Addressing Single Market obstacles

Response to Call for Evidence by European Commission on "Single Market Strategy for 2025"

31/01/2025

I. Political and business context

A. The Single Market becomes a political priority again

The Report of Enrico Letta "Much more than a market" (April 2024) succeeded in galvanising political support for further deepening the Single Market in the coming years. It contained several fruitful proposals, such as the Savings and Investment Union, and a deeper Energy Union and Digital Single Market. The Report on Competitiveness by Mario Draghi further identified Single Market fragmentation as a root cause for the EU's lagging growth, innovation and competitiveness. The Report also outlines sector-specific recommendations for deepening the Single Market for circularity, energy, and digital, among other areas.

The European Council Conclusions in April tasked the Commission with developing a "**New Horizontal Single Market Strategy**" by June 2025. The Competitiveness Council in May requested a "***roadmap*** *with clear* ***timelines*** *and* ***milestones*** *for urgent and concrete actions across all policy areas, based on facts and needs from businesses*." The Political Guidelines of President von der Leyen gave the Commission a renewed political mandate to address cross-border obstacles and "*make proposals to simplify, consolidate and codify legislation to eliminate any overlaps and contractions*" and to "*address the patchwork of national regulations that makes doing business in different EU countries more complicated*". The Mission Letter of the Executive Vice-President for Prosperity, Stéphane Séjourné, included specific instructions to "*speed up the removal of barriers*".

Given that there is currently no straightforward procedure or governance structure in place to address barriers in the Single Market, the new Strategy will be highly welcome in order to tackle and dismantle cross-border obstacles flagged by the business community, which hamper the free movement of people, goods, services and capital.

B. Sense of urgency experienced by the business community

According to ERT's latest confidence survey, a large majority of our CEOs and Chairs see actions supporting greater economies of scale as one of the biggest factors that would encourage their companies' operations to remain or grow in Europe — and a less fragmented EU Single Market is a prerequisite for achieving this. Currently, many European companies face challenges related to scale, which hampers their ability to effectively meet consumer demands, and reduces their competitiveness compared to larger global players. Furthermore, 85% of ERT Members say that a simpler and more innovation-friendly regulatory framework would be a strong motivator to invest more in Europe.[1]

ERT and the wider European business community have collected a broad base of evidence of various cross-border barriers and advocated for deepening the Single Market. In a Joint Statement in February 2024, a coalition of 25 business associations even called for "renewing the dynamic of European integration".

[1] The Conference Board Measure of CEO Confidence™ for Europe by ERT, "Confidence Drops, CEOs Urge Europe To Follow Mario Draghi's Recommendations", November 2024 (link).

In addition, they collectively assembled a Compendium of 100+ concrete examples of obstacles, in all sectors, ranging from environment (labelling and waste), to digital (spectrum and data), banking and capital, trade, taxes, energy, health, security as well as services and standards. The root causes of the obstacles, and policy recommendations to address them, were subsequently covered in the ERT's 2024 Technical Study on Single Market obstacles.

The Compendium included a few examples of most persistent barriers:

- **Over the past few years, there has been limited to no progress on resolving conflicting regulatory environments across the Single Market relating to spectrum allocation**. While the European Electronic Communication Code (the "Code") includes several new provisions aiming at developing a more common approach on spectrum allocation, this has not materialised when implemented at national level. Substantial differences between Member States persist on reserve prices (diverting capital budget from network investment), spectrum annual fees (increasing operating costs); spectrum licence duration (creating uncertainty over long-term service continuity and risk of stranded assets). *This obstacle was amongst others flagged by Ericsson, Nokia, Deutsche Telekom, Orange, Telefónica and Vodafone.*
- **The deployment of renewables and green tech is experiencing growing planning and permitting bottlenecks**. Permitting is increasingly complex, divergent, and involves too many contact points. It takes an average of 5-6 years in Europe to get a permit. In Romania, for example, the installation of EV charging stations can take up to one-and-a-half years because it has to be licensed by individual municipalities. In Slovakia, there is an effective barrier to the deployment of EV chargers on motorways as the Slovak motorway monitoring company reserves the right to launch applications for e-mobility services (charging installations) for already leased areas (filling stations). *This obstacle was amongst others flagged by MOL Group*
- There are continued business concerns about **diverging standards and labels for products that include information on green criteria**, such as paints, **as well as a patchwork of environmental standards, recycling systems and reporting requirements** between countries in areas where the EU already has existing legislation or is creating new laws. An often-cited example of a persistent issue is the use of the "Green Dot" logo within the EU as well as the obligatory "Tri-man logo" in France. These conflicting requirements imply unnecessary costs and risks for businesses. *This obstacle was amongst others flagged by L'Oréal, dsm-firmenich and AkzoNobel.*
- **Different rules apply within the EU regarding cross-border shipments of waste and its classification**. Firstly, there are varying regulations between countries on whether an item is considered waste or a product, due to differing end-of-waste criteria, such as for battery waste. Once classified as waste, there are different interpretations of its hazardous or non-hazardous nature, such as for e-waste. Shipments of hazardous waste must be preceded by notification and approval from the relevant export, transit, and destination countries. This includes the required details of the waste contracts, which must be attached to the notification. There are also different calculations for the financial guarantee accompanying a waste shipment, varying national assessments on whether a notification is complete, different timelines for requesting additional information, no flexibility for clerical errors, and English not being accepted as a language for notifications. These divergences could inhibit the recycling of strategic critical raw materials and hinder Europe in achieving its EU Green Deal goals. *This obstacle was amongst others flagged by Umicore and others.*

More details on specific issues – including but not limited to divergent taxation, permitting, and barriers to investment – can be found in the latest iteration of the Compendium (January 2025).

All examples that were compiled in the Compendium have been registered into the Commission's Single Market Obstacles Tool (SMOT) system (currently: Single Market Barriers Tracker) in the spring and summer of 2024.

It has remained unclear how the Commission plans to process and use the submitted information; whether, how and when analysis of their cases will be made; or whether the organisations will receive any feedback and/or follow-up on their cases. ERT produced an analysis of the shortcomings of the SMOT and outlined recommendations as to how the system can be improved. All barriers described in the Compendium remain valid today…

The lack of a clear follow-up procedure for addressing the barriers reported through SMOT is a discouraging factor for many businesses to provide evidence. This reluctance hampers the EU Institutions' ability to gain a full understanding of all the issues and to develop and implement appropriate policy measures to address barriers. The time is now ripe for clarity on how and when these barriers will be tackled by the European Commission and Member States.

II. A more comprehensive analysis of Single Market fragmentation is required

The European Commission has identified that 60% of the obstacles businesses face in the Single Market are of the same type as those reported 20 years ago.[2] According to the European Parliament, if these persistent barriers are not addressed, Europe risks missing out on significant welfare gains. The European Parliament Research Service (EPRS) has estimated that removing barriers could generate €2.8 trillion in additional GDP by 2032.[3]

The business community appreciates the growing awareness the European Commission communicates about the impact of cross-border obstacles and the way business examples are gradually integrated into its analysis. The European Commission's **Competitiveness Compass** and **Annual Single Market and Competitiveness Report (ASMCR)** of 29 January 2025 build on the reports of Enrico Letta and Mario Draghi. The Compass specifically lists policy efforts to remove barriers and expand the Single Market as a key 'enabler' of competitiveness. Both the Compass and the ASMCR recognise that diverging rules in different Member States impose burdens on European businesses. Notably, the ASMCR references ERT's 2024 Compendium of 100+ Single Market Obstacles, alongside valuable contributions from Eurochambres and the Commission's own internal Single Market Barriers Tracker.[4]

However, while the ASMCR categorises some of the most persistent challenges in the Single Market and draws from a broad base of evidence, it does not go far enough in analysing the root causes of these obstacles. Nor does it offer (preliminary) conclusions on how they should systematically be addressed. As the ASMCR aims to "provide a diagnostic to underpin the Clean Industrial Deal and the Single Market Strategy,"[5] it should not shy away from critically assessing the lack of proper enforcement of Single Market rules in recent years.

The lack of enforcement has in recent years become a key issue that affects the overall health of the Single Market. According to European Commission figures, there has been a 60% reduction in the number of Single Market-related infringement proceedings launched by the European Commission in 2023 compared to 2019.[6] Taking a longer view, whereas in 2011 the Commission undertook over 400 infringement actions against Member States, this number dropped under 100 in 2022.[7]

[2] Commission Communication on "Single Market at 30", March 2023, p. 14. (link).
[3] EPRS, "Increasing European added value in an age of global challenges: Mapping the cost of non-Europe (2022-2032)", February 2023 (link). In addition, in a model of innovation and multinational offshore production, the IMF finds that at least lowering internal barriers within the EU would generate large welfare effects – on the order of 7 percent of GDP – and accrue to both EU innovating and manufacturing countries (link).
[4] Compendium of 100+ Single Market obstacles (January 2025) (link).
[5] ASMCR 2025
[6] 2023 Annual Report on monitoring the application of EU law - European Commission; FT, "Brussels too slow to tackle trade abuse by member states", January 13, 2025 (link).
[7] FT, "Policies of EU market rules drops under von der Leyen's commission", May 9, 2023 (link).

As the Compendium of 100+ obstacles suggests, the drop in infringements is not caused by a lower number of problems faced by companies or because of “more effective transposition of EU rules into national law”.[8] On the contrary, the enforcement gap has been exacerbated by political choices within the European Commission to not pursue infringement procedures against Member States and due to systemic staffing issues within both the European Commission and Member States.[9]

A candid evaluation of past shortcomings in tackling market fragmentation is essential. Without such an assessment, the future Horizontal Single Market Strategy risks falling short of providing effective policy responses and establishing the framework necessary to overcome the challenges.

III. Recommended actions to deepen the Single Market

Though much can still be done to increase the evidence pool, the European Institutions and Member States already have a lot of “hard data” at their disposal about persistent cross-border barriers (submitted by companies through SMOT and other tools, such as Solvit, the EEN, etc.). A comprehensive analysis of existing data should enable the Institutions to effectively address persistent cross-border barriers in the Single Market.

ERT thus urges the European Commission to translate the sense of urgency expressed in the recent Letta and Draghi Reports into a bold and ambitious Horizontal Single Market Strategy by June 2025, as requested by the European Council.

At the heart of this Strategy should be a commitment to mapping and resolving regulatory divergences. Properly addressing fragmentation within the EU will foster economic growth, enable companies to scale up and invest more rapidly, create quality jobs, expand fiscal capacity for governments, and enhance the standard of living for all Europeans.

The new Horizontal Single Market Strategy should seek inspiration from the Delors Commission, which developed in the 1980s a compendium of 300 legislative proposals to eliminate physical, technical and fiscal non-tariff barriers between Member States. It led to the creation of the Single Market by the headline target of 1992.

The new Strategy in June 2025 should be **centred around the removal of barriers and addressing fragmentation**. It should include:

1) ***A comprehensive programme for harmonisation and simplification***:
    a. An programme containing **1.000+ issues related to fragmentation** and cross-border obstacles in the EU and a set of horizontal and sector-specific strategies and policy initiatives to tackle these barriers.
    b. A **roadmap with milestones and a timeline until the end of this Commission’s mandate** - and an ambitious 2030 deadline - for removing barriers, containing potential solutions and designating responsible authorities, both within the European Commission (Directorates-General) and at the Member State level.
    c. The implementation of the Strategy could best be achieved through a **"package deal"** approach. This would encourage all 27 EU Member States to engage in peer reviews, overcome their own defensive national interests, protectionist reflexes and "gold-plating" of EU legislation and thus facilitate the systematic removal of barriers.

---

[8] FT, “Brussels too slow to tackle trade abuse by member states”, January 13, 2025 (link)
[9] As hinted in the ERT’s Technical Study containing analysis of obstacles and recommendations (link).

2) ***Enhanced procedures and adequate staffing for implementation and enforcement**:*
    a. A **streamlined process to identify, address, and follow-up on barriers, until they are removed.** This should entail improving existing tools such as the Single Market Enforcement Task Force (SMET), Single Digital Gateway, Single Market Barriers Tracker (previously SMOT), Enterprise Europe Network (EEN), Solvit Centres, and the Annual Single Market and Competitiveness Reports (ASMCR).
    b. A **dedicated Directorate-General (e.g., DG MINT – "Market Integration") or a "Single Market desk" within the European Commission with 100+ staff dedicated to removing Single Market obstacles**. This entity would:
        i. Collect and channel intelligence on obstacles to relevant Commission services or Member State authorities.
        ii. Ensure adequate follow-up and provide feedback to organisations reporting cross-border barriers.
        iii. Act as a "Demolition Squad" tasked with removing obstacles using tools such as an increased number of infringement procedures, the European Semester and/or Rule of Law reports and/or Implementation Reports, and preparing adaptations to EU legislation. The efficient, consistent and targeted use of such tools could realistically restrain Member States from imposing cross-border barriers that are in breach of EU regulations.
        iv. Follow-up with EU Member States for the removal of barriers and make public the decisions and timelines required for removing barriers.
        v. Escalate politically sensitive or persistent obstacles to the Competitiveness Council or European Council for resolution.
    c. **Pro-active monitoring and reporting that outlines instructions for each entity that is responsible for a barrier**. This could include a radically enhanced ASMCR or be part of the European Semester and/or Implementation Dialogues and Reports.

The fact that the Horizontal Strategy is the main policy deliverable listed in the Competitiveness Compass under the Single Market header – alongside promises of a "reinforced" Single Market Enforcement Taskforce (SMET) and "further harmonisation measures to reduce remaining legal fragmentation" – is encouraging and raises expectations that the Strategy will match the scale of the current challenges.

Going forward, the Commission and Member States should hold each other to account for implementing the commitments and targets set out in the Horizontal Single Market Strategy.

- Better coordination is required because the Commission should ensure there is sufficient consistency between the Horizontal Strategy and sectoral strategies or policy initiatives that impact the Single Market. The proposed Competitiveness Coordination Tool, through which the Commission plans to better align joint competitiveness priorities across Member States, could more explicitly cover Single Market considerations and efforts to tackle fragmentation and regulatory divergence.
- A change in attitude and organisational culture is essential. Policy-makers should dedicate more efforts towards harmonising the Single Market. This is vital for boosting Europe's economy, enhancing competitiveness, and building resilience within European businesses.

ERT remains available to provide further information or to answer any questions.