

## Executive Summary of the WKÖ Assessment „Much more than a market“ Report on the future of the Single Market | Enrico Letta

*“THE VAST REGULATORY FRAMEWORK GOVERNING THE SINGLE MARKET, [...], HAS BEEN SUBJECT TO SCRUTINY OVER ITS COMPLEXITY AND THE BURDEN IT IMPOSES ON BUSINESSES, ESPECIALLY SMALL AND MEDIUM-SIZED ENTERPRISES (SMES).”*

EU Special Envoy Enrico Letta presented his report on the future of the single market at the European Council on 18 April 2024. This report contains important elements for strengthening the EU's single market, which will contribute significantly to future discussions on the subject. It identifies several key aspects in the current geopolitical context and presents reform ideas aimed at maximising the efficiency potential of the EU as a large economic area and enabling it to remain competitive even in times of renewed global rebalancing, with which we agree.

Nevertheless, there remain numerous areas where further detailed information is required in order to provide a comprehensive response.

In this factsheet you will receive a compact summary of the chapters covered. Would you like to find out more?

Detailed information and an assessment of the WKÖ can be found at <https://www.wko.at/oe/news/positionen-europapolitik> or follow the QR code.



ENRICO LETTA

# MUCH MORE THAN A MARKET

**SPEED, SECURITY, SOLIDARITY**

Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens

## The following recommendations are viewed positively



### Reducing bureaucratic burden

The cumulative burden on businesses in the EU single market has increased enormously. We therefore share the view that the EU Commission's commitment to reducing administrative burdens must be an absolute priority in the coming years. Regarding implementation, we support the call for clear deadlines and the definition of baselines.



### A 5<sup>th</sup> fundamental freedom for research, innovation and education could strengthen Europe's competitiveness

We agree that increased efforts in the area of R&I are needed to maintain competitiveness and further develop the Digital Single Market. A fifth fundamental freedom could achieve progress here, but raises legal questions, particularly regarding the division of competences between the EU and the Member States. We also support the promotion of public-private partnerships. However, further details are lacking. In addition, initiatives such as „Erasmus for all“ should include vocational education and training.



### Further development of the Capital Markets Union to improve access to finance

The European capital market needs significant development. Creating a new investment product for private households could strengthen the European Capital Markets Union, especially when focusing on investments within the capital market. Auto-enrolment should remain optional. Simplifying the securitization framework is also essential to free up capital for the green and digital transformation. Additionally, we strongly support in-depth financial education, particularly in schools.



### Careful implementation of EU regulations in the enlargement process

Careful implementation of EU regulations, especially in establishing stable rule of law conditions, is a key priority for the enlargement process. We advocate for gradual integration and emphasize the use of existing financial instruments like the pre-accession instrument IPA and the Reform and Growth Facility for the Western Balkans without creating new instruments.



### Efficiency and transparency in the EU legislative process and law enforcement

We support the demand that the impact of amendments made by the co-legislators (Parliament and Council) should be systematically assessed in the legislative process. We recommend that these assessments should also include the impact on businesses, especially SMEs, and on Europe's competitiveness. Furthermore, we concur with the view that the existing instruments for enforcing the law, such as infringement proceedings, are excessively lengthy. These should be accelerated, and greater use should be made of EU pilot procedures.



### Need for a comprehensive integration strategy in the areas of finance, energy, communication and transport

We strongly agree that accelerated integration in finance, energy, communications, and transport is crucial for Europe's competitiveness. However, the report lacks a comprehensive strategy. We endorse market integration in the energy sector, the development of cross-border networks, renewable energy development at the EU level, and gas supply diversification. An integrated energy union is vital for energy security and climate goals.

In security and defence, strengthening European procurement and ensuring funding access for R&D companies are imperative. We further support the transport sector proposals and the promotion of urban mobility. To realize the Single European Railway Area and maximize the rail sector's potential, implementing key digital prerequisites (ERTMS, DAC, DCM) and raising necessary capital are essential, as stated by Letta.



### Strengthening social coordination & occupational mobility

We agree that enhanced cross-national coordination of social security systems is necessary. We welcome proposals to remove obstacles to professional mobility, simplify academic qualification recognition, and introduce a European university degree.



### Tax justice and promotion of fair competition

We strongly support harmonizing withholding tax, digitalizing tax certificates EU-wide, and simplifying obligations in the EU VAT system and indirect taxes overall.



### Integration into the global market must ensure both competitiveness and security

New legislative texts should be evaluated against trade policy aspects that consider an external dimension. We need a more pragmatic approach to trade agreements, not only in relation to our specific objectives and those of our negotiating partners, but also in relation to non-trade issues. Evidence-based policies are needed that take into account the costs and benefits of action and inaction, e.g. in the failed trade agreements, our external competitiveness and other externalities. There is also a need for better use of synergies and cooperation between EU institutions. The ratification of trade agreements must also be accelerated. Mixed agreements should be a thing of the past and EU-only agreements should be negotiated.

## The following aspects must be considered



### Consistent application of the „Think Small First“ principle urgently needed

Europe's entrepreneurial landscape is characterized by SMEs (99%). Consequently, new EU legislation must be designed in a way that is easy to apply in practice for SMEs, and that does not lead to confusing or excessive bureaucratic burdens. Unfortunately, the report does not mention the application of the „Think Small First“ principle, the SME test and the Commission's competitiveness check.



### Recommendations for the creation of a savings and investment union

We oppose the accelerated introduction of the digital euro, as such a significant decision should not be rushed. We also criticize the concept of uniform insurance supervision, which should account for local market specifics and should therefore remain on a national level. Therefore, we recommend that EIOPA's role should be limited to coordination and support. Additionally, if the IPCEI mechanism is extended, it is crucial to ensure smaller EU countries such as Austria are not disadvantaged.



### In favor of targets rather than quotas in public procurement

The WKÖ believes that targets, rather than minimum quotas, would encourage innovation procurement among Member States, as targets align better with differing public sector needs.



### „freedom to stay“ right is not enough to remedy the shortage of skilled workers

The concept of „freedom to stay“ is a positive approach in principle. However, it's important to note that this right alone will not solve the shortage of skilled workers across Europe. The care and nursing sector illustrates the need for a combination of approaches. In Austria alone, an additional 200,000 skilled workers will be needed by 2050. Moreover, there is a need for European-level offers and services for digital skills training, particularly for companies.



### Social policies should contribute to economic growth

Letta emphasizes the importance of a robust social dimension in the single market for inclusive prosperity, fair opportunities, workers' rights, and social security. While recognizing the EU's strong social policies, we believe they should not hinder economic growth. Current labor law provisions often burden companies with extensive documentation and reporting obligations.

We endorse efforts like ESSPASS to improve social security coordination through digitalization. However, we are concerned about the lack of agreement among member states on a mandatory, uniform European document for posting workers. Implementing a Europe-wide „eDeclaration“ would greatly reduce administrative burdens for companies.



### Quality instead of haste & context-dependent integration instead of blanket Europeanization

When developing instruments such as the Digital Product Passport (DPP) or the Green Claims Directive, quality should take precedence over speed. All sub-areas of a sector should be examined for adaptation needs, adhering to subsidiarity and proportionality principles. Furthermore, a general call for Europeanization is not supported, regardless of the sector's cross-border significance.



### SMEs need tax reliefs instead of additional burdens

SMEs are often confronted with the same regulatory frameworks as large companies. This places SMEs at a disadvantage, which is why tax reliefs for SMEs are urgently needed. Consequently, we oppose the implementation of additional regulatory burdens and new taxes, such as those proposed in the EU Energy Tax Directive or in the form of a financial transaction tax. Furthermore, the high administrative burden in the area of excise duties is problematic.



### Call for technological openness in the transport sector

Several points regarding the transport sector need consideration: First, a uniform European regulatory framework for rail transport is still missing, but crucial for sector efficiency and competitiveness. Secondly, the report lacks a clear commitment to climate-friendly aviation development, such as through SAF. Thirdly, we view the proposed liberalization of scheduled bus services skeptically, as it may lead to international competition on national routes. Fourthly, while we see the expanding charging infrastructure positively, e-mobility and hydrogen should be treated equally, with improved price transparency for both.

## The following recommendations are viewed critically



### 28th regime for SMEs not compatible with fundamental principles of the EU

The proposal for a 28th SME regulation is firmly rejected by us, as we believe that the approach pursued is too far-reaching and incompatible with the fundamental principles of the EU. There is no clearly defined concept of company law either in the national legal systems or in EU primary law. Standardization fails to acknowledge the intricate interconnections between different areas of law.



### Against interference with entrepreneurial freedom in cross-border services

The report calls for the removal of remaining barriers for consumers who wish to utilise cross-border services. This can be interpreted as a demand that online retailers are compelled to deliver. Such a significant encroachment on entrepreneurial freedom appears completely inappropriate and is categorically to be rejected.

## More expertise, facts and backgrounds

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