POSITION PAPER

Japan Business Council in Europe

Date: 30 January 2025

JBCE'S FEEDBACK ON THE EUROPEAN COMMISSION SINGLE MARKET STRATEGY

INTRODUCTION

KEY MESSAGES

- To reduce barriers to the free movement of goods and services, JBCE calls for the harmonisation of customs regulations to alleviate the administrative burden placed on businesses, the harmonisation of standards for a greater integration of the digital infrastructure and greater support for SMEs.
- JBCE believes that a practical and proportionate regulatory framework is essential to encourage compliance and innovation without overburdening businesses.
- JBCE calls for consistency in regulation and implementation across Member States to avoid market fragmentation and ensure a level playing field.
- To maintain competitiveness and ensure smooth global trade, EU regulations should be aligned with international standards, ensure consistency of terms in regulations, and not include measures that inadvertently disrupt international trade flows.
- JBCE supports a governance structure that ensures coherence across regulatory areas through streamlined data management, balanced horizontal and vertical measures and inclusive governance.

The Japan Business Council in Europe (JBCE), which represents companies of Japanese parentage operating in Europe, welcomes the opportunity to contribute to the European Commission's forthcoming Communication on the Single Market Strategy. Our members - many of which have operated in Europe for decades – represent a very broad range of sectors and have a wealth of experiences that allow them to make proposals for important improvements. Accordingly, JBCE recommends that the Single Market should focus on removing barriers, harmonising regulations, and ensuring global alignment, with the objectives of promoting innovation, reducing compliance burdens, and fostering sustainable economic growth. As an organisation with ties to both Europe and Japan, JBCE advocates for a balanced approach that considers the realities of global supply chains and the needs of businesses within the EU.

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1. Addressing Barriers to the Free Movement of Goods and Services

The free movement of goods and services is foundational to the Single Market. However, barriers persist, hindering efficiency and growth.

- **Customs Regulation Harmonisation**: JBCE calls for harmonised customs regulations to reduce administrative burdens on businesses and ensure smoother cross-border trade.
- **Digital Infrastructure Integration**: Fragmented digital frameworks among Member States create obstacles to the expansion of cross-border digital services. Harmonised standards in areas such as digital identities (eIDAS), digital product passports (DPP), and cybersecurity frameworks are essential.
- **Address National Product Legislation:** The Technical Regulations Information System (TRIS) needs to be strengthened to prevent Member States from adopting Technical Regulations at national level and creating Technical Barriers within the Single Market. The EU should address existing divergent national product requirements by harmonising existing rules at EU level.
- **Support for SMEs**: Special consideration is needed to ensure regulatory requirements do not disproportionately impact small and medium-sized enterprises (SMEs). Measures such as simplified procedures and tailored compliance pathways can mitigate these challenges.

2. Establishing a Feasible Regulatory Framework

A practical and proportionate regulatory framework is vital for fostering compliance and innovation without overburdening businesses.

- **Proportionality of Requirements**: Ambitious regulatory demands must be balanced with their implementation costs. A phased approach -starting with minimum requirements and scaling up based on periodic reviews -is recommended. The amount of secondary legislation (delegated/implemented acts) should however be limited to avoid overburdening stakeholders.
- **Eliminating Redundant Obligations**: Reducing overlapping requirements under different regulations (e.g., ESPR, CSRD, and RoHS) can streamline compliance and enhance efficiency.
- **Practical Timelines**: Adequate preparation periods and aligned reporting timelines are essential for businesses to adapt effectively to new regulations.

- **Issuance of Clear Guidance**: To ensure proper implementation and avoid confusion within businesses and the supply chain, issuing clear guidance to clarify the content of obligations and definitions is indispensable.
- **Thorough and Timely Impact Assessment**: It is essential to carry out impact assessments and properly assess the impact of recently adopted legislation before proposing new regulatory measures in order to evaluate their benefit and to avoid potential risks of overlapping requirements.
- **Timely Publication of Harmonised Standards**: Not only must a sufficient transition period be provided for in the Union's harmonisation legislation, but Harmonised Standards must also be published in the Official Journal well before the date of applicability, to allow sufficient time for compliance.

3. Preventing Fragmentation Among Member States

Consistency in regulation and implementation across Member States is critical to avoid market fragmentation and ensure a level playing field.

- **Harmonised Enforcement**: The divergence in national implementation of EU laws (e.g., NIS2, CSDDD) creates legal uncertainties and compliance complexities. Unified enforcement mechanisms can address these issues. The EU should prioritise the adoption of Regulations over Directives to avoid divergent implementation at national level.
- **Reducing Digital Fragmentation**: Cross-border interoperability of digital services and data, based on the concept of data altruism in the Digital Governance Act, must be prioritised to lower compliance costs and foster innovation.
- **Global Supply Chain Considerations**: Harmonised approaches should extend to imports, ensuring seamless integration with EU regulations and avoiding trade disruptions.

4. Aligning with International Standards

To maintain competitiveness and ensure smooth global trade, EU regulations must align with international standards.

- **Consistency with International Standards**: Minimising inconsistencies between EU regulations (such as RoHS and REACH) and international systems (such as GHS, ISO, and IEC) helps prevent trade barriers.
- **Unified Terminology and Definitions**: Consistent use of terms across regulations is necessary to reduce confusion and administrative burdens.
- **Support for Global Supply Chains**: Regulations must account for the

interconnected nature of global supply chains, avoiding measures that inadvertently disrupt international trade flows.

5. Horizontal Governance and Sustainable Measures

A governance structure that ensures coherence across regulatory areas while promoting sustainability is key to the Single Market's success.

- **Streamlined Data Management**: The establishment of interoperable data spaces across sectors and Member States will enable efficient data exchange and innovation.
- **Balancing Horizontal and Vertical Measures**: While horizontal sustainability measures are valuable, product-specific approaches may be more effective for addressing environmental challenges without stifling innovation.
- **Inclusive Governance**: Clear guidelines on the treatment of sensitive information, robust security standards, and support for SMEs are essential components of a fair and effective governance framework.

Strengthening the European Single Market requires a holistic approach that eliminates barriers, harmonises regulations, and aligns with international standards while maintaining proportionality and inclusiveness. By adopting these recommendations, the EU can enhance its global competitiveness, foster innovation, and create a sustainable and resilient economic environment for businesses and consumers alike.

ABOUT JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 100 multinational companies. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceuticals, textiles, and glass products.

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