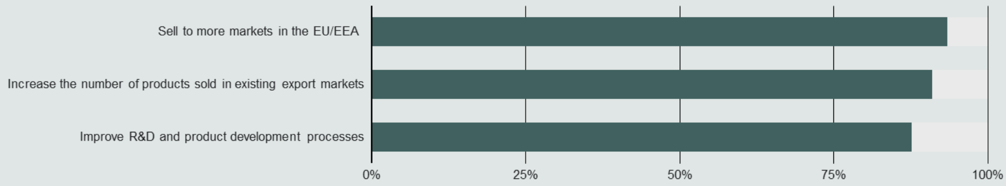
We recommend establishing a truly all-encompassing EU-wide mechanism to handle EPR: a digital EPR 'one-stop shop' solution that would facilitate single EPR registration and reporting across all Member States. This one-stop shop would also serve as a centralised and up-to-date information portal on EPR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

Such a solution should drastically reduce bureaucracy, for the producers as well as the authorities. The solution should help to make EPR more cost-effective for EU 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, see Box 6.

BOX 6: A ONE-STOP SHOP SOLUTION WOULD HELP SMEs GROW

In response to tailored questions for Ireland, 86% of the surveyed Irish SMEs state that an EPR one-stop shop solution would to a great or some extent help them sell to more markets in the EU/EEA, and nearly as many reported that it would improve R&D and product development processes, as well as increasing the number of products sold in existing export markets, see Figure 21.

Figure 21: Irish SMEs state that they would benefit from an EPR one-stop shop



Source: Implement Economics, based on a survey of 203 Irish SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent would a digital one-stop shop that facilitates single extended producer responsibility (EPR) reporting across all EU Member States benefit your business through the following?', n=121. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

The business cases conducted as part of this study show that the highly fragmented European EPR systems are disproportionately costly for SMEs.

BUSINESS CASES: COMPLEX AND HETEROGENEOUS EPR SYSTEMS HINDER GROWTH

Trade Post 47 is an **Austrian SME** that sells a range of scientific fiction merchandise, mostly to Germany and Austria, although the company aims to expand across the EU. The complex and heterogeneous EPR requirements make expansion difficult. It is both difficult and costly to obtain the correct information regarding national EPR requirements, and the different packaging and electronics disposal fees paid upfront are disproportionately expensive for SMEs selling small volumes. The creation of a digital one-stop shop for EPR could facilitate single EPR registration and reporting and serve as a centralised, up-to-date information portal for EPR requirements across all Member States.

Remo Sartori is an **Italian clothing company**, producing silk ties and accessories. Approximately 45% of the company's sales are international, with 30% going to the US and 15% to Europe. The EU textiles industry is met with many diverging EPR schemes, often set at the national level, and Remo Sartori finds it difficult and costly to comply with the various EPR schemes across the EU. The SME states that the creation of a digital one-stop shop for EPR could make it less costly and time-consuming to find information and comply with various EPR schemes.

LUK Furniture is a **Polish home furniture seller**. While LUK Furniture has managed to expand to various European countries, this has not occurred without difficulties. For instance, national requirements add layers of complexity on top of EU regulations and require excessive documentation. One example relates to waste management – and in particular the many diverging EPR schemes across the EU. This complexity poses great uncertainties and financial risks for SMEs like LUK Furniture, leading to additional costs for e.g. consultations with local specialists. Simple, streamlined and harmonised regulation on producer responsibility is needed to help the SME scale up through the Single Market, including on EPR schemes.

Trevit is a **Swedish cosmetics company**. The company finds that there are several layers of regulation to consider when entering into contracts on producer responsibility, and Member States have very different applications of EU regulations. This complexity poses great uncertainties and financial risks for an SME like Trevit, which faces ending up in costly and lengthy disputes. Simple, streamlined, and harmonised regulation on producer responsibility is needed to help SMEs scale up through the Single Market, including on the EPR schemes.

For these reasons, EU SMEs call for policy makers and the next Commission to:

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

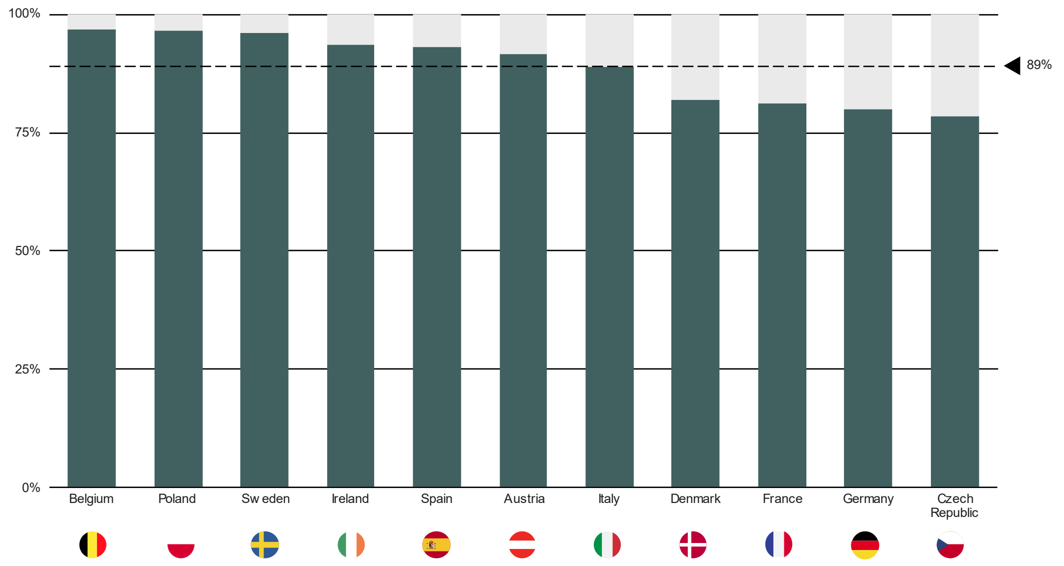
#9 A single VAT ID and extended VAT one-stop shop

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.[33] In 2022, the European Commission proposed a series of measures to modernise and make the EU's VAT system work better for businesses and more resilient to fraud by embracing and promoting digitalisation (the VAT in the Digital Age proposal).

We call for the European Commission to adopt the VAT in the Digital Age proposal with no delays and thereby create a single VAT ID in the EU and extend the existing VAT one-stop shop concept to cover all goods transactions (including pan-EU inventory placement and onward sales). Such a simplification would allow SMEs, such as those described below, 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 are one of the policy initiatives that SMEs would find most beneficial for doing more business in the Single Market.

European SMEs across countries almost uniformly confirm that introducing a single VAT ID for all goods could facilitate business expansion within the Single Market. On average, 89% of the SMEs agree that harmonising VAT procedures could reduce regulatory burdens, see Figure 22. In Belgium, 97% of the respondents find that further harmonisation would to at least some extent be helpful in expanding their business within the Single Market.

Figure 22: Harmonising VAT procedures would reduce regulatory burdens for SMEs



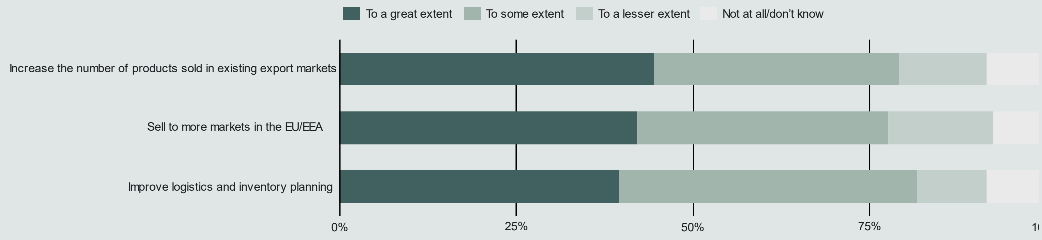
Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (see Appendix 1 for further details).
Note: Response to question: 'To what extent would the following policy initiatives help your company do more business within the Single Market? – Harmonisation of VAT procedures', n=2,385. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

Survey results from Ireland indicate that a single VAT ID would help SMEs launch new products, enter new markets and improve their competitiveness through improved logistics and inventory planning, see Box 8.

BOX 8: A SINGLE VAT ID WOULD HELP SMEs GROW IN NEW AND EXISTING MARKETS

Among the surveyed Irish SMEs, 80% report that a single VAT ID for all goods transactions would enable them to increase the number of products sold in existing export markets, see Figure 23. Moreover, 78% and 82% of the SMEs report that a single VAT ID would enable them to sell to more markets in the EU/EEA and improve logistics and inventory planning, respectively.

Figure 23: Benefits for Irish SMEs from introducing a single VAT ID for all goods transactions



Source: Implement Economics, based on a survey of 203 Irish SMEs (see Appendix 1 for further details).
Note: Response to question: 'To what extent would the introduction of a single VAT ID for all goods transactions (including pan-EU inventory placement and onward sales) benefit your company?', n=121. This question is a tailored question for the Irish country report and therefore the respondents are only Irish SMEs.

As well as reducing administrative burdens for SMEs and granting them greater access to the European Single Market, tax authorities would also benefit from a single VAT ID, as reduction in complexity increases compliance.[34] 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 would benefit from greater choice, more competitive prices and a better shopping experience when buying goods online.

The business cases highlight how extending the VAT one-stop shop to storage and onward sales would reduce costs and speed up sales across borders in the Single Market.

BUSINESS CASES: NATIONAL VAT REGISTRATION AND REPORTING ADD COSTS

myVolts is an **Irish SME** that specialises in replacement of power supplies and music technology products. myVolts sells its products worldwide and stores the majority of its stock in the Netherlands, due to lower shipping and warehousing costs as well as shorter fulfilment times. In order to be able to offer their products in several large European markets, myVolts would need to add new dispatch warehouse locations and register for VAT in those locations. However, generating and filing VAT reports in each country in which they are registered generates extra costs and consumes time. Extending the VAT OSS to pan-EU inventory storage and onward sales would considerably reduce the need for multiple VAT registrations –- decreasing costs and the time burden associated with establishing warehouses in more countries.

Angorelle is a small **Italian cashmere clothing company**, selling widely to other countries through the Amazon marketplace. Despite many simplifications to European VAT processes due to the introduction of the VAT one-stop shop (OSS) system, Angorelle still faces considerable difficulties with VAT registration. To store and sell its products in other countries, the company needs to be VAT-registered in these countries – which imposes great administrative costs and requires considerable time.

Segeda is a specialised **Spanish manufacturer** of machining equipment. The company has been active for 41 years and currently exports to countries within and outside the EU. Segeda faces considerable difficulties related to VAT procedures. Creating a single VAT ID in the EU and extending the VAT OSS to cover all goods transactions would allow Segeda to comply with VAT obligations using a single registration number. This would help reduce complexity and cut the costs associated with VAT registration.

Amalix is a small **Austrian retailer**, selling products through the Amazon Fulfilment by Amazon (FBA) programme. Amalix faces considerable costs related to VAT registration, as FBA warehouses are not covered by the current VAT one-stop shop, with separate VAT registration required in each country that the company wants to sell to and send shipments from. VAT registration for multiple warehouse locations is time-consuming and costly, thereby presenting a challenge for Amalix where its expansion in the EU is concerned.

FOLNET Group is a **Polish e-commerce seller** of construction materials. The company has experienced a lack of consistent interpretations regarding the VAT one-stop shop (OSS) in the EU. They have also experienced that it can be both slow and complicated to obtain VAT numbers from different foreign authorities, and applications cannot be submitted electronically or without the consultation of an external tax advisor. The introduction of a single VAT number would have significant impacts on the cost and speed at which FOLNET is able to expand across the Single Market.

Heim & Büro is a **German company**, founded in 2010 and now operating well beyond Germany. Their main brand, ONVAYA®, includes various products from household items and elderly care to office products, and more. The company faces considerable difficulties related to VAT procedures. To store and sell its products in other countries, such as Spain, the company needs to be VAT-registered in these countries. This applies to all countries in which Heim & Büro stores or would like to store its products. Generating and filing VAT reports in various countries imposes great administrative costs and requires considerable time.

Y-Brush is a **French manufacturer** of y-shaped electric toothbrushes with sonic vibration. Throughout its expansion across the Single Market, the company has continued to encounter challenges with VAT procedures. For instance, 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.

N!CK's is a **Swedish company that sells sugar-free and low-calorie confectionary products**, including chocolate bars, protein bars, sweeteners, and ice cream. While the introduction of the VAT one-stop shop return in 2021 reduced the administrative costs for N!CK's, it has not fully solved the problem. When N!CK's stores inventory in another EU country (closer to customers to shorten delivery times), the company still needs to register for VAT in every country of storage, which can take 4–6 months. To comply, N!CK's has VAT numbers in the seven EU countries where it stores products.

For these reasons, EU SMEs call for policy makers and the next Commission to:

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

#10 Digital labelling as a 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 SMEs selling smaller quantities. For example, a company wanting to sell its products (no matter what product type) in another Member state would have to translate and label the product in the local language according to the national and EU regulations. Additionally, the EU still relies exclusively on physical marking on products and/or product packaging, while 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) is a way to 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.[35] Once written, product information may quickly become irrelevant as technologies advance, legislation changes, 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 user instructions, 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 into 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.[36] Also, we ask that physical labelling should only contain the minimum essential information.

The business cases show that digital labelling could both improve the cost competitiveness of European SMEs and reduce their environmental footprint.

BUSINESS CASES: LABELLING HAS ENVIRONMENTAL AND MONETARY COSTS

Fellinger Arbeitsschutz is an **Austrian SME** that specialises in occupational safety products, with sales in Austria and Germany. The requirement for local languages on the product packages, detailing how the packaging is to be disposed of correctly, for example, entails high costs for SMEs such as Fellinger Arbeitsschutz. In addition, businesses need to source a local company to validate the packaging, which can cost up to EUR 500 per year and requires significant effort.

Afroricci is an **Italian cosmetics company** selling mainly products for curly and afro-textured hair. The company currently sells mostly to Italy, which accounts for approximately 90% of its revenues, but is trying to expand sales in other EU countries. One of the biggest challenges that the company has faced when trying to expand to other EU countries relates to physical labelling, as labels need to be augmented and separately printed for different European countries in local languages. The costs associated with this are considered proportionately high, given the high uncertainty over expected revenues in a new market.

GloriaPets is a **Spanish SME** specialising in pet accessories and has invested in developing its own brand. The company finds it challenging to meet the national labelling requirements in the different EU markets. This problem is especially pronounced with physical labels, which need to be augmented and separately printed for different EU countries. The company estimates that digital labelling would lower costs and enable the company to increase sales by EUR 3–4 million.

Caro Group is **a Polish seller of home furnishing items**, predominantly wallpapers, posters and other decorations for interior walls, online to a European customer base. The company reports that it can be incredibly challenging and costly for SMEs to comply with different national labelling requirements when selling to other countries in the Single Market. A digital label would make it much easier and less costly to include and update product information in all required languages.

Zlideon is a **Swedish innovation-driven company** that produces a zipper pull that can be used to repair broken zips. The product is simple to use, but the requirement to have local languages on the package means that the company needs to use a larger outer packaging than the actual size of the zipper pull would really merit. Having the opportunity to replace the physical labelling with digital labelling would enable the company to reduce the size of the outer package.

Novoma is a **French company** that specialises in high-quality food supplements to 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.

Sliabh Liag Distillers is an Irish **family-owned business** that finds different national labelling requirements especially cumbersome for alcohol products. For example, these requirements relate to information such as list of ingredients, health warnings as well as recycling instructions, which can vary from country to country. Labelling requirements are also made more complex due to different national interpretations relating to alcohol products. While most mandatory labelling requirements are covered by local distributors, they introduce additional costs throughout the value chain, ultimately meaning less value for Sliabh Liag Distillers.

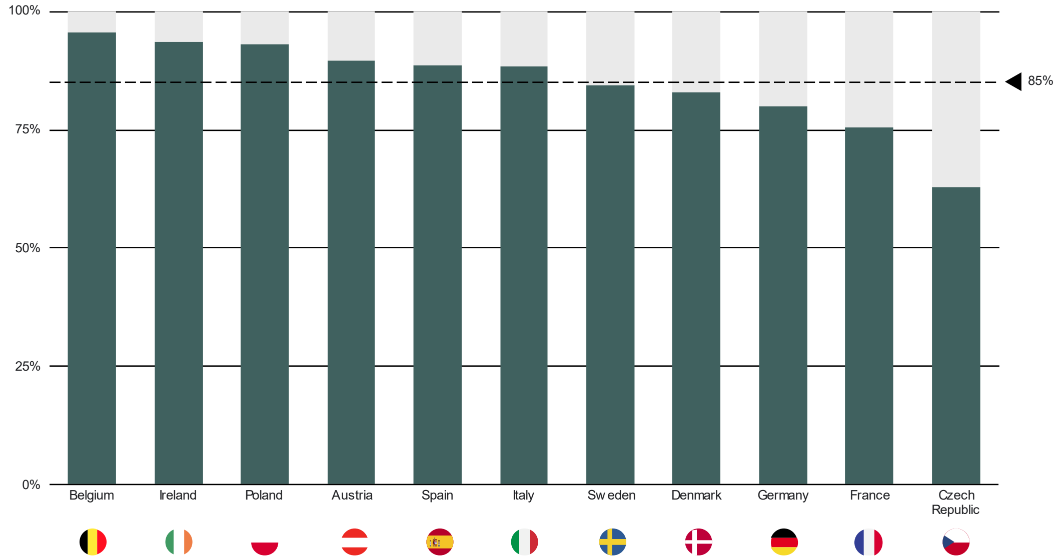
For these reasons, EU SMEs call for policy makers and the next Commission to:

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

#11 Easy, fast, reliable and low-cost cross-border payments

SMEs find it critical for the functioning of the Single Market that cross-border payment methods are affordable and effortless for businesses and consumers. On average, 85% of the SMEs agree that easing payment recovery could reduce regulatory barriers, see Figure 24. Notably, 95% of surveyed SMEs in Belgium identify the potentials of easing payment recovery.

Figure 24: Easing payment recovery would reduce regulatory barriers for SMEs



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries (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 the Single Market? – Easing payment recovery, n=2,385. Responses include the answers 'to a lesser extent', 'to some extent' and 'to a great extent'.

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 the 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.

BUSINESS CASES: CROSS-BORDER PAYMENTS ARE RISKY AND COSTLY

Speedinvest Pirates is an **Austrian growth partner** for startups, offering various services, from branding and growth marketing to sales and pricing, to help startups reach their growth goals. Speedinvest Pirates observes inefficiencies and challenges in the cross-border payment infrastructures for European firms. Currently, the cross-border payment options available are dominated by a limited number of financial services corporations, charging high fees to merchants. Creating conditions for the development of low-cost cross-border payment systems would help ensure that consumers and merchants can do business with confidence across borders inside the Single Market at low cost.

Koala Babycare is an **Italian retailer**, specialising in baby care products and pregnancy products, including baby carriers, soothers, skincare and more. One barrier that the company has faced when trying to expand its sales across the EU relates to fees on cross-border transactions. Due to a limited number of cross-border payment options available in the EU, the company faces high merchant fees, which risk disadvantaging its position in foreign markets (due to higher prices) relative to domestic companies.

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

For these reasons, EU SMEs call for policy makers and the next Commission to:

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

Appendix 1 Description of the SME survey

SMEs form the backbone of the EU economy, accounting for 96% of all firms but only 37% of total EU exports. These numbers reflect how difficult an activity exporting is, requiring significant financial and human resources. Nevertheless, 65% of the SMEs' total exports are destined for the Single Market, and the results presented in this study confirm that the Single Market is a platform for SMEs to internationalise, diversify exports and grow the muscles to compete globally.

For this reason, we have conducted a survey of export-oriented SMEs in 11 EU countries. This appendix presents the SME survey structure across the country roll-outs and includes the detailed survey responses. The export-oriented SMEs consist of companies that currently export (SME exporters) or would like to start exporting (potential SME exporters). This a unique target group that is difficult to isolate and engage. Many SMEs are mainly oriented towards their home markets, with little interest in (and potential for) expanding abroad. Also, SMEs generally have limited resources available to overcome market access barriers, and landing their first export order is difficult. Finally, SME exporters are often extremely busy and rarely engage in consultations, surveys and interviews.

SME survey structure

To identify key barriers and possible solutions to conducting business in the Single Market, a survey was carried out in close collaboration with local business associations and survey institutes, with a focus on gathering insights from members of these associations. The figure below summarises the respective collaboration partners, total respondents, and the breakdown of respondents between exporters and potential exporters in each country.

SURVEYS ACROSS THE SINGLE MARKET COUNTRY-LEVEL STUDIES

	Collaborations	Total respondents	Exporters	Potential exporters
Austria	KMU Forschung Austria	475	439	36
Belgium	Belgian Association for Trade and Services (COMEOS) & Ipsos	219	205	14
Czechia	Czech Chamber of Commerce	204	188	16
Denmark	Confederation of Danish Industry & Danish Chamber of Commerce	219	208	11
France	Ipsos	386	325	61
Germany	The German Association for SMEs (BVMW)	715	646	69
Ireland	Ibec & Ipsos	203	195	8
Italy	Italian Confederation of Craft and SMEs (CNA) & Ipsos	215	155	60
Poland	Polish Confederation of Craft and SMEs (CNA) & Ipsos	262	220	42
Spain	CEPYME	153	124	29
Sweden	Företagarna	300	228	72
Total		3,351	2,933	481

Each country-specific survey consisted of 15 generic questions (13 in multiple-choice format and two open-ended questions), tailored to either exporters, potential exporters or both. Additionally, tailored questions were included for France, Austria, Ireland, Germany, Belgium and Spain. These tailored questions were based on desk research on the national economy and mostly developed in collaboration with the local associations to cover topics of particular national interest, such as first export destination, export diversification and digitalisation. A complete list of generic and tailored questions is provided below.

Generic questions:

Generic survey questions		
#1	All countries	What industry does your company belong to? (All)
#2	All countries	How many employees work in your company? (All)
#3	All countries	Does your company export to countries within the Single Market? (All)
#4	All countries	Would your company like to start exporting to countries within the Single Market? (Potential exporters)
#5	All countries	What do you perceive as the most critical barriers to doing business within the Single Market? (All)
#6	All countries	To what extent does your company benefit from the Single Market? (Exporters)
#7	All countries	In which way does your company convey business in the Single Market? (Exporters)
#8	All countries	To what extent do regulatory barriers prevent your company from doing more business in the Single Market? (Exporters)
#9	All countries	What regulatory barriers are the most prohibitive for your company to do more business in the Single Market? (Exporters)
#10	All countries	What are the implications for your business of regulatory barriers to doing business within the Single Market? (Exporters)
#11	All countries	Where do you see the largest potentials within the Single Market for growing your business? (Potential exporters)
#12	All countries	To what extent do regulatory barriers prevent your company from doing business in the Single Market? (Potential exporters)
#13	All countries	What regulatory barriers are the most prohibitive for your company to do more business in the Single Market? (Exporters)
#14	All countries	Indicate what policy makers could do to help your company in terms of growing your business in the Single Market (All)
#15	All countries	To what extent would the following policy initiatives help your company do more business within the Single Market? (All)

Tailored questions:

Country-specific survey questions related to export		
#1	FR	What year did your company start to export? (Exporters)
#2	FR	What year was your company established? (All)
#3	AT, IE, DE	What was the first export destination of your company? (Exporters)
#4	AT	What is your company's share of export to total sales (Exporters)
#5	AT, IE, DE	What share of your company's exports is destined for the markets listed below? (Exporters)
#6	IE	What country do you expect to be your first export destination? (Potential exporters)
#7	IE	Why do you believe it is easier to enter this market? (Potential exporters)
#8	DE	Is it easier for your company to export to members of the Single Market compared to non -members? (Exporters)
#9	DE	Do you expect it to be easier for your company to export to members of the Single Market compared to non -members? (Non -exporters)
#10	DE	To what extent has exporting to members of the Single Market made it easier to start exporting to non -members? (Exporters)

Country-specific survey questions related to digitalisation		
#1	AT, ES, DE	To what extent do you think that increased digitalisation in your company will improve your exports? (All)
#2	AT, FR	In which of the following areas can policy makers help your company become more digital? (All)
#3	AT, ES, DE	To what extent do the following barriers create regulatory obstacles that limit your company's adoption of digital tools? (All)
#4	ES, FR, DE	To what extent do the following factors hinder your company from adopting more digital tools? (All)
#5	FR	Did you have to cover significant fixed costs before becoming more digitalised? (All)
#6	FR	To what extent did these digitalisation fixed costs relate to export activities? (All)
#7	FR	Has your company benefited from any support schemes to help you become more digitalised? (All)

Country-specific survey questions related to policy		
#1	ES, FR, DE, BE	To what extent would it help your company to export more if all Member States implemented EU regulations at the same time and in the same way? (All)
#1	BE	To what extent would it help your company to import more if all Member States implemented EU regulations at the same time and in the same way? (All)
#2	IE, DE	In your experience, to which extent would more simple and harmonised regulation of the Single Market help your company export more? (All)
#3	IE	To which extent would a digital one-stop shop that facilitates single extended producer responsibility (EPR) reporting across all EU Member States benefit your company? (Increase the number of products sold in existing export, Improve R&D and product development processes) (All)
#4	IE	To which extent would the introduction of a single VAT ID for all goods transactions (including pan-EU inventory placement and onward sales) benefit your company? (Increase the number of products sold in existing export markets or Improve logistic and inventory planning) (All)
#5	AT	What could politicians do to enable your company to expand its business activities in the single market as much as possible? (All)

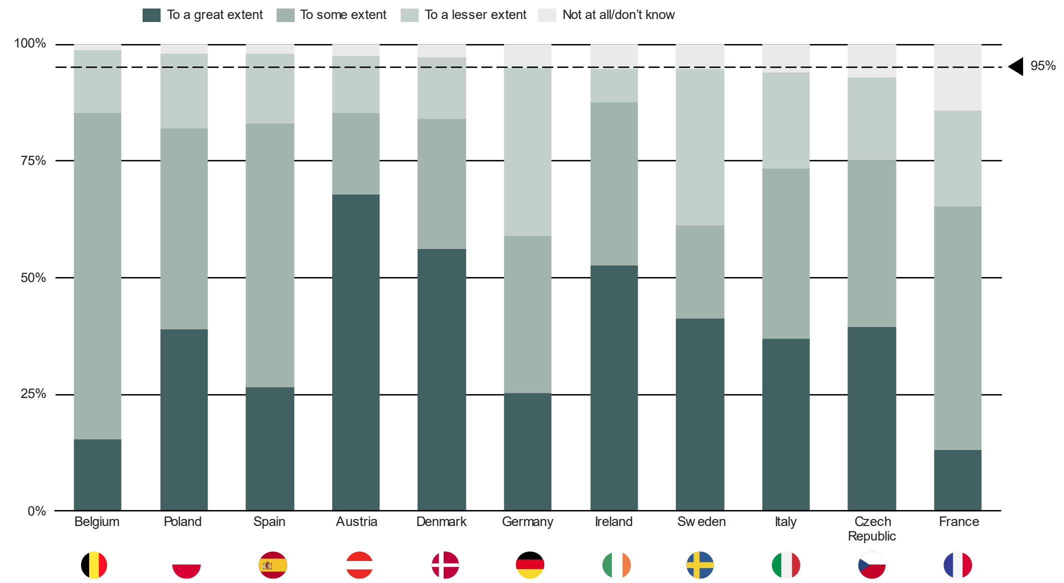
Detailed survey responses

According to Eurostat data, around 800,000 SMEs in the 11 countries are currently exporters (around 5% of the total population of SMEs). 68% of the full population of SME exporters have fewer than 10 employees and 32% have more than 10 employees. The latter group of larger SMEs account for a large share of total exports by the SMEs.

In total, 3,351 SMEs participated in the survey. 2,933 of the respondents are exporters (88%). Of these SME exporters, only 27% of the SME exporters have fewer 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 (28%) and the Wholesale and retail trade (12%).

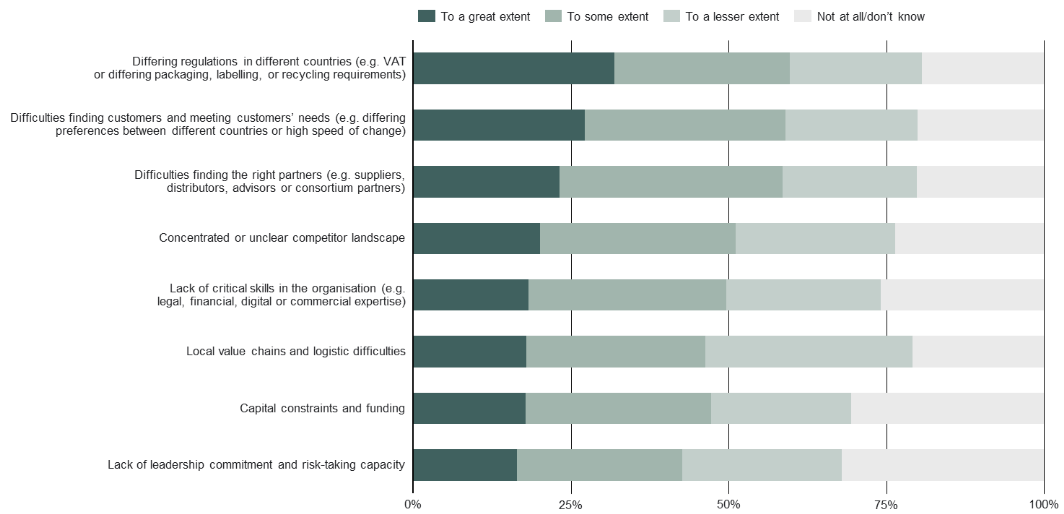
418 (12%) of the respondents currently do not export but would like to begin exporting (potential exporters). Since we have no information about how large a share of the full SME population are potential exporters, it is difficult to assess their representativeness. The detailed responses in this section indicate that there are only minor differences between the responses from SME exporters and potential SME exporters. The main chapters of this report therefore present pooled data, where responses have been weighted across the 11 countries with the country's share of responses.

Figure 25: SMEs uniformly confirm that they benefit from the Single Market, exporting SMEs



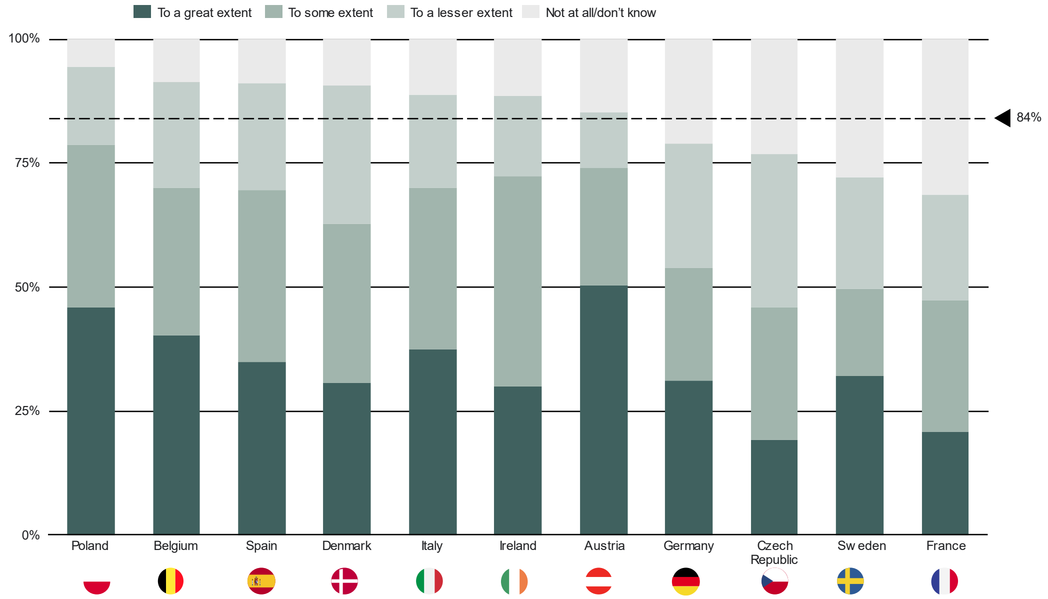
Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries.
Note: Response to question: 'To what extent does your company benefit from the Single Market?', n=2,435. Average response has been weighted by number of SMEs in each country.

Figure 26: Differing regulation is the most critical barrier to doing business in the Single Market, all



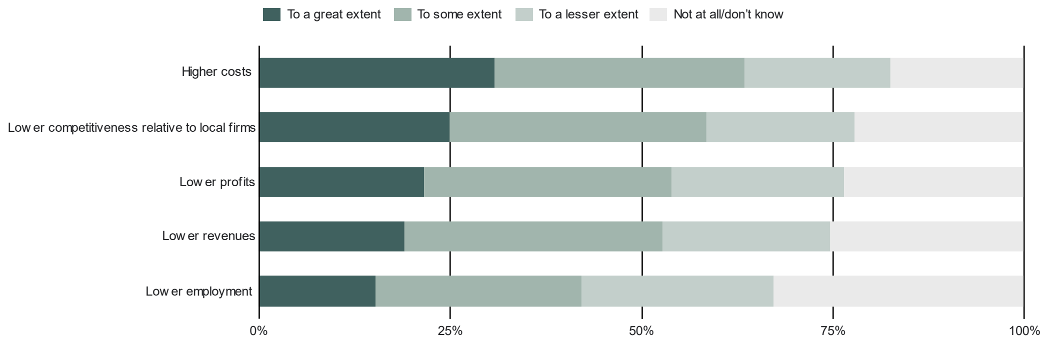
Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries.
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=2,732. Average response has been weighted by number of SMEs in each country.

Figure 27: Differing regulation in different countries is a critical barrier to doing business in the Single Market, all



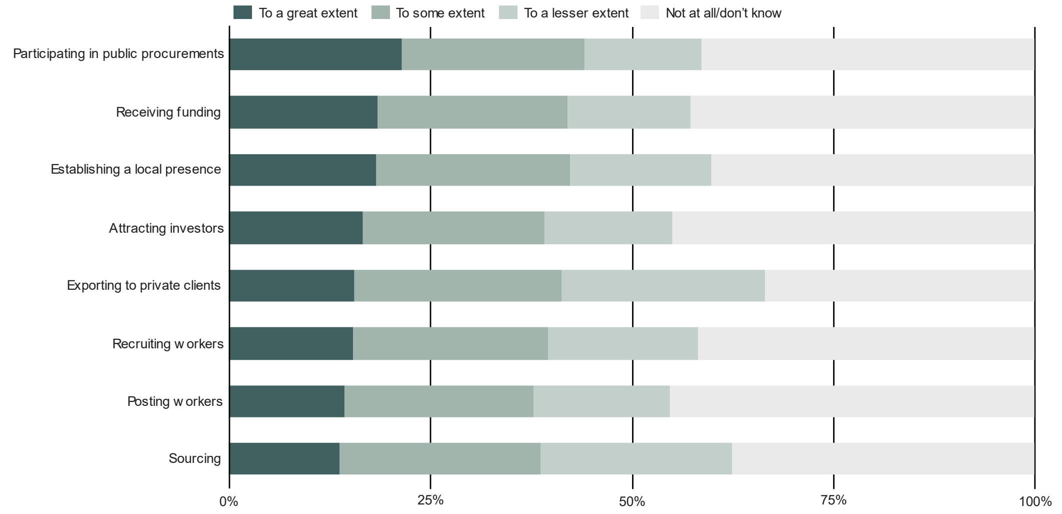
Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries.
Note: Response to question: 'What do you perceive as the most critical barriers to doing business within the Single Market? – Differing regulations in different countries (e.g. VAT or differing packaging, labelling, or recycling requirements)', n=2,732.

Figure 28: Regulatory barriers have multiple negative implications for SMEs, exporters



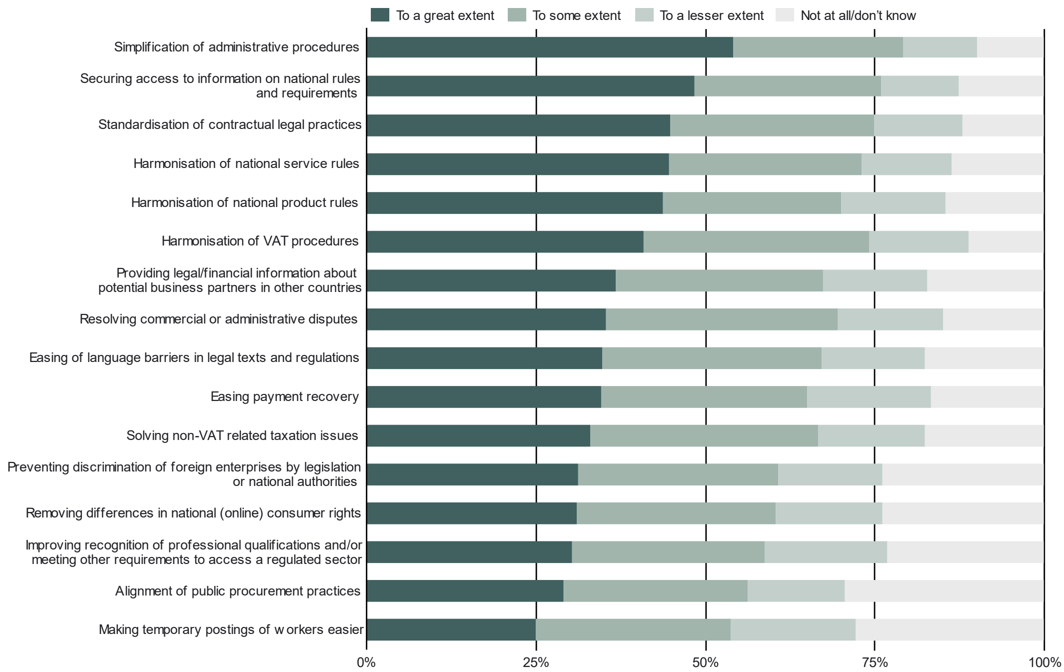
Source: Implement Economics, based on an SME survey 3,351 EU SMEs in 11 countries.
Note: Response to question: 'What are the implications for your business of regulatory barriers to doing business within the Single Market?', n=2,241. Average response has been weighted by number of SMEs in each country.

Figure 29: Regulatory barriers prevent SMEs from doing more business in the Single Market, exporters



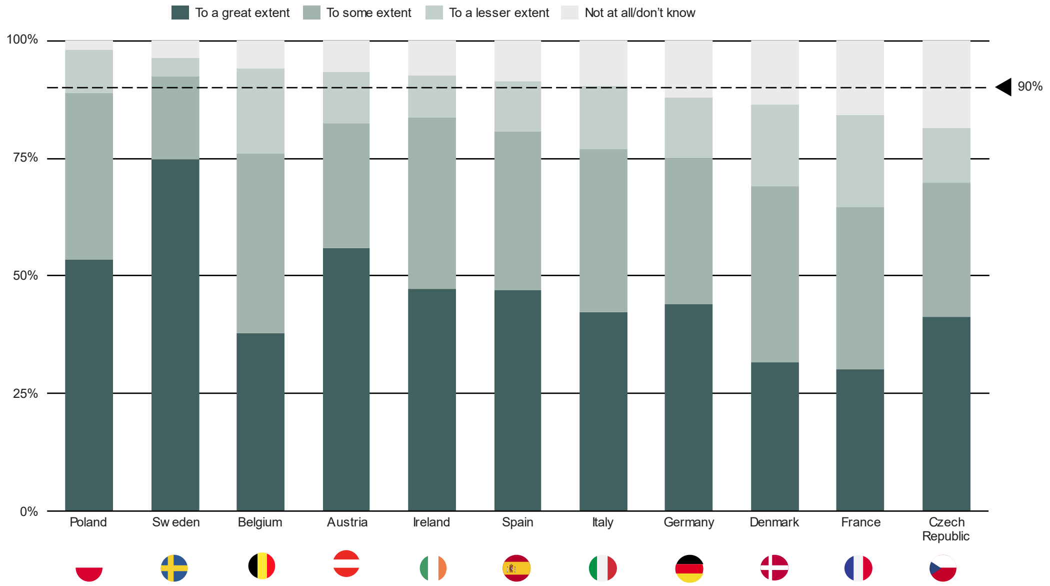
Source: Implement Economics, based on a survey 3,351 EU SMEs in 11 countries.
Note: Response to question: To what extent do regulatory barriers prevent your company from doing more business in the Single Market?', n=2,514. Average response has been weighted by number of SMEs in each country.

Figure 30: Policy initiatives can help firms to do more business in the Single Market, all



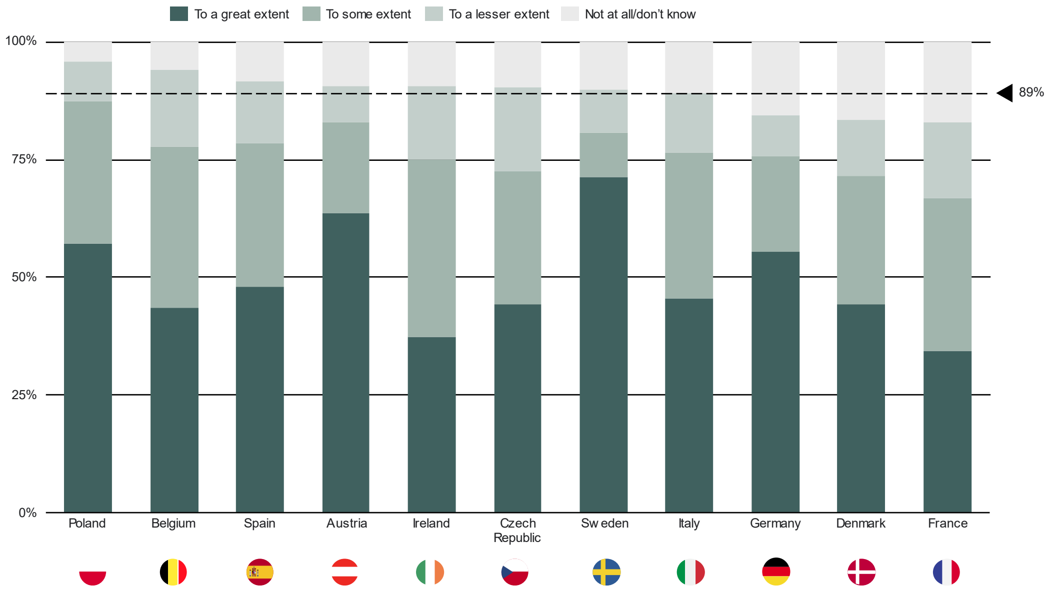
Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries.
Note: Response to question: 'To what extent would the following policy initiatives help SMEs with doing business in the Single Market?', n=2,385. Average response has been weighted by number of SMEs in each country.

Figure 31: Securing access to information on national rules and requirements could help SMEs grow, all



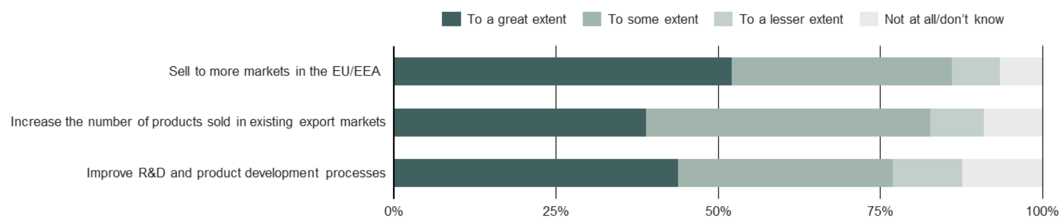
Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries.
Note: Response to question: 'To what extent would the following policy initiatives help your company do more business within the Single Market? – Securing access to information on national rules and requirements', n=2,306.

Figure 32: SMEs call for harmonisation of national service and product rules, all



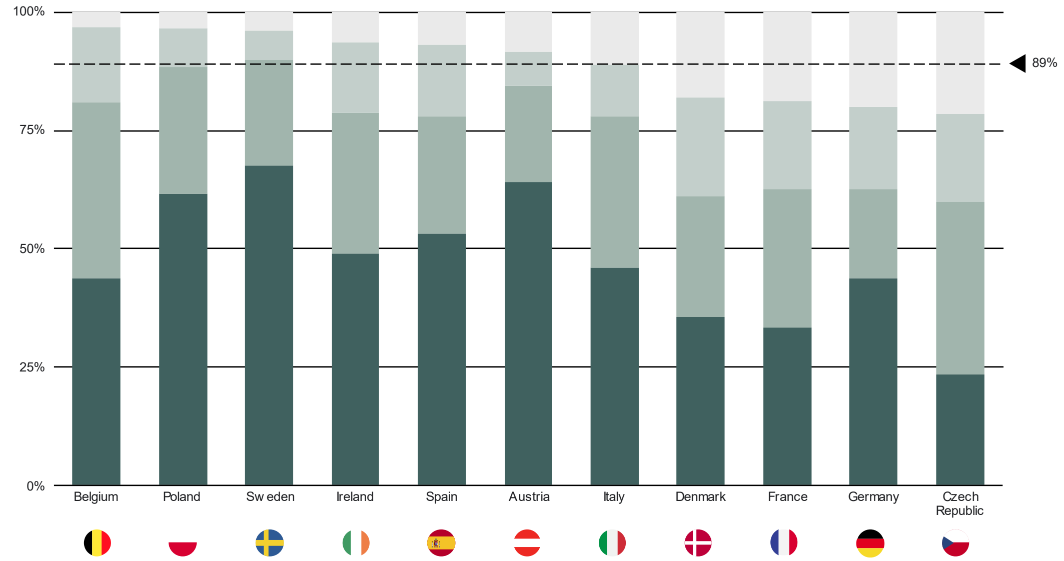
Source: Implement Economics, based on a survey 3,351 EU SMEs in 11 countries.
Note: Response to question: 'To what extent would the following policy initiatives help your company do more business within the Single Market?', n=4,385.

Figure 33: Benefits for Irish SMEs from an extended responsibility one-stop shop, exporters



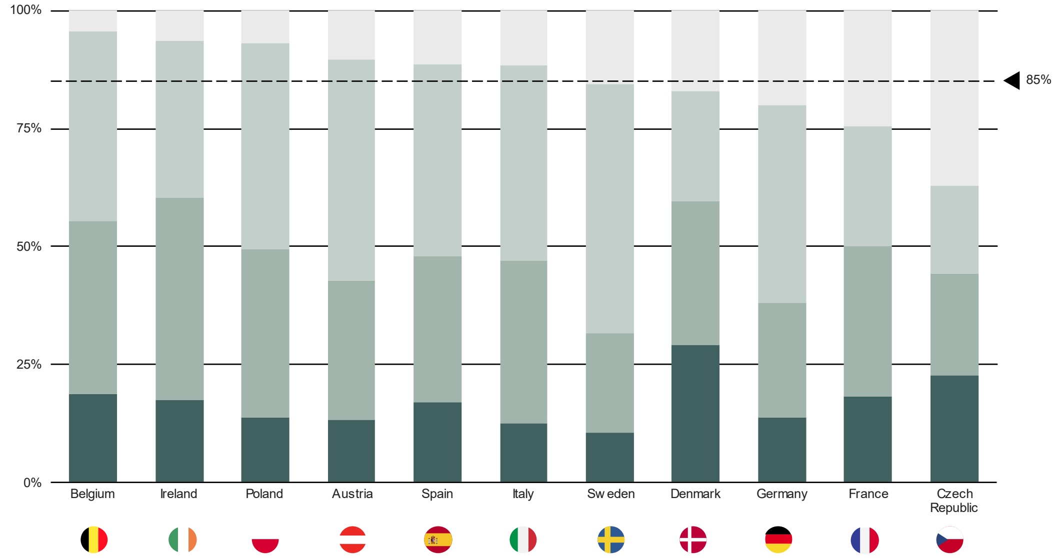
Source: Implement Economics, based on a survey of 203 Irish SMEs.
Note: Response to question: 'To which extent do you feel that EU regulations cater for the specific needs of SMEs?', n=121.

Figure 34: Harmonising VAT procedures would reduce regulatory burdens for SMEs, all



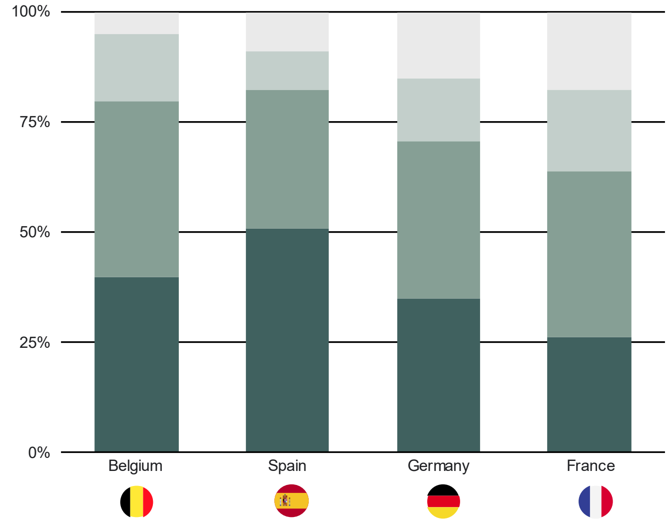
Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries.
Note: Response to question: 'To what extent would the following policy initiatives help your company do more business within the Single Market? – Harmonisation of VAT procedures', n=2,275.

Figure 35: Easing payment recovery would reduce regulatory barriers for SMEs, all



Source: Implement Economics, based on a survey of 3,351 EU SMEs in 11 countries.
Note: Response to question: 'To what extent would the following policy initiatives help your company do more business within the Single Market? – Easing payment recovery', n=2,224.

Figure 36: Better and more harmonised regulation could help SMEs export more, all



Source: Implement Economics, based on a survey 1,473 Belgian, Spanish, German and French SMEs.
Note: Response to question: 'To what extent would it help your company to export more if all Member States implemented EU regulations at the same time and in the same way?', n=868.

List of endnotes

1 European Commission (2023). *Enrico Letta on the Future of the Single Market*. European Commission press release 15 September 2023.

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

3 This includes the reports from former Italian prime ministers Enrico Letta and Mario Draghi, respectively responsible for the high-level report on the future of the Single Market and for the report on the future of European competitiveness.

4 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.

5 LE Europe (2017). *The EU Single Market – Impact on Member States.*

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

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

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

9 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.

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

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

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

13 The response categories used in this survey question are from a survey commissioned by Business Finland and conducted by Implement Consulting Group, see Implement Consulting Group (2022). *Impact study on economic growth.*

14 The response categories used in this survey question are based on the business survey from Eurochambres (2020). *The State of the Single Market: Barriers and Solutions*.

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

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

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

18 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.

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

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

21 Implement Consulting Group (2022). *Digital Decarbonisation – How the Digital Sector is Supporting Climate Action,* commissioned by Google.

22 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.

23 Kommerskollegium (2021). *Främja Dataöverföring och Datadelning genom ett Nytt Dataflödestest*.

24 European Parliamentary Research Service (2014). *The Cost of Non-Europe in the Single Market*.

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

26 LE Europe (2017). *The EU Single Market – Impact on Member States* & European Commission (2020). *A Single Market that Delivers for Businesses and Consumers.*

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

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

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

30 Wind Europe (2022). *WindEurope Panel at COP27: Permitting, Permitting, Permitting.*

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

32 Implement Consulting Group (2024). *Extended Producer Responsibility in the EU.*

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

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

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

36 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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