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

We need to reinvigorate the Single Market and the political will for its further development. In this paper, we present possible building blocks for an ambitious, focused and resilient Single Market policy for the next few years. First, some main challenges are presented. Second, the idea of a new horizontal Single Market Strategy based on three cross-cutting principles is set out and finally specific suggestions on seven policy areas are presented.

The European Union seems to suffer from a Single Market fatigue and we need to mobilise energy at the political level and within society for concrete steps to strengthen the Single Market. Many old ideas from the past, including the 2009 Monti Report, have not been followed up, and the Single Market faces many new expectations, due to ongoing transitions, new products, technologies and business concepts. In the European treaties, the Single Market is defined as an area without borders in which the free movement of goods, services, persons and capital is safeguarded. It is important that a strong, fair and sustainable Single Market is on top of the agenda in order to keep and strengthen our future prosperity.

The **Union's long-term competitiveness** must be based on the development of its own strengths – especially the Single Market and its values – as well as on fair competition and participation in the global economy. Competitiveness requires investments in research and innovation, continuous efforts to tackle unnecessary burdens on businesses, particularly SMEs and micro-enterprises, a competitive legislative and policy framework, an attractive business climate and maintenance of a functioning market economy. A more integrated Single Market, a more prominent role in digital development and an active policy of free and rules-based trade with the rest of the world will strengthen the EU's competitiveness.

All EU businesses, workers and citizens should benefit from free movement and no one should be left behind. This is key to preserving support for the Single Market. This requires, among other things, proper implementation and in particular, enforcement of the Single Market rules. This should ensure a level playing field.

A new horizontal Single Market Strategy

The Single Market should be given a prominent position in the next Commission term, finding the right balance with other policy objectives such as the protection of the environment, consumers, workers, public health and safety. We suggest a **new horizontal Single Market Strategy** to replace the outdated Internal Market Strategy and the Lisbon Strategy.

The strategy should be based on following principles:

1. *Concrete*: We want to take concrete steps forward by removing barriers, especially disproportionate ones and improving the application of the Single Market rules. We should tackle specific problems that citizens and entrepreneurs experience in practice and safeguard the Single Market regulations that work well. A thorough analysis of Single Market barriers and the ways to enhance EU's competitiveness should be a benchmark and starting point for monitoring progress during the next Commission's term. The Single Market Barriers Communication of March 2020 and the Communications on the Single Market at 30 and Long-term Competitiveness of the EU beyond 2030 of March 2023 will serve as a good basis and we need to ensure a good landing zone for future input

from stakeholders. To ensure well-grounded and supported decision-making, it is important that all relevant stakeholders are actively included in the policy-making process.

2. *Holistic*: Progress on the Single Market is only possible if the Single Market agenda comprises all relevant adjacent policy areas. This should guarantee that the Single Market perspective is taken into account across all policy areas. The holistic approach should also be reflected in relevant EU documents, such as the budget framework, the Commission's work programme, the European Semester and the Annual Single Market Report.
3. *Political ownership*: Political ownership is key in all relevant fora and at all relevant levels. Progress is only possible if all DGs and SEC GEN within the European Commission work effectively together towards a common goal. The same holds for the Council of Ministers: not just political support of the COMPET Council should be ensured, but also the support of all Council configurations. This applies to Member States as well: not just the Ministries responsible for Single Market policy, but all relevant Ministries should be committed.

Suggestions for actions in following policy areas as building blocks for the Single Market Strategy:

1. **Single Market for Services and the rise of the service economy**
2. **Professional mobility and tackling skills gap**
3. **Free movement of products, green transition and standardisation**
4. **Enforcement and implementation of EU law**
5. **Better regulation**
6. **Digital Transformation deepening the Single Market**
7. **Monitoring the developments of the Single Market**

1. Single Market for services and the rise of the service economy

- The Single Market should be further deepened and strengthened, especially by removing barriers in the **services sector**. A particular focus should be on horizontal and economically significant services with potential for high growth and value added, especially in light of servitisation and the digital and green transition. To advance towards a more integrated EU services market, a more ambitious approach is needed both from Member States and the Commission, which focuses on **exploring and implementing measures** to further deepen this integration.
 - The Commission should promote and support Member States in the **implementation of the Services Directive**, consider introducing a uniform legal framework for conducting proportionality tests under the Services Directive, and continue providing guidance for its application. This includes supporting Member States in their efforts to improve existing instruments, such as the Points of Single Contact and SOLVIT.
 - Member States and the Commission should examine the principles of the necessity, non-discrimination and proportionality of the existing and new **national authorisation schemes**, prioritising sectors based on the needs of businesses, particularly SMEs and micro-enterprises. Also, it could be explored how the cross-border provision of services could be facilitated within the current legal framework, including Services Directive.

2. Professional mobility and tackling skills gap

- **Professional mobility** is closely interlinked with the free movement of services and deserves further attention as many European companies report that finding employees with the right skills ("skills gap") is a major problem.
 - The incoming Commission should renew its effort to address and remove **disproportionate requirements for service providers** and for regulated professions as well as further develop and extend the European Professional Card and Common Training Frameworks to cover more professions, especially in light of the green and digital transition in accordance with the Professional Qualifications Directive. Accordingly, SMET projects were useful exercises in this regard.
 - The anticipation of **skills and labour needs** in key sectors should be further developed together with the Member States and stakeholders.

3. Free movement of products, green transition and standardisation

- **Free movement of products** in the Single Market should be improved through harmonisation of requirements, efficient application of the mutual recognition principle and the use of European standards.
 - The Commission should assess the interplay between **product, waste and chemical legislation** to enable the green transition and to ensure their coherence and implementation – also effectively promoting innovative and sustainable circular economy and bioeconomy solutions. The Commission should adapt the **NLF framework** to make it future-proof, fit for the digital and green transition and suitable for products enduring life cycle changes (both digital and refurbished products) without compromising safety or imposing unnecessary burdens on SMEs. Regulation should encourage innovation and the transition to a circular economy.
 - **Mutual recognition principle** of non-harmonised products, such as food supplements, fertilisers, construction products and precious metals, should be applied more effectively. More transparency and clarity about experienced problems is needed. After the evaluation of the current mutual recognition regulation by 2025, the need for revision should be considered if needed.
 - We should continue to focus on **removing technical barriers to trade**. The Commission and Member States should assess the proportionality and necessity of new national technical regulations. The **notification procedures** ensure transparency of the rules that are needed for the functioning of the Single Market and prevent fragmentation of our regulatory environment. Therefore, the notification of national technical regulations needs to be safeguarded.
- Single Market policy can play a key role in facilitating the **green transition** by removing unnecessary barriers to the development of green and fossil-free technologies, including cutting-edge biotech solutions, and by creating regulatory sandboxes and fostering the inclusion of "Experimentation Clauses" for new tech legislation. EU legislation should take a more technology-neutral approach that enables and promotes all fossil-free alternatives contributing to our joint net-zero emission objective.
- **Standards** reduce trade barriers and make it easier for companies to establish themselves both in the Single Market and on the global market. The incoming European Commission needs to take measures to safeguard the development of standards that promote market-based and practical solutions to maintain the EU's leading position as a global standard setter. To ensure that future

standards are based on merit, we must better monitor the developments, safeguard the existing system and promote a more active participation of Member States and European standardisation organisations. Clear commitments to promote international standardisation to align with WTO/TBT principles need to be endorsed by likeminded partners in order to ensure scale and to avoid new gaps. Delays in the development of standards should be avoided and the cooperation between the Commission and CEN/CENELEC/ETSI should be enhanced. Continued efforts should be made to ensure functioning of the European Standardisation System.

4. Enforcement and implementation of EU law

- **Correct application, enforcement and implementation of EU law** is a continuous work that needs to be high on the agenda of the new European Commission. There is a need for more transparency and active enforcement that takes into consideration barriers that have real effect on free movement.
 - This includes issues such as **compliance with existing rules**, reviewing long processing times for infringement cases and improving the use of administrative tools such as package meetings, SMET, EUPilot, SOLVIT, Points of Single Contact, Product Contact Points, IMI, TRIS, Your Europe etc.
 - Additionally, **infringement proceedings** should address especially conformity issues and barriers that significantly impede the Single Market's functioning and the European economy.
 - More **transparency** is needed about the priorities of the European Commission in its **enforcement policy** and about the follow-up of complaints. Increased transparency should enable a dialogue between the Commission and Member States on the aforementioned priorities, with full respect for the independence of the Commission.
 - It is also important that the Commission not only uses its powers to take formal action against Member States, but also gives due regard to **the Member States' and stakeholders' perspectives** on the implementation deadlines when deliberating new legislative acts. This is particularly important in cases of complex and novel EU legal acts with significant national budgetary implications.
 - Existing rules should be **applied and enforced in a uniform manner** on the Single Market to ensure that companies and ultimately consumers can benefit from harmonised rules. In addition, when establishing new requirements or revising existing ones, it is important to adhere to a harmonised enforcement approach. This approach is vital to prevent fragmented implementation from the outset.
 - After the adoption of EU legal acts, the Commission should facilitate engagement between Member States to prevent **unnecessarily diverging implementation**. This could be facilitated by strengthening networks of cooperation among national authorities, initiating a mapping exercise of current networks and offering a platform for an exchange of these best practices.
 - The Commission should continue developing **the Single Window for Notifications** with a common interface for all notifications in order to make the notification procedure as easy as possible for the competent authorities. Furthermore, the interface should provide for further transparency of notifications.

5. Better regulation

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

- The new Commission should add a **thorough, timely and high-quality impact assessment** to each legislative proposal, including significant implementing and delegated acts, and ensure consultation with stakeholders, as this has not always been the case during the last few years. Impact assessments should include a Competitiveness Check and consider the cumulative impacts and costs of different initiatives and existing rules on the competitiveness of EU businesses, particularly SMEs and micro-enterprises. The impacts on the Single Market and its four freedoms should also be considered to avoid overlap and ensure consistency of the legislative framework. Comprehensive impact assessments are the foundation for further work. When conducted ambitiously they reduce the need to fix impracticalities later.
- The extension of the mandate of **the Regulatory Scrutiny Board** should be assessed so that it can specifically ask for impact assessment in cases where they were not done.
- The Commission should continue to assess the **impacts and effectiveness of existing rules**, especially rules in relation to the green and digital transition, for example by introducing appropriate review clauses to proposals. Such reviews should devote proper attention to application and enforcement in practice. Other tools, such as “ex-post evaluations”, should also be considered.
- The Commission should ensure the full, continuous and efficient use of **Competitiveness Checks** in impact assessments for all legislative and relevant non-legislative initiatives. We support the completion of the Competitiveness Check as discussed by the Competitiveness Council.
- **Reducing burden** should remain a priority in the EU. Reduction of reporting obligations by 25 per cent is welcomed and it should not be a one-time initiative, but rather an ongoing principle in the European Union. It is important that SMEs and micro-enterprises are given special attention. The Commission should assess reporting requirements, such as obligations stemming from sustainability reporting, and where applicable, the use of digital solutions could be employed. For this purpose, measures such as standardisation and automatisisation of sustainability data could be applied. It is particularly crucial to develop standardised tools for small and micro-sized companies to provide their information to sustainability reporting companies.
- Before submitting proposals, the Commission should assess reporting requirements while taking into consideration cumulative requirements and SMEs. The process to implement the target to reduce reporting requirements needs to be clear and transparent. It should be noted that the harmonisation of EU legislation alone does not necessarily reduce reporting obligations for a vast number of SMEs operating in the domestic market.
- The Commission should apply systematically and transparently the **one-in-one-out principle** with transparent methodological calculation and encompassing compliance costs.

6. Digital Transformation deepening the Single Market

- The Commission should support the Member States in the **introduction and development of e-governance solutions**. It is important to implement digital solutions to better respond to businesses’ and citizens’ needs in cross-border operations, to ensure that they have easy access to information, for example on starting business operations and permit procedures, and to enable seamless and user-friendly cross-border public e-services.
- **Data interoperability and standardisation** is crucial for fostering innovation, enhancing digital services, and enabling data-driven decision-making. Harmonising data standards and regulations across Member States will promote seamless data exchange and utilisation. We should promote the usage of competitive, interoperable semantic standards (data and interfaces), for example e-Invoicing, e-Receipts, e-waybills and digital product passports. If business data is standardised and

taxonomies unified, necessary reporting obligations will be less burdensome for companies and data could be exchanged between agencies, authorities and Member States. We must ensure that standardisation is technologically neutral in order to enable competitive development through new innovations. By developing digital infrastructure, which helps to reduce the administrative burden for businesses and citizens, we can ensure the Single Market's long-term competitiveness.

- We need to ensure **proper implementation and evaluation of the digital legislative proposals** that have been presented for the Digital Single Market. It is central to leverage digital technologies to strengthen the functioning of the Single Market. We must therefore also foster research and innovation and transfer from research and innovation into business practice on the Single Market in critical and emerging digital technologies, such as 6G and artificial intelligence, in order to stay competitive.

7. Monitoring the developments of the Single Market

- In order to reach the desired results in the abovementioned matters, the progress in all of the respective areas has to be **continuously monitored via the annual policy cycle** and as such should retain the political interest of the EU institutions.
 - **Annual Single Market reports and Single Market and Competitiveness scoreboards** need to be fit for purpose. These documents should accurately reflect the situation 'on the ground' in the Single Market. The data and more appropriate KPIs enable the Commission and Council to formulate concrete follow-up actions. They should combine different data and methodologies, not just macro-economic data but also micro-data at company level, and data from the perspective of entrepreneurs and citizens (i.e. business journeys and the renewed Eurobarometer). KPIs should be reviewed periodically and adjusted, if necessary to reflect the developments in competitiveness. In summation, the Single Market reports and scoreboard should guide and steer concrete actions. The Commission and incoming Presidencies should propose concrete follow-up actions to be considered by the Council and the European Council.
 - The annual policy cycle should contribute to **achieving the long-term goals** set in the Single Market Strategy as suggested in this non-paper. Both should reinforce each other in achieving concrete results for strengthening the Single Market.
- Further work and analysis of ecosystems and specific sectors is also required. The results of this analysis should contribute to an integration pathway with concrete actions, which should be determined for each ecosystem.