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Sent: mardi 13 décembre 2022 18:47
To: CAB BRETON ARCHIVES
Subject: Report - meeting with [REDACTED] 9.12.2022 - New Internal Market Report

Date: 9 December 2022

Participants:

Commission representatives:

Anthony Whelan – Pres CAB

Pierre-Arnaud Proux – EVP Vestanger CAB

Elina Laurinen – Breton CAB

[REDACTED] – GROW A4

Swedish delegation:

[REDACTED] Kreab Stockholm
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The objective of the meeting was to present a report on the internal market conducted by Implementing Consulting Group, commissioned by Amazon and supported by the Swedish Business Confederation and the Swedish SME-association. The report is based on a survey of 1.000 Swedish SMEs, interviews and a detailed literature survey. It aims at inspiring the Government of Sweden to push for an ambitious reboot of the single market during its EU Presidency.

During the meeting, Implement Consulting Group presented the findings of the [report](#) (with its [executive summary](#)) and in particular the 11 policy recommendations that some would fall under GROW's remit, others are outside GROW's portfolio; some are already considered by the SM@30 package, others are left for assessment. More specifically, the recommendations range from establishing an ombudsman in every MS under SOLVIT, to updating the SM Scoreboard, to mapping barriers to trade in climate goods and services, to substituting physical labelling with digital format or reinforcing the use of the Better Regulation toolbox, etc. The discussion was supported by clarifying questions from the Commission representatives.

Hereafter is the complete list of policy recommendations:

1. **Adopt an ambitious single market strategy**
2. **Strengthen SOLVIT** by establishing a single market ombudsman in every EU Member State and commit SOLVIT to act more proactively on structural cases and to raise awareness

75% of the firms operating in the EU are unaware of the support that is available. Similarly, only 22% of the surveyed European SMEs reported that they would submit complaints to SOLVIT when encountering obstacles related to SM rights, compared to 81% that they would get in contact with their lawyer.



Solution

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.⁴⁰ The recommendation builds on the same three pillars as put forward by the Swedish Board of Trade.⁴¹

Firstly, each Member State shall designate an ombudsman for the Single Market. As a national, independent body, its role would be to protect the EU rights of businesses and citizens at the national level. Being part of the administration of the Member States, the ombudsman would be able to communicate with and monitor the national and local authorities in charge of applying EU rules in the country.

Secondly, the Single Market Ombudsmen must have access to effective remedies, such as the right to bring cases before the national courts. The recourse to judicial proceedings is central to an effective enforcement policy in other areas of EU law, such as competition law or the protection of personal data, and this will be an essential element of the proposed reform.

Thirdly, a network of Single Market Ombudsmen shall be set up under the auspices of the European Commission to safeguard a uniform interpretation of the EU rules in the Member States.⁴² Such network could allow for an exchange of best practices and may also include a case allocation mechanism for infringements that affect several Member States, as is the case in other areas.

In combination, the three pillars will reduce administrative costs for European firms as the enforcement and correct application of EU rules reduce regulatory fragmentation. The proposed solution also aims to prevent discrimination of foreign enterprises by legislation or national authorities and to resolve disputes. These are all challenges related to the Single Market brought forward by Swedish SMEs.

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

There is a tension between data protection and data flow. Some data flow obstacles persist that are rooted in rules of data protection.



Solution

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 – the main barrier to doing business in the Single Market according to Swedish SMEs.

4. **Upgrade the European Semester to include recommendations for how to harmonise implementation of EU regulation and close the compliance gap**



Solution

To incentivise Member States to correctly apply and take political ownership for the correct application of EU rules, we propose the upgrade of the European Semester to include recommendations on closing the compliance gap and harmonising implementation of EU regulation. The proposed solution builds on two important structures that already exist to support the functioning of the Single Market.

Firstly, the Single Market Scoreboard monitors Member States' performance when implementing the four freedoms, and it shows the results achieved, the feedback received, and the conclusions drawn. The Single Market Scoreboard is therefore a rich source of information that can form the basis for future action. Unfortunately, the Single Market Scoreboard was not updated for 2021, and we strongly encourage the European Commission to revert to its annual updates.

Secondly, the European Semester provides a central framework of processes within the EU socio-economic governance. The main objectives of the European Semester are contributing to ensuring convergence and stability in the EU; contributing to ensuring sound public finances;

fostering economic growth; preventing excessive macroeconomic imbalances in the EU; and implementing the Europe 2020 strategy.⁵²

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 Swedish SMEs from doing more business in the Single Market.

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



Solution

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 in a way that facilitates its effective transposition and practical application. Putting more weight on integrating implementation into the design of new regulation will help to create a culture of compliance among members of the Single Market. It will also strengthen the growth potential of European firms and in particular SMEs.

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 Swedish SMEs, and the high-quality design of future regulation will reduce the risk of new administrative barriers and unintended negative impacts to emerge in the future.

6. Map and remove regulatory barriers to trade in climate goods and services within the single market



Solution

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.

We recommend the European Commission to initiate a mapping of existing regulatory barriers to trade in climate goods and services within the Single Market. Based on the mapping, the European Commission should develop a roadmap for the **removal of critical barriers** and thoroughly monitor the implementation of the roadmap at both the EU and national levels. Furthermore, the European Commission should use lessons learnt from reducing barriers to trade in climate services to other types of services to get closer to a fully integrated Single Market for services.

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



Solution

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).

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



Solution

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 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.

Finally, allowing simplified compliance approaches via a Simplified Compliance Model (SCM) within the one-stop-shop solution would support, facilitate, and enable third-party sellers that use the online marketplace to comply with their EPR reporting and payment obligations. More specifically, the SCM would allow online marketplaces to report quantities placed on the market and pay associated EPR fees on behalf of third-party sellers.

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



Solution

We call for the Swedish Government to 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 Swedish SMEs would find most beneficial for doing more business in the Single Market. We therefore urge the European Commission to support the SME perspective in their Q4 proposal.

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.⁶⁸ From the perspective of national governments' public finances, the simplification is likely to result in increased trade leading to additional VAT revenues and a more competitive market in the EU. Finally, customers will benefit from a larger selection, more competitive prices and a better shopping experience when buying goods online.

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



Solution

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.⁷² 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.

Digital labelling proposals have received positive responses from consumers, firms, and authorities. Moreover, much of the rest of the world (more than 56% of the world economy), including leading economies such as the USA, China, and Japan, have already adopted digital labelling, while the EU is the last major economic power that does not allow the electronic display of product compliance.⁷³

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.⁷⁴

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



Solution

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.