



Single market strategy 2025

FEDIL’s feedback for the European Commission’s call for evidence

Content

- I Introduction 2
- II Promoting a harmonised and free-trade Single Market 2
- III Liberalising cross-border services and enhancing market operations 3
- IV Establishing a dynamic European labour market 4
- V Strengthening market surveillance and enforcement 5
- About FEDIL 6

I Introduction

This document presents FEDIL's contribution to the European Commission's call for evidence on the Single Market Strategy 2025. As Luxembourg's multisectoral business federation, FEDIL advocates for a streamlined Single Market that fosters economic growth, innovation, and business-friendly regulations.

The Single Market is crucial to the EU economy, ensuring the free movement of goods, services, capital, and people. We welcome the Commission's commitment to strengthening the Single Market to help companies scale up and compete globally. However, fragmented regulations, administrative burdens, and inconsistent policies hinder business efficiency and competitiveness. Streamlining and harmonising legislation is key to sustaining economic integration, promoting business growth—especially for SMEs—and ensuring that the Single Market remains an attractive economic space.

FEDIL remains committed to collaborating with EU institutions and Member States to promote a harmonised and efficient Single Market. The following sections outline key policy measures to reinforce economic integration and strengthen Europe's competitiveness.

II Promoting a harmonised and free-trade Single Market

Fragmentation remains a significant challenge, hindering economic integration. A unified EU framework is necessary for businesses to scale up, compete internationally, and absorb external shocks. The Single Market also plays a key role in advancing green and digital transitions.¹

Ensuring level playing field through full harmonisation and country-of-origin principle

The inconsistent implementation of EU policies by Member States creates an uneven playing field, particularly affecting SMEs. EU legislation should ensure uniformity, eliminating exceptions, derogations, and varied interpretations that lead to legal uncertainties and market fragmentation. New legislation should promote full harmonisation and be based on the country-of-origin principle to foster trust and mutual recognition among Member States.

Addressing over-implementation and 'gold-plating'

Over-implementation, or 'gold-plating,' often results from minimum harmonisation legislation, requiring uniform and consistent transposition of EU laws across all Member States. When Member States add additional requirements beyond EU directives, businesses face increased compliance costs, legal uncertainty, and administrative complexity. This undermines regulatory predictability, discourages cross-border trade, and creates fragmentation within the Single Market. Ensuring that EU laws are implemented consistently across Member States is crucial to preventing unnecessary barriers and maintaining a competitive business environment.

Strengthening the Better Regulation agenda and incorporating a Single Market test into legislation

To prevent further fragmentation, policymakers must incorporate a Single Market test in the legislative process to evaluate the cumulative effects of EU and national regulations. Every EU initiative should guarantee freedom of trade within the Single Market.

¹ According to the European Commission, around 60% of the barriers to the Single Market for services identified in 2002 persist today. See 2023 Annual Single Market Report: Single Market at 30, page 27.
<https://single-market-economy.ec.europa.eu/system/files/2023-01/ASMR%202023.pdf>

Existing regulations should be effectively implemented before new initiatives are proposed. Policymakers should focus on consistency and clarity within the legal framework, ensuring systematic assessment and prompt adjustments when necessary.

Removing unnecessary national obstacles to the Single Market

A well-functioning Single Market requires integration and the elimination of internal barriers hindering economic growth. Removing these obstacles is crucial to establishing a level playing field across the EU. Simplified and uniform rules across all 27 Member States would reduce administrative burdens and costs while maintaining necessary consumer protections. The principle of "one in, twenty-seven out" reflects a streamlined and efficient regulatory approach.

Applying and maintaining industry-driven standards

Single Market policies should consistently apply industry-driven standardisation to ensure product and service quality, safety, and compliance. Harmonising international and EU standards is vital for global market access and reducing administrative burdens. This approach can enhance the competitiveness of EU businesses and drive innovation, particularly in the green and digital sectors.

III Liberalising cross-border services and enhancing market operations

The services sector, including digital services, is a challenging component of the Single Market. Despite progress, barriers remain due to insufficient harmonisation and a lack of mutual recognition across Member States.

Removing barriers and harmonising digital frameworks for cross-border services

Disproportionate regulatory and administrative barriers must be removed. Harmonising digital frameworks—particularly in areas such as social security, business travel, and short-term postings—is essential. Simplifying these processes, including revising A1 Form requirements based on activity duration and nature, will benefit industries and contribute to growth.²

Specifically, on posted workers and the e-declaration

Many businesses struggle with inconsistent national transpositions of the Posting of Workers Directive, leading to significant compliance costs. The current fragmented system places a heavy administrative burden on businesses, discouraging cross-border service provision and disproportionately impacting SMEs. Luxembourg, due to its small size and high reliance on foreign service providers, faces specific challenges. A binding EU regulation that standardises e-declaration procedures, eliminates excessive national requirements, and ensures mutual recognition would reduce trade barriers and enhance economic efficiency across the Single Market. Harmonisation for posted workers remains essential.

We welcome the proposition of an e-declaration system, which aligns with the objectives of reducing administrative burdens, facilitating the free provision of services, and enhancing competitiveness within the Single Market. However, making it voluntary for Member States weakens its potential as a truly uniform solution. We consider that the e-Declaration should be made obligatory at the EU level to eliminate regulatory fragmentation.

² Overall, around 38% of the total value added embedded in the demand of manufacturing industries in the EU is generated by services. Commission Staff Working Document 2023 Annual Single Market Report: Single Market at 30 <https://single-market-economy.ec.europa.eu/system/files/2023-01/ASMR%202023.pdf>

Furthermore, we need an approach that exempts certain categories of short-term postings from cumbersome reporting requirements. These include brief assignments for training, business meetings, cross-border teleworking, urgent technical interventions, and deliveries.

Harmonising e-invoicing for cross-border operations

The digitalisation of business activities, including e-invoicing for cross-border transactions, requires a harmonised EU framework. Aligning digital reporting standards will ease compliance burdens on businesses and strengthen the Single Market's efficiency.

Enhancing Single Market infrastructures, including transport infrastructures and systems

A robust cross-border infrastructure is essential for the seamless movement of goods, services, capital, and data. Delays, maintenance gaps, and missing connections hinder economic integration. Investments should prioritise strengthening transport networks and ensuring capacity meets demand, eliminating barriers that disrupt market fluidity.³

IV Establishing a dynamic European labour market

Europe's labour markets face multiple challenges, including labour and skills shortages, structural mismatches, and outdated education and training systems. Addressing these issues is essential to ensuring a dynamic and competitive workforce.⁴

Ensuring the free movement of people for a functional labour market

A fully functional European labour market requires the free movement of people, bringing economic benefits to businesses and workers alike. Removing barriers to worker mobility, enhancing participation of mobile workers, and promoting circular mobility will optimise benefits for both countries of origin and destination. Policymakers at both European and national levels must establish conditions that support a flexible and responsive labour market.

Targeted investments in education with a focus on vocational and industry-specific trainings

To address skills shortages and labour gaps, targeted investments in education and vocational training are essential. Training programmes should align with evolving industry needs, ensuring that workers are equipped with relevant and adaptable skills.

Improving qualification recognition and facilitating the recruitment of non-EU nationals

Streamlining administrative processes, improving qualification recognition, and simplifying recruitment procedures for non-EU nationals will help bridge skill shortages. Effective cooperation between Member States and businesses is necessary to implement these reforms efficiently.

³ BusinessEurope's Paper "Transport infrastructure and systems", April 2023.

https://www.busineurope.eu/sites/buseur/files/media/position_papers/internal_market/2023_busineurope_transport_infrastructure_and_systems.pdf

⁴ BusinessEurope's Analysis of labour and skills shortages: Overcoming bottlenecks to productivity and growth, October 2023. https://www.busineurope.eu/sites/buseur/files/media/reports_and_studies/2023-10-23_analysis_of_labour_and_skills_shortages.pdf

V Strengthening market surveillance and enforcement

The EU must ensure an area without internal frontiers while maintaining conditions that support industrial competitiveness through open and competitive markets. Effective, transparent, and consistent enforcement of Single Market rules requires strengthening governance infrastructure at both EU and national levels.

Increasing market surveillance resources

To uphold a level playing field and ensure compliance with EU rules, market surveillance must be reinforced. This necessitates a significant increase in resources to enhance monitoring and enforcement capabilities across the EU.

Proactive enforcement by the Commission, the “guardian of the treaties”

The Commission must proactively enforce Single Market regulations to maintain trust in cross-border services and products. A functioning Single Market depends on assertive enforcement by both the Commission and Member States. The Commission should fully exercise its authority as the guardian of the Treaties, employing infringement procedures when necessary to address violations by Member States and referring cases to the Court of Justice of the European Union to safeguard the integrity of the Single Market.⁵

⁵ Articles 26 and 173(1) TFEU.

About FEDIL

Founded in 1918, FEDIL – The Voice of Luxembourg's Industry (hereinafter "FEDIL") is a multi-sector business federation that gives a voice to more than 700 industrial members, service providers, and construction companies, fostering economic activity in Luxembourg. Today, FEDIL represents 95% of Luxembourg's industrial production, 75% of Luxembourg's private research activity, 25% of national employment, and 35% of national GDP. To perform its duties, FEDIL is registered in the Chamber of Deputies' transparency register. FEDIL is a founding member of the European employers' association BusinessEurope and has a representative office in Brussels to ensure that its member companies' voices are heard in European policymaking. To this end, FEDIL is registered in the EU Transparency Register (number 286194516022- 33).

Your contacts at FEDIL

René Winkin

General Manager

T: +352 43 53 66 607

rene.winkin@fedil.lu

Francesco Fiaschi

Head of European Affairs
Permanent Delegate to BusinessEurope

T: +352 43 53 66 601

francesco.fiaschi@fedil.lu