



An initial commentary on Mr. Enrico Letta's report on the Single Market

22 May 2024

The Confederation of Swedish Enterprise welcomes the report by Mr. Enrico Letta focusing on the future of the single market and would like to underline the appeal to the European Commission to draft a Single Market Strategy in 2025.

The Confederation has engaged in a direct dialog with Mr. Letta throughout the drafting process of the report, and we are pleased to note that several of the issues raised by the Confederation – such as the lack of free movement in services, the quality of the regulatory framework including proper enforcement mechanisms and the persistent fragmentation still present in various sectors – are addressed in his report.

The report covers a range of topics related to the Single Market, from free trade, transport and telecommunications to a Capital Market Union and even a fifth freedom regarding intangible growth drivers. The report is comprehensive, but includes certain problematic elements. For example, the focus on state aid instruments and EU level funding risk obscuring policies on how the EU can and must create better conditions for private investments and enabling environment to encourage private investments. State aid, whether distributed via member states or EU institutions should not be considered as a miracle solution to building long-term European competitiveness.

Summary

The Confederation of Swedish Enterprise supports Mr Enrico Letta's call for a timely, smart, and bold strategy for the future of the Single market for 2024-2029.

This short commentary **highlights priority issues** that the Confederation of Swedish Enterprise **supports or finds worrisome**, leaving the bulk of Mr Letta's comprehensive report

without specific comments at this stage.

- **State aid** – The proposals in the report are heading in the wrong direction, if the ambition is to strengthen the competitiveness of companies in Europe. State aid does not necessarily become more effective and purposeful by being distributed via EU institutions.
- **Investments and Savings Union** – With regards to the specific financial market proposals, the EU legislators should only strive for harmonization where this is proved necessary. As a first step, Member States should use their national competencies to individually strengthen the efficiency of their financial markets to become attractive to private investments.
- **Free trade** – The report recognizes the role of a free global trade to accelerate the influence of the Single Market. However, the notion of establishing an economic security council may risk raising unnecessary trade barriers.
- **Social dimension** – The report is skewed and is lacking emphasis on the need for economic growth in order to be able to provide free movement of labour and address the issue of shortage of labour, the need for mutual recognition of qualifications and degrees, the creation of an EU-talent pool and in order to favor recruitment of third country nationals. Only if conditions for European business are favourable, can full potential of the single market's social dimension can be reached.
- **Better regulation** – the report emphasises the need for better regulation, which is good. However, a focused solution with fewer legislative proposals is required to facilitate a more efficient legislative process as well as more thorough impact assessments.
- **Governance** – Many new authorities have been introduced (such as the European Labour Authority) during the last mandate. Existing governance structures need to show results and efficacy before new actors are introduced. Public consultation in decision making processes is important, and we encourage timely consultation processes withing the existing consultation structures.
- **Enforcement** – The enforcement of Single Market rules is crucial to overcome fragmentation. It is imperative that the European Commission steps up its enforcement responsibilities, regardless of whether new governance layers are established or not.
- **SME** – The think-small-first principle is endorsed in the report. All legislation, whether specifically targeting SMEs or not, trickles down and SMEs have to be able to implement them. However, introducing a new SME definition will not change the underlying problem of overwhelming regulatory burden.

Background

Following discussions at the Single Market Forum on 2 May 2023 in Stockholm, former Italian Prime Minister Enrico Letta was tasked by the 27 EU Member States to prepare a report on the EU's single market. As part of his work, he toured the member states *and inter alia* visited the Confederation of Swedish Enterprise in Stockholm for a discussion centered around competitiveness, regulatory complexity and the risks of state aid.

The aim of Enrico Letta's report is to provide the Council and subsequently the European Commission an overview of what needs to be done to make the EU's single market reach its full potential. There are still too many obstacles to the smooth functioning of the internal market. Ultimately, this report feeds into the strategic planning and work programme of the upcoming new EU policy cycle.

The report was presented to the European Council on 17 April 2024.

According to Mr. Letta, the key topics and processes that will shape the EU in the coming decade, are: i) commitment to (fair) green and digital transition, ii) decision to pursue enlargement, and iii) imperative to enhance EU's security. These three strategic directions also frame his report.

The various proposals, with relevance to private companies, are analysed in the following sections, following the order of the six chapters in Mr Letta's report. The focus of the first round of analysis highlights the issues that the Confederation supports or finds worrisome, leaving the bulk of suggestions without comments.

I. A fifth freedom to enhance research, innovation and education in the Single Market

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

A fragmented research area is a European weakness. The ambition to lower the thresholds for increased mobility and research collaboration in EU is therefore positive. It is also rational and a clear societal value for the EU to focus on increased and broadened use of research infrastructure.

Open access of research results must be balanced against the fact that peer review and quality review for high-ranked journals is a high-cost venture and the costs must be borne by someone. There is a conflict of interests here that must be dealt with. There is no free lunch.

The concrete proposals by Mr. Letta are, unfortunately, top-down and politically driven rather than market-driven. The EU continues to lose ground to the US and more of the same medicine is not the solution. Instead, the EU should allocate sufficient budgetary resources to research and innovation as a means to futureproofing the economic growth of the Union.

Data, AI and beyond

Mr Letta states that “[T]he EU Regulations - GDPR, Data Act, Data Governance Act - established a foundation of trust where citizens and businesses confidently share data, driving progress without compromising rights or privacy.” The new legal digital framework has been put in place to target the different benefits and challenges there are linked to automation, data sharing, skills, primary and secondary use of data, trust in technology. What is lacking in the report is a need to embed and safeguard the coherence and quality of the EU's regulatory framework and enable Member States and organisations to implement, harmonise and adapt to this vast new framework so that it delivers shared digital ambitions.

Efforts should be made to ensure that any new regulation is carefully considered and introduced only where regulatory gaps are proven. Where this is the case, new regulation must be targeted and developed in an evidence-based, risk-based and proportionate way and its interplay with existing rules must work with, not against, digital innovation.

To strengthen European competitiveness, a 'competitiveness and internal market check' should be introduced for any proposed new digital regulation and one that takes stock of the cumulative interplay and impact of existing digital regulation too.

The coherence and the quality of the regulatory framework as well as the competitiveness and internal market check of course applies to all legislation, not just the digital field.

There is lack of notice in the report that there is no Single Market for Digital innovation, a fact that causes high transaction costs for companies scaling up on the Single Market. The report fails to recognise that intellectual property is the currency of innovation. It is through appropriate handling of intellectual property business will choose to invest in ideas to make them into innovation and bring them to market. Sufficient intellectual property rights provide exclusive ownership, protect new and innovative ideas, but also facilitate collaboration and accelerate implementation of innovation.

I. **A fifth freedom to enhance research, innovation and education in the Single Market**

- **Fragmented research area is a European weakness:** The Confederation appreciates the ambition to lower thresholds for increased mobility and research collaboration in the EU. Focusing on increased and broadened use of research infrastructure is rational and valuable.
- **Balancing open access of research results:** While open access is important, peer review and quality review for high-ranked journals come with costs and potential conflicts of interest.
- **Challenges in digital regulation:** We want to stress the need for better regulation and alignment with existing rules in order not to hamper digital innovation
- **Lack of a Single Market for Digital innovation:** The report overlooks this fact, causing high transaction costs for companies scaling up. Intellectual property is crucial for innovation, providing exclusive ownership and facilitating collaboration.

II. A Single Market to finance strategic goals

A Savings and Investments Union

The Confederation of Swedish Enterprise welcomes the clear messages in the report that attractive and efficient financial markets within the EU will be necessary to strengthen the competitiveness of European business and to secure due financing to achieve the broader goals of the EU, not least relating to the twin transition. The Confederation agrees with the agenda of mobilising capital within the EU to increase investment. However, there is a common misunderstanding that inadequate levels of investment and saving within an economic area must be addressed with financial market legislation. While functional financial market regulation is of importance, it is more often the case that profitable and growing businesses attract capital.

It is unfortunate to see this mistaken notion repeated in the Letta report. For instance, the report states that “[a] concerning trend is the annual diversion of around €300 billion of European families’ savings from EU markets abroad, primarily to the American economy, due to the fragmentation of our financial markets.” It is much more likely that European capital is attracted to foreign markets due to opportunities to diversify portfolios and earn attractive returns. If the aim is to attract more capital to the EU, improving general business conditions would likely be more effective.

With regards to the specific financial market proposals in the report, we urge the EU legislators to only strive for harmonization where this is proved necessary. Instead, and as a first step, Member States should use their national competencies to individually strengthen the efficiency of their financial markets. An understanding of existing pain points and opportunities, learning from what works well today and encouraging Member States to build on best practices should be the focus. In this context, the Swedish stock market has proven to be a good well-functioning example when it comes to providing funds to both large and smaller companies. For any harmonization efforts proved to be necessary, better regulation should remain a top priority, including respect for the principles of subsidiarity and proportionality.

Proposals for public financing

With regards to financing EU industrial policy, the report sets out that a precondition for a more efficient industrial policy within the EU is increased public financing. Since provision of

state aid is largely through national budgets and is national competence, there is a risk that the differences in resources that member states have, lead to distortions of competition and fragment the internal market. To address this, Letta believes that some form of "state aid contribution mechanism" should be introduced. How this would work is not further described in the report, other than that member states should allocate a portion of their national funding to finance what he calls pan-European initiatives and investments.

Overall, the Confederation of Swedish Enterprise is opposed to the description that the EU would benefit from increased public financing, whether it concerns support from the member states or from the EU budget and common programs. State aid does not necessarily become more effective and purposeful by being distributed via EU institutions. There are already a large number of support programs at the EU level, which need to be streamlined and made more efficient. Furthermore, the report's perception of what state aid is seems somewhat simplified, including that parts of this aid can be transferred to the EU level without difficulty. Much of the state aid provided is a result of how national tax systems are structured, and state aid also occurs to a large extent in the form of infrastructure investments, regional aid, compensation for public services, and other measures that are country-specific and cannot be transferred to the EU level, also given the competencies of the European Union.

The basic premise should be that state aid is only relevant in cases of **market failures**, a term that is not mentioned at all in the report. Instead, it is proposed to introduce more "conditionalities" in the provision of aid, which will prolong the aid assessment process, make the rules more complex, increase administrative burden, and make the aid less targeted. It is also not clear how this would reduce the risk of distortions of competition.

Furthermore, the regulations and processes for Important Projects of Common European Interest (IPCEI) are described as exemplary. These processes are in fact highly bureaucratic, spanning multiple member states and involving up to hundreds of applying companies to be coordinated, leading to complex and protracted examinations. It is often pointed out that these processes need to be made more efficient, which is probably possible to some extent, but the basic model means that they will never be simple and fast processes. Although none of these processes have yet been evaluated, the report suggests that the scope of IPCEI should be expanded by lowering the thresholds for technological excellence and that costs beyond initial industrial development should also be financed. This would undoubtedly risk leading to increased distortions of competition, which is also acknowledged by Letta as something that must be avoided.

In conclusion, the Confederation of Swedish Enterprise believes that the proposals in the report regarding state aid are heading in the wrong direction if the ambition is to strengthen the long-term competitiveness of companies in Europe, and to aspire towards a more targeted and efficient use of state aid.

Single benchmarks for European financial markets

Many problems e.g. with regards to more integrated European financial markets and the development of the digital euro described in the report are not fully consistent with the challenges faced by Swedish companies and economy. In our sense many of the suggestions made by Mr. Letta are therefore better solved at member state level following the principles of subsidiarity and proportionality. With that in mind, a digital euro is a good suggestion. However, it is more important to get it right than to get it fast. To implement a digital currency is a great step and many aspects must be considered. Therefore, a thorough impact assessment is vital.

Many problems described in the report are not fully consistent with the challenges faced by Swedish companies and economy. In our sense many of the suggestions made by Mr. Letta are therefore better solved at member state level following the principles of subsidiarity and proportionality. The tax system can penalise and incentivise behavior and actions in ways that promote many of the reports suggested objectives. However, taxation is the competence of individual member states and should remain so. Consequently, we strongly object to the proposal to circumvent the unanimity rule in taxation. Guiding member states through best practices will eventually result in common and harmonised solutions at the EU level.

Strengthening administrative capacity for greater impact

The report suggests establishing a new facility for a Pact enhancing European Administrations Cooperation and Expertise. There is probably a need for this in some member states. However, advice and recommendations for policy makers in each EU member country are already offered within the European semester, and we do not see it as necessary to create a new facility to provide expertise to Member States. Instead, it would be beneficial to extend the role of the EU court of auditors to include making assessments of the success of money spent on different funds, facilities and specific EU support. Making the most of taxpayers' money should be of utmost importance. Member States should, at state

level, confirm that they have a well-functioning court of auditors for public finances and administration that assures that taxpayers' money is put into the most efficient use.

The report acknowledges that there is no single digital means of payment covering all Euro area member states. This is a service that needs to be provided for all EU member countries and not just for Euro area members. International transactions at the EU-level are slow, costly and have added administrative burdens compared to domestic payments. A quick and safe payment system across EU would benefit the single market. There might be a need for a digital Euro and the ECB should continue its work on this. As physical money is losing importance, it is crucial to have a digital means of payment that is guaranteed by states or at the EU-level.

Improving investment; circular economy, public procurement and administrative capacity.

A Circular Single Market: sustainability as a key pillar

Mr. Lettas's report puts forward a positive and forward-looking vision of an integrated circular economy in Europe, much in line with what we promote and support. The emphasis on a circular single market for all types of products and materials is advantageous for a small, export-dependent country like Sweden, with much technological innovation and know-how on preserving the economic value of material. The vision doesn't discriminate between used products and what we today classify as waste. A key obstacle to scaling up the circular economy has been an overly strict regulation of waste while primary materials and products have enjoyed the free movement of goods.

The report also makes an important point about harmonising legal provisions and removing national legislation which is increasingly superfluous in light of upcoming EU legislation. Working towards more standardisation and common definitions of e.g. waste is imperative to attain large-scale material flows which in turn spur investments and profitability. Additionally, the Confederation find positive the reports emphasis on more EU-wide research and investments in large-scale circular facilities.

What the report fails to mention in this context is the increased need for better market surveillance and supervision to ensure that increasingly complex product and material legislation is followed in all member states.

A more European and more strategic public procurement market

Regarding public procurement, the Confederation agrees with Mr. Letta that better public procurement data is needed to open procurement opportunities and to ensure better public spending. The proposal to transform EU procurement framework into a regulation to reduce fragmentation is an interesting notion which should be analysed further. In this context, we see the need for more coordinated remedies and would welcome a remedies regulation regarding public procurement.

II. A Single Market to finance strategic goals

- **CMU:** The Confederation supports the notion that effective capital markets are needed to support competitiveness and achieve wider EU policy objectives. However, we consider that regulation is not always the best nor the only way to mobilise capital. We consider that harmonization in financial markets should only be considered where proved necessary, while improvements should be sought at national level.
- **IPCEIs:** We have concerns regarding expanding the scope of IPCEIs as they may lead to further bureaucracy and administrative burden.
- **State Aid:** We strongly disagree with the report regards to State Aid, and believe the proposals are counterproductive in boosting European competitiveness. We oppose the description that the EU would benefit from increased public financing, whether it concerns support from the member states or from the EU budget and common programs. We do not believe state aid becomes more effective and purposeful because it is distributed via EU institutions.
- **Circular economy:** We promote and support the notion of a forward-looking vision of an integrated circular economy.

III. A Single Market to play big; scale matters

At the heart of common public interest: cybersecurity and digital sovereignty

Mr. Letta notes that “The European landscape currently lacks a harmonised approach to lawful intercept, which necessitates a thorough review to explore paths towards greater harmonisation, while safeguarding national security.”

Attacks on digital infrastructures have increased significantly in recent years, both in Sweden and in other EU countries. There is a certain level of network security and operational security that operators have to ensure on their own. However, this should not include costs involved to protect against attacks from APT¹ or in the event of crisis and war.

The Confederation believes that there is a need for more EU wide collaboration to help operators to be adequately protected against cyberattacks and that EU needs to have a harmonizing plan for protection of digital public networks and to compensate operators for the additional costs.

A Single Market to foster efficient Energy-Climate Policies

More emphasis should be on moving towards a more comprehensive and coherent energy policy, which overarches all types of prerequisites – need for additional fossil free energy production, need for dispatchable energy sources, balancing needs, the grid infrastructure, the need for flexible capacity (and interconnector build-out). All these factors should be borne in mind when considering the overall need and cost for the electricity system, rather than putting too much emphasis on interconnectors as the silver bullet for European energy system competitiveness and resilience.

The Confederation welcomes the statement in the report that Europe must accelerate the deployment of low-cost renewables and other forms of low-carbon generation. The 2040 climate target communication from earlier this year, however, has been even clearer that all

¹ An advanced persistent threat (APT) is a prolonged and targeted cyber attack in which an intruder gains access to a network and remains undetected for an extended period.

types of low carbon generation are needed for the climate transition and for competitiveness (including e.g. renewables, nuclear, hydropower etc.). The Confederation notes that the report lacks to recognise that a substantial increase in fossil free electricity production will be needed in Europe to phase-out fossil fuels while at the same time remaining competitive.

Regarding Mr. Letta's proposal of introducing schemes for cross-border flexibility energy procurement, the Confederation considers it problematic as such schemes may become a complicated and time-consuming process. The EU and Member States should focus on ensuring the deployment of more fossil free electricity generation in the coming years in order to be able to phase-out fossil energy e.g. in the industry and transport sectors. In addition, it is hard to understand how ensuring cross-border access to CFD² will work in practice. Access is also already granted through existing or new interconnectors to link up a Member State with a CFD scheme and the electricity generation of another Member State. Lastly, it is unclear how the cross-border access would help to ensure more competitive prices in another Member State as the CFD has a strike price.

While additional investments will be required to materialize needs for the climate transition, the Confederation fear that creating new funds at EU level and significantly increasing the multiannual financial framework (MFF) of the EU risk creating additional layers to the already complex system of EU funding and less cost-efficient solutions for e.g. infrastructure investments.

Mergers and interconnectivity

Mr. Letta's report recognizes that there is an urgent need to catch up and strengthen also electronic communications to allow telecom operators to merge and scale up. However, previous initiatives from the Commission to improve the digital infrastructure in Europe have not been matched by similar political determination by member states. Member states have failed to implement EU regulation or have watered down the Commission's proposal. These failures partly explain why only few telecom firms provide services across multiple EU countries. Operators – and potentially new players who will rely on operators' infrastructure – cannot coordinate rollouts, their product offerings, or business practices across the EU.

² CfD is a long-term contract between an electricity generator and Low Carbon Contracts Company (LCCC)

The next Commission should push member states to remove regulatory barriers to the deployment of digital infrastructure across Europe – including both connectivity and newer types of digital infrastructure like data centers and edge nodes. The next Commission should focus on cutting red tape, deepening the EU telecoms market, improving the environment for investment, and ensuring competition within a true Single Market in telecommunications drives operators to deploy new technologies.

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

The report calls for a genuine single market for transport services to be achieved, especially in road and rail. Also, the report calls for more influence from the European Commission and EU agencies in infrastructure planning and investment.

The Confederation welcome the focus on removing market barriers – and we can welcome several conclusions, for example in road transport, where the liberalisation of regular connections by buses and coaches over long distances remains incomplete, the completion of a single European sky for aviation and the fulfilment of a Single European Railway Area. Rail market opening is still being hampered by the fragmentation of markets and infrastructure, the persistence of legal and de facto monopolies, as well as technical barriers.

On the other hand, the report also focuses on infrastructure and the need for major investments. While we fully welcome the suggestions on removing bottlenecks and foster integration between Member States, we also would like to add to the discussion that investments in infrastructure must be assessed from a cost-benefit perspective.

- **Digital infrastructures:** The Confederation argues that the EU needs to have a harmonising plan for protection of digital public networks and compensate operators for the additional costs.
- **Energy and climate:** We agree that Europe must accelerate the deployment of low-cost renewables and other forms of low-carbon generation. However, the Confederation notes that the report fails to recognize that a substantial increase in fossil free electricity production will be needed in Europe to phase-out fossil fuels while at the same time remaining competitive.
- **Energy procurement:** Regarding cross-border flexibility energy procurement, the Confederation considers it problematic as such schemes may become a complicated and time-consuming process.

- **Climate transition financing:** We fear that creating new funds at EU level and significantly increasing the multiannual financial framework (MFF) of the EU risk creating additional layers to the already complex system of EU funding and less cost-efficient solutions for e.g. infrastructure investments.
- **Mergers and interconnectivity:** The next Commission should push member states to remove regulatory barriers to the deployment of digital infrastructure across Europe.
- **Transport:** We welcome the focus on removing market barriers – and we can welcome several conclusions, for example in road transport, where the liberalisation of regular connections by buses and coaches over long distances remains incomplete, the completion of a single European sky for aviation and the fulfilment of a Single European Railway Area. Investments in infrastructure must be assessed from a cost-benefit perspective.

IV. A sustainable Single Market for all

Strengthening the Single Market social dimension

The Confederation appreciates the report's focus on free movement of labour and addressing the issue of shortage of labour, the need for mutual recognition of qualifications and degrees, creation of a EU-talent pool and enabling recruitment of third country nationals as a prerequisite to strengthen the Single Market and help boost European businesses and competitiveness. However, we find that the report lacks emphasis on the need for economic growth in order to be able to provide the abovementioned measures.

High employment levels are a prerequisite for providing European citizens with strong social rights and good living standards. The only way to achieve this is through competitive companies and healthy economies in the EU Member States. These conditions are linked; improved living standards cannot be created without growth.

The living standards of citizens in and between Member States vary significantly today. The report rightly singles this problem out, but these differences are, according to the Confederation's opinion, primarily the result of differing levels of economic development and diverging levels of unemployment. Employment is a basic condition for the creation of good living conditions for citizens. Employment does not only provide income, but it is a path to inclusion in the social insurance structures. Many EU Member States need improved labour markets to create employment. Changes to indirect labour costs, minimum wages, employment protections, types of employment, tax and social security systems are necessary to stimulate employment in these countries. But the responsibility for making the necessary changes lies, and should remain, with each Member State.

Opening up the benefits of labour mobility to a larger number of people

Allowing the free movement of labour from places with high unemployment to places where labour is needed. However, primarily individuals who are already equipped with the means and skills to take advantage of cross-border opportunities, or large enterprises that can easily expand their operations across Member States accrue the advantages of the Single Market. The report also states freedom to move should be a choice, not a necessity and the freedom to stay is an important right to among other things avoid brain drain and unequal economic development throughout the Union.

The Confederation believes that free movement and free trade are prerequisites for prosperity and welfare and that a competitive business community plays a key role in the creation of welfare all over the Union. In order to achieve this, public authorities need to create the conditions and necessary space for the development of a competitive companies.

As job creators, companies play a key role in the general pursuit of improving social conditions within the EU. The connection between people working and social welfare cannot be stressed enough. A social Europe is a Europe where people work. Conversely, there will be no social Europe without jobs.

The report concludes that need for a stronger social dimension in the Single Market, However the Confederation believes that a strong social dimension in the Single Market that includes prosperity, ensuring fair opportunities, workers' rights and social protection for all has to start with the reform of economic freedom and regulation. While Mr. Letta proposes changes to the way company boards are appointed the Confederation firmly believes that shareholders rights, without any form of discrimination, to appoint their boards must be respected.

Only if conditions are good for European business can the full potential of the single market social dimension be fulfilled. Long-term sustainable economic growth and job creation requires reforms, not more regulation.

We do not share Letta's opinion that privatization of social services is problematic. On the contrary, private alternatives are often more efficient, provide competition and play a vital role in the creation of new jobs. They should be encouraged to coexist with governmental services.

European employers already take great responsibility for the working environment, both social and physical. They cannot, however, be held responsible for physical hazards or mental illness due to matters beyond their control, originating outside the workplaces.

The Confederation shares the view of Mr. Letta that improving the coordination of social security is a prerequisite for a well-functioning internal market and strengthening of the free movement of labour. It is however important to recognize, that coordination of social security is highly complicated, and the national competence of social security provision and the various systems in different countries must be respected. There are differences in

financing, ownership, qualifications, levels of compensation. Some are owned and run by the social partners and others by governments and private persons or companies.

The European Union's responsibility is to stimulate Member States to implement structural reforms and to keep their economies in good macro-economic balance. The EU should work to make the many parallel processes with these same objectives more efficient. The Council's common principle on flexicurity from 2007 is a sound basis for achieving this. The open co-ordination method in the areas of employment and social inclusion must be reinforced and made more efficient within the framework of the European Semester. This would stimulate national reforms that promote competitiveness throughout Europe. The country-specific recommendations should remain the channel used to support and give recommendations to Member States. Any additional regulations of labour law and work environment at the EU level should be critically scrutinized in view of the over 70 EU directives already in force. There is potential for coordination, but not for common European solutions.

The Confederation agrees with the report that the social partners role can be enhanced, and that social dialogue and collective bargaining remain unique tools for governments and social partners to find tailored and fair solutions. Well-functioning national systems must be respected .

Freedom to move and freedom to stay

The "freedom to stay" -as proposed in the report- in our view can only be achieved in an integrated and well-functioning Single Market. Therefore, the Confederation fully supports the ambition to work further with reduction of cross-border barriers. Many legal and administrative cross-border obstacles that hamper individuals from seeking jobs or providing services in neighboring regions still exist. This is a threat to growth and prosperity across the entire Union and could, as such also, create unwanted social tensions. The answer to this is not, however, further state aid and the creation of EU task force on housing affordability as proposed by Letta, but rather economic reforms aiming at strengthening competitiveness and job creation. Also, the mechanisms of a housing market functionality vary significantly both locally and regionally within different member states. A single EU task force targeting housing affordability is both inappropriate and ineffective in addressing these variations.

The Confederation agrees with the aspiration to place greater emphasis on basic skills and the ambition of moving the EU member states up by the next PISA ranking by the OECD. As the report notes is this a national competence, but raising the subject to European level

would make it possible to highlight best practices, coordinate efforts and, inter alia, provide better support for the "freedom to stay" in Europe by strengthening growth and innovation cross the entire Union. Such an effort goes hand in hand with the ambition to simplify the recognition of qualifications in Europe.

Unleash the potential of European SMEs

The report brings a sound and clear focus on the situation for SMEs and endorses the think-small-first-principle, which is of utmost importance when regulating. However, the idea of changing the definition of SME is addressing the symptoms rather than the cause, as all regulation, no matter of exemptions, will trickle down to the SMEs in the end.

Addressing tax fragmentation to empower the Single market

The Confederation is concerned about the proposal to circumvent the unanimity rule in taxation to combat tax avoidance. Unanimity upholds national sovereignty in tax issues and ensures that only proposals that benefit all Member States are passed. The fact that Member States over the last 10 years have managed, unanimously, to agree on close to 20 tax directives, many of them related to tax avoidance, is a testament to the fact that the unanimity rule has functioned well in this context. Consequently, we strongly object to the proposal to circumvent the unanimity rule in taxation. Guiding member states through best practices will eventually result in common and harmonised solutions at the EU level.

A Single Market for Consumers

Better information to make the right choices

The Confederation supports the ambitions of making products more durable, repairable and recyclable through the Ecodesign regulation, also improving consumer awareness and knowledge of what a product placed on the market contains. The report mentions finding a balance between sufficient information and avoiding information overload vis-a-vis consumers through the digital product passport but fails to acknowledge that we also need to ensure that knowledge-based assets are safeguarded and protected for the sake of future innovation and investments.

Contrary to Mr. Letta, the Confederation thinks that the proposal for a Directive on Green Claims and its rules regarding environmental claims in its present form burdens EU companies disproportionately and may result in greenwashing, stifling companies that make efforts to improve the environment and preventing them to communicate about these efforts. Instead of improving competitiveness of companies, the proposal might not tackle the problem of greenwashing sufficiently. In order to better protect EU consumers against unfair practices and harmful products, regulatory framework, such as the Digital Services Act (DSA) came into force recently. The new framework should be implemented and applied effectively and coherently; reasonable time should be given to show any effect on the markets. Even a thorough evaluation of the framework should be conducted before new additional proposals aiming at the same objectives are put forward.

- **Labour:** The Confederation appreciates the reports' focus on free movement of labour, addressing the issue of shortage of labour, etc. However, we find that the report lacks an emphasis on the need for economic growth in order to be able to provide the envisaged measures. The Confederation agrees that the social partners role can be enhanced, and that social dialogue and collective bargaining remain unique tools for governments and social partners to find tailored and fair solutions. It must however be emphasized that well-functioning national systems must be respected.
- **Social services and social security:** We do not share the opinion that privatization of social services is problematic. On the contrary, private alternatives are often more efficient, provide competition and play a vital role in the creation of new jobs. The Confederation shares the view that improving the coordination of social security is a prerequisite for a well-functioning internal market and strengthening of the free movement of labour. It is, however, important to recognize that coordination of social security is highly complicated, and to respect the national competence of Member States in social security provision.
- **SMEs:** The think-small-first-principle is of outmost importance when regulating. However, the idea of changing the definition of SME is addressing the symptoms rather than the cause, as all regulation, no matter of exemptions, will trickle down to the SMEs in the end.
- **Taxation:** We strongly object to the proposal to circumvent the unanimity rule in taxation.
- **Green Claims:** We think that the proposal for a Directive on Green Claims and its rules regarding environmental claims in its present form burdens EU companies disproportionately and may result in greenwashing, stifling companies that make efforts to improve the environment and preventing them to communicate about these efforts.

V. A Single Market to go fast and go far

Better regulation and a European Code of Business Law

Regarding a European Code of Business, we welcome Mr. Letta's initiative to make it easier for companies to access the single market, by establishing a 28th regime that would be available for enterprises on a voluntary basis. Any harmonization efforts and compulsory legislation should focus on areas where harmonization is proven (through thorough impact assessments) to strengthen competitiveness, decrease the burdens on companies and facilitating access to the single market for companies, in particular SME's, .

We welcome the reports' emphasis on a much-needed simplification of the legal landscape governing the internal market. To improve the competitiveness of European companies a return to NLF-type³ legislation should be considered. This method limits legislation to essential requirements. If needed, guiding documents in the form of harmonised standards can be developed by private stakeholders to facilitate implementation. Simple rules that can be fulfilled either by using standards, or by showing compliance to the essential requirements by other means, supports innovation and have the potential to attract investments to the European market.

To achieve better regulation and to reduce the potential problem of a consultation fatigue that Mr. Letta refers to, the Commission should, firstly, limit the introduction of new regulation and give more attention to alternatives to traditional regulation, such as self-regulation and co-regulation.

Secondly, it is important to aim for quality instead of quantity in the legislation process. With less proposals to handle, the process will be faster, more efficient and the ability to carry out thorough impact assessments will increase.

The report lacks a concrete target for reducing regulatory burdens. This target should not just be focused on administrative costs but rather on reducing the overall cost of EU regulation on economic growth. Unlike previous burden-cutting exercises, the new target

³ Adopted in 2008, the new legislative framework (NLF) aims to improve the internal market for goods and strengthen the conditions for placing a wide range of products on the EU market

should not look only at existing regulation, but should aim to systematically and progressively achieve a reduction in the overall net regulatory burden over time.

The Commission needs to improve the quality of its impact assessments, by seeking earlier and more rigorous feedback from stakeholders on draft impact assessments. A 'competitiveness check' should be part of impact assessments – but it should also be integrated into the Commission's political agenda.

The use of delegated acts has increased significantly in recent years. The Confederation share Mr. Letta's opinion that it is important to find a balance between ordinary legislation and delegated acts. At the same time, we want to emphasize that the European Commission needs to prepare impact assessments for all proposals, including for delegated and implementing acts, unless the Commission certifies that the proposal is unlikely to have any significant impacts (after giving stakeholders a chance to challenge that view). In urgent cases the Commission should clearly justify why the urgency hinders it from carrying out an impact assessment at the time of legislation and prepare an impact assessment as soon as possible as a part of post-legislation scrutiny.

The Confederation agrees with Mr. Letta that both the European Council and the European Parliament must also fulfil their commitment to produce impact assessments when they put forward substantial amendments to Commission proposals.

- **28th regime:** The Confederation welcomes the European Code of Business initiative. Any harmonization efforts and compulsory legislation, should, however, focus only on areas where harmonization is proven (through thorough impact assessments) to be needed.
- **Regulation:** We welcome the report's emphasis on a much-needed simplification of the legal landscape governing the internal market. However, the report lacks a concrete target for reducing regulatory burdens. This target should not just be focused on administrative costs but rather on reducing the overall cost of EU regulation on economic growth. The Confederation share Letta's opinion that it is important to find a balance between ordinary legislation and delegated acts. The Confederation agree that both the Council and the Parliament must also fulfil their commitment to produce impact assessments when they put forward substantial amendments to Commission proposals.

VI. The Single Market beyond its borders

A resilient Single Market in the new geopolitical scenario

The overarching aims to balance openness and security expressed in the report are quite general and on the whole we can agree with them.

On the concrete proposal of establishing an economic security council, the question is whether it is necessary as we see a risk that it might turn into a body focused on restricting trade.

As a general principle, the shorter the list is regarding 'critical technologies' the better in order to avoid a situation where "everything" is sensitive and thus restricted. Unfortunately, this thinking is not reflected in the paper. The question of what is considered as 'critical technologies' is also being discussed in the context of Economic Security. We should be cautious regarding the proliferation of the discussion on 'critical technologies'.

We agree with Mr. Letta on the need to better coordinate and implement export controls, as it is also the best way to avoid the introduction of a new system of outbound investment screening.

Trade as a crucial tool to protect the Single Market's influence

The report lacks a clearly articulated desire to negotiate more and better trade agreements and to explore new venues for trade liberalisation.

We strongly support Mr. Letta's concrete proposal regarding the role of the European Parliament and the Council to be the only legislative bodies to approve trade agreements. In other words, we support the notion of not having to get trade agreements approved and ratified by all national and some regional parliaments in the Member States. This procedure is politically impossible to continue with if we want new trade agreements and this is something the report rightly emphasises.

Enlargement

The Confederations recognizes both challenges and opportunities in terms of EU enlargement, and how to mitigate on particular issues. We fully support the idea regarding

strict adherence to the first Copenhagen criterion, i.e. democracy, the rule of law, respect for human rights and protection of minorities. However, further information and analysis would be required regarding the suggested enlargement solidarity facility and its potential implications.

- **Balancing Openness and Security:** The Confederation emphasizes the need to safeguard the interest of efficiency when striking a balance between openness and security in the context of the Single Market. While the overarching aims align with this goal, there is concern about the proposal to establish an economic security council, which could potentially restrict trade.
- **Critical Technologies:** The shorter the list of critical technologies the better, to avoid excessive restrictions. However, the report does not fully reflect this principle, and caution is needed regarding the proliferation of discussions on critical technologies.
- **Export Controls and Investment Screening:** We agree on the importance of better coordination and implementation of export controls. This approach helps prevent the introduction of a new outbound investment screening system.
- **Trade Agreements and the European Parliament:** We find that the report lacks a clear desire to negotiate more and better trade agreements.

Final note

As stated in the introduction, there are several other suggestions on various levels, in the report that we have not yet covered. Already the name of the report *Much More than a Market* suggested the scope of the report to be panoramic. The Confederation would like the further discussion on the Single market to be narrowed down to the essence; removing barriers and reducing the administrative burdens in order to improve the four freedoms in order for EU, to quote the Lisbon agenda, to become the most competitive and dynamic knowledge-based economy in the world. There is still much to do within that already quite wide scope and widening the scope further risks watering down the efforts to strengthen the Single Market.