

Position of the Austrian Federal Economic Chamber

Report on the Future of the Single Market | Enrico Letta

The report on the future of the Single Market contains important aspects for strengthening the EU's Single Market and makes a significant contribution to future discussions. In his report, Enrico Letta presents ideas for reform that will **maximize the EU's efficiency potential as a large economic area** and enable the European economy to maintain its **competitiveness in the age of a new global reorientation**. For this reason alone, the report is supported. Nevertheless, there are still questions in many areas that require detailed information.

The individual chapters in detail

1. A 5TH FUNDAMENTAL FREEDOM TO ENHANCE RESEARCH, INNOVATION AND EDUCATION IN THE SINGLE MARKET

The proposal **to promote research, innovation and education** in the Single Market is strongly supported by the academic community. The proposed **increase in collaboration** and the removal of obstacles in this field can assist in reinforcing **Europe's capacity to generate new knowledge and innovative products and processes**, as well as to enhance Europe's standing in the global competition for the most talented and innovative individuals and ideas. This can **enhance Europe's productivity and competitiveness**.

From a legal perspective, the creation of a fifth fundamental freedom raises a number of questions, including the **necessity of an adjustment to the distribution of competences** between the European Union and the Member States in the areas of research, innovation and education, as set out in the **provisions of the TFEU**. With regard to research and innovation, the EU's competence is based on Article 179 et seq. of the TFEU. Based on the available information, it appears that the various measures identified to implement the new fifth freedom are consistent with the current legal framework. It is therefore unclear to what extent **the inclusion of an additional freedom in the TFEU would provide a more appropriate framework** for the implementation of the proposed research and innovation measures. The report **does not provide a detailed analysis of this issue, necessitating a more comprehensive examination** to substantiate the necessity for such a fundamental alteration to the primary legislation of the European Union.

A Single Market to boost the EU's potential in research and innovation

We agree with the assessment that the European Union should intensify its efforts in the field of **research and innovation (R&I)** and develop a **more ambitious R&I policy** to maintain its competitive edge in the global economy, which is currently undergoing a decline in importance. The report identifies several aspects that could be more strategically supported as part of a more ambitious R&I policy. In particular, it recommends **strengthening research and technology infrastructures, further promoting the mobility of researchers and innovators, fostering open science, expanding the use of regulatory sandboxes and limiting bureaucracy**.

Other interesting proposals include the **development of public-private partnerships** in strategic areas, with a focus on knowledge sharing and innovation uptake, with targeted support for SMEs and start-ups could be a valuable addition. Additionally, **pan-European programmes to improve digital skills and competences** could be beneficial. Finally, the creation of a European Knowledge Area could be a promising avenue for

further exploration. Further details would be required in order to assess the relevance of these initiatives as part of the **revised European R&I strategy**.

Harmonization of cross-border data flows through better interoperability

We share the view that the **further development and strengthening of the digital Single Market** is an **essential prerequisite** for a successful and **sustainable EU**.

- The **accessibility of data** (where feasible), the **promotion of cross-sectoral exchange and the elimination of barriers** can facilitate **digitization efforts** in the EU, which we endorse. The experience to date, particularly with Gaia-X, shows that the real challenge lies in the "how" or in the detail. The **exchange of data** between organizations and especially companies require a high level of trust and transparency. **Sharing best practices** as examples of how these approaches can lead to benefits for those involved can be helpful.
- The ability to cooperate is a crucial factor in addressing the multifaceted challenges associated with the development and implementation of artificial intelligence (AI). Consequently, the attainment of **technological sovereignty in the domain of AI** can only be accomplished through collective endeavors spearheaded by the EU, rather than by the Member States in isolation. It is not feasible for a single Member State to assume a leading role with the resources at its disposal. Nevertheless, it is important to recognize that the objective should not be to become a leader in every segment of AI in quantitative terms. Rather, it should be to become **a leader in those segments where the EU has a competitive advantage**, where AI is integrated into value chains and where the added value is highest (e.g. AI for production/I4.0/logistics, B2B, AI for autonomous systems, etc.).

Learning without borders

In numerous Member States, **vocational education and training** represents a significant pillar of the educational landscape. It is therefore recommended that equal consideration be given to this issue in all measures. For example, vocational education and training should be explicitly mentioned in the **'Erasmus for all' proposal**.

2. A SINGLE MARKET TO FINANCE STRATEGIC GOALS

It should be noted at the outset that, as also stated in the report, there is a considerable **need to catch up with regard to the European capital market**. One recommendation is to **utilize** the substantial **potential of private deposits** that are currently still held in European savings accounts, with a view to directing them specifically towards the promotion of the green and digital transformation, among other objectives.

Nevertheless, the report does **not consider and deal in detail** with the effects of market forces. The European capital market is also unable to grow due to the fact that potential growth companies are only able to scale their business in the EU with considerably more difficulty than is possible in the homogeneous US and Chinese markets due to the restricted freedom to provide services. This is regarded as a principal factor contributing to the preference of EU companies for the USA over the EU as a destination for their expansion phase, including initial public offerings (IPOs).

Establishment of a savings and investment union

- The proposal to **simplify the extant framework for securitization is explicitly endorsed**. This could facilitate the release of capital that is currently required for the financing of the green and digital transformation. It is recommended that key measures include a reduction in risk weights and proportional treatment as part of the LCR.
- In regard to the reinforcement of ESMA's role and the potential centralization of supervisory powers, **a gradual approach** is deemed by us to be the most prudent course of action. It is imperative that **a**

comprehensive assessment of the advantages and disadvantages is conducted. This can only be achieved by **initiating the process with certain business areas and voluntary (opt-in) models** for market participants. Should ESMA be to undertake a comparative analysis of individual market participants in the future, it is of the **utmost importance that market participants are provided with absolute transparency** with regard to the benchmarks and their respective rankings.

- In principle, the **digital euro** could be an interesting addition to other forms of payment for some economic sectors, however many questions remain unanswered or have not yet been clarified. **It is not advisable to advocate for an accelerated introduction of the digital euro. A decision of such far-reaching consequence for the European financial system should not be taken hastily.** A balanced approach and a comprehensive, open-ended, and thorough societal impact analysis in a democratic process are essential to ensure that the potential benefits of the digital euro do not come at the expense of the existing stability of the financial system. In particular, it must be demonstrated that the introduction of the digital euro will result in a net benefit to the ECB and the EU Commission, compared to the existing means of payment.
- It is evident that **comprehensive financial education**, for instance through the incorporation of financial literacy in educational curricula, would be a highly beneficial addition.
- The creation of a new investment product for private households could contribute to the deepening of the Capital Markets Union. **It is recommended that there be national flexibility in its implementation.** Furthermore, Member States should be permitted to contribute through **tax incentives, such as a capital gains tax exemption for longer-term investments in securities.** The "**EU Long-Term Savings Product**" should not be a savings product (savings deposits) with a predetermined interest rate; rather, the focus must be on investments on the capital market. It would be inadvisable to make "**auto-enrolment**" mandatory.

- **National supervision and coordination of the insurance market**

Insurance products are closely linked to the **national civil law** and associated jurisdiction, as well as to the **pension and health care systems** of the Member State in which they are provided. For this reason, **insurance supervision, unlike supervision of other financial services, is technically national in nature.** This national nature of insurance supervision requires a strong role for national competent authorities. Particularly, **small and diversified markets** require supervision that is fully embedded in European structures but takes into account **local market specificities.** A single supervisor approach, as implemented in the Banking Union, could result in **national supervisors losing their market influence in insurance markets where the vast majority of companies** are subsidiaries of companies from other Member States. In addition to the strong role of national supervisors, there should be appropriate coordination between them. **EIOPA should support and optimize this cooperation between national supervisors,** taking into account the specificities of the insurance business model and insurance markets.

- **Life Insurance**

Demographic trends and their impact on pension systems alongside achieving climate change targets and generating long-term investments are key challenges for the upcoming years. **Life insurances play a substantial role** and can make a significant contribution to meeting these challenges:

- **Biometric risk cover through insurance** is necessary to cope with demographic challenges such as increasing life expectancy and the need for long-term care. Among other things, it offers **lifelong pension benefits as a supplement to the state pension, secures capital requirements** in old age and thus makes an important contribution to purchasing power and social security.
- **Investments through life insurance mobilize capital for long-term investments** to strengthen the EU as a business location, sustainable investments through life insurance support the achievement of climate goals.

- **PEPP Regulation (Pan-European Private Pension Product)** needs to be amended to create an attractive proposition for providers and consumers.
- **How the EU can support the banking sector in financing climate change through public guarantees**
State or European guarantees can enable companies in the climate change sector to make investments **that they might not have been able to make without such guarantees due to a lack of collateral.** Unlike non-repayable grants, public guarantees have the advantage that they only have a budgetary impact if the (corporate) loans they guarantee cannot be serviced. However, the introduction of a "green support factor" is considered to be more targeted.
- **Shift from in-house procurement to public-private partnerships in the form of concessions and licenses**
We reject the idea of a shift from in-house awards to public-private partnerships in the form of concessions and licenses, particularly in the transport sector. Unlike public-private partnership awards, in-house awards are not subject to the procurement provisions of the Federal Procurement Act (see § 10 BVergG).
Even if concessions and licenses are awarded on a long-term basis, profit-oriented companies cannot be expected to remain committed to the public interest beyond the term of the contract. New tenders and changes of operators could lead to inefficiencies in operation. There would also be **disadvantages in terms of the depreciation period of investments.** In the railway sector, for example, there is a risk that **new operators will limit themselves to profitable routes and times, which could lead to a thinning out of routes with low-capacity utilization.** The development of long-term transport strategies in a large city such as Vienna requires reliability and flexibility, which can be better achieved with in-house contracts. In addition, the freedom to choose between direct award and tendering must be maintained within the framework of EU Regulation 1370/2007 on public service obligations.
- **Create a European investment ecosystem: Promote the creation of an EU deep tech stock exchange**
Europe's weakness in the availability of **early-stage funding for Deep Tech start-ups** was well documented before the Letta report. As a solution to this problem, Letta proposes to support **the creation of an EU deep tech stock exchange.** While the idea is appealing, the report does not provide a detailed blueprint for this initiative. More information would therefore be needed to get a better idea of the impact this would have.

Leveraging the Single Market to enhance green and digital public investments

- **Shared governance to increase efficiency and impact**
Once public goods of essential common interest have been identified, the means to finance them must be made available. The public sector has **an important role to play due to spill-over effects.** The main question to focus on is how the EU's joint borrowing capacity can be better used to increase investment in areas where fragmented spending reduces overall efficiency.
In this respect, an industrial policy based on targeted support for research and innovation activities is clearly more efficient than trade barriers. As suggested in the report, **supporting the development of breakthrough technologies by introducing governance models that allow for iterative and collaborative processes could be an appropriate industrial policy measure.** This is justified by the fact that for high-risk, early-stage technologies, the incentive to develop projects is low due to uncertainties about the return on investment.
- **Extension of the IPCEI mechanism**
IPCEI (Important Projects of Common European Interest) are described in the Letta report as a "blueprint for European industrial policy". It should be noted that large EU countries with strong budgets, such as Germany and France, **currently have an advantage over smaller EU countries with weaker budgets when it comes to providing national funding for IPCEIs.** If the IPCEI mechanism is extended, care must be taken to ensure that smaller EU countries, such as Austria, are not disadvantaged.

It is also important to improve the involvement of SMEs. The Letta report states that "reducing administrative burdens for businesses, harmonising State aid rules and speeding up the assessment of State aid measures will make it easier for all, but in particular for SMES, to access support". **However, this does not happen automatically. There is a need to actively ensure that access is facilitated for SMEs and that large companies from large Member States do not have an advantage over others.** When selecting future topics for the IPCEIs, attention must also be paid **to the involvement of small Member States**, such as Austria, and to areas of strength with innovation potential.

Improving investment: Circular economy, public procurement and administrative capacity

- **Creating a European market for public procurement**

From a business perspective, a combination of **supply-side and demand-side measures** to develop the circular economy would be an appropriate policy initiative to stimulate innovation. Indeed, the measures proposed in the report, including financial support from EU programs and the use of public procurement, constitute a coherent sectoral innovation policy initiative.

The report suggests setting **a minimum quota for innovation procurement** to be implemented by Member States. Such a quota would **certainly increase innovation procurement but could be difficult to reconcile with the needs of the public sector.** Moreover, who has the authority to set the quota for a city such as Vienna, for example? It should therefore be **more flexible, but still effective, using targets rather than fixed quotas to incentivize public authorities to use innovation procurement** suitable according to their needs. An overly ambitious quota could lead to unnecessary procurement.

- **New State Aid Contribution Mechanism**

The report proposes the creation of a contribution mechanism **in the context of State aid, which would oblige Member States to provide part of their national funding for pan-European initiatives and investments.** In principle, this should not prejudice the debate on the **multiannual financial framework.** However, in the absence of further details, it is not possible to make a valid assessment.

3. A SINGLE MARKET TO PLAY BIG: SCALE MATTERS

The report contains concrete roadmaps to accelerate integration in the areas of finance, energy and electronic communications, with a focus on progress in the next EU legislative period (2024-2029).

Increasing the competitiveness of EU companies

In the past, the EU has primarily focused its **competition policy inwards**, i.e. on the **competitive conditions between companies in the Single Market and neglected external competitiveness in the process.** This has also happened in areas where there is a common interest, such as the defense and energy sectors. Europe should **focus not only on internal competitiveness** but also on **external competitiveness** in order to strengthen its global position and better respond to international challenges. Despite a number of positive initiatives, we still lack an overall strategy on how to respond in different areas.

An effective Single Market for electronic communications networks and services

In our view, it is essential that all sub-sectors of **the sector are assessed regarding the actual need for adaptation, in compliance with the principles of subsidiarity and proportionality.** A general call for Europeanization cannot be supported, regardless of the cross-border significance of the sector.

- Particularly in the area of **network infrastructure**, it is clear that the **support systems set up by the Member States have proved their worth and ensure demand-driven support close to where it is needed.** It will also be necessary to operationalize the GIA, primarily by and in the Member States.

- As far as **cybersecurity** and **net neutrality** are concerned, **responsible enforcement of these requirements, which are based on EU law, by the Member States seems clearly preferable to European enforcement by an EU authority that is yet to be created.** There is therefore **no sensible scope** for the proposed establishment of a **new EU regulatory authority.** Its establishment would be expensive and would not bring any additional benefits for market participants, which is why this idea should not be pursued further.

A Single Market to foster efficient energy-climate policies

In general, we welcome the **approaches** from the Letta report in relation to **energy**, namely, promoting and accelerating Single Market integration, more cooperation between Member States, pushing ahead with (cross-border) grid expansion, promoting the expansion of renewables across the EU, diversifying gas supply, enhanced energy diplomacy and further development of international cooperation.

- We welcome the idea of a **"Clean Energy Delivery Agency"** in the sense of an efficient one-stop shop, as well as the introduction of a **"Clean Energy Deployment Fund"** to facilitate investment in particularly innovative and game-changing technologies.
- Cross-border interconnectivity is of particular importance in the context of a **"Single Electricity Market"**. Austria is working on an action plan to meet the European target of 70%.
- We specifically **positively view** the suggestion of the systematic **revision** of the framework for **gas supply security.** As a landlocked country with many neighboring countries, Austria has a special role to play here, which is why uniform European guidelines would be an advantage to us. The report cites **unilateral measures taken by Member States** in response to the energy crisis. These include, for example, the **gas storage levy** introduced by Germany in violation of EU law. This levy has the effect of a "tax" on Austrian companies, making gas purchases in Austria 7-8% more expensive (at current prices). Germany has announced that it will increase the gas storage levy by an additional 34% to EUR 2.5 as of July 1, 2024. An additional short-term increase in the German gas storage levy cannot be ruled out despite the announcement that it will be abolished on January 1, 2025. Italy has also already examined the introduction of a gas storage levy based on the German model and has only temporarily suspended it. In our view, it is essential that **Austria takes decisive and swift action against the German gas storage levy** by means of an infringement action. Such measures contradict an efficient European internal energy market.
- **Cybersecurity standards for new energy infrastructure:**
The requirements of the **NIS-2 Directive** place a heavy burden on the economy, particularly on large grid operators in the energy sector. It is important neither to extend the scope of application to other companies nor to impose requirements in this regard on smaller infrastructure projects or facilities.
- The Letta Report presents **CBAM** (Carbon Border Adjustment Mechanism) as an instrument against carbon leakage, which it should be. However, in this form, it is not. The threshold value of 150 euros cannot be changed in the short term. Despite that, a **return to the standard value method could very well be changed in the short term via delegated acts,** which would be urgently required for reasons of practicability.

Promoting peace and upholding the rule of law: common market for the security and defense industry

The WKÖ welcomes the considerations on the security and defense industry in the Letta report and comments the following:

- **Governments do not procure much together as joint procurement accounts** for less than 20% of total spending and does not focus enough on the European market. For instance, almost 80% of public procurement in the last two years came from outside the EU. **Procurement from European countries** needs to be **increased**, including procurement **through joint purchases**.
- To meet the new defense and security requirements, the EU must intensify **joint procurement**, **improve the coordination of its expenditure and the interoperability of its equipment** and **significantly reduce its international dependencies**. Increasing strategic autonomy and ensuring supply chain security play a major role here. Both can be achieved if **national products and services** are **taken into account** in procurement processes and **industrial cooperation** is actively pursued.
- In order to create **a functioning common market for the security and defense industry**, research and development must be financially viable. **Access to sufficient financial resources** is crucial for the successful participation of national/European companies in the global market. There must be **no administrative obstacles** in the form of **additional regulations** for the financing of security and defense companies.

Promotion of the EU space industry

As far as the space industry is concerned, the report focuses on the expansion of European space activities to include **more defense and security-related applications**. While there may be a need for defense and security-related activities, this should not lead to a redistribution of resources from space R&D programs to military research. Space R&D programs aimed at civilian applications are of strategic importance for Europe's competitiveness and technological sovereignty. Therefore, any **expansion of the scope of European space programs** should be financed by additional funding and **not at the expense of civilian-oriented R&D**.

Leveraging the Single Market to strengthen health resilience

Letta goes into detail about **the consequences of the financial bottlenecks in the healthcare sector**, which are leading to a reduction in **European research and production capacities**. The report also mentions a loss of innovation capacity due to an increasing brain drain of European talent finding better opportunities in third countries. To counteract this trend, Letta calls for a **more ambitious R&I policy and the necessary increase in financial resources**. Addressing the health challenges mentioned in the report will indeed require **significant R&I efforts**. We therefore greatly welcome the goal to develop an adapted strategy for the sector with a strong focus on R&I.

The Single Market as a catalyst for seamless and sustainable transportation in the EU

As stated in the report, **the removal of barriers in the transport sector is essential to ensure the competitiveness of the EU**. In contrast to other sectoral policies, R&I aspects are unfortunately not strongly considered in the recommendations for the future of sustainable transport in the report. The mobility sector faces multiple challenges that could all benefit from **additional R&I efforts**. It is particularly important that **new sectoral initiatives are linked with relevant R&I policies**.

Selected aspects in the railway sector of particular importance:

- The report addresses a number of rail-related aspects that we greatly welcome. The **rail network** remains **highly fragmented**, particularly in terms of high-speed rail services. In addition, there is a **clear lack of multimodal connections**, especially in the context of linking rail and road networks with ports and airports. The main aim here must be to eliminate any unnecessary, bureaucratic, and technical barriers. In order to achieve the goal of the Single European Railway Area and to fully realize the potential of the rail sector, it is essential to ensure the **introduction of the most important basic digital requirements** for the railroads, such as the European Rail Traffic Management System (ERTMS),

Digital Automatic Coupling (DAC) and Digital Capacity Management (DCM). However, all these measures also necessitate the availability of corresponding capital. Letta's endeavors to secure the requisite financial resources are commended by us.

- According to Letta, the current existing inefficiencies and technical obstacles in the railway sector must be removed. This problem is particularly evident in the area of rail transport, where technical, linguistic and bureaucratic hurdles still exist between the Member States in cross-border traffic and there is still no sufficiently uniform set of rules within the EU. It is imperative that these aforementioned **missing set of rules** are **implemented as quickly as possible** so that rail transport can become a viable alternative to road transport as soon as possible.
- **Development of the TEN-T network**
The report recommends an extension of the Connecting Europe Facility (CEF), the financing mechanism for TEN-T projects. The **estimated investment required to achieve the TEN-T core network is estimated at EUR 500 billion**, with a significant proportion still unfinanced. In general, we support the expansion of the funding mechanism, given the significant investment requirements for the TEN-T core network and the potential for urban projects to be funded as "urban nodes". It is imperative that sufficient funds are allocated for the activities of urban nodes.

Selected aspects of air traffic:

- Airports are mentioned in the report in connection with the further development of the TEN-T network. We greatly welcome that the connecting of airports with the wider transport network is described as a key priority. Little attention is paid however to the **further development and role of aviation in the EU**, apart from the Single European Sky 2+ (SES2+) project. SES2+ has the potential to reduce emissions from aviation by up to 10% in the EU area. This will make an important contribution to reducing CO2 emissions from aviation within the EU.
- However, the report completely ignores various **technical options in the area of fuels**. Unfortunately, Sustainable Aviation Fuels (**SAFs**) are not mentioned in the entire report, while the topic of alternative fuels for other terrestrial means of transportation is greatly covered in the report. The document appears to suggest that the deliberations on the **climate-friendly design of European aviation are limited to the SES2+**. The document fails to address the issue of fuel usage, giving the impression that no advancements have been made in this area. The **future of aviation in terms of transport policy is not receiving sufficient attention, and the increasing global importance of aviation is being overlooked**. In the long term, this could have a detrimental effect on the EU's attractiveness as a business location.
- From a business perspective, the Letta report lacks a clear commitment to the **climate-friendly development of aviation**. Rather, it appears that a rationalization to streamline European aviation is being tacitly preferred over a focus on technological measures to make aviation more climate-friendly.

Selected aspects of road traffic:

- We are **critical** of the **liberalization of regular bus services** called for in the report. In our view, the existing system in Austria has proved very successful. This system is currently examining whether an international bus line would compete with existing national bus lines. If the examination reveals no or only minor competition, the international KFL will be approved by us. In general, we take a critical view of **liberalizing without any closer examination, as this could undermine existing national routes**.
- The statements made regarding the **expansion of the charging infrastructure** are highly encouraging to us, however we think these should apply to both e-mobility and mobility using hydrogen. In both cases, however, **the pricing structure should also be significantly improved, as it is currently completely non-transparent**. Similarly, electric charging stations, **hydrogen refueling stations and HVO 100 refilling stations should be integrated into a European refueling platform** with the objective

of facilitating access for European consumers. It is imperative that these measures are implemented to further the technological transition. Furthermore, there is a necessity for **standardization in Europe of the charging infrastructure**.

4. A SUSTAINABLE SINGLE MARKET FOR ALL

Freedom to move and freedom to stay

- The concept of "**freedom to stay**", or the provision of support for Member States to avoid the loss of skilled workers, is a laudable approach in principle. However, it must be supported by cohesion policy in a manner that is adequate. It is important to note, however, that this right will not be sufficient to remedy the shortage of skilled workers across Europe. The necessity for additional skilled workers (both from the EU and from third countries) can only be fulfilled through the implementation of a multifaceted approach. Simultaneously, **it is imperative that the "freedom to stay" does not result in the erosion of the right to freedom of movement**.
- The issue of a lack of **affordable housing is rightly** mentioned several times in the report. In particular, the Energy Performance of Buildings Directive (EPBD) will further increase the cost of housing for building owners and renters. This is because it is widely acknowledged that investments in the renovation of existing buildings, for instance, only yield a return on investment in the long term, primarily through lower energy costs.
- **Strengthening digital infrastructures and skills**
The **roadmap for the Digital Decade 2030** delineates specific targets for infrastructure and digital skills, including the objective of achieving 100% connectivity and 90% of the workforce with basic digital skills. In this context, it would be desirable to provide educational offerings and services at the European level in the area of digital skills training. This is particularly important for the digitalization of companies, as the lack of qualified workers continues to be the biggest obstacle to the implementation of digitalization projects.

Strengthening the Single Market social dimension

According to Letta, the Single Market must ensure that everyone benefits from its advantages. This can only be guaranteed through a robust **social dimension**. This must include inclusive prosperity, fair opportunities, workers' rights and social security for all, while also contributing to economic growth.

- We posit that the social dimension of the European Union is already highly developed, yet it currently does **not significantly contribute** to economic **growth**. In our view, it is crucial that **European social provisions** are also **implemented** and **applied** in all member states. Moreover, it is crucial to highlight the considerable documentation and reporting requirements imposed on companies in the realm of labor law and employee protection, which often exceed the necessary scope and impose undue burdens on businesses.
Any new legislation, especially on the topics mentioned by Letta, such as mental health, including stress and burnout, climate-related health risks, and platform work, must be countered with the assertion that legislation is often not the optimal approach to these issues. In particular, when it comes to mental health, which has numerous causes that are not necessarily rooted in the world of work, **other non-legislative instruments, such as guidelines, often prove more effective**. Furthermore, the **Platform Directive has** only just been adopted, so its implementation and application in practice must be awaited before new proposals can be considered. We also currently see **no need for a separate directive** for the **posting of third-country nationals**.

- We endorse the calls for enhanced coordination of social security systems in Europe, as the proposed change by the EU Commission has been under discussion since 2016. It is anticipated that this change will streamline the administrative procedures associated with business travel by eliminating the requirement to complete an A1 form.
We also expect that the rapid **implementation of ESSPASS** and better networking of social security institutions will lead to administrative simplifications for citizens making use of their freedom of movement. A **standardized Europe-wide document** for the **notification of postings** represents a significant **administrative simplification** for companies. It would be desirable to have the option of a uniform electronic declaration for the posting of employees. This would entail a streamlined declaration in a uniform format in all participating Member States in their national language and/or in English. Unfortunately, the initiative currently appears to be evolving in a direction that is contrary to its original intent. **Each Member State is seeking to request additional information to maintain its national characteristics.**
- Letta postulates that **social economy enterprises play a pivotal role in sustainable development** and are closely linked to their respective regions. In principle, we take a positive view of facilitating their access to funding. However, we would also like to point out that the **social economy is also in competition with the regular economy** and that this competition must be conducted in a fair and equitable manner. We are **skeptical about** a uniform definition of social impact and the creation of a **social taxonomy that** would presumably be associated with this.
- **The removal of obstacles to professional mobility and the simplification of the recognition of academic qualifications**, in addition to the introduction of a European university degree, would facilitate labor mobility within the EU. Labor mobility is low in the EU, when compared, for example, to the United States. Higher labor mobility would have beneficial effects for the workers concerned, as well as for companies and the economy as a whole:
 - Workers would benefit from new employment opportunities, possibly higher wages or salaries, gaining international work experience and improve their language skills.
 - From the perspective of businesses, greater labor mobility can help alleviate labor shortages and narrow the gap between the skills that are in demand and those that are available.
 - Removing barriers to the recognition of examinations, certificates or qualifications can increase the mobility of workers, mitigate the labor shortage and increase the attractiveness of foreign talent. We therefore welcome this approach.
 - In macroeconomic terms, higher labor mobility can contribute to a more efficient allocation of human resources and relieve the burden on public budgets, as workers may be able to leave phases of unemployment more quickly.

Unleash the potential of European SMEs

28th regime for SMEs

In his report, Letta calls for a 28th code of economic law, which he believes should take its place alongside that of the 27 EU member states. The Code is to replace national legislation in areas that fall within the exclusive competence of the EU. In other areas, the Code is intended to supplement national law with new instruments that can be used by companies. This is justified by the fact that it would eliminate the current patchwork of national regulations and create a more uniform Single Market. In an initial assessment, **this proposal should be decisively rejected**. The very term **"European Code of Business Law"** gives an idea of **how unbounded the approach being pursued is**. Neither in the national legal systems nor in the primary law of the European Union is there a conclusively defined concept of company law.

Furthermore, **corporate law is not an independent area of law that is completely detached from other areas of law**. For example, numerous regulations apply within a company that have their basis in general contract law. Large parts of social security law and tax law relate to the diverse and very different circumstances of commercial law. General civil procedural law, execution law and the Insolvency Code also make no distinction in their basic principles as to whether the parties to the proceedings are entrepreneurs or non-entrepreneurs, which in no way means that there are no special regulations for special issues in the aforementioned laws. This brief outline is intended to show: Apart from the EU's lack of competence, **the scope of the Letta concept is completely unclear**. It is already clear at this point that the **intended standardization** is not **compatible with the basic principles** of the European Union.

- **Deepening the Single Market for services**

Due to the rapid development of digitalization and the close interdependence of sectors, the services sector will continue to show high growth potential in the future.

However, there are currently still numerous national barriers with different bureaucratic and institutional regulations. **By dismantling these barriers or through harmonization and better coordination, high gains in value creation could be achieved.**

Addressing tax fragmentation to empower the Single Market

It is to be welcomed that the report devotes a separate chapter to the topic of taxes, as effective tax incentives would be the greatest lever for a strong European capital market.

- We see the planned **harmonization in the area of withholding tax** as an important step towards counteracting the differential national treatment of capital income through dividends and interest.
- **In concrete terms, the implementation of practical measures is essential to prevent double taxation.** Potential solutions include the standardization of digitalization of tax residence certificates across the EU, the harmonization of refund applications, and the establishment of a procedure analogous to the US QI system for relief at source.
- In addition, the **introduction of a financial transaction tax**, which is repeatedly brought up in connection with the EU's new own capital funds, must be **avoided in order to achieve the objectives of the Capital Markets Union**.
- A **simplification in the procedure of indirect taxes** is urgently required to promote cross-border trade in the Single Market. Existing obligations should be evaluated and reviewed in terms of necessity, proportionality and possible ways of simplification.
- Navigating the **EU VAT system** has become a major challenge not only for SMEs, but for all businesses. We support the simplification and reduction of existing obligations for companies. In the area of **excise duties**, the **administrative burden** on market participants is also **very high**.
- **Additional burdens** and new taxes should be **avoided as** part of the planned revision of the **EU Energy Tax Directive** for companies. We are in favor of focusing **more** on **positive tax incentives for the renewable energy** sector instead of introducing new taxes or more stringent taxes.
- SMEs must also comply with the **regulations** intended for large companies, which have **increased massively in recent times**, particularly with regard to **direct taxes**, and will continue to increase according to some of the proposed directives. It is therefore time for tax relief to be established so that companies can concentrate and prepare for the necessary transformation that lies ahead.
- The **standardization of all national reporting obligations in the EU** (without exceptions), the **expansion of the one-stop shop**, and the **single VAT registration** are important and positive steps in the right direction.

A Single Market for consumers

- **Geo-blocking**

In connection with the Geo-blocking Regulation, the report states that the remaining obstacles for consumers who wish to purchase and use services in another Member State must be urgently removed, in particular **that products are not delivered to consumers in another Member State**. This can probably only be understood to mean that the report calls to impose a **delivery obligation on** online traders. This would be **completely unacceptable**. Such a demand for a delivery obligation is an unrealistic demand that completely disregards the actual realities.

It is in the best interest of every entrepreneur to sell to as many customers as possible. A company's **decision not to engage in cross-border activities** does not constitute discrimination on the grounds of nationality or place of residence. The **reasons** that prevent companies from selling across borders are complex. In addition to language, **complex legal frameworks** and **strict consumer protection regulations are among the most common factors** that deter companies from entering or expanding their operations in a given market. It is therefore in no way appropriate to even consider a supply obligation. On the contrary, there is a well-founded fear that SMEs in particular would either cease their e-commerce activities or not even enter into online sales in the face of such a drastic **encroachment on entrepreneurial freedom**. The result would be precisely the opposite of what the measure was intended to achieve, namely a restriction of access to supply and freedom of choice for consumers by reducing the number of providers and further concentration on fewer and fewer, large, providers. Every **company** must be **free to determine its own "sales territory"** within the framework of the freedom to operate and the entrepreneurial freedom enshrined in the Charter of Fundamental Rights.

Furthermore, it should be pointed out, that the **exception for audiovisual media services** in the Geo-blocking Regulation is a **necessary measure** that takes account of the special features of the audiovisual sector in the interests of cultural diversity and must be maintained.

It is important to highlight that the assertion made in the report (p. 113) stating that non-discrimination under Article 18th of the TFEU is a general principle of EU law that applies to the Single Market is questionable and open to misinterpretation. The TFEU does not contain a prohibition of discrimination for private entities.

- **Ecodesign Regulation and Digital Product Passport (DPP)**

Furthermore, there is discussion regarding the speed with which the DPP, the Digital Product Passport, can be implemented. As with green claims, we are not advocating for speed in the development of this key instrument for a sustainable EU product policy. Rather, we advocate quality in the development of this instrument. The new system must prioritize the reduction of bureaucracy, the minimization of costs, the protection of intellectual property, the protection of trade and business secrets, and, above all, practicability.

- **Green Claims**

The assertion in the Letta Report that the Green Claims Directive should be implemented without delay is not universally accepted. The focus of the discussion must be on whether this is feasible. Moreover, the Green Claims Directive is an entirely novel instrument, the implementation of which will undoubtedly require a considerably longer timeframe than that necessary for the adaptation of an existing instrument. From the perspective of the WKÖ, **it is imperative to eliminate the verification process and clearly define LCA as non-mandatory**. It is recommended that exemptions **are extended and designed in such a way that SMEs are not made liable through the back door of the supply chain**. A formal impact assessment of the proposed directive has yet to be conducted, and the status of the Council's deliberations is not yet sufficiently advanced to permit a decision or practical implementation.

5. A SINGLE MARKET TO GO FAST AND FAR

De-bureaucratization measures

The problems are clearly described in the report: Namely that, **excessive regulatory burdens and red tape are an intolerable obstacle to the effective implementation of single market rules and have severely hampered the competitiveness of European businesses, particularly SMEs**. It is also true that companies from third countries that are not subject to such stringent rules and additional costs inevitably have a competitive advantage. Companies, especially SMEs, are restricted in their entrepreneurial activities and thus in their competitiveness through increased due diligence, reporting and information obligations. Against the backdrop of the EU's steadily declining share of global trade, the **creation of a business-friendly European legal area**, which is perceived by companies not as restrictive but as supportive, is of crucial importance.

- We share the view that the **EU Commission's commitment to reducing administrative burdens** must be an **absolute priority in the coming years**. The corresponding proposals in the EU Commission's 2024 work program are only a first step; much more rapid and tangible relief is needed for companies. We positively view the call for a **reduction in regulatory burdens that goes beyond reporting obligations** and also includes other compliance obligations. With regard to implementation, we support the call for **clear deadlines** and the **definition of reference values**.
- We **do not agree** with the **assessment** that the **EU Commission** has made **decisive progress in the area of simplification** and **reduction of administrative burdens** in recent years. On the contrary, many legislative proposals have been presented in recent years that contain new reporting and information obligations, e.g. CSDDD, Deforestation Regulation, CBAM or the Ecodesign Regulation. **What remains completely unmentioned** is the fact that the **cumulative burdens** for companies in the EU Single Market have increased enormously and that these must be given greater consideration by the EU Commission. In other words: Each Directorate-General only has its own legal area in mind and not the entire regulatory environment and the cumulative burdens for an individual company/SME.
- Additionally, the report suggests that efforts to streamline EU legislation should prioritize **the identification and elimination of the most burdensome legal instruments, which contribute to the proliferation of unnecessary or inconsistent regulatory frameworks**. This is to be accomplished in two distinct ways. On the one hand, what is generally regarded as superfluous and inconsistent regulation must be addressed. On the other hand, one must concentrate on additional new regulations to come. This approach appears logical in theory, but frequently fails in practice due to a lack of uniform understanding of what is considered "too burdensome and superfluous, etc."
- Although the **Better Regulation Toolbox is referred to in the** proposed solutions during the implementation phase of the proposals, a **concrete and better application of the SME test and competitiveness check** in the **impact assessment**, which we believe **are highly necessary, are not** addressed. Early and comprehensive involvement of business associations and SME representatives in the drafting of EU legislation is crucial for a practical design. It would also make sense to involve the Joint Research Center more closely in the preparation of impact assessments.
- The **"Think Small First" principle**, which should be consistently applied when drafting EU law, is unfortunately **not mentioned**. Simply saying that a regulation (instead of a directive) must be preferred for the purpose of harmonization does not necessarily ensure the better, less bureaucratic application of EU regulations. Europe's entrepreneurial landscape is characterized by SMEs (99%). New EU legislation must be designed from the outset in such a way that it is easy to apply in practice from the perspective of an SME and does not lead to confusing, excessive bureaucratic burdens. This would also make it easier to implement EU law at national level (in contrast to increasingly complex EU regulations).

- **A positive aspect** is the **demand that the impact of amendments made by the co-legislators** (Council and EU Parliament) should also be **systematically assessed in the legislative process**. Currently, only the original proposal of the EU Commission is assessed in the impact assessments (in some cases, the EU Parliament carries out its own impact assessments of its amendments, but the Council does not). Furthermore, the report proposes dynamic impact assessments, the exact functioning of which needs to be explained in more detail. In any case, one must include the **impact on companies, especially SMEs, and Europe's competitiveness**.
- **Consumer protection is a crucial issue, yet it is essential to strike a balance between the interests of consumers and businesses**. In the realm of consumer protection, a notable increase in regulations has been observed at the EU level in recent years. This trend, from the perspective of subsidiarity and proportionality, requires immediate attention. Rather than introducing new regulations, it is imperative to streamline the existing regulatory framework.

Implementing EU Rules with effectiveness and efficiency

- **European legal acts** are being adopted in the **digital sector in particular**, the implementation of which poses major challenges for companies, especially SMEs. In this context, consideration should be given to what legal and regulatory **measures** can be taken at national and European level to provide companies with the best possible support in **implementing** such legislation.
- **SOLVIT is a very good informal mechanism that should definitely be retained**. From a business perspective, however, we see no added value in the creation of a separate EU single market enforcement authority. As the guardian of the treaties, it is the task of the EU Commission to monitor the proper and timely implementation of EU legislation and to check the proper application of EU law in the Member States. Duplication must be avoided.
- We share the view that the existing instruments for **enforcing the law, such as** infringement proceedings, are too lengthy. **Existing instruments** of the EU Commission in the event of breaches of the single market, such as infringement proceedings, should be **accelerated** and greater use should be made of EU pilot proceedings. However, the **creation of a model** similar to that for **enforcing EU competition law is viewed critically by us**. This would require a transfer of Member State competencies to the EU level.

6. THE SINGLE MARKET BEYOND ITS BORDERS

A resilient Single Market in the new geopolitical scenario

The report rightly recognizes the current trend towards increasing fragmentation of the global economy and its impact on technological exchange. As importing a new technology can be equated with developing a breakthrough technology oneself, maintaining openness wherever possible should be a key priority. In this context, the report points to the most important aspects in the current geopolitical context, namely **the need to maintain an open and dynamic economy while ensuring national security and protecting economic interests from aggressive threats of international actors**. In this context, we emphasize **the importance of "de-risking" rather than "de-coupling" and promote the definition of a framework for economic cooperation with "rival partners"**.

It is also important not to overreact when it comes to measures to protect critical technologies. Nevertheless, increasing fragmentation is a reality that cannot be ignored. The European Union must therefore strengthen its own technological base in the field of strategic technologies. With regard to geopolitical developments, it

is also important to emphasize the crucial role of the Single Market. When it becomes increasingly difficult to maintain global openness, European openness becomes even more important.

Single Market as a key tool in the enlargement process

- Access to the Single Market is the key instrument in the enlargement process. Letta emphasizes that the focus is not only on actual accession, but above all on the **careful implementation and application** of EU regulations. This also corresponds to our **demand "quality before speed"**.
- It is emphasized in several places that the basis for enlargement must be common values and compliance with the Copenhagen criteria. Adherence to the **rule of law is** particularly emphasized. This is in line with our demand that any access to the Single Market can only take place after the **establishment of stable** and **reliable framework conditions** regarding the rule of law. For example, companies must be able to trust that judicial decisions will be made by independent and impartial courts.
- According to Letta, the **economic** and **political dimensions** of enlargement should never be separated but should always be **considered together**, to not give the impression that the EU is "cherry-picking". The precise meaning of this is not entirely clear to us. If, for example, it means stabilizing relations between Serbia and Kosovo or within Bosnia with the Republika Srpska, this could run counter to our call for a rapid but gradual integration of the Western Balkan states into the EU Single Market, especially regarding the freedom of goods and services. Simultaneously, the WKÖ is only in favor of integration into the Single Market if the candidate countries have first created clear and stable framework conditions, particularly regarding the rule of law, corruption and transparency.
- Letta is also firmly in favor of **gradual integration** that goes beyond normal association agreements. The accession process should not focus on those areas in which the candidate countries have the greatest need to catch up, but on those areas in which the candidate countries have a good chance of gaining early access to the EU Single Market. This approach has the **full support of the WKÖ**.
- According to Letta, **financial mechanisms** should ensure that the economic alignment process is accelerated and socio-economic inequalities are eliminated. It is unclear whether this refers to the Western Balkans Facility, on which a political agreement has already been reached. From the point of view of the WKÖ, it would be **important** that **no new instruments are created**, but that these are integrated into existing ones.

External dimension of the Single Market

- From a trade policy perspective, we also see it as necessary for the EU to seek a harmonious balance between integration into the global market and ensuring security to adapt to the new global context and improve its competitiveness and resilience. In this regard, we **support** the **stated approach**, which should aim to strike a **balance** between **competitiveness, strategic independence** and **fair global conditions**, avoiding the imposition of detrimental regulations and instead promoting strategic partnerships based on sound policies.
- We also hope that the emphasis on avoiding the imposition of disadvantageous regulations will be followed by action, as our impression to date is that **the most recently published initiatives** (e.g. ban on products manufactured using forced labor, outbound investment, FDI review, etc.) do not take this approach into account and are not designed with a sense of proportion. In contrast, **these measures have the potential to result in increased bureaucracy for European companies and give the impression of a desire for greater control of the state in foreign trade**. We also do not believe that this will minimize the risk of European and Austrian companies moving abroad in response to excessive EU measures, but rather that the likelihood of such an exodus will increase. Such a development must be decisively countered, and the introduction of additional bureaucracy and control does not contribute to this.

- **There are already a large number of councils that advise and decide on policies that have an impact on the external dimension of the EU and that are not sufficiently coordinated with the relevant institutions**, partly due to the existing lack of staff in national ministries. Examples of this are legal acts such as CBAM, the Regulation on Deforestation-Free Products and the Corporate Sustainable Due Diligence Directive (CSDDD), **which have major external effects and have led to the EU having to face accusations of "protectionism" and "colonialism" from its trading partners**. The aim must be to exploit synergies, better link existing policy areas and improve cooperation between the institutions. **A better coordinated approach** at the European level could also contribute to greater economic security in Europe. The establishment of an Economic Security Council could prove beneficial in this regard, provided that it does not result in an unwieldy expansion of the public sector.
- In order to strengthen **coherence between the internal and external dimensions of EU policy**, a **holistic approach is** needed. Firstly, a fundamental reassessment of the policy framework is required to embed interconnectivity. This means that **external considerations must feed into the formulation of internal policies and vice versa**. New legal texts need to be **scrutinized for trade policy requirements**, i.e. not only whether they comply with WTO law, but also whether they undermine trade agreement commitments. Similarly, **promoting dialog between the institutions** responsible for internal affairs and those responsible for external relations can ensure coherence and alignment of objectives. DG Trade, the EEAS and DG Growth should work more closely together, as should the relevant institutions at national level. Strengthening the competences of EU institutions and Member States is key to implementing policies that seamlessly link internal and external dimensions. This can be achieved at EU and national level **through targeted knowledge/technical support, knowledge-sharing platforms and joint working groups** to ensure that policymakers understand the interlinkages between different policy areas (e.g. trade policy and Single Market, trade and social/environmental commitments) and can effectively integrate internal and external considerations.
- We also share the view that we need **evidence-based policies that take into account the cost-benefit ratio of action and inaction**, our **external competitiveness and other externalities**, address the concerns of our trading partners and ensure that we remain an attractive investment destination. It is critical to better integrate the external dimension by conducting thorough evaluations throughout the legislative process, implementation, support and awareness-raising with key partners. Similarly, we need to **work** with others in the **development of standards** by allocating more resources to active regulatory cooperation to ensure that our companies are well positioned to compete globally. For standards that apply to imports, it is important to ensure that our companies have access to the inputs they need at affordable prices. At the same time, we must ensure that suppliers of such inputs in the EU are not disadvantaged.

A more pragmatic approach to trade agreements is urgently needed in relation to our specific objectives and those of our negotiating partners, as well as a reality check on the non-trade issues that need to be addressed in our trade agreements. In the context of the aforementioned **cost-benefit ratio** of acting and not acting, the focus should be on the lack of trade agreements with Mercosur and the United States. **What has the failure of the TTIP negotiations and the lack of ratification of the Mercosur agreement cost us so far and what will it cost us if we do not finally take action?**

The report correctly identifies the significance of **enhanced economic collaboration with the United States**. However, the prospect of a transatlantic single market remains uncertain, given the ongoing debate surrounding the TTIP. It is imperative that the **ratification of trade agreements is accelerated without delay**. We therefore recommend that mixed agreements are a thing of the past. Pure EU-only agreements (ratification only by the Council and the European Parliament) should be negotiated with trading partners, as is already the case with New Zealand and Australia.

7. CONCLUSIONS - A CALL TO ACTION

One positive aspect of the conclusions is that the crucial role of social partner involvement in addressing the challenges ahead is highlighted.

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