



SVENSKT NÄRINGSLIV
SWEDISH ENTERPRISE

Agenda for an Open and Competitive Single Market

JANUARY 2025



Contents

Introduction 2

1. The Single Market: The crown jewel of the European Union 5

 1.1 The Single Market is vital to Sweden 6

 1.2 Overcoming challenges to free movement 7

2. Free Movement of Goods 10

3. Free Movement of Services 14

 3.1 Implement the new Single Market regulations for digital services 17

 3.2 Efficient, coordinated transport networks are key to free movement 18

4. Free Movement of People 19

5. Free Movement of Capital 22

6. Europe’s digital economy based on data and AI-use 24

Introduction

In a world of increasingly fierce technological and economic competition, the European Union must give greater attention to reinforcing its ongoing competitiveness. In an uncertain world, Europe's biggest geopolitical asset – and the key driver of our future prosperity – is its Single Market.

Swedish companies reap the greatest benefit when the Single Market serves as a large and effective unified European home market, one that is free from barriers to trade and with clear, simple rules that encourage competition.

The Single Market Agenda of the Confederation of Swedish Enterprise highlights selected practical measures to improve free movement within the Single Market, reflecting the current economic backdrop.

The focus must be on the core issues of removing trade barriers, making use of the 'better regulation' toolbox and improved enforcement. There should be efforts to reduce administrative burdens, such as overly prescriptive legislation and micro-management of standards, over-use of delegated acts, and the lack of market control and oversight.

The Single Market is dependent on international trade flows, and the world economy is growing considerably faster than the EU economy. If it is to reap the benefits of these opportunities, the Single Market needs to remain open to the outside world.

Addressing these shortcomings, barriers and lingering distortions could boost the EU economy by as much as 9 per cent of EU Gross Domestic Product (GDP). Indeed, many of the shortcomings mentioned in this agenda have been known for decades. Unhesitating political will and decisive action is needed now in order to boost the internal market.

Swedish Enterprise provides a business perspective for improving the overall functioning of the Single Market. We will contribute to a constructive dialogue with a view to boosting the long-term competitiveness and productivity of our Union.

Swedish Enterprise's proposals to improve the movements of goods:

- Recommit to the New Legislative Framework (NLF) by limiting legislation to those essential requirements that are indispensable for reaching the goal of the legislation.
- Ensure that draft national legislation is notified in the Technical Regulations Information System (TRIS), and is scrutinised with the aim of avoiding technical barriers to trade.
- Reinforce the mutual recognition principle, strengthen the SOLVIT service and further develop the Single Digital Gateway (SDG) to meet company needs.
- Harmonise mandatory labelling requirements at EU level to ensure that local labelling laws do not prohibit the free movement of goods within the internal market.
- Streamline countries' extended producer responsibility (EPR) systems, in order to facilitate reporting and support a circular economy.
- Implement the Waste Directive more uniformly, to improve its use with secondary raw materials and circular flows, and develop additional end-of-waste criteria at the EU level.
- Implement green legislation, such as the Ecodesign for Sustainable Products Regulation (ESPR) including the product passports, in such a way that it promotes a well-functioning internal market that supports a circular economy.
- Ensure efficient, harmonised and risk-based market surveillance of products and operators.

Swedish Enterprise's proposals to improve the free movement of services:

- Eliminate policies that favour domestic businesses when providing a service on the Single Market, as they risk distorting competition and trade.
- Map insurance requirements for businesses and projects, based on local traditions and recent legislation with a view to achieving greater convergence.
- Assign the Single Market Enforcement Taskforce (SMET) to review whether the Services Directive has been implemented with a focus on mobility within the Single Market, with a view to removing remaining barriers under the Directive.
- Strengthen the notification procedure for new national legislation, and conduct a fresh review of existing legislation.
- Enshrine copyright in European Union Law.
- Ensure effective implementation and harmonised interpretation of the Digital Services Act (DSA) and Digital Markets Act (DMA).
- Consider targeted regulatory action in digital markets only when real market failures have been identified.

Swedish Enterprise's proposals to improve the free movement of people:

- Reduce the number of regulated professions, particularly those regulated only in one or few member states.
- Scrutinise the need for registration in national or regional guilds or professional chambers where there already is an existing mutual recognition agreement for professional requirements.
- Introduce an exemption for business trips in Regulation 883/2004 on the coordination of social security systems.
- Strengthen mutual recognition of qualifications and skills validation.
- Ensure the fast transposition and correct application of the Blue Card and Single Permit Directives.

Swedish Enterprise's proposals to improve the movement of capital:

- Facilitate a competitive investment environment with a focus on competitiveness and improved business conditions to attract and increase investment.
- Focus on companies' access to finance, tailor initiatives and improve access to diverse and innovative financing sources.
- Increase the size and liquidity of EU capital markets by encouraging a shift of household savings to them. Promote pension capital engagement in capital markets.
- Improve capital markets in individual member states through a tailored, structured process, rather than seeking to harmonise financial market rules across the EU.
- Define a proportionate scope of the Foreign Subsidies Regulation and the Foreign Direct Investment Screening Regulation (currently under revision), and limit notification requirements to what is strictly necessary.

Swedish Enterprise's proposals to fully leverage the digital economy are:

- Simplify the existing digital rulebook and ensure that it is implemented and enforced consistently.
- Assess the economic impact of cumulative digital regulation on innovation and competitiveness, in order to inform future policymaking.
- Establish a high threshold for further digital regulation during the next legislative mandate.
- Modernise the General Data Protection Regulation (GDPR) to enable more data use and automated decisions to strengthen the digital society and EU's competitiveness.

1. The Single Market: The crown jewel of the European Union

The Single Market – unique in its scale and scope – is the largest integrated market in the world. It is a success story that creates jobs and welfare and enhances the everyday lives of European businesses and consumers.

At its heart, the idea of European unity is to maintain peace through trade and economic integration between member states. The success of the Single Market, and the free movement of goods, services, people and capital, made it possible to build the European Union.

The Single Market, and free movement within it, influence and are influenced by many factors. These include contract law, property rights, consumer protection, value-added tax (VAT) rules and environmental law. However, it is the main regulations of the Single Market which govern the free movement of goods, services, people and capital that are included in the scope of this agenda.

The Single Market will never be “complete”. It does not exist in a vacuum; it reflects ongoing changes in society and must constantly be improved and safeguarded. Swedish Enterprise would like to highlight key factors on which to focus.

With a total GDP of almost 19 trillion euros the EU is the world's second-largest economy.¹

The Single Market extends beyond that and encompasses the 27 EU member states as well as the additional three EEA² countries; Norway, Iceland and Liechtenstein. It has almost 450 million consumers and 23 million companies. Cross-border trade in goods and services within the Single Market amounts to 4.4 trillion euros. The European Commission estimates that the economic benefits of the Single Market to almost 10 per cent of EU GDP.³

¹ EEA – European Economic Area 2024 | countryeconomy.com.

² The European Economic Area, abbreviated as EEA, consists of the member states of the European Union (EU) and three countries of the European Free Trade Association (EFTA) (Iceland, Liechtenstein and Norway; excluding Switzerland).

³ The Single Market at 30 (1993–2023).

1.1 The Single Market is vital to Sweden

Swedish businesses benefit from a well-functioning Single Market. A large European home market, free from trade barriers, governed by clear rules that are fit for purpose will contribute to their competitiveness.

The Single Market makes a real difference for businesses. 64 per cent of large Swedish firms maintain that common rules or mutual recognition agreements make trade within the Single Market easier than trade outside the bloc. The same applies to smaller firms, albeit to a lesser extent. Notably, 96 per cent of large Swedish firms think that trade in goods within the Single Market is easier than external trade, while only 78 per cent of the firms express similar sentiments on the trade in services. This is not unexpected, as a tariff and customs control-free environment for goods, with rules that are often harmonised, provide improved opportunities compared to the patchy regulatory landscape for the trade in services.⁴

Beyond this, all Swedish businesses – including those that do not trade on the Single Market – are affected by the EU. This is because a large proportion of Swedish legislation, product requirements and standards originate at an EU level.⁵

Swedish businesses' trade within the EU is a crucial part of Sweden's economy. The export of goods to the EU Single Market accounts for 61 per cent of Sweden's total goods exports. In 2023, this amounted to 110 billion euros, corresponding to 18 per cent of Sweden's GDP. Norway and Germany are Sweden's two largest export markets for goods within the Single Market. Around 70 per cent of goods imported to Sweden come from the Single Market, although this figure overestimates the true total.⁶ In 2023, Swedish exports of services to the Single Market was about 52 billion euros. This was 53 per cent of all our services exports.⁷

Many jobs are dependent on favourable conditions for trade within the Single Market. Swedish exports of goods and services to the Single Market generate 815,000–840,000 jobs amongst exporting firms and their suppliers. Taxes paid by these firms and their employees generate public revenue creating an additional 210,000–230,000 jobs in the public sector. This means that a total of 1,025,000–1,070,000 jobs in Sweden depend on trade within the Single Market. This is around 22 per cent of all employees in Sweden. In reality, the figure is much higher as it excludes jobs dependent on imports from the Single Market as well as indirect jobs created in sectors such as retail.⁸

In 2021, the value of Swedish direct investment stocks in other EEA countries was 157 billion euros, while the value of investment from these countries in Sweden was 324 billion euros.⁹

Moreover, 850,000 people were employed by Swedish subsidiaries in other EEA countries in 2023. Similarly, there were 300,000 people in Sweden who were employed by businesses based in another EEA countries.¹⁰

⁴ Company Panel Survey by Swedish Enterprise, "The Benefits of EU Membership for Swedish Business Trade" (in Swedish).

⁵ The Swedish Agency for Economic and Regional Growth, Regulations Affecting Business Costs and Competitiveness in 2022 (in Swedish).

⁶ Goods cleared by customs in another EU country and then sent to Sweden are classified as having been imported from that country. The most common example of this are goods cleared at the port of Rotterdam, which are then treated as having been imported from the Netherlands.

⁷ Foreign trade and statistics – National Board of Trade (in Swedish)

⁸ Exports to the EU's internal market are crucial for prosperity and jobs in Sweden (in Swedish).

⁹ Foreign direct investment (FDI) in Sweden – Stanbic Bank TradeClub and The Swedish FDI Regime – Obligations for Swedish and foreign investors – Setterwalls.

¹⁰ Employment in Sweden.

Although Swedish businesses mostly trade within the Single Market, the greatest opportunities – and the greatest challenges – lie outside the EU. Since the world economy is growing much faster than that of the EEA economy, the Single Market depends on international trade flows to leverage that growth. Some 85 per cent of the world's economic growth happens outside of Europe.¹¹ It is important to recognise that Sweden has a greater collective influence on international trade policy as a member of the EU. Swedish Enterprise's *Trade policy compass* provides a blueprint for a trade policy that maintains openness while addressing security and sustainability concerns.¹²

The socioeconomic benefits of free trade do not stop at EU borders. A so-called 'fortress Europe' would undermine the Single Market and threaten the EU's position in global value chains. In parallel with removing the barriers that remain within the EU, the aim should therefore be to minimise those that exist to trade with non-member countries. Robust and diversified international trade and increased international co-operation should be the route to strengthening competitiveness while simultaneously reducing our vulnerabilities.

The EU should focus on improving conditions of trade with a wider number of countries through increased market access, deeper free trade agreements and strategic alliances. We need to keep the EU open to imports, investment, business start-ups, research and innovation as well as for participation in public procurement. Data flows should be facilitated to a greater extent by more adequacy decisions vis-à-vis third countries or their inclusion in EU free trade agreements.¹³

1.2 Overcoming challenges to free movement

In a challenging and rapidly changing world, the EU is seeking to strengthen its competitiveness. The EU's economic model, based on trade among its member states and with the rest of the world, has created prosperity in Europe. However, new economic security risks have emerged, arising from geopolitical tensions, technological development and climate change, in particular the COVID-19 pandemic and Russia's war in Ukraine.

The Single Market is founded upon principles of harmonisation, mutual recognition, subsidiarity and proportionality, as well as general principles of equal treatment and non-discrimination. These freedoms are also based on horizontal rules on procurement, competition, consumer protection and state aid rules, as well as administrative cooperation between member states. All aspects are regulated in EU common law, which is interpreted by a common EU court. This ensures clear and predictable rules for businesses.

Serious security concerns can warrant measures that limit free movement within the Single Market. EU countries have the option of restricting free movement if they consider there is a danger to public order, security, health or the environment. However, such restrictions must not lead to countries disadvantaging businesses of other EU countries in favour of their own. It is important that restrictions are used sparingly.

The state aid rules are designed to ensure fair competition between companies from different countries. This provides a cornerstone of the Single Market. In recent years, these robust rules have been relaxed during crises to create additional opportunities for supporting the green transition and the development of clean technologies. However, such relaxations risk undermining the fundamental role of the state aid framework, making it harder for companies to compete on equal terms within the Single Market. This subsequently hinders market mobility.

¹¹ European Centre for International Political Economy.

¹² A compass for EU Trade Policy – Openness and assertiveness in challenging times.

¹³ An adequacy decision entails that a country meets the EU's level of protection of personal data.



Competition rules are also crucial for well-functioning and dynamic markets. Some argue that these rules should be relaxed to facilitate mergers of large companies, particularly in certain sectors. However, to ensure that such consolidations do not result in overly dominant market shares, potentially restricting competition and undermining incentives for efficiency and innovation, it is vital to expand markets by removing barriers within the Single Market.¹⁴

Supply chain disruptions and geopolitical risks are resulting in greater reshoring of production to Europe from production sites further away. Many firms are looking to decrease their reliance on China in favour of opportunities closer to home. In Swedish Enterprise's company survey in 2023, 43 per cent of Swedish firms stated that they plan to move parts of their production/sourcing away

from China. Most of them stated a preference for relocating some of their activities back to Europe. Unfortunately, this is probably primarily because of push factors (away from China) than pull factors (a very attractive business climate in the EU).¹⁵

The COVID-19 pandemic highlighted the value of coordination between EU member states and diversification of supply chains. Although global supply chains were broken at the beginning of the pandemic – particularly those from China and Southeast Asia – barriers to free movement within the EU also presented significant challenges. The businesses most able to adapt were those with diversified supply chains, those with production or suppliers in multiple locations and those that were able to scale-up production in alternative geographies.

¹⁴ A review of the European Commission's announcement on competition policy (in Swedish).

¹⁵ Reduced Imports from China Expected – "Many Companies Choose Safety Over Risk" (in Swedish).

Access to affordable energy is a crucial factor for a competitive Single Market. The EU Energy Union aims at ensuring a secure, sustainable, competitive and affordable energy supply. The European Commission has committed to further deepening the Energy Union during this political cycle, notably through electricity grid and interconnector build-out. A prerequisite for such a strengthened internal market for electricity is that member states respect the principle that each of them has a responsibility to ensure a resilient and reliable electricity system. The ambition of reinforcing the functioning of the European electricity system through interconnectors should also incentivise individual member states to build electricity systems that contribute to the provision of wider system benefits and stability for Europe's electricity market.

Overly prescriptive legislation and micromanagement of standards, overuse of delegated acts, over implementation (so-called 'gold plating') as well as lack of market control and supervision are a challenging combination for companies. A heavy regulatory burden arising from ineffective and complicated rules, impacts companies' productivity and competitiveness. Data show that Swedish companies consider overregulation as one of the leading impediments to growth. In recent years, we have noted a marked acceleration in the development of new EU legislation.

It is now imperative to focus on competitiveness and ensure the proper advancement of the EU's better regulation efforts. All of the European Commission's Directorate-Generals must make a coordinated effort to strive for better regulation. This involves making impact assessments and taking responsibility for reducing the regulatory burden on companies, limiting new regulation and keeping regulatory costs to a minimum considering the intended purpose.

New legislation and the review of existing rules should aim to benefit small and medium-sized enterprises (SMEs)¹⁶ by giving them better opportunities for trade, according to the proverb "Think small first". SMEs are an important part of the Single Market, accounting for 51 per cent of turnover in the EU and make up 99 per cent of all European businesses. Notably, even larger businesses benefit from a simplified and more efficient business environment within the Single Market.

The free exchange of research and innovation is crucial for the Single Market to develop and be attractive to businesses and talents. Research exchanges also create pathways that cut through the linguistic barriers and cultural differences that exist within the Single Market. To this end, it is important to harmonise the legal framework and handling of intangible assets between member states, as substantial obstacles and legal differences persist.

Our main proposals are elaborated in the following sections.

¹⁶SME: Small and medium sized enterprises are defined as having a maximum of 249 employees.

2. Free Movement of Goods

The Single Market for goods generally works well; however, there are opportunities to enhance the free movement of goods. Swedish Enterprise suggests enforcing the New Legislative Framework principles more consistently, and adapting them for a circular economy.

Businesses still face excessive barriers within the market, in the form of diverging national product requirements, according to the European Round table.¹⁷

Most goods traded on the EU Single Market can move freely because they are subject to harmonised legislation where the EU has adopted rules that guarantee that products meet common health, safety and environmental requirements. In some cases, this takes the form of detailed technical specifications, but more often than not, the legislation is limited to minimum requirements. Technical guidance is provided in voluntary standards developed by the European standardisation organisations.

For those goods not covered by harmonised legislation, national legislation applies. Individual member states have the right to set their own requirements – as long as the requirements are objective and proportionate. However, the principle of mutual recognition applies, and member states must inform the European Commission of their legislation, in accordance with the 2015/1535 notification procedure.¹⁸

Businesses need to increase their awareness of the product rules and standards associated with the Single Market. Currently, many businesses adapt their products to diverging national requirements, instead of asserting their rights to sell their products within the Single Market according to harmonised requirements. With better knowledge of the Single Market rules, such as the regulation of mutual recognition of goods, businesses can better pursue their claims where national requirements are disproportionate or if a country does not properly comply with the principle of mutual recognition.

Businesses also need greater awareness of the tools available to them to ensure proper enforcement of common European rules within member states. Primarily these consist of SOLVIT, the national contact points and the Single Digital Gateway. When Swedish Enterprise surveyed 600 businesses in 2021, 75 per cent of those operating in the EU said that they were unaware of the support available for operating on the Single Market. Since then, the SOLVIT caseload has increased, albeit at a gradual pace.¹⁹ Strategic information provided, for example, to credit institutions and financial advisors, could increase the wider awareness of these tools. Member states should prioritise the Single Digital Gateway to ensure that the information provided is complete and accessible.

¹⁷ Benchmarking – ERT

¹⁸ 2015/1535 notification procedure

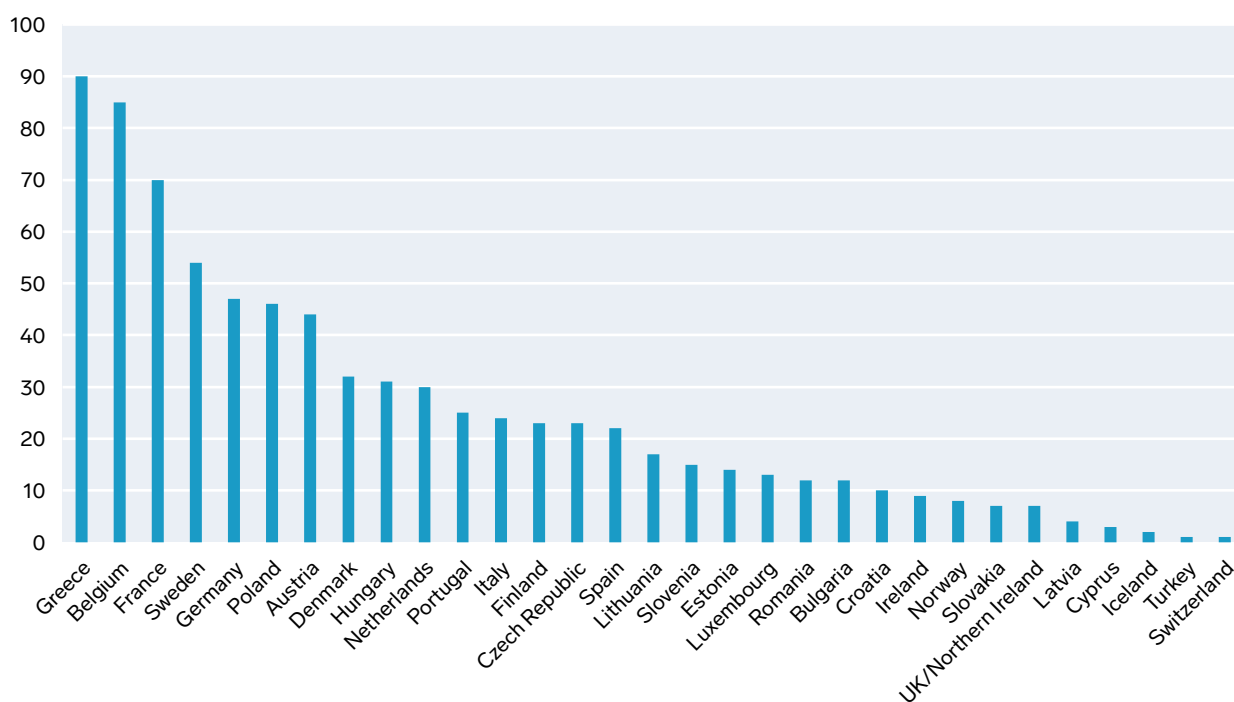
¹⁹ SOLVIT (Sweden) | Single Market Scoreboard.

The Notification Directive requires member states to inform the European Commission of new product requirements. This Directive needs to be applied more uniformly to make sure that businesses do not encounter unforeseen barriers. Considerable differences exist between member states in terms of the number of notified technical barriers to trade (see figure 1). According to the National Board of Trade in Sweden, this could be due to considerable differences between member states' national legislations. However, there may also be reason to believe that the results are – at least in part – due to the fact that barriers have not been reported, leading to fragmentation within the Single Market.²⁰

SOLVIT needs to be reinforced to improve member state compliance with the mutual recognition principle.²¹ It should be possible to raise individual SOLVIT cases with the European Commission for further processing or to raise structural issues *ex officio*, based on SOLVITs own evidence-based case law.

Member states' diverse Extended Producer Responsibility (EPR) systems require a common digital gateway – or at least common reporting requirements – to facilitate overview and management for businesses. Currently, producer responsibility entails reporting to several different entities at various times and in different formats for each member state. This is costly, impedes resource efficiency and the development of e-commerce in the Single Market.

Figur 1. Number of Notified Technical Barriers to Trade in 2023



²⁰ Annual Report 2023 – The Notification Directive for Technical Regulations (in Swedish)

²¹ Regulation (EU) 2019/515 on the mutual recognition of goods lawfully marketed in another member state.

Labelling requirements that must be fulfilled to gain market access should, as far as possible, be harmonised at EU level. In addition to EU quality standards and CE marking, there are various national labelling requirements that hinder cross-border trade.

Labels to inform on the sorting and recycling of packaging materials create barriers. EU member states requiring unique recycling symbols may prevent compliant products from entering parts of the internal market due to labelling issues. Using multiple sorting symbols on all packaging requires extensive knowledge of local labelling laws and risks creating confusion among consumers.

As many flows of materials and products are global, substantial efforts should be made to improve their free movement, not least on the Single Market. For this reason, it is imperative

to work with international standards and towards further harmonisation. Currently, member states have different rules and instruments regarding the circular economy, which hinders the development of efficient, large-scale material flows.

The non-harmonised implementation of the Waste Framework Directive causes fragmentation. Member states define and interpret what constitutes waste differently. Often, this is on top of various national rules on waste, which contributes to further fragmentation. Substantial efforts are also needed to develop and harmonise additional end-of-waste criteria. Currently, primary goods and raw materials enjoy free movement on the single market, however secondary goods and materials are largely discriminated against. As soon as a product or material has been classified as waste, a whole new set of rules enter into play, entailing considerable administration and excessive legislative compliance which hinders the development of a circular Single Market.

Swedish Enterprise proposes the following reforms to further improve the free movement of goods:

- Recommit to the NLF by limiting legislation to those essential requirements that are indispensable for reaching the goal of the legislation.
- Ensure that draft national legislation is notified in the TRIS, and is scrutinised with the aim of avoiding technical barriers to trade.
- Reinforce the mutual recognition principle, strengthen the SOLVIT service and further develop the Single Digital Gateway to meet company needs.
- Harmonise mandatory labelling requirements at EU level to ensure that local labelling laws do not prohibit the free movement of goods within the internal market.
- Streamline countries' EPR-systems, in order to facilitate reporting and support a circular economy.
- Implement the Waste Directive more uniformly, to improve its use with secondary raw materials and circular flows, and develop additional end-of-waste criteria at the EU level.
- Implement green legislation, such as the ESPR including the product passports, in such a way that it promotes a well-functioning internal market that supports a circular economy.
- Ensure efficient, harmonised and risk-based market surveillance of products and operators.

Digital product passports can help pave the way for the circular economy and promote new circular business models. A well-designed infrastructure for product passports will ensure the more efficient transfer of information on products and materials, both between actors and to consumers. To avoid being overly administratively burdensome for businesses, it is important that product passports only include relevant information, and that such data is synchronised with existing databases and systems. Business-sensitive information (including trade secrets) needs to be managed appropriately – if included at all. It is important to find the right balance between protecting intellectual property rights and developing the circular economy. It is also important that any product passport requirements imposed on products imported into the EU are neither more nor less burdensome than those for European products.

Support tools available to businesses in all EU member states:

SOLVIT: Legal advice to address issues arising from contact with authorities in another EU country.

Single Digital Gateway: Free legal advice about free movement. Information on EU rules. Help to find countries' national rules.

National contact points for goods and services respectively: Help in finding rules that apply to specific goods and services.

Tris database: Influence rules: view proposals for new national rules and submit views on them.

To be relevant and efficient, standards need to be determined by the market. The New Legislative Framework (NLF) simplifies legislation by restricting the content of the legal text to essential requirements, leaving technical details to be developed in Harmonised European Standards (hENs). Using standards to provide voluntary guidance on how to fulfil legislative requirements is a cost-efficient way to make sure that the legislation is fit for purpose, reduce the regulatory burden and support innovation. The NLF has not only served to create a well-functioning Single Market. It has also helped European businesses to gain access to the world market, as many of the Harmonised European Standards are well-aligned with, or identical copies of, global standards developed by ISO and IEC.

To promote trade and the competitiveness of the European industry, it is essential to think global first and facilitate the use of global standards in support of implementing European legislation. To create an efficient Single Market – and to gain access to the global market – the method for developing standards needs to be both efficient and market driven. A more politically controlled approach to developing standards risks both impeding the development of modern technologies and hampering innovation; thereby undermining competitiveness.

In order to efficiently ensure that products meet standards and fulfil product requirements, national market surveillance authorities should ensure risk-based market surveillance uniformly across the EU. By targeting those operators, products and requirements that are at higher risk of non-compliance, companies and surveillance authorities use their resources more efficiently.

3. Free Movement of Services

Services face a set of barriers that are distinct from those facing goods, and they need to be addressed differently. The free movement of services between member states typically relates to a business acquiring a partner in its local geography or buying into a local service business. This is often more commercially attractive, as services are significantly hampered by differences in language and culture to a greater extent than trade in goods. Customer orientation is vital to services, as services only arise when there is a customer.

The service sector accounts for about 70 per cent of value added in the Single Market, but just 25 per cent of trade within the EEA²². The share of trade in services in the Single Market is significantly underestimated, as so-called 'servicification' is not taken into account, where services embedded in goods are classified simply as just 'goods'. The value added created by the service sector in terms of exported goods is also not included. Previous estimates show that services accounted for at least 40 per cent of the total value of exported goods in the EU.

Up to 62 per cent of EU services exports to countries outside the EU are based on establishments. As such, they are not included in the statistics.²³

The Services Directive²⁴ does not need to be revised – it must be fully implemented with the sincere aim to remove barriers. Businesses continue to encounter barriers to marketing and selling their services in other member states. The European Commission must make better use of SMET²⁵ and, if that fails, be bold and open infringement proceedings.

The Services Directive came into effect in 2009 to address barriers on the provision and establishment of services in the Single Market caused by national laws that led to ambiguity and fragmentation, hampering the free movement of services.

²² Chart: Intra-European Trade in Goods is Triple That for Services | Statista.

²³ Share of modes in services exports to the rest of the world, by country v2.png – Statistics Explained.

²⁴ Directive of the European Parliament and of the Council (2006/123/EC) of 12 December 2006 on services in the Single Market.

²⁵ Establishment of a working group for the enforcement of the Single Market: the Single Market Enforcement Taskforce (SMET) was announced in the Commission's Single Market Action Plan on 10 March 2020 within the framework of the Industrial Strategy. The working group is to provide a platform for co-operation between member states and the European Commission to improve compliance with Single Market rules.

There is a higher degree of openness to trade in services within the Single Market than in the rest of the world. Figure 2 shows trade barriers for services for countries within the Single Market compared to those outside, according to the OECD's STRI index. The figure shows that barriers to services trade have increased since 2014, both within the EEA and the world.²⁶

The Services Trade Restrictiveness Index database contains information on trade restrictions and behind-the-border regulation in 22 sectors (including transport, financial, professional, logistics, audiovisual, construction, telecommunications, distribution, IT). The intra-EEA Services Trade Restrictiveness Index identifies and catalogues those policy measures restrict trade within the EEA for 24 OECD EU member countries.

"0" indicates that there are no barriers to trade at all, and "1" signifies that it is not possible to trade because barriers are insurmountable.

National markets need to be more open to different types of services and service providers to improve free movement. National laws on services, service businesses and regulated professions remain an administrative burden. National requirements over ownership profiles make it difficult for businesses to expand; for example, pharmacies that need to be owned by pharmacists or veterinary clinics that need to be owned by vets. Furthermore, local regulations can also impact the scope for expansion. For example, in some member states, economic needs tests are still conducted before outlets are approved, despite this approach being prohibited under the Services Directive. In addition, member states often fail in providing sufficient and timely notification about new national legislations which create barriers to trade.

Figure 2. Services Trade Restrictiveness Index (STRI) in the EEA and the World in 2023

Average STRI Score by Country and Policy and Year



²⁶ OECD, STRI Explorer

Franchising rules should be more uniform to promote free movement and services innovation, especially for SMEs. Only 2 per cent of the EU's GDP consists of franchising, compared with 11 per cent in Australia's and 6 per cent in the US. With unified regulation, franchising would be an easier way for businesses to expand within the EU rather than setting up a standard establishment according to national rules. Notably, franchising requires significantly less capital. Additionally, harmonising regulations to promote service innovations other than those for franchising are also required. For example, according to current competition rules, commercialising service innovation other than through franchising, is unnecessarily complicated within EU.

Currently, the harmonisation of copyright legislation within the EU is regulated through approximately 15 directives. These directives do not cover the entire field of copyright and are also implemented in a number of different ways. This is detrimental to all companies and creators who seek to make copyright-protected works available in all member states. What is allowed in one member state may be prohibited in another. This leads to high, and unnecessary, transaction costs.

Key aspects of free movement – such as digital, transport and financial services – fall outside the Services Directive. Instead, these are regulated by separate EU legislation. The former two are discussed in the sections below.



3.1 Implement the new Single Market regulations for digital services

The Digital Markets Act (DMA) is a new regulation that became fully applicable in March 2024. The purpose of the DMA is to contribute to fair competition and a well-functioning internal market through setting special requirements for the largest online platforms and search engines, as defined by their revenues size and market share; so-called 'designated Gatekeepers'. The DMA is expected to provide companies that use the services of the Gatekeepers with a better bargaining position, and subjects the Gatekeepers to pro-competitive obligations (to date, there are seven Gatekeepers²⁷ covering 24 central platform services). There is also an expectation that the DMA will lead to a better market for consumers, with a greater range of services at better prices.

The Digital Services Act (DSA) seeks to ensure a predictable, secure online environment that builds trust. The regulation will prevent the spread of illegal content and disinformation on the internet. Furthermore, it will be easier for companies to comply with rules as the scope for national special regulation becomes smaller. The DSA became fully enforceable in February 2024.

It is vital that the DMA and the DSA – two transformative regulations, are implemented both effectively and uniformly throughout the EU. The competence for supervising and enforcing specific obligations under the regulations are exclusive or shared between the European Commission and regulatory authorities in the member states. A European Digital Services Advisory Board has been set up to support the Commission and the national coordinators in the respective member state to supervise and enforce the legislation. Coordinating supervision and control is both a prerequisite and a challenge for the DSA and DMA. Work is still required to complete implementation of the governance structure.

Despite the fact that the application and implementation of the legislation is still incomplete and at an early stage, criticism implies that the regulatory measures are insufficient, and that gaps in the regulations need to be addressed. Swedish Enterprise stresses the importance of efficient and effective implementation, application and enforcement of the new digital rules to ensure a predictable, coherent digital rulebook. To combat potential gaps, it is also important to have guidelines to help businesses to adopt and comply with the new rules.

Swedish Enterprise's proposals to improve the free movement of services:

- Eliminate policies that favour domestic businesses when providing a service on the Single Market, as they risk distorting competition and trade.
- Map insurance requirements for businesses and projects, based on local traditions and recent legislation with a view to achieving greater convergence.
- Assign the SMET to review whether the Services Directive has been implemented with a focus on mobility within the Single Market, with a view to removing remaining barriers under the Directive.
- Strengthen the notification procedure for new national legislation, and conduct a fresh review of existing legislation.
- Enshrine copyright in European Union Law.
- Ensure effective implementation and harmonised interpretation of the DSA and DMA.
- Consider targeted regulatory action in digital markets only when real market failures have been identified.

²⁷ DMA-designated Gatekeepers.



3.2 Efficient, coordinated transport networks are key to free movement

A well-functioning transport infrastructure network, one that encompasses all transport modes, is crucial for the functioning of the Single Market.

Currently, the Single Market in the transport sector remains overly fragmented. In railway services, for example, legal and technical barriers, such as national regulations, safety requirements or technical standards, still exist between member states. This challenges the smooth operation of railway services across borders.

The Trans-European Transport Network (TEN-T) continues to be the cornerstone of creating an efficient common transport system within the EU. Bottlenecks in infrastructure at internal borders must be removed and the Connecting Europe Facility (CEF) needs adequate financing.

Cost efficiency needs to lie at the heart of efforts to establish a sustainable transport sector. It needs to be part of the fundamental changes underway in transport service provision, such as phasing out of fossil fuels, adopting digitalisation and increasing global competition. Alternative sources of financing for infrastructure development including private capital, should be promoted. Risk sharing between public and private is also required in this sphere. The goal must be an open Single Market with multimodal freight transport chains and seamless travel.

4. Free Movement of People

The well-functioning free movement of people to live, study and work in the EU is essential for supporting service provision across borders and for businesses to recruit talent with the right skills and competences. Labour mobility requires that information on rules and regulations is made easily accessible for businesses and workers, across member states. The rules for the free movement of people can differ depending on the type of mobility – for example, commuting, moving to another country or being posted to another country by your company. A posting is, for example, formally considered to be an export of a service, even if it is typically a temporary move for the individual.

Swedish Enterprise believes that business travel urgently requires an exemption from Regulation 883/2004, which covers the coordination of social security systems, to reduce bureaucracy and ambiguity. Business travel can be crucial for businesses' growth and competitiveness. It is important to underline that regulations on posting and secondment, respectively have different legal bases and different aims. Therefore, these two regulations should be kept separate.

There are also considerable differences that exist between member states in the social contract on wages, working conditions, social systems and similar. These are closely adapted to the individual labour market conditions in each member state. These should remain under national competence and differences should be respected.

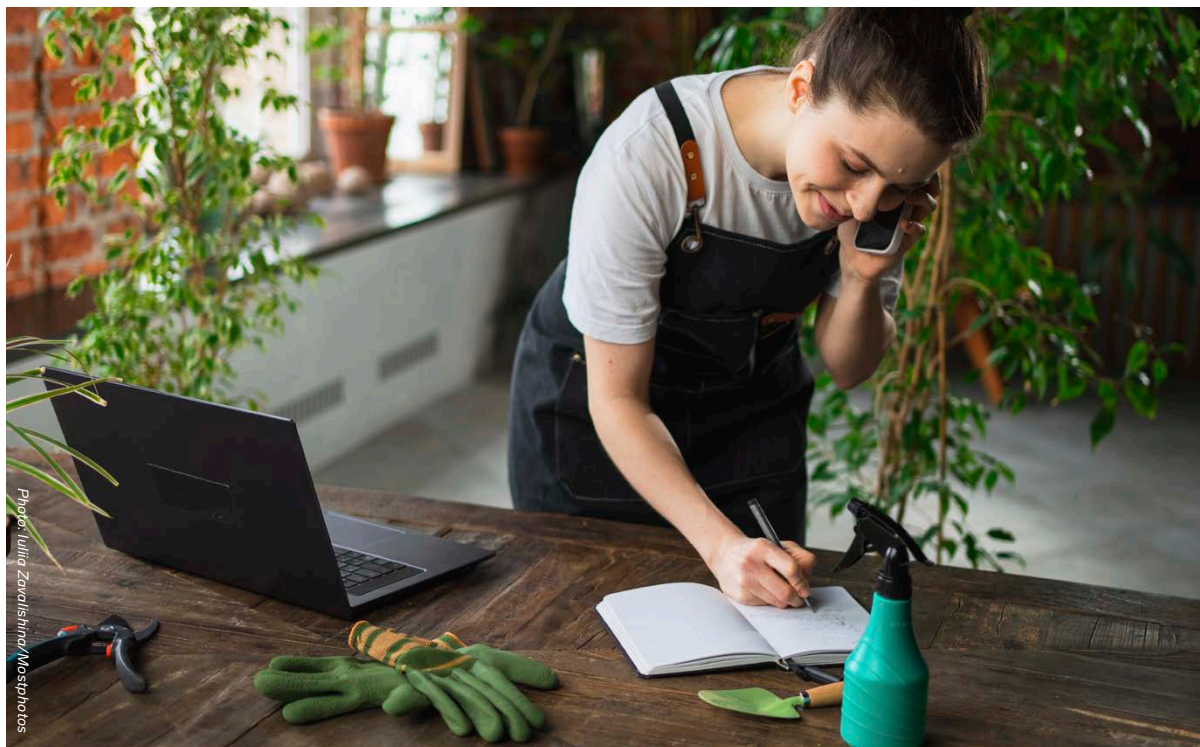
Furthermore, labour mobility requires mutual recognition of diplomas and regulated professions, due to the many persisting differences in national rules and requirements. A thorough review of

regulated professions, with a view to removing regulations that are no longer necessary or proportionate would be appropriate. Member states need to reduce the number of nationally regulated professions and ensure a more uniform application of the Professional Qualifications Directive.²⁸ Scrutinising and reducing the number of regulated professions when regulated only in one or a few member states is a concrete way to initiate this process.

Unnecessary bureaucracy is created when an A1 certificate is required for shorter business trips within the EU. The regulation is *de facto* intended to regulate staff being posted to other EU countries by their employer for up to two years.

The certificate is supposed to demonstrate that an employee is subject to the social insurance system in Sweden; that they pay fees and are entitled to benefits in Sweden. This is required because EU citizens can only belong to one national social insurance system at a time, and must normally be insured in the country where they work.

²⁸Directive 2005/36/EC The directive aims to make it easier to work in another EU or EEA country, by requiring member states to recognise professional qualifications that a person has obtained in another member state.



Differences in national qualifications requirements represent a significant obstacle to the free movement of professional services within the EU. As many as 44 per cent of EU businesses stated that “difficulty in obtaining professional qualifications in another country” is a significant or extremely significant obstacle to cross-border trade in services.²⁹ For example, different countries require different levels or periods of education to achieve recognition of professional qualifications for a particular vocation or to be able to gain access to professional organisations.³⁰

There are more than 5,700 nationally regulated professions in the EU. Around 140 non-medical professions are regulated in one EU country alone (such as florists in Luxembourg and winetasters in Slovenia).³¹

Individual professionals may need to have their qualifications approved in another member state. Strikingly, the EU system for the recognition of professional qualifications is estimated to be used in only 6 per cent of the cases of EU mobility.³²

²⁹ 2024 Eurochambres Single Market Survey: overcoming obstacles, developing solutions – Eurochambres.

³⁰ Dahlberg, E. et al., Legal obstacles in member states to Single Market rules, Publication for the committee on Internal Market and Consumer Protection, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg, 2020.

³¹ Wither on the vine? The unfulfilled EU Single Market for services.

³² Special report 10/2024: The recognition of professional qualifications in the EU.

Swedish Enterprise's proposals to improve the free movement of people:

- Reduce the number of regulated professions, particularly those regulated only in one or few member states.
- Scrutinise the need for registration in national or regional guilds or professional chambers where there already is an existing mutual recognition agreement for professional requirements.
- Introduce an exemption for business trips in Regulation 883/2004 on the coordination of social security systems.
- Strengthen mutual recognition of qualifications and skills validation.
- Ensure the fast transposition and correct application of the Blue Card and Single Permit Directives.

During the COVID-19 pandemic, the European Commission provided guidance on facilitating the mutual recognition of the qualifications of health-care professionals, emphasising the importance of their freedom of movement to the greatest extent possible.³³ In the best of worlds, this issue would have already been resolved. In any case, it illustrated that mobility can be improved for regulated professions through mutual recognition of professional qualifications.

The Posting of Workers Directive governs the rights and obligations of employers and posted workers, namely those working in another member state for a specified period of time but doing so on behalf of their employer in their home country.

Several changes to the directive have expanded its scope and made it difficult to obtain a comprehensive overview of it.

The success of the Single Market, and the possibility for European companies to grow and thrive, is dependent on attracting international talent. Many European companies suffer a lack of staff with the relevant skills. Conditions for third country nationals to work and move within the Single Market, when employed by, or assigned to, EU-based companies, must be improved. The fast transposition and correct application of the Blue Card and Single Permit Directives should be ensured.

³³ Guidance on free movement of health professionals and minimum harmonisation of training in relation to COVID-19 emergency measures – recommendations regarding Directive 2005/36/EC.

5. Free Movement of Capital

The free movement of capital is an important precondition for the other freedoms to be fully utilised. It encapsulates the possibility of citizens and businesses being able to make unhindered payments or transfer capital for investments, in other member states. The EU capital markets need to be developed to strengthen competitiveness, promote entrepreneurship and growth and to pave the way for the green and digital transition. We need well-functioning EU capital markets to make it easier for investors, savers and issuers.

Swedish Enterprise supports the aim of the Capital Markets Union (CMU, also referenced as the Savings and Investment Union) to create a Single Market for capital. Strong, well-functioning capital markets are critical for meeting businesses' financing needs. They are key to achieving many of the EU's long-term goals, such as the twin transition and increased competitiveness.

At the same time, it is clear that financial market outcomes are driven by the real economy. Long-term projects, suitable for businesses to invest in, require a focus on competitiveness and on securing improved business conditions to attract more investment.

Any actions taken to reinforce and implement the CMU should strengthen European companies' access to finance by identifying their unmet needs, areas of potential improvement and by facilitating financial market innovation. This will support the aim of increasing investment in the EU. The EU should contribute to increasing the size and liquidity of its capital markets by encouraging a shift of household savings to capital markets. This can be achieved by offering attractive savings accounts and funded pension systems at the member state level. Individual savings in multiple markets should be facilitated and barriers to cross-border insurance and pension savings should be removed.



The diversity in the capital markets of individual EU member states should be leveraged by improving each individual market through a tailored structured process. Harmonisation of financial market rules across the EU should be sought only where needed and where this does not weaken existing well-functioning structures. An inter-governmental approach should be used to duly develop the EU capital markets and, in this context, the EU can play an important leadership role.

Notification of investment from third countries should only be required if security interests are threatened. The EU Foreign Direct Investment Screening Regulation (FDI regulation) is currently under review. In this context, it is essential that the EU remains an open and attractive destination for trade and foreign investments, which are essential for Europe's capacity to grow, innovate and create jobs. At the same time, the risks related to security and public order that arise from certain types of investments need to be addressed effectively. This should be undertaken in a targeted and proportionate manner and should fully respect member states' exclusive competence over national security. In order not to unduly hinder investments, it is vital that the scope of the regulation and the

notification requirement are not extended beyond that which is strictly necessary from a security perspective.

The cumulative burden imposed on transactions is increasingly problematic. Currently, three distinct regulatory frameworks are, for example, triggered during an acquisition. These are merger control under competition law, the FDI regulation, and the Foreign Subsidies Regulation (FSR). This multi-faceted regulatory landscape risks placing a significant strain on companies, making transactions more costly and complex. The lack of harmonisation in applying of these rules can further exacerbate unpredictability, creating an environment of uncertainty for businesses. To address these challenges, we advocate for a more proportionate and harmonised application of these regulations, ensuring that the regulatory burden is manageable and that the process remains transparent and predictable.

Furthermore, it is evident that the scope of the FSR regulation is too broad. In the coming years, it should be revised to become more selective, focusing on transactions that are likely to be particularly problematic.

Swedish Enterprise's proposals to improve the movement of capital:

- Facilitate a competitive investment environment, with a focus on competitiveness and improved business conditions to attract and increase investment.
- Focus on companies' access to finance, tailor initiatives and improve access to diverse and innovative financing sources.
- Increase the size and liquidity of EU capital markets by encouraging a shift of household savings to them. Promote pension capital engagement in capital markets.
- Improve capital markets in individual member states through a tailored, structured process, rather than seeking to harmonise financial market rules across the EU.
- Define a proportionate scope of the Foreign Subsidies Regulation and the Foreign Direct Investment Screening Regulation (currently under revision)), and limit notification requirements to what is strictly necessary.

6. Europe's digital economy based on data and AI-use

For data use to work effectively, functioning data flows are needed. These include everything from connected devices that produce data to computers that process data, cloud services, data centres, the digital infrastructure that transports data and the technologies needed for the flow – such as AI technology, quantum computers and edge computing. In addition, there are laws and regulations that govern data use and data flows.

A good starting point for the European Commission would be to reduce the regulatory burden, regulatory overlaps and legal uncertainty in the digital field. The EU's regulatory approach to technology companies is hampering innovation.³⁴ The General Data Protection Regulation (GDPR), the Digital Markets Act (DMA), the Digital Services Act (DSA), the Data Act and the AI Act create a regulatory jungle that is difficult to penetrate.

The application of the GDPR needs to be fully harmonised and not interpreted based on the operations of the largest companies, as they are often not relevant to start-ups and SMEs. To simply exclude SMEs from regulations that only large companies can comply with fails to consider the need for a regulatory framework that fully takes into account SMEs' participation in value chains. It is central for SMEs without legal expertise to be able to manage regulatory compliance at a reasonable cost.

The flow of data, both within the EU and internationally, is central to the competitiveness of an open economy. In both the internal and international markets, harmonised regulatory frameworks are the most important for companies'

operations. They create competition on equal terms and increase companies' ability to cope with compliance. This is increasingly important for them to be able to use and leverage technology and be a supplier in value chains.

Having access to and being able to use data is necessary to achieve growth and scalability across all businesses. The EU's overall data strategy, which aims to create a common data market, includes among other initiatives the Data Act and Data Governance Act. These two regulations complement each other and have the common objective of increasing access to, and use of, data. To create a strong foundation for the EU as a global leader in digital innovation, these regulations must be applied to support innovation. In addition, the rules must ensure the protection of privacy, cybersecurity, intellectual property rights and trade secrets. To avoid fragmentation in the Digital Single Market, the new regulations must also be implemented and enforced effectively and uniformly across the EU.

The EU is facing major societal challenges where the ability to successfully transition depends on the companies' success in exploiting the opportunities offered by digitalisation for increased innovation and competitiveness. To do this, both

³⁴ The future of European competitiveness – A competitiveness strategy for Europe.



public and private actors must have the ability to easily and securely share and use data. The new rules must not put a spanner in the works for this, and the business community will need support to cope with the rules.

It is important to conduct a GDPR review based on digitalisation and AI use with the ambition of modernising the regulation. Better possibilities and simplifications of lawfully using and reusing personal data and mixed datasets, as well as automated decisions, should be prioritised. The ability to use personal data in AI models and systems is central to the delivery of representative,

personalised and customer-specific AI outputs. The EU needs to examine the consequences of the GDPR from a competitiveness perspective and take measures to facilitate the use of personal data and regulatory compliance.

Non-personal data can also represent great value for companies. Therefore, it is also necessary to ensure that the legislation to protect data and information as intangible assets is fit for purpose. Currently, differences still exist between member states in this field. The directive on trade secrets³⁵ is silent on crucial issues and further harmonisation is necessary.

Swedish Enterprise's proposals to fully leverage the digital economy are:

- Simplify the existing digital rulebook and ensure that it is implemented and enforced consistently.
- Assess the economic impact of cumulative digital regulation on innovation and competitiveness, in order to inform future policymaking.
- Establish a high threshold for further digital regulation during the next legislative mandate.
- Modernise the GDPR to enable more data use and automated decisions to strengthen the digital society and EU's competitiveness.

³⁵ The Directive on Trade Secrets (2016/943).

www.svensktnaringsliv.se

Storgatan 19, 114 82 Stockholm

Phone 08-553 430 00

Print: Arkitektkopia AB, Bromma, 2025