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April 2024

REPORT

The Single Market

— a *gateway* to openness and resilience

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

1 July marked the handover of the Presidency of the Council of the EU from Sweden to Spain.

Based on a survey of Spanish SMEs, interviews and a detailed literature survey, this report gives a Spanish perspective on how an ambitious reboot of the Single Market can help SMEs scale up and build up muscles to compete globally.

Our work builds on the report *Reboot of the Single Market – How to support the growth of SMEs through a strong and united Single Market*, published in November 2022 in preparation for the Swedish Presidency. The report lists **11 specific and impactful policy initiatives** to boost the effective functioning of the Single Market.

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

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

The work is supported by an advisory group composed of representatives from Confederación Española de la Pequeña y Mediana Empresa (CEPYME) and Amazon. As part of the study, a survey was conducted among members of CEPYME and a broader group of Spanish SMEs, and the survey results represent perspectives of Spanish SMEs doing business in the Single Market.

Executive summary

1 July marked the handover of the EU Presidency Sweden to Spain. The Spanish Government assumed this important responsibility at a time when it is critical for the EU to stand firm and united around the core values of openness and democracy. The year 2023 is also a crucial one in the run-up to the 2024 European elections.

On its 30th anniversary, the Single Market is still seen as the engine of the EU's society and economy. Further reduction of barriers and integration, particularly a renewed focus on enforcing existing Single Market rules and removing Member State-level barriers, is essential for the Single Market to remain the key driver of EU's competitiveness.[1] EU leaders therefore marked the conclusion of the Swedish Presidency with a call for an independent High-Level Report on the future of the Single Market.[2]

The Spanish Government has made the promotion of the Single Market one of its priorities during its EU Presidency.[3] In the Grenada Declaration, a process started to define the EU's general political directions and priorities for the years to come, the Spanish Government and other EU leaders state:[4]

"We will continue our efforts to build a more cohesive, innovation-driven, and interconnected Single Market, preserving its integrity, its four freedoms, its social dimension and its openness, ensuring a level playing field, and reducing administrative burden notably for SMEs."

This report brings forward the **call for action from Spanish SMEs** who point to the need for continued efforts to simplify and streamline EU policies to fully unlock the potential of the Single Market.

Based on a survey of 153 Spanish SMEs, interviews and a detailed literature survey, this report gives a Spanish perspective on what Spanish SMEs need and how an ambitious reboot of the Single Market can help them scale up and develop muscles to compete globally. Key conclusions are:

- **Simplified and streamlined policies can unlock potential |** Differing regulatory requirements are cited as one of the most critical barriers for Spanish SMEs to do more business in the Single Market. 71% of the SMEs assess that regulatory barriers increase their costs, 70% say that regulatory differences erode their competitiveness and 66% experience lower profits. Spanish SMEs confirm that drawing a red line against red tape will increase intra-EU exports, make it easier to source within the Single Market and reduce barriers to engaging in public procurement across borders in the Single Market. This will stimulate growth and job creation in Europe.

- **Accelerated use of digital tools will spur on exports |** Digitalisation plays a vital role in driving growth, generating job opportunities and contributing to a sustainable future. Based on 2020 data on the International Digital Economy and Society Index

(I-DESI), Spain is below the EU average in terms of digital performance and far behind the digital frontrunners globally. 96% of the Spanish SMEs believe that increased use of digital tools can help their company sell more on the Single Market, and they call for an improved digital infrastructure, more digital public services and a larger pool of available human capital as policy initiatives that can help them become more digital (underlying the importance of reinforcing and improving the Digital Kit).

- **11 recommendations for an ambitious reboot of the Single Market |** The SME survey and business cases in this report confirm that the policy initiatives proposed by Swedish SMEs and described in the report *Reboot of the Single Market – How to support the growth of SMEs through a strong and united Single Market* will also help Spanish SMEs do more business via the Single Market. The 11 specific and impactful policy initiatives to strengthen the effective functioning of the Single Market presented to the Swedish EU Presidency in November 2022 are therefore also highlighted in this report, and the relevance for Spanish SMEs has been underlined by business cases.

Set a bold and ambitious vision for the Single Market

The Single Market integration from 1995 to 2015 has permanently increased Spain's GDP per capita by 1.8%, created 324,000 jobs and increased the citizens' purchasing power by EUR 620.[5] The establishment of the Single Market created a need to harmonise legislation and establish common standards to ensure that domestic and foreign firms are subject to the same requirements, fostering fair competition and a level playing field when doing business across borders in the Single Market. Securing the four freedoms of the Single Market warrants ongoing review and updates of EU regulations to technological developments, global conditions and key societal challenges.

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

Café Saula is a specialised 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.

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

Air Rail 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 can double its turnover in the next three years.

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

Agropal is a company 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 regulation would help to ensure data protection requirements meet their intended effects, without placing disproportionate burdens on businesses.

1.	Adopt an ambitious Single Market Strategy	Adopt a Single Market Strategy that clearly reinstates the Single Market at the forefront of the EU's integration project, green transition and innovation agenda. The Strategy should take a holistic approach to the full business and consumer journey as well as to integrate regulation across all pillars of the Single Market.
2.	Strengthen SOLVIT by establishing a Single Market Ombudsman in every EU Member State and commit SOLVIT to act more proactively on structural cases and to raise awareness	Designate a Single Market Ombudsman (head of or in collaboration with SOLVIT) in each Member State as a national, independent body with access to effective remedies. A network of Single Market Ombudsmen is to be set up under the auspices of the European Commission to safeguard a uniform interpretation of the EU rules in the Member States.
3.	Conduct a data flow test of all existing and new EU regulations	Implement a data flow test that acknowledges the supremacy of the principle of data protection in the EU but limits the risk of creating unjustified burdens when applying data protection rules. This gives businesses a possibility to legally challenge data protection decisions that are perceived as disproportionate.

Ensure compliance and simplify administrative procedures

EU directives can only achieve their intended effects if they are completely and correctly transposed into national legislation within the given deadline. Frictionless trade in the Single Market requires fewer, improved regulations as well as complete, correct and immediate transposition into national legislation. Removing barriers that exist due to the incomplete implementation of EU rules across all Member States is foreseen to permanently increase Spain’s GDP per capita by 0.6%, and the increased production of goods and services can support 99,000 jobs per year.[6]

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

Nortem BioGroup 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 regulation. 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 will help ensure that EU regulation is designed to fit business needs and cater for specific SME concerns.

4. Upgrade the European Semester to include recommendations on how to harmonise the implementation of EU regulations and close the compliance gap	Incentivise Member States to correctly apply and take political ownership for the correct application of EU rules by integrating recommendations on closing the compliance gap and harmonising implementation of EU regulation into the European Semester, governed by a mix of surveillance mechanisms and possible sanctions.
5. Strengthen the use of the Better Regulation Toolbox by integrating implementation in the design of new regulations and consistently respecting impact assessment requirements	Put more weight on integrating implementation into the design of new regulation and avoid deviations from the requirement to make impact assessments. Impact assessments are critical for avoiding new regulations that are ill-conceived and for ensuring that new regulations achieve the policy objective, with recognition of unintended consequences and/or trade-offs.

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

The updated Spanish National Energy and Climate Plan (NECP) has set a target of a total installed capacity in the electricity sector of 214 GW by 2030, of which 160 GW are expected to come from renewable generation. As an initial estimate, 62 GW are expected to come from be wind energy, 76 GW from solar photovoltaic, 14.5 GW of hydroelectric and 4.8 GW of solar thermoelectric.[7] The NECP foresees investments of EUR 294 billion over the period 2021-2030 (of which 40% will be allocated to investments in renewables).[8] Barriers to trade in these and other climate technologies make the green transition more costly for countries such as Spain and risk slowing it down.

With this study, we offer a roadmap that outlines an iterative approach to mapping and removing regulatory barriers to trade in climate goods and services within the Single Market. In terms of specific initiatives, we bring forward the request from Spanish SMEs to design the digital European passport in a way that makes it easier for SMEs to become more circular and comply with new EU regulation.

6. Map and remove regulatory barriers to trade in climate goods and services within the Single Market	Map and remove regulatory barriers to trade in climate goods and services within the Single Market to accelerate decarbonisation by structuring market signals, incentivising innovation, and reducing the price of new technologies. Develop a roadmap for removing critical barriers and monitor its implementation.
7. Design the European Digital Product Passport in a way that makes it easier for businesses to become more circular	Introduce a well-designed Digital Product Passport based on stakeholder input, including SMEs. This will minimise the risk that administrative burdens and costs for businesses reduce the potential of the passport to support circularity and create a lack of cohesion within the Single Market.

Use digital tools to reduce costs and create conditions for growth

In the experience of Spanish SMEs participating in the survey, the efficiency and effectiveness of EU legislation are often undermined by a high degree of complexity in its actual application. Spanish 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 registering in other Member States. Digital labelling, for example, can lower costs for an SME like GloriaPets. 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.

Segeda specialises in manufacturing machining and machinery. The company has been active for 41 years and, today, it exports to countries within the EU as well as 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 costs associated with VAT registration.

GloriaPets is specialised 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.

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

1 Peace and prosperity from the Single Market

BACKGROUND

In 1993 the Single Market was created to increase economic prosperity and peace in the EU by fostering the free flow of goods, services, capital and people among its members. Spain was one of the initial 12 members of the Single Market.

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

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

KEY FACTS AND FIGURES

The Single Market integration from 1995 to 2015 permanently increased Spanish GDP per capita by 1.8%, created 324,000 jobs and increased the citizen's purchasing power by EUR 620.

Standardisation and regulatory harmonisation benefit SMEs in particular, and 65% of Spanish SMEs' total exports are destined for the Single Market.

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

The Single Market opens up Europe to businesses and citizens

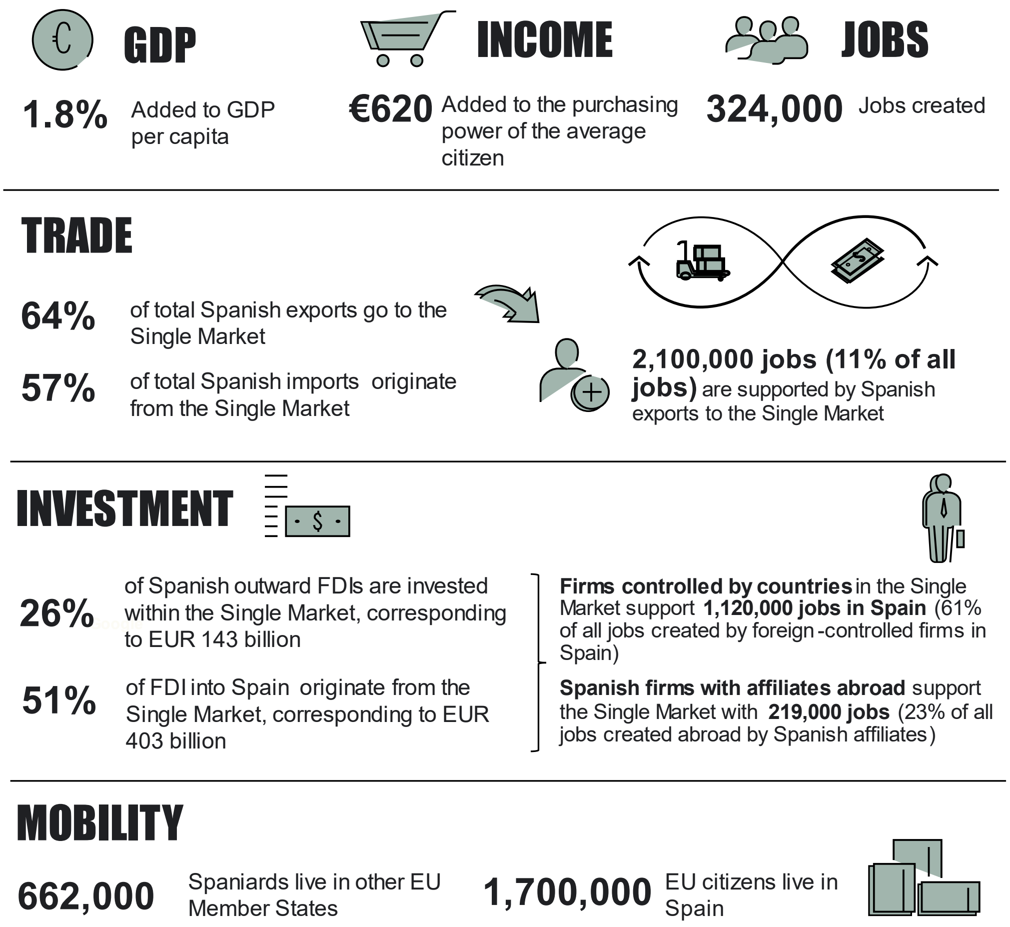
The Single Market is designed to enable goods, services, capital and people to move freely across countries by removing border regulation, custom duties and tariffs. It consists of the 27 EU Member States and the four EFTA Member States (Iceland, Liechtenstein, Norway and, to a certain extent, Switzerland). The Single Market is the world's largest trader in both goods and services[9], and its significance will grow if the ambitions of European Political Community to accept new member countries to the EU are realised.[10]

Access to the Single Market allows Spanish firms to specialise and export goods and services in which they have a comparative advantage. Also, Spanish consumers benefit from having access to a variety of goods and services imported at lower prices. The Single Market integration from 1995 up until 2015 has permanently increased Spain's GDP per capita by 1.8%, compared to a situation without an increase in integration. Similarly, the Single Market integration has permanently created 324,000 jobs and increased an average citizen's purchasing power by EUR 620, see Figure 1.[11] If the continued integration since 2015 is also considered, the economic benefits are likely to be even larger. Today, more than every fifth job in Spain depends on trade[12], and 11% of all jobs depend on trade within the Single Market.[13]

Today, more than 64% of Spain's total exports go through the Single Market, and 57% of Spain's total imports originate from the Single Market, underlining the Single Market's importance for many Spanish firms – especially SMEs – where internationalisation is concerned.[14]

The free movement of capital has benefitted the Spanish economy overall. Today, 51% of foreign direct investments (FDI) in Spain originate from members of the Single Market, corresponding to a total stock of inward FDI of EUR 403 billion. In contrast, only 26% of all Spanish outward FDI are invested in members of the Single Market, considering that the large Spanish investments into the UK no longer account as intra-EU FDI after Brexit.[15] Similarly, the free movement of people has made it easier to live abroad, and 662,000 Spaniards currently live in other EU countries, while 1.7 million EU citizens live in Spain.[16]

Figure 1: Spanish workers and consumers benefit from the Single Market[17]



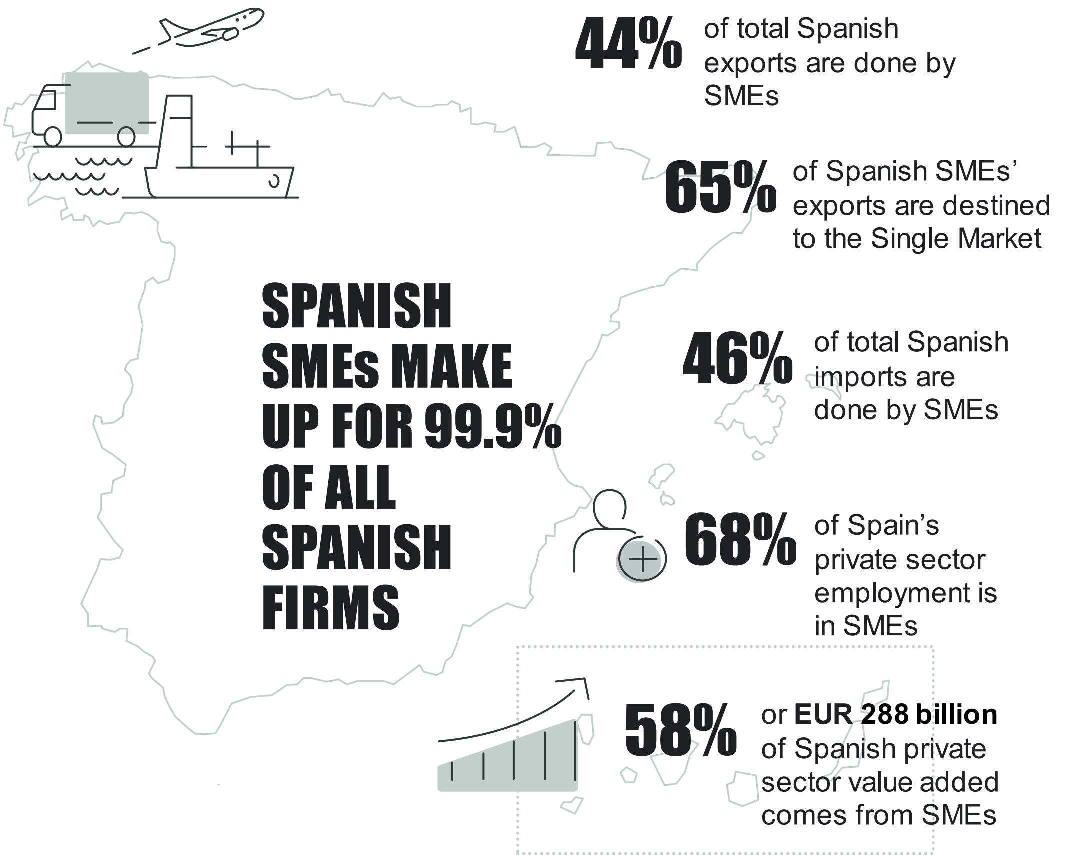
The Single Market is a platform for SMEs to scale up and mature

SMEs form the backbone of the Spanish economy, accounting for 99.9%[18] of all firms and 58% of the country's GDP. These SMEs account for 68% of Spain's private sector employment[19] and are key drivers of innovation, as they bring innovative solutions to global challenges like climate change.[20]

SMEs generally have fewer resources and capital available compared to larger enterprises, and regulatory burdens and administrative requirements are disproportionately difficult for them 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.[21,22]

Standardisation and regulatory harmonisation are therefore particularly beneficial for SMEs that strive to scale up and enter new markets, access European value chains and strengthen their international competitiveness.[23] According to 2020 Eurostat data, SMEs account for 44% of total Spanish exports, and 64% of the SMEs' total exports are destined for the Single Market.[24]

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



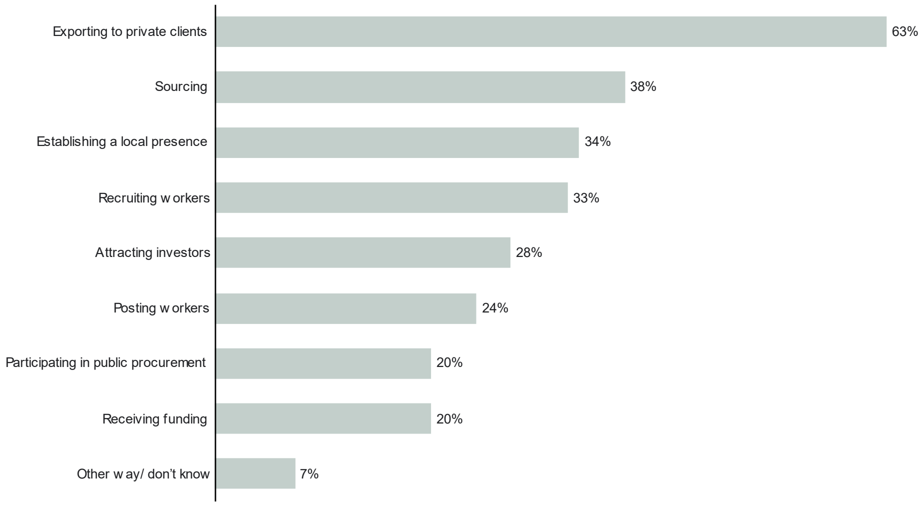
Note: SMEs are defined as enterprises with less than 250 employees.

Among the SMEs that participated in the survey, 98% state that access to the Single Market is important to their business. 27% of the SMEs say that they benefit to a great extent from the Single Market, while 71% assess that they benefit to some (56%) or a lesser extent (15%), see Figure 14 in Appendix 1.

The SMEs in the survey mainly export to private businesses as well as individuals (63%) or source (38%) from other firms in the Single Market, see Figure 3. Other activities include establishing a local presence (34%) and recruiting workers (33%).

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

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



Source: Implement Economics based on an SME survey of 153 Spanish SMEs (see Appendix 1 for further details).
Note: Question from survey: 'In which way does your company convey business in the Single Market?', n=94. Shares summarise to more than 100% as respondents can choose multiple answers.

The Single Market secures leverage and a global voice

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

- **Manoeuvring through global health crises |** Centralising the procurement of vaccines at the EU level gave Member States better bargaining power and access to vaccines on a larger scale, in the required time, with good delivery conditions and a diversified pool of suppliers.[25,26] In total, the EU secured up to 4.2 billion doses of vaccines for EU citizens.[27]

- **Giving economic power to EU sanctions |** Sanctions are an essential tool of the EU's common foreign and security policy. The unifying rationale of most sanctions regimes is the attempt to alter, by economic pressure, the strategic choices of state and non-state actors. The size of the Single Market provides leverage in terms of the economic pressure imposed by EU sanctions, such as those on Russia.[28]

- **Securing market access and diversifying trade |** The size of the Single Market makes the EU an attractive partner for business, and individual EU Member States would not have been able to make as many trade agreements on their own with as favourable conditions.[29] Spanish firms have access to 45 trade agreements with 78 countries, including the EFTA-countries,[30,31] and no trading partner has more trade agreements than the EU.[32] These agreements have improved access to and lowered the prices of raw materials and intermediate inputs while also providing preferential access to key export markets.

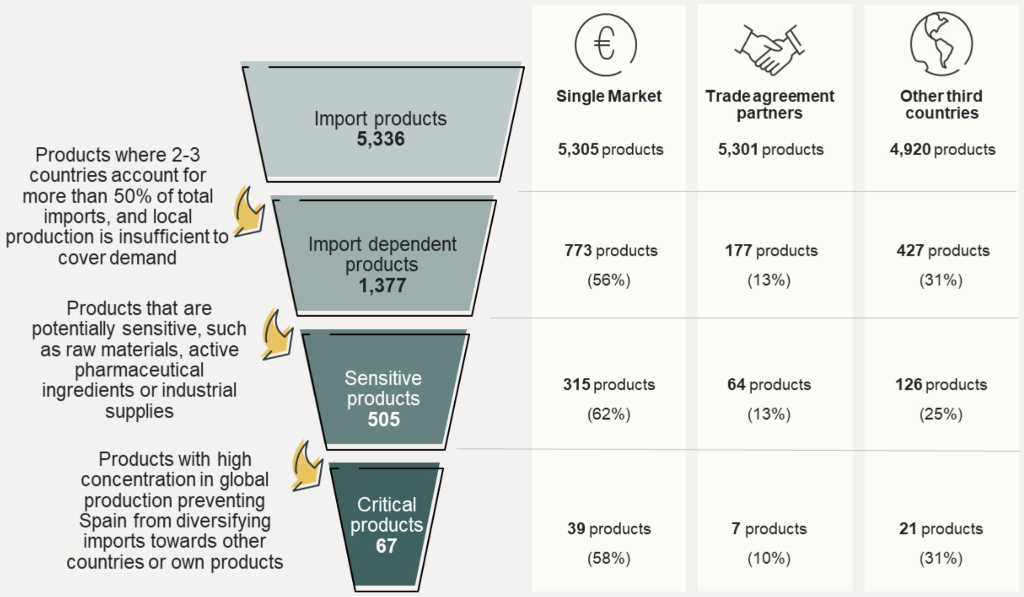
- **Setting global standards |** The harmonisation of regulatory requirements and specifications of goods or services crossing borders within the Single Market have paved the way for a series of European standards. In a globalised world, shaping or ultimately setting the standards can provide a powerful first-mover advantage by minimising the adjustment costs for EU firms, which are then able to operate in export markets based on their home market rules.[33] Several European standards have been adopted at an international level, and modern EU trade agreements serve to boost the global adoption of EU standards to secure a level playing field between European firms and their third-country competitors.[34]

- **Balancing specialisation and resilience |** The Single Market enables Member States to specialise and import what others can produce better, see Figure 4. Spain currently imports 5,336 products. Where 1,377 of these are concerned, imports are concentrated to just two or three countries, and Spain's production and economy depend on having access to these countries and maintaining good political relations with them. The main bulk of these products are imported from partners where trade takes place under regulated terms (773 products are imported within the Single Market and 177 from trade agreement partners). The remaining 427 products are imported from third countries, and negotiating trade agreements with these countries can help Spanish firms further diversify their imports and build more resilient global supply chains.

Figure 4: The Single Market has enabled specialisation and helped build resilience[35]

Spain imports a total of 5,336 products. Based on a methodology developed by the European Commission, we have assessed the import dependency of Spain based on three different definitions of import dependency:

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



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

2 SMEs call for simpler regulation and increased digitisation

BACKGROUND

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

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

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

We encourage future EU presidencies and institutions to continue having focus on dismantling regulatory barriers, also within public procurements and recruitment that are not covered by this study.

KEY FINDINGS FROM SURVEY

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

69% of the SMEs say that differing regulation across member states to a great or some extent limits their scope to doing business in the Single Market.

52% of the SMEs perceive regulatory barriers as preventing them from sourcing - an area seen as offering great business potential.

91% of the SMEs state that simplification of administrative procedures will help them do more business in the Single Market.

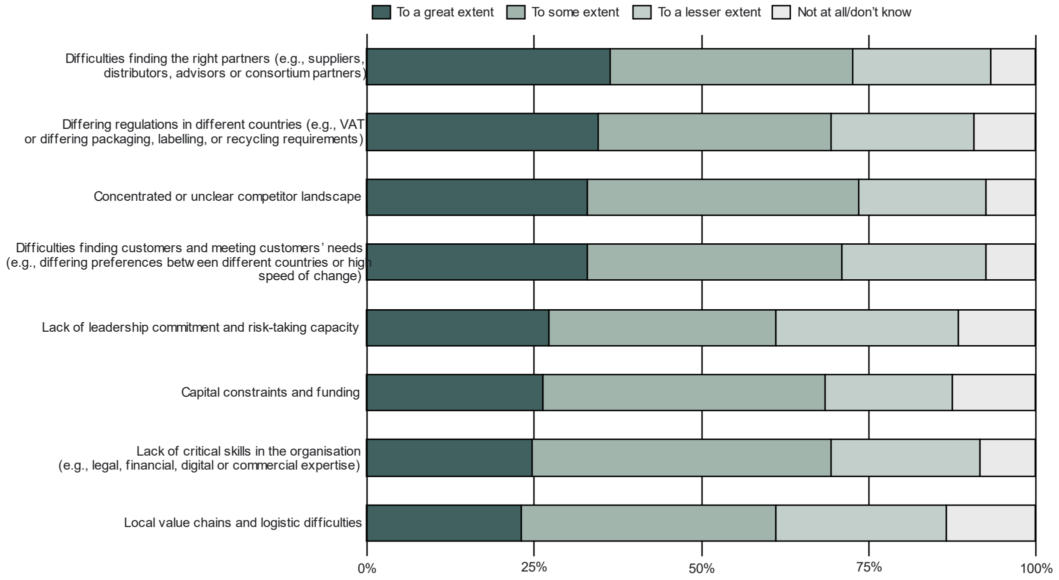
Spanish SMEs call for regulatory harmonisation and simplification

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

98% of the SME exporters say that it is important for them to do business in the Single Market, mainly through exports to private clients (businesses and individuals) and sourcing from other firms (see Figure 3 and Figure 14 in Appendix 1). The prospective SME exporters confirm that there is potential for them to benefit from the Single Market. 31% of these SMEs see a potential for increasing their exports to private clients, 27% for participating in public procurement, 27% for attracting investors and 27% for establishing a local presence in other members of the Single Market (see Figure 15 in Appendix 1).

Differing regulation across member states is seen as the most critical barrier for Spanish SMEs (just behind difficulties finding the right partners). 35% of the SMEs say that this barrier to a great extent limits their scope for doing business in the Single Market (57% say that it to some or lesser extent is a critical barrier), see Figure 5. Differing regulations is almost as critical a barrier as difficulties finding the right partners and more critical than a challenging competitor landscape as well as other traditional export barriers that are typically addressed at the national level, through various export promotion and accelerator activities.[36]

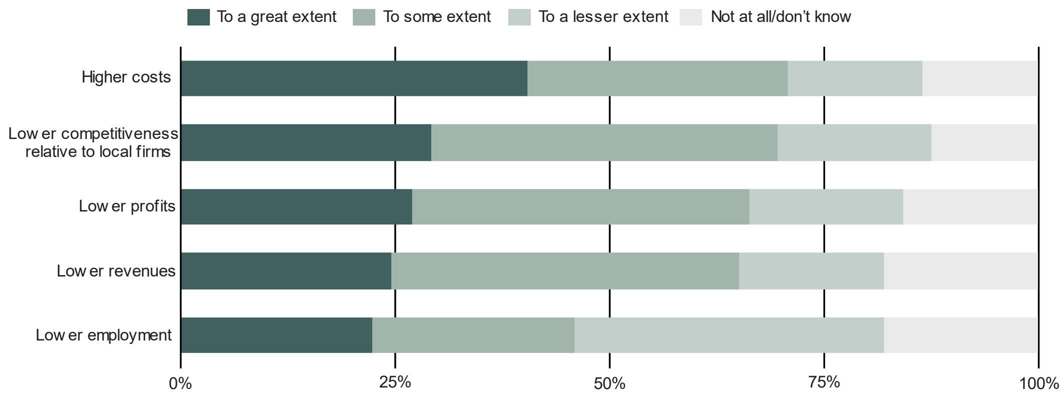
Figure 5: Critical barriers to doing business in the Single Market



Source: Implement Economics based on a survey of 153 Spanish SMEs (see Appendix 1 for further details).
Note: Question from survey: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=121.

The SMEs assess that regulatory barriers to a great extent increase their costs (40%), erode their competitiveness relative to local firms (29%) and lower their profits (27%), see Figure 6.

Figure 6: Consequences of regulatory barriers for exporting SMEs



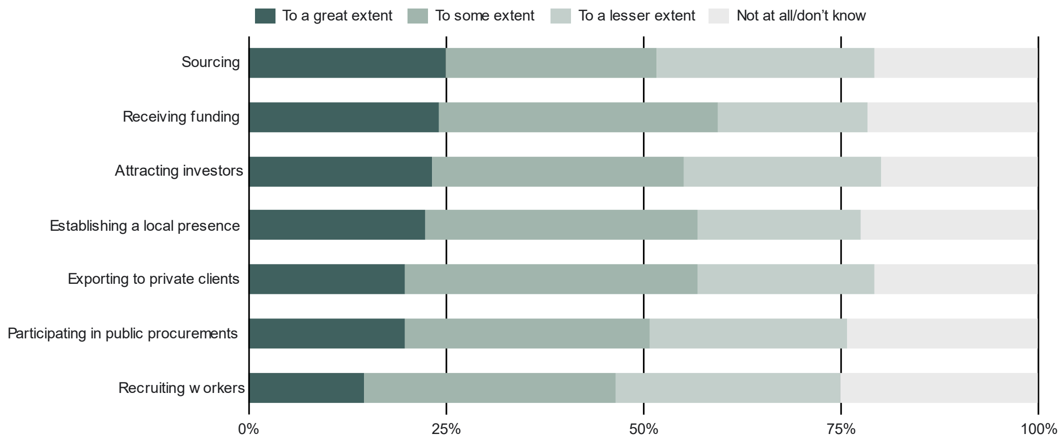
Source: Implement Economics based on a survey of 153 Spanish SMEs (see Appendix 1 for further details).
Note: Question from survey: 'What are the implications for your business of regulatory barriers to doing business within the Single Market?', n=89.

Consequently, the Spanish economy misses out on significant opportunities for creating more benefits for workers through higher job creation, better paid jobs and improved job security. In addition, consumers could benefit from reduced regulatory barriers through lower prices, improved product innovation and reduced delivery times.

52% of the SMEs find that regulatory barriers prevent them from sourcing within the Single Market, see Figure 7, while 25% even say that regulatory barriers to a great extent limit their cross-border sourcing opportunities. This is also an area where the prospective SME exporters see great potential for growing their business within the Single Market (see Figure 15 in Appendix 1). Cross-border sourcing is a way for SMEs to lower their costs, one of the key advantages of international trade, and reduction of regulatory barriers can therefore help improve the cost competitiveness for Spanish SMEs.

Moreover, 59% of the SMEs assess that regulatory barriers prevent them from receiving funding from other members of the Single Market, but regulatory barriers also limit the scope for establishing a local presence in other member states and increasing exports.

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



Source: Implement Economics based on a survey of 153 Spanish SMEs (see Appendix 1 for further details).
Note: Question from survey: 'To what extent do regulatory barriers prevent your firm from doing more business in the Single Market?', n=116.

The SMEs identify several policy initiatives that can help reduce regulatory barriers.[37] 91% of the SMEs point to simplification of administrative procedures, of which 55% say that this initiative to a great extent will help them do more business via the Single Market. The call for simplification aligns with several recommendations brought forward in this report, such as the adoption of an ambitious Single Market Strategy (recommendation #1), a data flow test (recommendation #3), a business-oriented design of the digital European product passport (recommendation #7) and the recognition of digital labelling (recommendation #10). More specifically, Spanish SMEs welcome the following initiatives to:

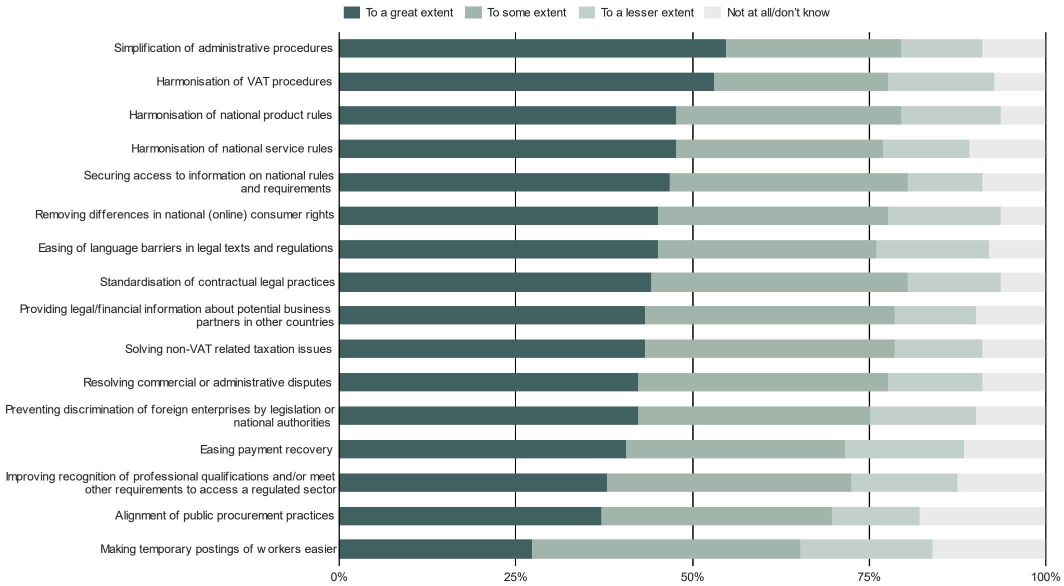
- **Harmonise VAT procedures |** This call for action from Spanish SMEs is directly linked to our recommendation to create a single VAT ID and extend the VAT one-stop-shop (recommendation #9).

- **Harmonise national product and service rules |** The upgrade of the European Semester (recommendation #4) and the removal of barriers to trade and climate goods and services (recommendation #6) aim to harmonise implementation of EU regulation and reduce regulatory fragmentation across members of the Single Market. Also, our recommendation to strengthen the use of the Better Regulation Toolbox (recommendation #5) aims to make new regulation easier to implement and therefore prevent new regulatory fragmentation from arising in the future.

- **Secure access to information on national rules and requirements |** Our recommendations to strengthen SOLVIT (recommendation #2) and create a one-stop-shop to Member States' extended producer responsibility (EPR) systems (recommendation #8) will make information more accessible for Spanish SMEs.

- **Easing payment recovery |** Our recommendation to create conditions for the development of easy, fast, reliable and low-cost cross border payments (recommendation #11) also aims to ease payment recovery.

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



Source: Implement Economics based on a survey of 153 Spanish SMEs (see Appendix 1 for further details).
Note: Question from survey: 'To what extent would the following policy initiatives help your company do more business within Single Market?', n=113.

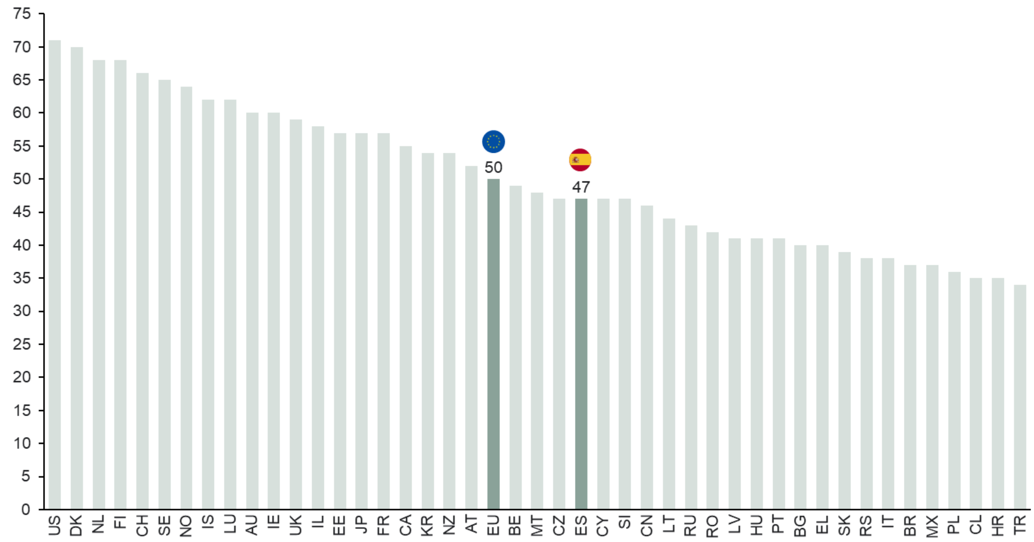
Increased digititalisation can help SMEs improve their exports

In today's rapidly evolving global landscape, digitalisation plays a vital role in driving growth, generating employment opportunities and contributing to a sustainable future through its positive impact on environmental objectives.[38] By embracing digital technologies, SMEs are in a better position to navigate international markets, streamline operations and enhance their export capabilities.

In the International Digital Economy and Society Index (I-DESI) from 2020, Spain is ranked below the EU average (47 compared to 52) and far behind the digital frontrunners globally, see Figure 9.

According to the updated figures for the EU in the 2022 Digital Economy and Society Index (DESI), Spain received a score of 61 (up from 57) and has improved its position relatively to the EU average of 52 (down from 53).[39]

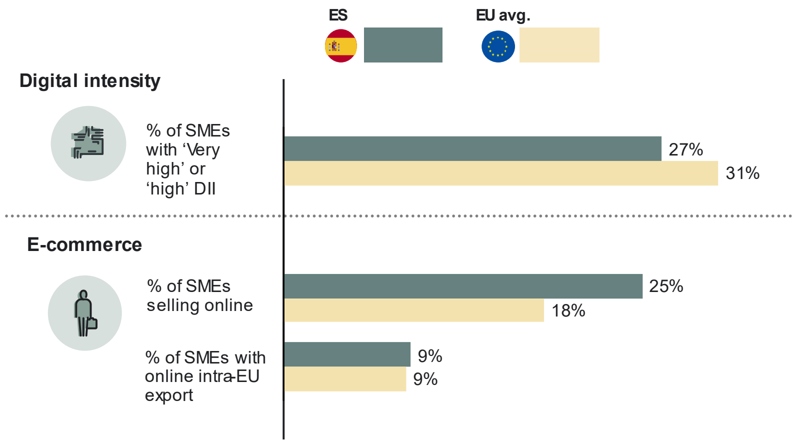
Figure 9: The digital performance of Spain is below the EU average



Source: Implement Economics based on 2020 data from the European Commission.
Note: The International Digital Economy and Society Index (I-DESI) is based on 24 indicators. The I-DESI score is calculated as a weighted average of the countries score in 24 different digital indicators within the five dimensions (Digital Skills, Integration of Digital Technology, Connectivity, Use of Internet, Digital Public Services). The weight reflects the digital policy priority in the EU. The I-DESI is the 2020 version.

Measured by the Digital Intensity Index (DII), Spanish SMEs are below the EU average, see Figure 10. Compared with other EU SMEs, Spanish SMEs appear more advanced in terms of their engagement in e-commerce sales, with 25% of Spanish SMEs selling online (EU average of 18%), and are on par with the EU in terms of online intra-EU exports (Spanish and EU average of 9%).

Figure 10: The performance of Spanish SMEs in applying digital tools[40]

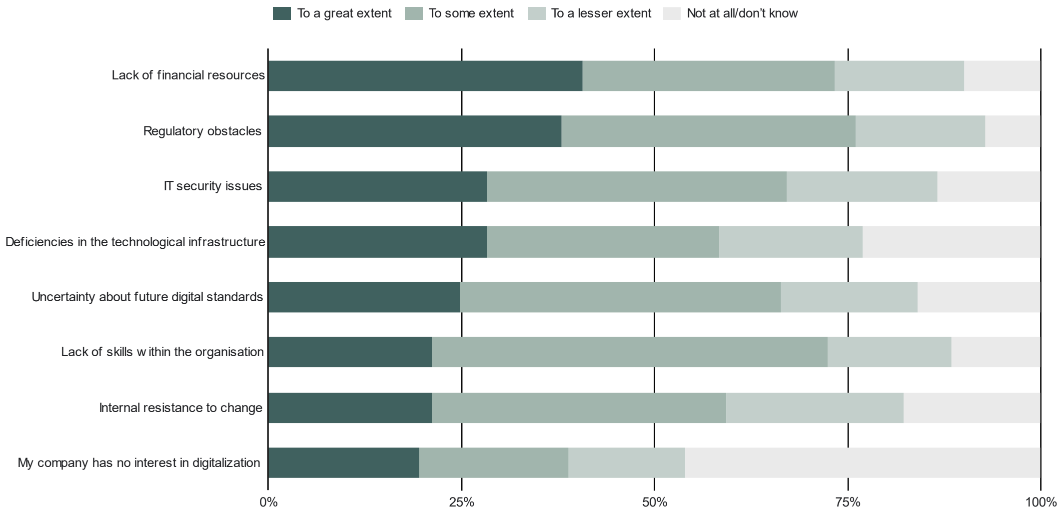


Source: Implement Economics based on data from the European Commission on the application of digital tools.
Note: The Digital Intensity Index measures the use of different technologies by enterprises and reflects the extent to which enterprises are digitalised. The data points are only for SMEs defined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

96% of the Spanish SMEs that participated in the survey believe that increased use of digital tools can help their company sell more through the Single Market, while 44% even believe that it can help their exports to a great extent, see Figure 22 in Appendix 1.

Multiple factors hinder Spanish SMEs from adopting more digital tools, see Figure 11. The SMEs point to lack of financial resources (41%), underlying the importance of reinforcing and improving the Digital Kit[41], and regulatory obstacles (38%) as the two main factors that to a great prevent them from adopting more digital tools. Furthermore, lack of skills within the organisation, IT security issues, and uncertainty about future standards to a lesser extent hinder the adoption of digital tools.

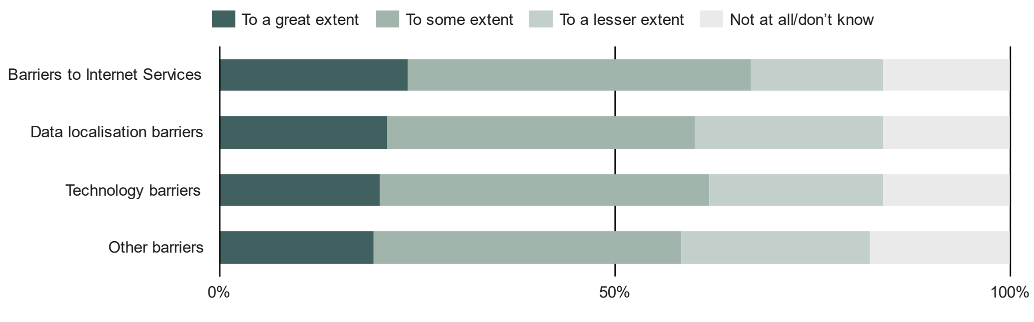
Figure 11: Multiple factors hinder Spanish SMEs from adopting more digital tools



Source: Implement Economics based on a survey of 153 Spanish SMEs (see Appendix 1 for further details).
Note: Question from survey: 'To what extent do the following factors hinder your company from adopting more digital tools?', n=113. Deficiencies in the technological infrastructure include e.g. access to/quality of high-speed internet in the municipality where the company is located.

Spanish SMEs find that certain regulatory barriers prevent them from adopting more digital tools. The more 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), see Figure 12.

Figure 12: Regulatory barriers prevent Spanish SMEs from adoption of digital tools



Source: Implement Economics based on a survey of 153 Spanish SMEs (see Appendix 1 for further details).
Note: Question from survey: 'To what extent do the following barriers create regulatory obstacles that limit your company's adoption of digital tools?', n=113. Barriers to Internet Services include regulatory regimes limiting new business models and non-IP-related liabilities, data localisation barriers include data storage requirements and bans on cross-border data flows and technology barriers include restrictive security standards and requirements to disclose proprietary company codes.

3 Set a bold and ambitious vision for the Single Market

1. Adopt an ambitious Single Market strategy

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

The long-term view on competitiveness outlines how the EU can build on its strengths and achieve more than merely bridging the growth and innovation gap. A forward-looking, well-defined and coordinated EU framework will foster thriving businesses, able to compete on the global market, with attractive jobs and setting global standards.[42]

To achieve this, the European Commission should adopt a Single Market Strategy that clearly reinstates the Single Market at the forefront of the EU's integration project. The Single Market Strategy should take a holistic approach to the full business and consumer journey to ensure that regulations do not unnecessarily limit trade in the Single Market. The Single Market Strategy should be backed by strong political leadership and integrate regulation across all pillars of the Single Market and modes of doing business.

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

COMPLEX AND UNEVEN REGULATORY REQUIREMENTS DRIVE UP COSTS

Café Saula started as a small roaster in Barcelona in 1950, initially focusing on the hospitality sector. Over time, Café Saula has specialised in producing high-end coffee, and in 2016 Café Saula started selling its products through online platforms. Café Saula has a significant presence in Spain and aims to expand its sales to other countries such as France, Germany, Sweden, and Italy. The SME expects to reach a turnover of EUR 11 million in 2023.

Call for action

The food industry is often exposed to national requirements that add layers of complexity on top of EU regulation and require excessive documentation. The most limiting barriers experienced by the firm are related to taxes and fees, as they infer considerable administrative procedures and regulatory uncertainty. Café Saula suggests simplifying or unifying these requirements and considers the one-stop shop system to be helpful in improving transparency and clarity in operations with other EU consumers and companies.

> *"Exporters of food products need several certificates that must be manually obtained from local Chambers of Commerce. An online option should be developed to ensure an effective functioning of the Single Market"*
>
> *Octavi García, Head of Digital and Marketing at Café Saula*

Potential

The existing patchwork of directives, regulations, and national laws drives up transaction costs with different rights and agreements for different Member States.

Realising the four freedoms of the Single Market will make it easier for a SME like Café Saula to sell across the Single Market without incurring unnecessary regulatory costs. Currently, 15% of the company's turnover come from online sales, and the company expects this share to increase to 20% in the absence of regulatory barriers with positive knock-on impacts on job creation in Spain.

2. Strengthen SOLVIT and commit to it being more proactive and raising awareness

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

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

A review of the SOLVIT institutions across countries shows that European firms lack awareness about the opportunities offered by SOLVIT and, even when they are aware, they rarely use SOLVIT and often lack confidence in SOLVIT as a relevant partner in finding a solution.[43] These conclusions are also confirmed by the interviews conducted with Spanish SMEs as part of this study. There is also room for improving the functionality of SOLVIT in several countries:

- **Securing staffing and qualifications** | There is a lack of qualified case handlers and excessive staff turnover rate in several SOLVIT-centres.[44]

- **Addressing structural issues** | SOLVIT is in many cases an underutilised, valuable source of information regarding more structural problems.

- **Identifying regulatory uncertainties** | SOLVIT is mainly used for reporting cases of misapplication of Single Market rules, but Spanish SMEs (such as AirRail described in the business case below) call for more proactive initiatives to remove the regulatory uncertainty that stem from contradictory and/or overlapping regulation.[45]

UNEVEN IMPLEMENTATION OF EU REGULATION ADDS COSTS AND HINDERS MARKET ENTRY

Air Rail was founded in 1992 as an importer of machines for the airport and railway sectors, expanded in 2015 to also rent out its machinery, and started in 2019 to manufacture its own machines in Madrid. Air Rail rents out to customers in Spain and several EU markets (Portugal, The Netherlands, Italy, France, and Germany). Air Rail also exports its machinery globally, to countries including Israel, Angola, Belgium, Italy, and France. Air Rail aims to achieve a turnover of EUR 40 million in 2023.

Call for action

Air Rail finds it extremely challenging to expand across the Single Market, such as by creating a subsidiary in Italy or France. The SME finds it difficult to obtain clear and accurate information about local rules for establishment, hiring staff, and complying with tax obligations. Moreover, regulatory complexity and uneven implementation of EU regulation add costs and uncertainty for Air Rail. Many SMEs are not aware of the opportunity to bring a case to court when EU regulation is applied differently across Member States. A strong and proactive SOLVIT network can help SMEs become more aware of their rights and opportunities.

Potential

Air Rail 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 the regulations are different, the CEO of Air Rail says that the company would have established subsidiaries in many more EU countries.

> *"If regulations become fully harmonised, or if access to information is guaranteed when the regulations are different, our company will be able to expand and undertake commercial projects that will double our turnover in the next three years"*
>
> *Cristian González Fresneda, CEO at Air Rail*

We propose to establish a Single Market Ombudsman in every EU Member State (as the Head of or in collaboration with SOLVIT) to secure the correct application of EU rules. We also propose to commit SOLVIT to act more proactively on structural cases and to raise awareness, for example through structured roundtables with national business associations. Finally, SOLVIT should be a digital platform for reporting contradictory/ overlapping regulation and addressing regulatory uncertainties.[46]

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

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

For these reasons, it is important to remove unjustified obstacles to data flows in the Single Market as the European Commission has attempted to do for example in the regulation of free flow of data.[49] Several data flow obstacles persist and are often rooted in rules aimed at protecting personal privacy (data protection).[50] This is a legitimate protection interest regulated in the EU statute on fundamental rights and thus can be said to have a constitutional value in the EU.

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

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

DIFFERENCES IN DATA PROTECTION REQUIREMENTS CREATE UNCERTAINTY AND INCREASE COSTS

Agropal operates in various areas within the livestock sector, with greatest focus on the design and equipping of livestock facilities, and in particular pig farming facilities. Agropal employees between 35-40 workers and operates within 10 buildings covering 6,000 square meters. The company's main markets are Spain, Italy and France.

Call for action

Agropal has faced numerous barriers when doing business in the Single Market – including bureaucratic hurdles as well as diverging regulations and product requirements. One barrier relates to national data protection laws, which are in place to protect consumers online, but differ widely across the Europe. It requires significant time and financial resources for the company to not only obtain information about national laws, but also to comply with them.

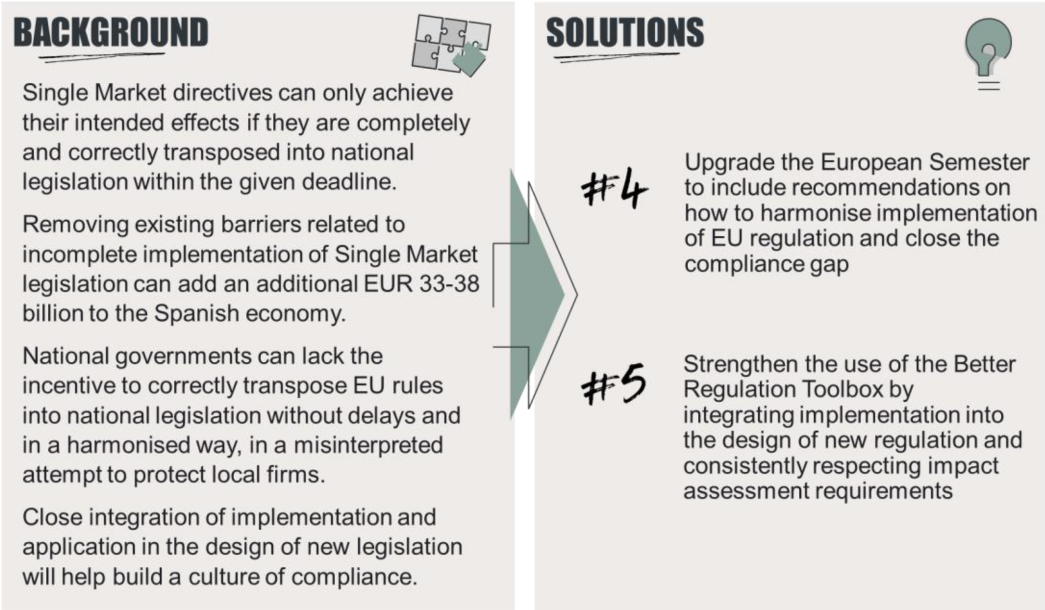
Belén Almudévar, Management Assistant at Agropal

Potential

Barriers to data flows, including differences in data protection requirements across the EU, prevent businesses, and in particular small businesses such as Agropal, from establishing online presence across the Single Market. The uncertainties and costs are often deemed too high, given the early stage of business and expected revenues.

A "data flow test", obliging national and EU legislators and regulators to systematically assess the potential disproportionateness of their data protection requirements would be a first step forward, coupled with increased harmonisation and better and more proactive information access points.

4 Build a culture of trust and compliance



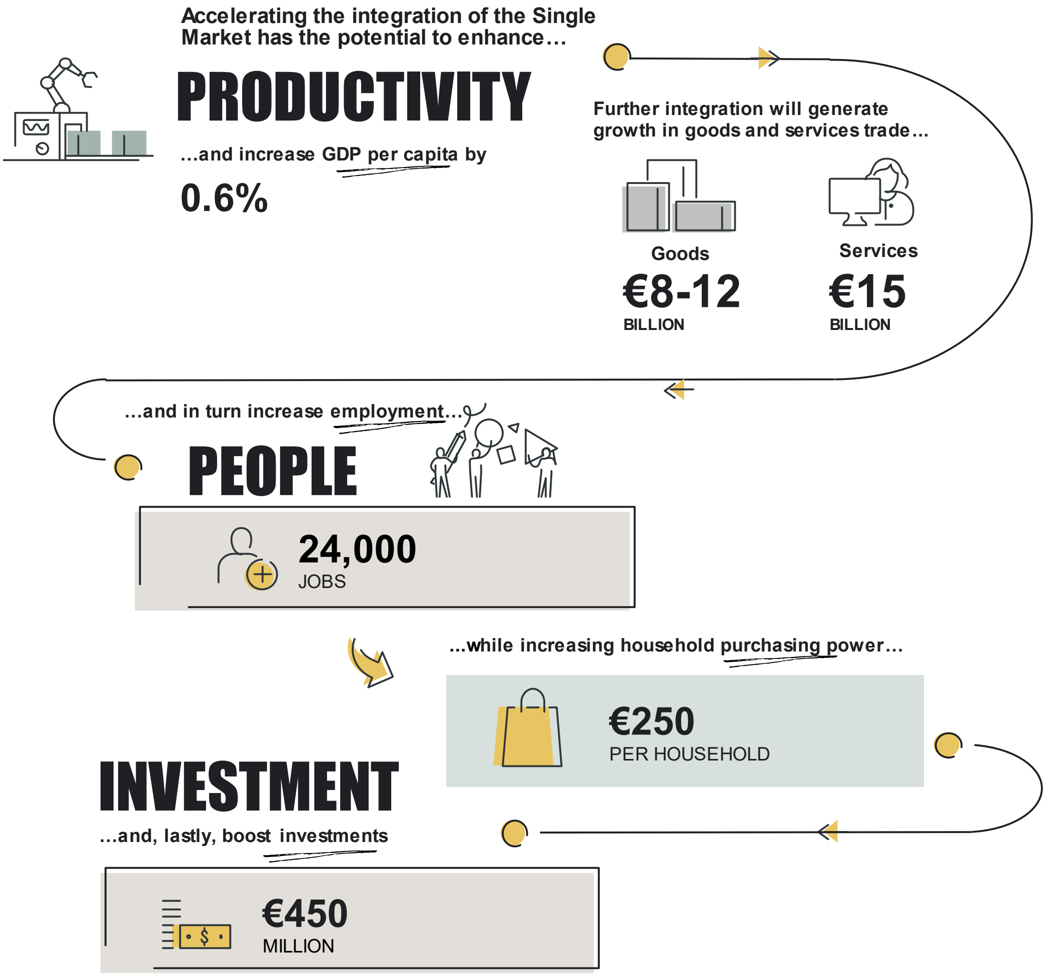
4. Upgrade the European Semester to include recommendations on how to harmonise implementation of EU regulations and close the compliance gap

Removing existing barriers due to incomplete implementation of EU rules is foreseen to generate large EU-wide economic benefits.[51] The European Commission estimates that removing existing barriers related to incomplete implementation of EU rules on the Single Market would add an additional EUR 520-600 billion to EU GDP annually (a permanent increase in EU income level).[52]

Similar impacts can be expected in Spain. If benefits for Spain correspond to Spain's contribution to total intra-EU trade, GDP per capita could increase by 0.6%, and the goods and services sectors would permanently add EUR 33-38 billion to Spanish GDP every year (EUR 12-17 billion and EUR 21 billion for goods and services, respectively[53]). Furthermore, the increased production of goods and services is expected to support 99,000 jobs annually. Benefits will spread to Spanish households, where household income (purchasing power) is expected to increase permanently by EUR 190. Lastly, investments are expected to increase by EUR 1.2 billion (see Figure 13).[54]

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

Figure 13: Potential benefits in Spain from removing existing barriers in the Single Market



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

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

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

High-quality legislation is a prerequisite for delivering on EU policy objectives in the simplest, most efficient and effective way possible. Moreover, high-quality legislation is a means to avoiding overregulation and unnecessary administrative burdens for citizens, administrations and businesses (particularly SMEs). Finally, high-quality legislation is designed to facilitate its transposition and practical application in the first place.

The persistent compliance gap and large administrative costs reported by firms doing cross-border activities in the Single Market indicate that more can be done to design EU legislation that effectively reduces complexity and administrative costs of doing business in the Single Market. The Better Regulation Toolbox, with impact assessments as a key ingredient, is a way for the Commission to design, deliver and support the implementation of high-quality policies.[55]

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

COMPLEX AND UNEVEN REGULATORY REQUIREMENTS DRIVE UP COSTS

Nortem BioGroup was founded in 2015 and currently employs 34 employees. The company primarily focuses on selling natural and ecological food products, cleaning products, cosmetics, and dietary supplements in Spain, Germany, France, Italy, and the UK at digital marketplaces.

Call for action

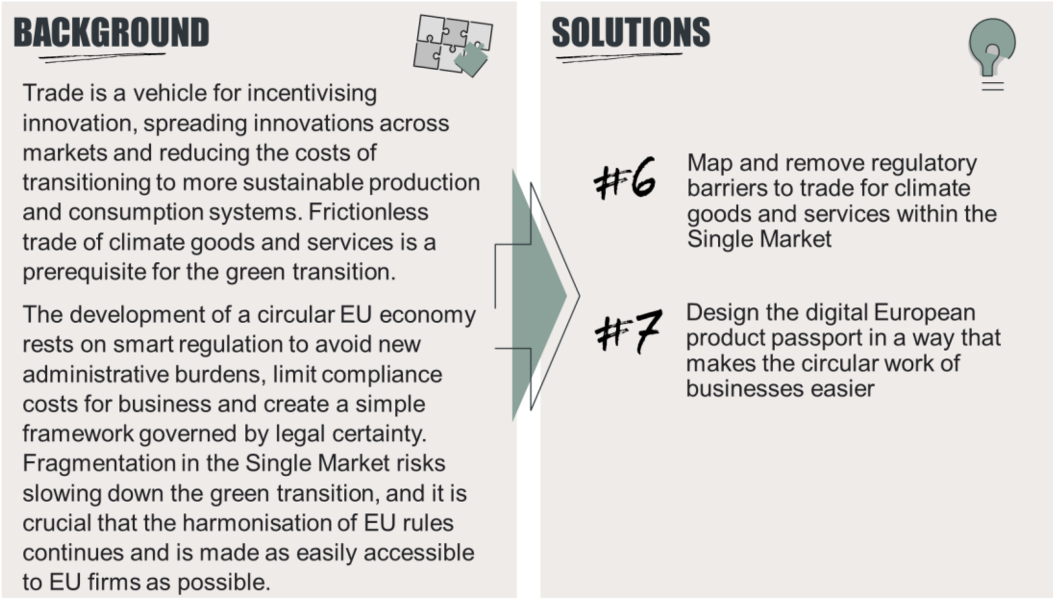
When expanding their business across multiple members of the Single Market, the SME has overcome barriers related to different quality and safety regulations for products in new country they entered. The company has overcome these barriers by having specialised professionals ready to solve the problems, including specialised departments in administration and accounting, as well as quality and product safety. To continuously ensuring compliance, Nortem BioGroup invests in additional training, attend events, and seek advice from external professionals when necessary.

> *"Simplification of administrative procedures essential to streamline bureaucracy and facilitate trade in the Single Market"*
>
> *José Luis Vázquez, Manager at Nortem Biogroup*

Potential

Reducing unnecessary procedures and product requirements, standardising forms and documents, and implementing electronic systems to expedite processes would significantly reduce the administrative costs for Nortem BioGroup. The company currently has 9 employees in specialised departments. 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 regulation. A one-stop-shop for information on national requirements and reporting would be a great help. In addition, a more thorough use of the Better Regulation Toolbox will help ensure that EU regulation is designed to fit business needs and cater for specific SME concerns.

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



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

The transition to a new, decarbonised production and consumption system requires that climate-related technologies and services become available and are fully deployed. Addressing and removing regulatory barriers to trade in climate goods and services within the Single Market can accelerate decarbonisation in Europe by structuring market signals, incentivising innovation and reducing the costs of adopting new technologies. A fully integrated Single Market in climate goods and services will also strengthen the international competitiveness of EU producers.

The updated Spanish National Energy and Climate Plan (NECP) has set a target of a total installed capacity in the electricity sector of 214 GW by 2030, of which 160 GW are expected to come from renewable generation. As an initial estimate, 62 GW are expected to come from be wind energy, 76 GW from solar photovoltaic, 14.5 GW of hydroelectric and 4.8 GW of solar thermoelectric.[56] The NECP foresees investments of EUR 294 billion over the period 2021-2030 (of which 40% will be allocated to investments in renewables).[57]

Regulatory barriers pose significant obstacles to global trade in climate goods (up to 10 times more than tariffs[58]), and the top three barriers include technical barriers to trade (mainly standards, technical regulations and labelling requirements as well as conformity assessment procedures, product testing and certification), local content requirements and challenges concerning government procurement.

Regulatory barriers also hinder the free flow of climate goods and services within the Single Market. The wind industry, for example, experiences complex, contradictory and fragmented regulation that erode their global competitiveness.[59] As wind energy is expected to cover 43% of Europe's electricity by 2030, regulatory barriers make the green transition excessively costly and put pressure on public budgets.[60]

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.[61] This could be a minimum list of climate goods and services that are generally accepted as being critical for the green transition.

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

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

The iterative process is illustrated in the figure below.

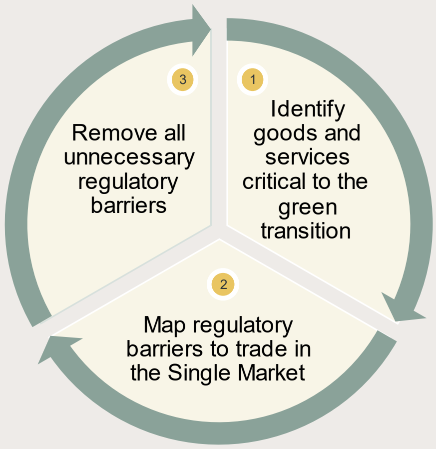
A ROADMAP TO CREATING A TRUE EUROPEAN GREEN SINGLE MARKET

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

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

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

Continuously ensure that new regulations do not result in fragmentation in the Single Market for climate goods and services.



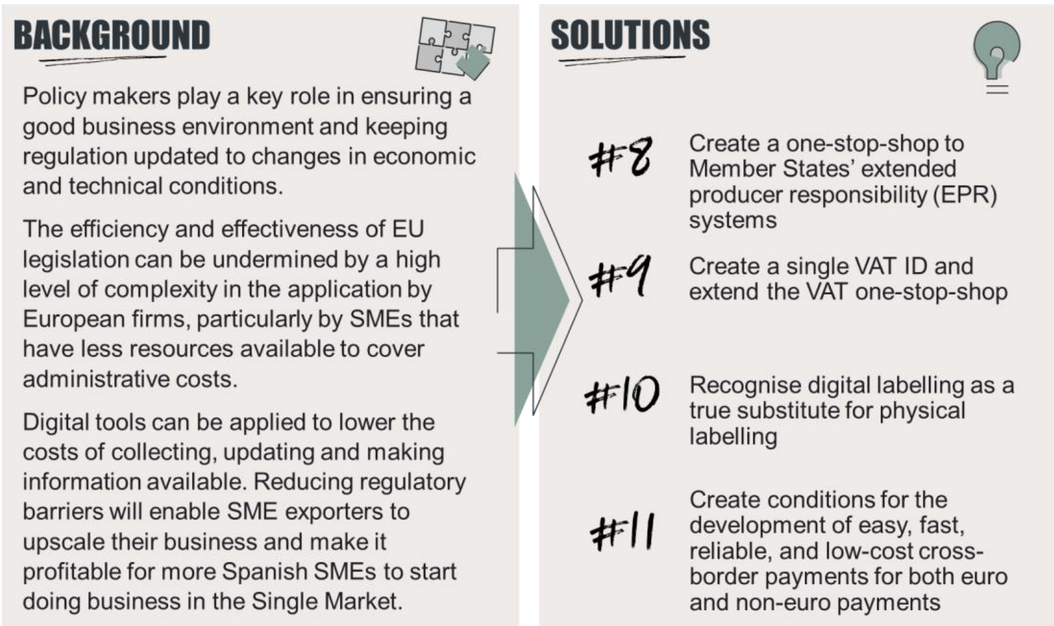
7. Design the digital European product passport in a way that makes the circular work of businesses easier

The Digital Product Passport (DPP) is a key proposal of the Ecodesign for Sustainable Product Regulation (ESPR), which looks to gather information on a product over the value chain to provide a comprehensive understanding of materials and products as well as their associated environmental impact.

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

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

6 Use digital tools to cut costs and create conditions for growth



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

Extended producer responsibility (EPR) is an EU environmental policy tool that assigns responsibility to producers for the collection, sorting and treatment of products at the post-consumer stage. EPR schemes vary widely across the EU, both between Member States and between different product categories. Harmonised EPR schemes can help strengthen the circular economy within the Single Market, while lowering unnecessary costs for businesses to act in an environmentally responsible manner.

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

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

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

Currently, an SME will require on average 13 documents to complete one VAT registration process, 100 days to get a VAT number, around EUR 8,000 per country per year in compliance costs and up to 60 VAT filings per country per year to be submitted.[62] In 2022, the European Commission proposed a series of measures to modernise and make the EU's VAT system work better for businesses and more resilient to fraud by embracing and promoting digitalisation (the VAT in the Digital Age proposal).

We call for the European Commission to adopt the VAT in the Digital Age proposal with no delays and thereby create a single VAT ID in the EU and extend the existing VAT one-stop-shop concept to cover all goods transactions (including pan-EU inventory placement and onward sales). Such a simplification will allow SMEs to comply with their VAT compliance obligations using a single VAT registration number, cutting down cost and complexity and helping drive growth. Less burdensome VAT procedures is one of the policy initiatives that Spanish SMEs would find most beneficial for doing more business in the Single Market.

As well as reducing administrative burdens on SMEs and granting them greater access to the European Single Market, tax authorities will also benefit from a Single VAT ID, as reduction in complexity increases compliance.[63] From the perspective of national governments' public finances, the simplification is likely to result in increased trade leading to additional VAT revenues and a more competitive market in the EU. Finally, customers will benefit from a larger selection, more competitive prices and a better shopping experience when buying goods online.

VAT REGISTRATION REQUIREMENTS PROHIBIT EU EXPANSION

Segeda is a Spanish company, headquarted in Badajoz, southwestern Spain, that specialises in manufacturing machining and machinery. The company has been active for 41 years and, today, it exports to countries within the EU as well as outside the EU. Approximately 35-40% of the company's revenues come from exports to the EU – mainly to Italy, Portugal and France.

Call for action

Despite many simplifications to European VAT processes due to the introduction of VAT one-stop-shop (OSS) system, Segeda still faces considerable difficulties related to VAT procedures. Namely, the company allocates considerable financial and time resources on obtaining information on diverging national VAT registration requirements and VAT rates.

> ***"Differences in tax rates in different countries, affect the ability to deduct and the amount that can be deducted, create uncertainty and administrative costs"***
>
> *Javier Barrena, CEO at Segeda*

Potencial

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

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

To place products on the EU market, producers are required to indicate a variety of product compliance and conformity information on their products – both at the EU and Member State level. Varying labelling requirements present a high resource and administrative cost to producers, especially for SMEs selling smaller quantities. Additionally, the EU still relies exclusively on physical marking on products and/or product packaging, whereby digital communication on product labels is done only on a voluntary basis.

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

Digital labels also have the advantage of being easily updatable, findable and able to be provided in all official languages for a specific product – at a much lower cost and higher convenience to producers than physical labels.[64] As once-written product information may quickly become irrelevant as technologies advance and legislations change, digital labelling provides a more flexible, efficient and scalable option to address this challenge. Digital labelling, as an alternative to physical labelling, can facilitate trade across borders within the Single Market.

We therefore recommend that the European Commission brings EU labelling requirements to the digital era by providing manufacturers the option to choose whether to market their product digitally or physically – i.e., recognising digital labels as true substitutes for physical labels across product groups and Member States. This should build on the momentum and learnings already taking place within the digital labelling proposals of the chemical regulations.[65] Also, we ask that physical labelling should only contain the minimum essential information.

DIGITAL LABELLING COULD ENABLE EXPANSION TO NEW EUROPEAN COUNTRIES

GloriaPets is a 50-person company specialising in pet accessories, such as collars, leashes, toys, and hygiene and care items. Over the years, GloriaPets has shifted its focus from distributing pet items from a variety of producers to developing their own brands, which today represent approximately 25-30% of their business. GloriaPets has about 4000 clients, mostly in the professional market, of which approximately 70% are in Spain, while the rest are in other countries, mainly in Europe.

Call for action

GloriaPets finds it challenging to meet the national labelling requirements in the different European markets it sells to. This problem is especially pronounced with physical labels, which need to be augmented and separately printed for different European countries. A digital label, which would ideally require only a QR code on physical packaging, would make it much easier to include and update product information in all required languages.

> *"It is a huge challenge and cost for us to change the packaging of all our products to enter a particular country. This information would be easier and less costly to update in a digital format"*
>
> *Daniel Lizarraga Rivas, Managing Director at GloriaPets*

Potential

GloriaPets has been in situations where it has not been able to sell its products in certain countries if it has not been labelled according to national requirements. As a result, they have had to change the physical labelling on their products, which is wasteful from an environmental perspective and costly for the business. The company estimates that, by implementing digital labelling, GloriaPets could increase its sales by EUR 3-4 million, as a result of being able to access more European countries at lower costs.

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

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

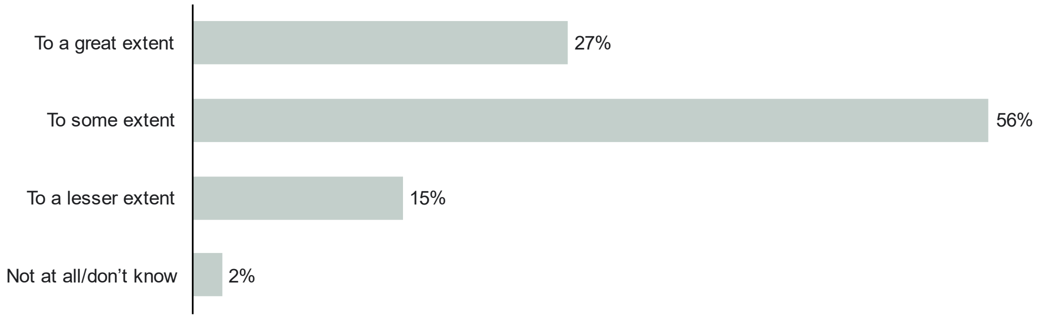
We encourage the EU to design an enabling, open and competitive legislative framework to facilitate low-cost, easy, safe and reliable cross-border payments. Regulators should avoid foreclosing access to seamless provision of cross-border solutions. Instead, appropriate incentives should foster a competitive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

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

Appendix 1 – Description of the SME survey

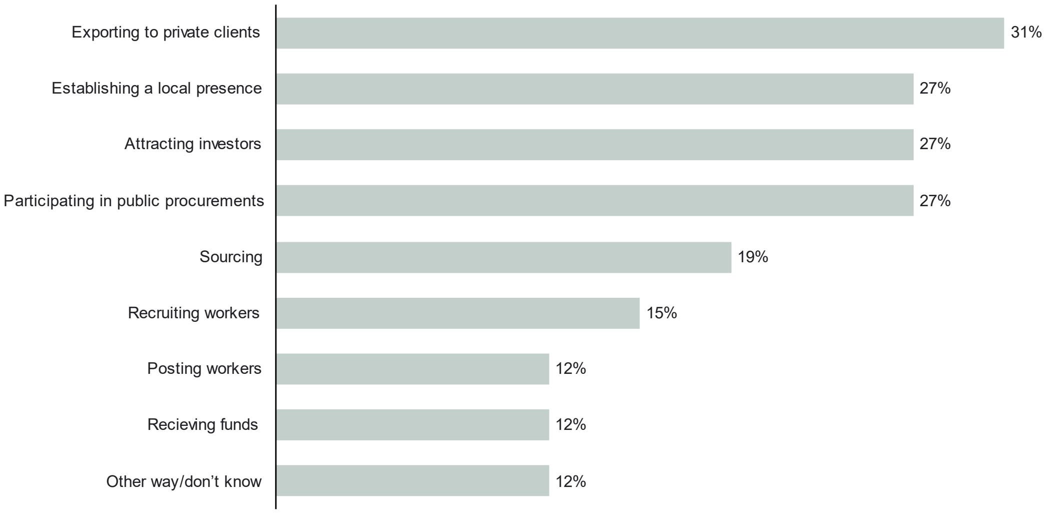
To identify key barriers and possible solutions to conducting business on the Single Market, we carried out a survey in close collaboration with CEPYME. The target group of the survey was SMEs that either export or would like to export through the Single Market. The survey contained a total of 21 questions. In total, 153 SMEs participated in the survey, of which 81% (124) are rand 19% (29) are SMEs that currently do not export but would like to export (potential exporters). Most of the respondents conduct business in 'Retail or wholesale' (18%) and 'Manufacturing' (13%). The survey responses include a good representation of different-sized SMEs. This appendix contains detailed responses.

Figure 14: Benefits from doing business in the Single Market, exporters



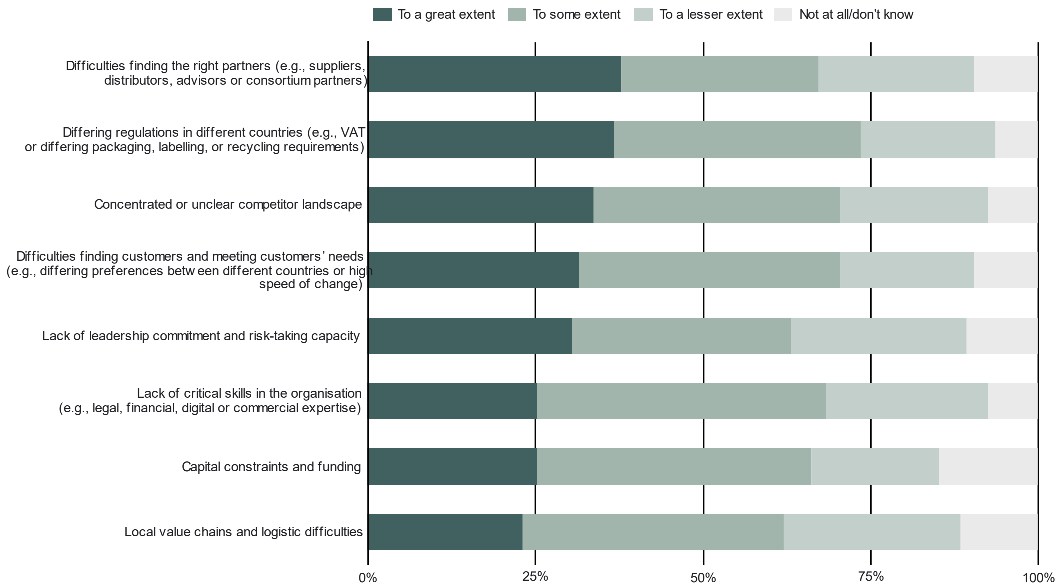
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent does your company benefit from the Single Market?', n=94.

Figure 15: Potentials for growing business in the Single Market, potential exporters



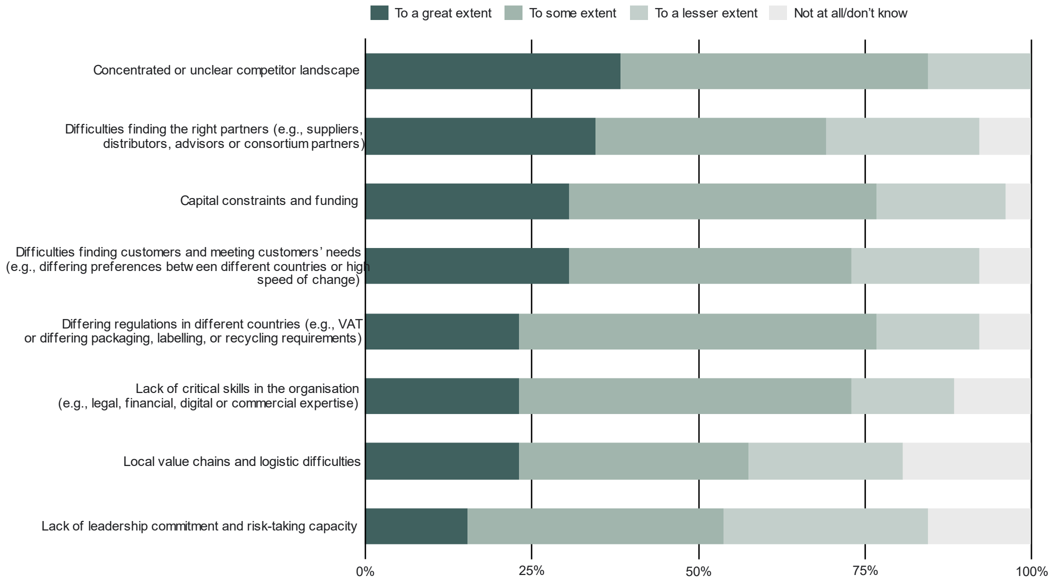
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'Where do you see the largest potentials within the Single Market for growing your business?', n=26.

Figure 16: Critical barriers to doing business in the Single Market, exporters



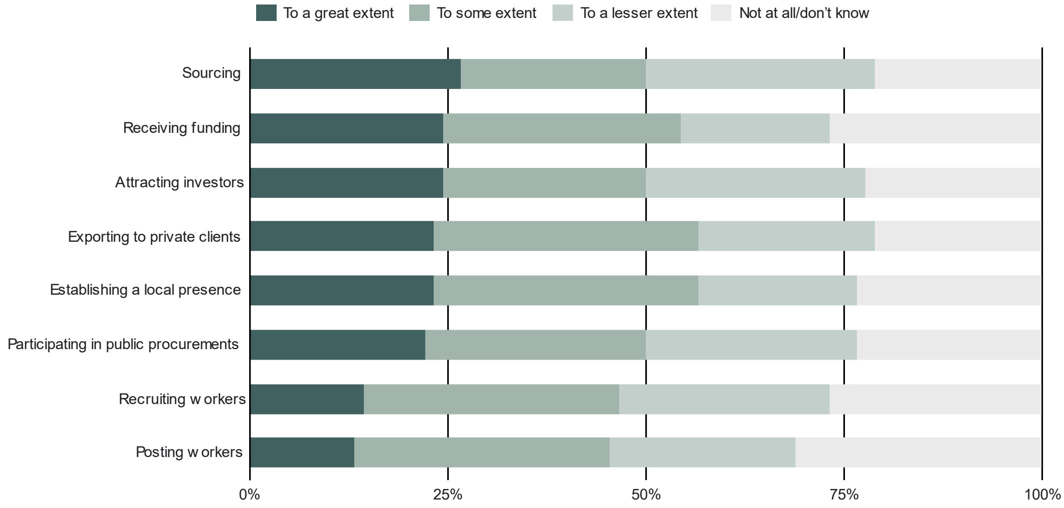
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=95.

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



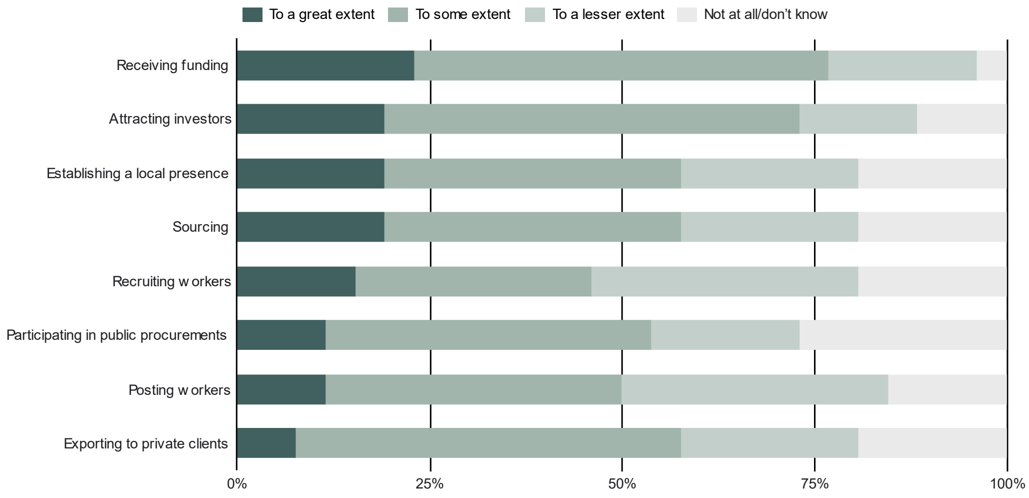
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'What do you perceive as the most critical barriers to doing business within the Single Market?', n=26.

Figure 18: How regulatory barriers hinder doing business in the Single Market, exporters



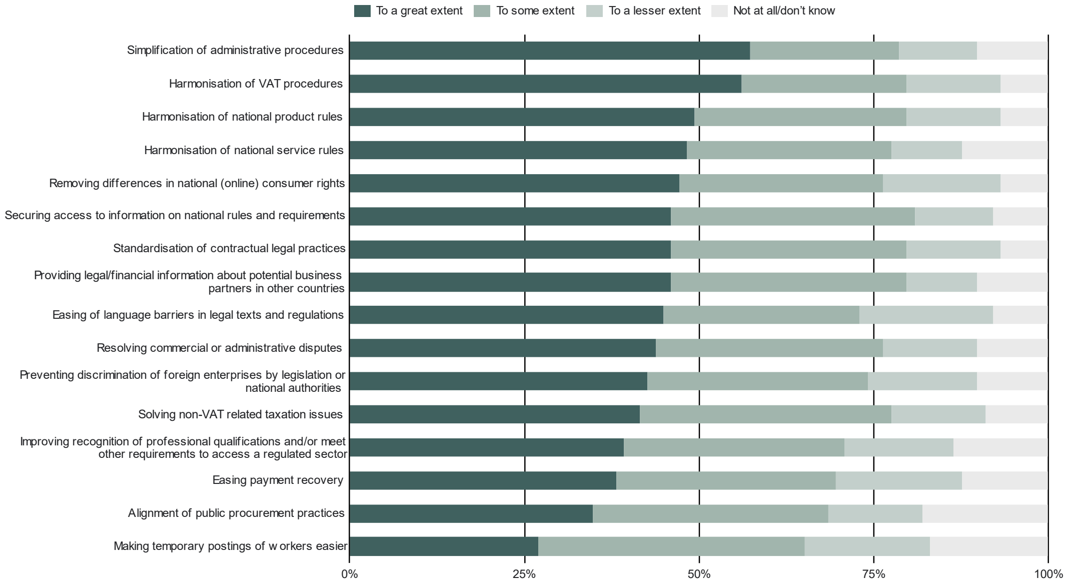
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent do regulatory barriers prevent your firm from doing more business in the Single Market?', n=90.

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



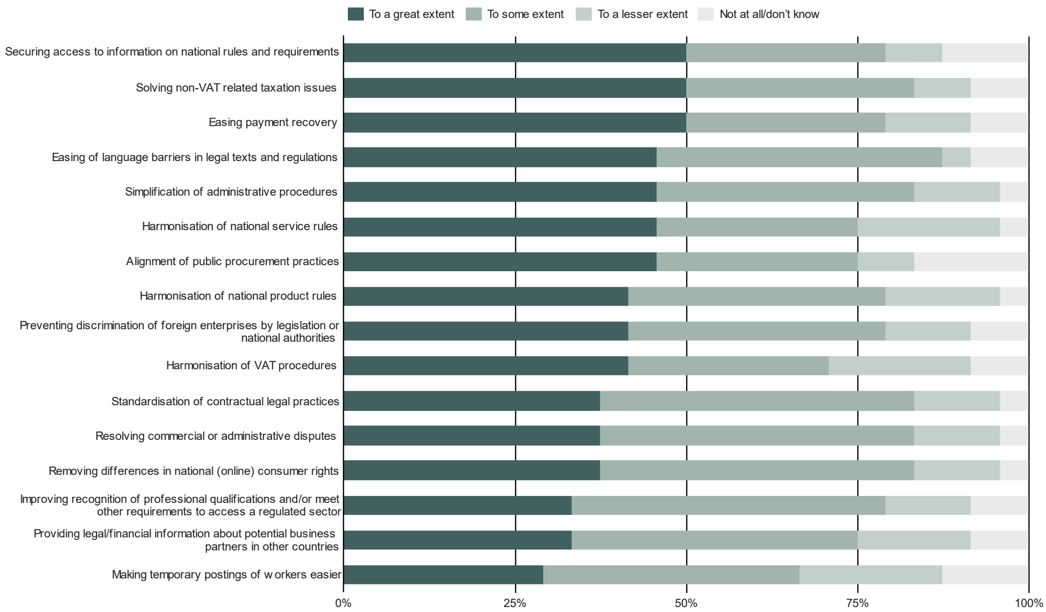
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent do regulatory barriers prevent your firm from doing business in the Single Market?', n=26.

Figure 20: Policy initiatives that can help doing business in the Single Market, exporters



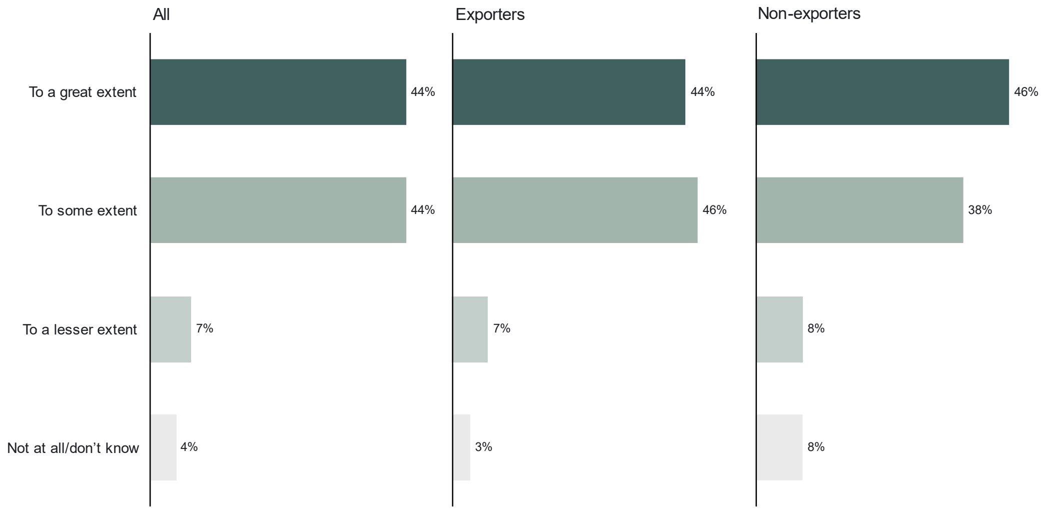
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=89.

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



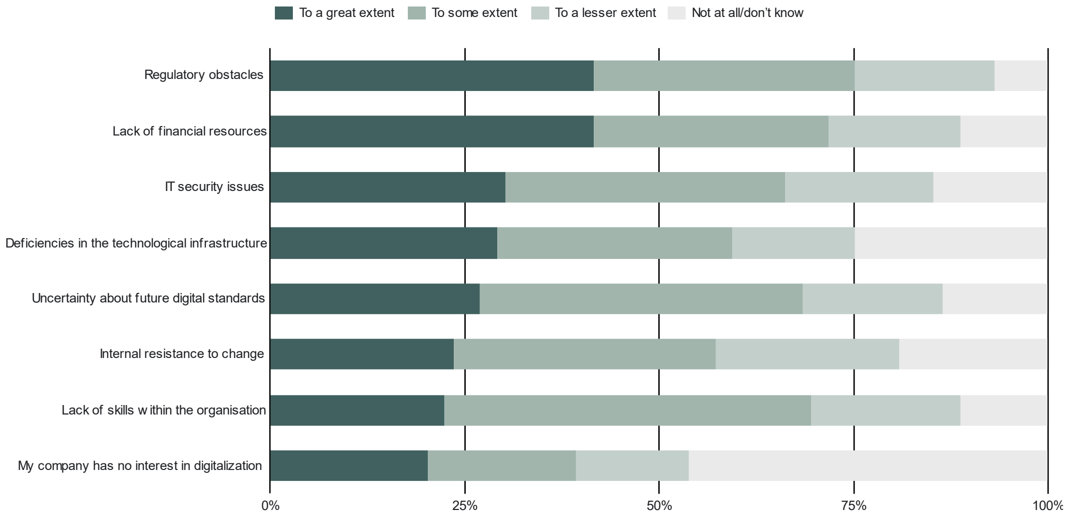
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=24.

Figure 22: How increased use of digital tools can increase exports through the Single Market



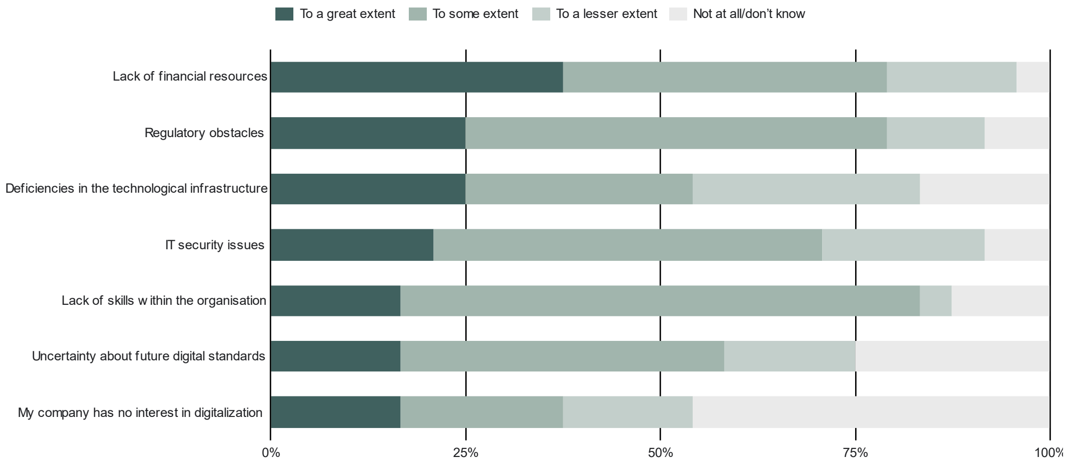
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent do you think that increased use of digital tools would help your company export more to the Single Market?', n=113 (89 exporters and 24 potential exporters).

Figure 23: Factors hindering the adoption of more digital tools, exporters



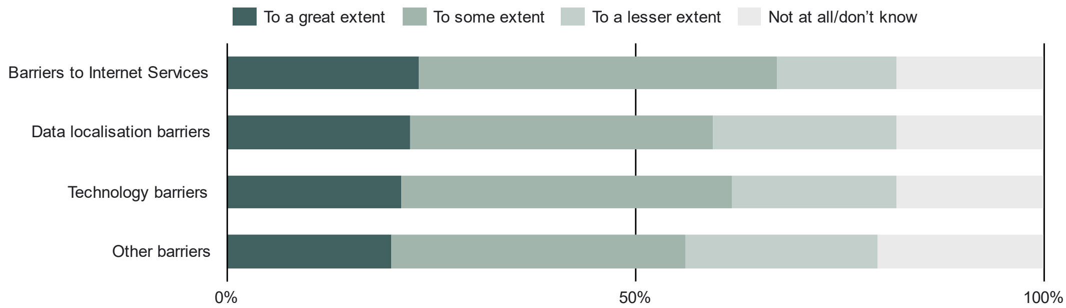
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=89.

Figure 24: Factors hindering the adoption of more digital tools, potential exporters



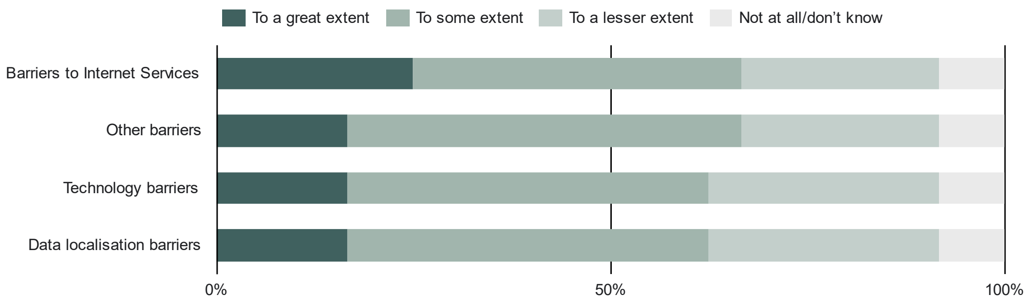
Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent will the following policy initiatives help SMEs with doing business in the Single Market?', n=24.

Figure 25: Regulatory barriers that prevent the adoption of digital tools, exporters



Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent do the following barriers create regulatory obstacles that limit your company's adoption of digital tools?', n=89.

Figure 26: Regulatory barriers that prevent the adoption of digital tools, potential exporters



Source: Implement Economics based on a survey of 153 Spanish SMEs.
Note: Question from survey: 'To what extent do the following barriers create regulatory obstacles that limit your company's adoption of digital tools?, n=24.

List of endnotes

1 European Commission (2023). *EU Competitiveness beyond 2030: Looking ahead at the occasion of the 30th Anniversary of the Single Market*.

2 European Council (2023). *Conclusions from meeting in Brussels*, 30 June 2023, EUCO 7/23, CO EUR 5, CONCL 3.

3 See https://spanish-presidency.consilium.europa.eu/en/programme/priorities/.

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

7 European Commission. *Summary of the Commission assessment of the draft National Energy and Climate Plan 2021-2030.*

8 See https://energia.gob.es/es-es/Participacion/Paginas/DetalleParticipacionPublica.aspx?k=607.

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

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

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

12 In Spain, 11% of jobs depends on Intra-EU export (European Commission (2018). *EU export to the EU: Effects on employment and income*) and another 11% depends on extra-EU export (European Commission (2021): *EU exports to the world: effects on employment*), according to the newest publications.

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

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

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

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

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

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

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41 See https://planderecuperacion.gob.es/noticias/gobierno-acuerda-ampliar-reforzar-red-oficinas-Acelera-Pyme-prtr.

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

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

45 The country-of-origin principle states that, where an action or service is performed in one country but received in another, the applicable law is the law of the country where the action or service is performed. Strengthening this principle ensures a regulatory regime that either provides full harmonisation of law or effectively applies country of origin principles based on a culture of trust among Member States and their administrations. This is necessary to address over-implementation and gold-plating. National authorities should fully respect the principle of mutual recognition and stop restricting market access based on national rules. Following this principle is important for the free movement of people and will pave the way for a full implementation of the Services Directive.

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

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

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54 Implement Economics calculation based on LE Europe (2017). *The EU Single Market: Impact on Member States*, European Commission (2020). *A Single Market that Delivers for Businesses and Consumers,* and Eurostat (2023). *Trade by NACE Rev. 2 activity and enterprise size class [EXT_TEC01].*

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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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