



Single Market Action Plan

Non-paper by the German Federal Government

With 450 million consumers, a GDP of €18 trillion and an 18% share of global economic output, the EU Single Market is one of the world's largest unified economic areas. For European companies, particularly in Germany, the Single Market is the most important export market.

The reports by Enrico Letta and Mario Draghi were a wake-up call and showed all too clearly that productivity growth in the EU has slowed over recent decades, especially in comparison with the US. The gap in the size of GDP at 2015 prices is constantly growing between the EU and the US: from slightly over 15% in 2002 to 30% in 2023. According to the IMF, barriers to trade within the Single Market amount to imputed tariffs of 44% for goods and even 110% for services; the ECB puts the figures at 67% and 95% respectively. In view of the current trade policy challenges, the EU now needs to look to its strengths. This will require specific, bold and in some cases uncomfortable steps. Anyone who takes the project of completing the Single Market seriously must be ready to restrict national scope for action in the interest of the common market, and also to undertake laborious technical work. If the project is to succeed, all the involved parties will have to adopt a truly new mindset which always includes the perspective of the Single Market. This includes new restraint on legislative activity to avoid unnecessary bureaucracy, as well as resolute bureaucracy reduction which upholds policy goals and relevant standards. As SMEs form the backbone of the economy, appropriate attention must be given to their specific interests and needs.

The European Commission's horizontal Single Market Strategy, in which it cited the "terrible ten" most pressing barriers to the Single Market, marks a start on this work. So does the announcement of a supplementary roadmap up to 2028, e.g. in the fields of energy, telecommunications and capital markets. We should make use of this momentum and, together with the European Commission and our European partners, implement the measures on the table rigorously, swiftly, and with little bureaucracy. We call on the Commission to present specific proposals to flesh out the Single Market Roadmap so that we can also make rapid progress in the fields of energy, telecommunications and capital markets.

The focus is therefore in particular on the establishment of a predictable regulatory environment and the reduction of regulatory fragmentation in the EU, the deepening of the Savings and Investment Union for integrated capital markets and sufficient venture capital, the improvement of labour mobility and access to skilled workers and skills, and the creation of a connected and affordable energy market.

1. Simpler rules on the cross-border provision of services

- **Apply the eDeclaration across the EU:** The main obstacle cited by companies regarding the cross-border provision of services is administrative burden when the posting workers. In order to attain a uniform, digital and low-bureaucracy approach to and thus simplification of the cross-border posting of workers, the envisaged eDeclaration should be adopted as quickly as and by as many Member States as possible in the most streamlined manner – whilst ensuring a high level of controls and protection. Germany is calling for a trilogue agreement on the eDeclaration in the first half of 2026. The eDeclaration can reduce the burden on companies, facilitate the cross-border provision of services, and enhance the rights of workers to protection via more efficient possibilities to exercise controls. Going forward, the portal should make it possible to notify the posting and apply at the same time for the A1 social security certificate which posted workers also need. This this would further simplify the posting process.
- **Apply a risk-based approach to the posting of workers:** The Member States should make increasing use of the risk-based approach applied in Germany to the notification of the posting (registration only for certain risky sectors) in order to reduce the burden on companies which post workers and thus to relieve the companies of reporting requirements.
- Apart from this, a sector-specific approach should be taken to the services sector due to its heterogeneity. Horizontal rules like those in the Services Directive are not the right way forward. This applies for example to the construction and retail sectors.
- **Strengthening ownership of the Single Market in companies:** The business sector also needs to work on the removal of barriers. Even if this can initially create costs, it should be possible to offer services relating to the opening of bank accounts, for example, across the EU, also in the cross-border context. Companies could also help by establishing industry standards, e.g. for a digital standardised and quality-assured exchange of data.
- **Update the legal framework for telecommunications:** It is essential to boost the European competitiveness of the telecommunications sector via a better integrated Single Market. The existing framework of EU telecommunications legislation should be simplified and, where appropriate, harmonised, whilst maintaining the high standards of protection in force. At the same time, the rules should be efficient, clear and easy to use. If possible, no further regulatory burdens should be imposed on SMEs in particular in this process. Unnecessary regulatory burden and reporting requirements must be dismantled as quickly as possible.
- **Simplify the framework of digital law:** The digital framework of the EU must be simplified and harmonised. Thus, Germany welcomes in principle the Commission's proposal for a Digital Omnibus (Omnibus VII). For Germany, it is important that the Omnibus VII delivers tangible improvements and simplifications, notably for SMEs, SMEs, startups, science and research, the public sector and voluntary workers – whilst

at the same time maintaining the protection created by the AI Act and the GDPR. More specifically, we want to ensure that small and medium-sized companies, low-risk data processing and particular non-commercial activities can be excluded from the scope of the GDPR, to the extent that this is possible under EU primary law and international law. The Omnibus VII is only the beginning of the simplification of existing EU digital law. Beyond this, we need to review the entire acquis of European digital law to further ease the burden on companies, citizens and public administrations and to improve the EU's competitiveness whilst preserving the values of the EU. Germany will aim for an ambitious fit-for-digital check. This also includes the creation of a uniform framework for digital, standardised, automated and quality-assured data exchange to render business processes more efficient and save companies and the public administration financial costs and time, e.g. through digital accounts, eInvoices, the Digital Product Passport (DPP) or the EU Business Wallet. Important components here include (1) legislation that is fit for digital, (2) legal certainty regarding access to data and data use, (3) harmonised data formats, (4) technical minimum requirements and (5) a joint EU data infrastructure.

2. Strengthen cross-border activities of and investment in companies through the 28th regime

The introduction of an additional voluntary legal form for a corporation under corporate law – the 28th regime – would greatly facilitate setting up new businesses across the EU and thus mark a milestone for the Single Market. The regime would make it easier for companies to undertake cross-border activities in the Single Market, facilitate activities by startups and the scaling-up of businesses, and make it considerably more attractive for investors to invest, especially in the venture capital segment. The added value of the proposed new legal form would lie in the creation of a simplified and, in particular, unified framework. It is thus important to strive for a high level of harmonisation and unification without undermining national labour and social standards such as rules on co-determination. Working towards an 28th insolvency regime would require thorough preparation, including involvement from the Member States and a focus on the needs of the capital markets; this should therefore be kept strictly separate from the work on the 28th corporate regime.

3. Mobility of skilled workers: Strengthen the recognition of professional qualifications

Concerning the freedom of movement for workers, the procedures for the recognition of professional qualifications should be further digitalised, and the Commission should develop centralised digital tools to this end. Similarly important are uniform rules across the EU for the recognition of professional qualifications obtained in third countries or the EU, as already practiced in Germany - even though a voluntary approach is to be pursued here, as the relevant competence lies with the Members States.

4. Simplify trade in goods

Even though the level of integration in the trade in goods is more advanced than that of the trade in services, there are still too many obstacles to the cross-border trade in goods.

- **Modernise product regulation:** At the heart of the Single Market is European product regulation on the basis of the New Legislative Framework (NLF), which rests on the pillars of standardisation, accreditation, conformity assessment and market surveillance. The system, which was introduced in 2008, has aged and suffers from slow processes, diverging interpretation in Member States and a lack of harmonisation. The European Product Act (EPA) announced by the European Commission ought to make an important contribution here, enabled by a design that strengthens coherence in product regulation, reduces complexity and is enforced through a digital system that is practical for SMEs, reliable and has undergone quality-assurance.
- **Review the Standardisation Regulation:** The review of the Standardisation Regulation should build on the strengths of the established European standardisation system, especially that of market-driven, consensus-based and voluntary standards (improve rather than replace). The processes leading up to the legally binding adoption of a new standard ought to be accelerated.
- **Digitise product regulation:** The entire system of product regulation ought to be made digital. The DPP ought to be rolled out horizontally and rendered useful for the purposes of circularity. However, it is necessary to factor in individual particularities of the product groups and economic actors concerned (especially SMEs).
- **Improve market surveillance with regard to non-compliant products from third countries:** The EU and the Member States need to increasingly undertake joint and coordinated efforts to protect the Single Market from non-compliant products from third countries and to ensure fair competition for law-abiding European suppliers. The market surveillance authorities, which have so far been structured at national level, are increasingly reaching their limits; differences between the Member States with regard to intensity of the surveillance are resulting in rerouting and forum shopping. The European Commission's proposal for strengthening market surveillance at EU level, e.g. by creating an EU market surveillance authority, is sensible, for instance for strategic high-priority areas such as eCommerce imports from third countries and for cases in which the market surveillance activities by individual Member States are insufficient. At the same time, it is necessary to strengthen the market surveillance authorities and the customs authorities and to widen the powers of the market surveillance authorities (e.g. regarding a tangible and solvent economic actor that is responsible for the products brought to the market) when they interact with eCommerce platforms in accordance with the Digital Services Act (DSA). The German Action Plan on eCommerce adopted in January 2025 also called for strengthening market surveillance in eCommerce in this way.
- **Address fragmented product labelling and packaging requirements:** Regulations on product packaging and labelling differ between the Member States – to the point where this has formed an increasingly intricate rule book that is almost impossible to work with at an operative level. Labelling requirements ought to be pooled and

simplified. The Packaging Regulation ought to be swiftly and comprehensively implemented through the relevant implementing acts, so as to move on from the existing fragmentation caused by national recycling provisions and create uniform rules that are easy to comply with. Wherever sensible and possible, we should also simplify labelling requirements by introducing digital solutions such as the Digital Product Passport whilst ensuring that this is done in a way that works in practice, for SMEs and for consumers alike.

5. Regard SMEs as drivers of the internal market

99.8% of the companies in Europe are SMEs; these are highly innovative, dynamic and often global market leaders. They make a significant contribution to growth, prosperity and the social fabric in Europe. However, it will only be possible to improve the EU's competitiveness if the specific interests and needs of SMEs continue to be taken on board on a broad basis. The SME definition also covers startups and scaleups in the growth phase – companies that act as drivers of innovation and competitiveness and thereby fulfil an important task. The EU Startup and Scaleup Strategy presented by the European Commission, which, for the first time, pools important issues of startup policy at European level, is highly welcome. At the same time, at EU level, we must also give greater attention again to other types of SMEs. (1) All EU measures, including where the financial markets are concerned, must be SME-friendly and digital by default, catering for the needs of SMEs from the start. It is therefore also important to consistently conduct SME tests and checks as part of impact assessments and to increasingly perform reality checks at EU level. (2) Strengthening the SME Envoy Network should notably be achieved through regular contacts of EVP Séjourné with the network and through cooperation of the network with the Single Market Taskforce (SMET), and in a way that ensures that the interests of all parties, including those of the competent national authorities, are taken into account. (3) As part of the efforts to strengthen the resilience of strategic sectors, the supporting role of SMEs ought to be factored in. SMEs play a major role in the supply chains of strategic sectors and should therefore be taken into account where measures for strategic sectors are taken (e.g. IPCEIs, Scaleup Strategy, trade, public-sector procurement and market information and monitoring).

6. Deepen the Savings and Investments Union

Germany is advocating the further development of the Savings and Investments Union, so as to strengthen growth financing in Europe and work towards a single capital and financial market. A competitive European capital market is of pivotal importance for the mobilisation of private capital and the necessary investments in industry, infrastructure, digitisation, sustainable transformation, critical technologies and defence. The European Commission's Communication of March 2025 addresses the decisive areas, creating important focal areas and setting out an ambitious timeline for implementation.

Germany sees the need to focus on:

- A high level of ambition to cut red tape in financial market regulation, greater proportionality regarding equity requirements for banks.
- Better financing opportunities, including venture and risk capital for European companies – especially for young and innovative – companies.
- Reviving the EU securitisation market.
- Stimulating demand for financial products, especially for pension provision and for participation of small-scale investors in the capital market whilst also building financial knowledge. Strengthening the convergence and efficiency of EU supervision, and effective supervision of the most systemically important cross-border players on the capital and financial markets. In this process, the interests of Germany as a financial centre need to be taken into account.

7. Modernise competition law

We need a stringent, modern and lean competitive framework which affords effective protection of competition on the Single Market whilst also strengthening the competitiveness of the EU.

- **Review EU merger control:** In the review process for the EU Merger Guidelines, Germany therefore called on the the European Commission to give greater priority to the competitiveness of European companies, to economic security (including resilience) and to defence capability in the rules on merger control (by increasing thresh-olds and developing a legally certain solution for the review of killer acquisitions), and to take greater account of (future) efficiencies resulting from a merger.
- **Review the Foreign Subsidies Regulation:** Furthermore, there is an ongoing review of the EU Foreign Subsidies Regulation, which aims at levelling the playing field between European companies and (subsidised) companies from outside the EU. The objective is to strike a balance between effective protection of the Single Market and limiting the administrative burden on companies. In addition to creating a fair competitive environment, the Federal Government wants to cut bureaucracy and uphold an investment-friendly environment in the EU.

8. Energy: expand cross-border infrastructure, grids and H2 networks

The EU internal energy market is of extraordinary importance for the EU and Germany: in economic, political and strategic terms. The EU has one of the largest and most integrated energy markets in the world. This creates security of supply, better price stability and geopolitical independence. A key factor for international competitiveness and sustainable economic growth in the EU is energy prices. A well-integrated and interconnected internal energy market can bring these down by considerable margins. The larger and more interconnected an energy market, the more efficiently will it allow for Member States' energy mixes to be used to meet demand. The integration of the internal energy market notably requires greater ambitions with regard to the expansions of cross-border power lines and a readiness to adopt a more European

approach when developing energy policies. More strategic and ambitious cross-border grid expansion planning and better dovetailing of national measures to improve security of supply, such as capacity mechanisms, can make an important contribution to building a stronger European internal energy market.

The EU Grids Package and the European Commission's Energy Highway Initiative offer an opportunity for bringing the EU internal energy market even closer together. The Draghi report is very clear: an ambitious development of the energy infrastructure is one of the most important measures for improving the EU's long-term competitiveness, for affordable energy prices and for climate neutrality. The Grids Package should set the course for stronger, swifter and more strategic cross-border European grid planning and project development and deliver better regulation for strengthening grid security and stability, less bureaucratic access to EU funds, incentives for the standardisation of grid components and a better framework for the expansion of offshore wind energy.

9. Governance: Exercise restraint on legislation, consistent implementation and enforcement of Single Market rules and good cross-border cooperation

New mindset of regulatory restraint to avoid unnecessary bureaucracy: Regulation should be used only in cases where it is absolutely necessary to achieve the political objectives, improve the functionality of the Single Market or remove barriers to cross-border trade and investment. The goal must be to achieve harmonisation and thus streamlining and burden reduction whilst upholding relevant standards.

- **Avoid bureaucratic burden created by EU rules:** EU rules are to be designed in a way that does not create any unnecessary bureaucratic burdens and simultaneously ensures that political objectives and relevant standards are upheld. Rules that create an unnecessary bureaucratic burden must be abandoned or revised. Example: the Traineeship Directive must not lead to a situation where companies stop offering traineeships. Any new bureaucratic and financial burden on the public sector and companies thus needs to be avoided, and the scope of any new regulation needs to be clearly defined.
- **Minimise national scope for action:** The rules governing the Single Market should, within the scope of the Treaties, establish full harmonisation wherever possible and should avoid additional provisions which allow Member States to draw up diverging requirements. In addition to this, the European Commission should publish guidelines for the implementation of a directive early on in order to achieve as uniform an understanding and implementation of the rules as possible.
- **Avoid bureaucratic over-compliance:** The creation of any additional bureaucratic burden related to the transposition of EU directives must be effectively avoided through joint and coordinated efforts by the European Commission and the Member States. For this to be achieved, a common understanding needs to be developed at EU level. In addition, it should be the shared goal of the Member States to urgently remove gold-plating in areas of particular relevance.

Strengthen administrative cooperation between Member States: In order for the Single Market to be completed, the authorities of the Member States also need to see

themselves as part of the internal market and collaborate closely across borders. This applies in particular to market surveillance authorities (cf. above).

In order to prevent any new bureaucratic burdens and costs, the tried-and-tested Internal Market Information System (IMI) should become the default system (or should be used at least as an interface) for the digital implementation and enforcement of EU rules, and should be continuously improved in line with stakeholders' needs.

Moreover, cooperation within voluntary cross-border single market fora such as the Single Market Enforcement Taskforce should be reinforced. When designing specific policy measures, regardless of the area or theme, Single Market aspects always need to be taken into account.

- **Strengthen the European Commission's role as "Guardian of the Treaties":**

Regarding potential infringements of Single Market rules, the Commission should make more frequent, transparent and efficient use of the tried-and-tested "pre-infringement dialogues" instrument (until now known as "EU pilot").

The European Commission should also make more coherent use of infringement procedures, particularly in cases of serious or repeated infringements of the current Single Market rules which negatively affect cross-border economic activities (for example in retail trade) and where it is difficult for companies to obtain effective legal remedy at the national level.