



Swedish Enterprise's agenda for an open and competitive Single Market – short version

Summary

In an uncertain world our biggest geo-political asset is our Single Market, and it is the key driver of our future prosperity. Swedish companies benefit most when it serves effectively as a large, single European home market, free from barriers to trade and with clear rules that promote competition. All Swedish companies – even those that do not trade on the Single Market – are affected by decisions made at EU level. This is because standards, as well as overarching legislation and product requirements, are often set at European level. In a world of technological and economic rivalry, it is increasingly clear that the EU must pay greater attention to maintaining its ongoing competitiveness. This is why a comprehensive and fully-fledged Single Market Strategy early in the new Commission's mandate is urgently required.

Introduction

The Single Market is the EU's most valuable asset. The past 30 years have shown it to be a powerful engine for economic growth, employment, innovation and competitiveness, and it has brought improved living standards for Europe's citizens. A strong and robust Single Market, one that provides companies with positive conditions under which to trade and operate – and which is open to the outside world – will help ensure that the EU has the resilience it requires for facing future crises.

Europe is Sweden's home turf, a place where Swedish citizens and Swedish companies establish, develop and grow. Since its creation in 1992 by the Maastricht Treaty, the European Commission, EU Member States and the European Parliament have worked together to reinforce the Single Market. The Single Market is based on free movement, harmonisation and principles of mutual recognition, subsidiarity, proportionality, as well as wider general principles of equality and non-discrimination. Through shared laws and regulations, it should - in principle - be as easy to trade between EU Member States as it is to do so within Sweden. This means that the EU and the Single Market is both our most important market and also our most important legislator. Around half of all laws and regulations in Sweden are derived from the EU.¹ In parallel to this, the EU is becoming an increasingly important geopolitical force at a time when global tensions are intensifying.

The Single Market is the single most important market for Swedish companies. In no small part, this is because Sweden is an export-dependent country. In 2022, the export of goods and services made up 53 percent of the country's GDP.² In addition, the majority of our imports also come from countries that are part of the same Single Market. It is also the dominant market in terms of foreign direct investment, while nearly half of Swedish outgoing direct investment goes to other EU Member States.³ The Single Market is estimated

to be responsible for creating around 600,000 jobs in Sweden, largely supported by demand in other EU Member States.⁴

While the regulatory burden for companies remains considerable – and there are laws and regulations that should be better aligned between various policy areas – the reality remains that without the Single Market, the situation would be even more difficult for companies. Being required to adapt to 27 different national laws would vastly increase both administrative red tape and generate considerable costs.

The Single Market is the world's largest integrated market, and it provides the platform for the EU's role as an international geopolitical and economic actor. This is particularly significant when the EU is negotiating free trade agreements with third countries, something that is - of course - of considerable importance for all Swedish exports. The free trade agreements that the EU negotiates on behalf of all the EU Member States significantly increase export and import opportunities. These treaties help create wealth, promote our technological development, increase competition, reduce prices, ensure access to key inputs and drive innovation.

The agreements also strengthen our economic resilience by diversifying our supply chains and promote the green transition by increasing the spread of new, environmentally friendly technologies. The power of strong diplomatic and geopolitical ties should also not be underestimated. Increased trade opportunities have created many jobs, both directly in companies that export and indirectly among subcontractors, through the increased incentives for foreign companies to establish themselves and invest in the EU and Sweden.

Recent developments

As part of the EU's 2019-2024 political cycle, we have seen an exceptionally political and active European Commission, with President Ursula von der Leyen at the helm. Never before has there been such extensive legislative work at EU level. This period has also been characterised by a series of crises and conflicts, including Brexit, protectionism, pandemics, wars and global unrest. In recent years, the intensification of the Single Market has slowed somewhat. Since 2006, the trade in goods within the EU has only increased 3.5 percent compared to the EU economy as a whole, and the trade in services within the EU accounts for only 6 percent of EU GDP.⁵

The Single Market is by far the EU's biggest trade and investment driver and helps make the EU an attractive market compared to global competitors. Unfortunately, however, the EU's share of the world economy is predicted to decline from almost 18 percent today to 17 percent by 2030. Furthermore, compared to our global competitors, the EU's investment environment is less attractive today than it was three years ago.⁶ For both the EU and Sweden, this could translate to a potential loss of jobs or less investment in the technologies for delivering the green and digital transition, as well as a loss of influence on the global stage.

Clearly, there is room for improvement. To maintain and enhance free movement in the Single Market, the EU should focus on removing barriers, rather than focusing on developing detailed regulation. The free exchange of research and innovation is vital for the Single Market to continue to develop and be attractive to companies and potential employees. In addition, research exchanges can often bridge the gaps posed by linguistic and cultural differences that also exist within the Single Market. New legislation, and the revision of existing rules, should seek to benefit small and medium-sized enterprises (SMEs) by giving them improved opportunities to trade, in line with the maxim 'think small first'. SMEs are a vital component of the Single Market, accounting for 51 percent of turnover in the EU and making up 99 percent of all European companies.⁷

All companies stand to gain from simpler and more efficient interactions on the Single Market. That said, the abovementioned overarching challenges facing the Single Market also need to be addressed. But there are several concrete measures that can be taken. These mainly relate to lessening the regulatory complexity for goods and reducing the number of national rules that hinder the free movement of services and people. There needs to be a focus on creating more long-term solutions for promoting investment and capital mobility as well as improving infrastructure and regulations for the safe and free movement of data.

The necessity of a renewed vision for the Single Market in 2024

In a world of increasing technological and economic rivalry, it is abundantly clear that the EU needs to urgently increase its focus on maintaining its competitiveness. Hence, the commissioning of the two reports from the former prime ministers Letta and Draghi, on Single Market and Competitiveness respectively is most welcome. The Single Market and competitiveness are inextricably linked; however, the long-standing structural issues that have undermined the effectiveness of the Single Market have been exacerbated by continuing years of crisis.

Swedish companies currently spend upwards of SEK 200 billion annually on regulatory maintenance and compliance.⁸ Measures are therefore needed to remove barriers to cross-border and long-term private investment that exist in the EU's regulatory framework. A number of different interest groups have made proposals for improvements during the current mandate period. In 2021, Swedish Enterprise itself made several proposals for reinforcing and improving the Single Market; several of the measures that were presented still remain highly relevant today.

Free movement of goods

Most of the goods traded in the Single Market are able to move freely because they are covered by harmonised legislation. This is a result of the EU rules guaranteeing product health, safety and environmental requirements. In some cases, this is undertaken through detailed technical specifications, but more commonly it is in the form of standards developed by European standardisation organisations.

For those goods not covered by harmonised legislation, national legislation applies. Member States have the right to set their own requirements, as long as these are objective and

proportionate. However, the principle of reciprocity applies, and Member States must communicate their legislation to other countries, in accordance with the notification procedure. The Single Market for goods works well in many ways, but there are too many companies still facing barriers within the Single Market in the form of national requirements for products. Swedish Enterprise sees several opportunities for improving the free movement of goods.

- Give Solvit - an informal problem-solving network of the European Commission and the Member States - more muscle for ensuring more effective compliance. For example, the Commission should analyse Solvit cases annually in order to monitor current barriers in the Single Market and take steps to address them.
- Create a common digital input to countries' Extended Producer Responsibility (EPR) systems, in order to provide an overview and make it easier for companies to report according to producer responsibility.
- Cut through the labelling jungle. Increase uniformity by managing labelling requirements at an EU level.

Free movement of services

The free movement of services between Member States typically involves a company acquiring a partner locally or buying into a local service company. This is more efficient, as the ability to provide services is impacted to a far greater extent by language and culture differences than is the case with goods. Furthermore, customer orientation is fundamental to services because a service can only exist where there is a customer for it. For many years, business organisations and the legislature have highlighted the free movement of services as an area of considerable potential, in spite of the fact that very little has changed in the field. It is difficult to say whether this dearth of movement is due to a lack of political will or the specific nature of trade in services, but more must be done to increase this sector within the EU.

- Let the Single Market Enforcement Taskforce (SMET) review whether the Services Directive has been implemented with a focus on mobility within the Single Market.
- Strengthen the notification procedure for new national legislation and conduct a fresh review of existing legislation.
- Enshrine copyright in Union law.

Free movement of people

The free movement of people to live, study and work in the EU must work effectively for companies if they are to be able to provide services across borders and recruit the right workers. Labour mobility requires reciprocity, as there are many remaining differences between national rules and requirements in the various countries. A free and open exchange of information between Member States is also necessary as well as between companies and employees.

Rules differ for the various forms of labour mobility – commuting, moving to another country or being seconded by the company for which you work. For example, secondment is formally considered the export of a service, although in reality it is similar to a temporary move. In addition, there are large differences between countries in terms of the social contract for wages, working conditions, social systems and more. These characteristics lie close to the core of the nation-state, which should remain a national competence, with differences allowed to continue.

- Introduce an exemption for business trips in Regulation 883 as soon as possible.
- Expand the mutual recognition of diplomas and professional qualifications.
- Remove all unnecessary regulations related to regulated professions.

Free movement of capital

The free movement of capital plays a key role in realising the full benefits of the other three freedoms, as it helps remove barriers to citizens and companies making payments or transferring capital for investment in other Member States. The EU needs a better-functioning capital market to strengthen competitiveness, support entrepreneurship and growth as well as paving the way for the green and digital transition.

A common capital market also helps to address the challenge of an ageing population, as a shrinking proportion of the population needs to support a growing proportion of dependents. We need to integrate EU capital markets further, and make it easier for investors, savers and issuers.

- Remove obstacles in the EU acquis to cross-border and long-term investment.
- Facilitate access to suitable long-term projects where businesses can invest.
- Improve opportunities for pension savings and other savings in several different markets.

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