
Summary

Enrico Letta's Report "Much more than a market"

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Introduction

On the occasion of the 30th anniversary of the European Single Market, on 30 June 2023 the European Council called for an independent high-level report, to be presented in spring 2024. The report was then entrusted to the *Enrico Letta*, President of the Jacques Delors Institute and former Italian Prime Minister, who over the course of these months met with all the governments of the Member States, representatives of the European institutions, civil society and all interested parties to draft the document.

The report therefore aims to provide a **long-term vision of the objectives** that the European Union should pursue to strengthen the Single Market, in particular the financing of strategic objectives, *scaling up* in key industries, sustainability and the social dimension, and the resilience of the Single Market in the global geopolitical scenario.

This report aims to provide an overview of the high-level report based on the areas identified by Enrico Letta.

A fifth freedom to strengthen research, innovation and education in the Single Market the strategic objectives

The first chapter of the report begins by recalling that the Single Market was built on **four fundamental freedoms**: the free movement of goods, services, persons and capital. These cornerstones have played a central role in enhancing competition, promoting prosperity, erasing borders and shaping a unified European identity, facilitating an environment where economic and personal activities could flourish without the constraints of national borders. However, in the face of the **challenges and opportunities of the 21st century**, these four freedoms are not sufficient to realise the full potential of the EU. Therefore, **the addition of a fifth freedom - enshrined in Title XIX TFEU** - to the previous ones is proposed as an indispensable extension of the established framework. This fifth freedom should encompass several areas, including **research, innovation, data, skills, knowledge and education**. The integration of the fifth freedom within the Single Market framework would strengthen its role in European integration. The report therefore highlights that the implementation of the fifth freedom requires a **multi-faceted approach** encompassing **policy initiatives, infrastructure improvements, collaborative structures and a sustained effort to promote innovation, science and digital literacy**. The report therefore presents both inspirations and concrete proposals also suggesting that the next European Commission should develop, in consultation with EU institutions and Member States, a comprehensive and ambitious action plan to implement this fifth freedom. Other **initiatives suggested** by the report include: the creation of a *European Knowledge Commons*, i.e. a centralised digital platform providing access to publicly funded research, datasets and educational resources; the development of a European Research and Education Area (including a European degree); and a European Data Area positioning the EU as a leading hub also for AI-related technologies.

A Single Market to finance strategic objectives

In the second chapter, 'A Single Market for financing strategic objectives', the focus is on innovative mechanisms within the Single Market to **mobilise private and public resources** and direct them towards **bridging existing investment gaps and financing key EU objectives**. According to the report, the initial focus must be on **mobilising private capital** to lay the foundations for a more inclusive and efficient financing framework. The report then lists measures to effectively develop the Single Market. The next step would be

to address the **state aid debate**, developing solutions that strike a balance between the need to rapidly mobilise targeted national public support for industry, addressing market failures in a proportionate manner, and the need to prevent fragmentation of the Single Market. Unlocking private investment and refining the state aid approach will thus facilitate the creation of the political conditions necessary to unlock another critical dimension, namely European public investment.

A savings and investment union to unleash the potential of the Single Market

The report insists on the **development of a Savings and Investment Union**, pointing out that there is a discrepancy between the EU's share of global capital market activities (including equity issuance, total market capitalisation and corporate bond issuance) and its GDP. Therefore, **the development of an attractive and efficient financial market within the EU is urgently needed**, as a well-functioning Savings and Investment Union would not only keep private savings within Europe, but would also make investment in the continent more attractive to foreign investors.

As for the **green transition**, this is identified by the report as the most suitable catalyst for transformative change. Although the report highlights a **financing gap** in this context, it remains crucial to create a **direct link between the financing of the fair, green and digital transition and the development of the Savings and Investment Union**.

The report thus highlights **three structural areas** in need of urgent action to create a European investment ecosystem: **capital supply, capital demand and the institutional framework**. The report emphasises financing by institutional investors, strengthening financial literacy, channelling retail savings into the real economy, public sector guarantees and public-private partnerships (PPPs). The report therefore points out that for capital to be efficiently deployed in the Single Market, it is **important to link the real economy to the savings of European citizens**. It will be equally important to promote the creation of an EU stock exchange for **'deep technology'**. Indeed, start-ups operating in this sector have a very specific profile: among other characteristics, they are high risk, have a long-term return on investment and, if successful, can earn a lot of money. The report concludes on this point by highlighting the importance of **improving the institutional framework** and market structure. In this regard, a number of **structural initiatives** are highlighted, such as the **strengthening of ESMA**.

The report also suggests **combining existing issues in the EU** to have a stronger savings and investment union. Placing **bonds issued at the European level** at the centre of the EU's financial architecture would indeed be crucial for the stability and integration of financial markets and for enhancing innovation and growth in the entire EU internal market. The full homogeneity of such issues would provide risk-free liquid collateral and enable diversification of exposures. Therefore, the report focuses on the **development and fine-tuning of the digital euro** as a complement to the savings and investment union, as this project would provide a secure, privacy-compliant pan-European payment infrastructure. The section concludes with a **Road Map setting out certain objectives for 2025, 2026 and the next legislative term**, such as the launch of an EU-wide auto-enrolment long-term savings product to stimulate retail investment, the creation of a European Green Guarantee (EGG) or the revision of the securitisation framework.

Using the Single Market to boost public investment in green and digital industry

The report notes that relying on private investment alone will not be sufficient to meet the EU's extensive financing needs. Therefore, a **complementary relationship between public and private investments** will have to be promoted. To ensure a European approach

to investment and industrial strategy, the report insists on a **state aid framework with common conditionalities**, stressing that the effectiveness and acceptability of state aid depends crucially on the strategic use of public funds to achieve common public policy objectives, without allowing waste or harmful spending. In order to harness the Single Market to enhance green and digital public investment, the report considers **common governance** to be equally important to increase the efficiency and impact of policies. To be precise, the adoption of a unified set of conditionalities should be accompanied by a governance structure capable of effectively identifying, developing, implementing and evaluating state aid projects. In this sense, the report points out that the **IPCEI model** could serve as a model, as it already incorporates a European approach to policy-making.

Improving investment: circular economy, public procurement and administrative capacity

The report identifies the circular economy, public procurement and improving administrative capacity as further tools for improving investment. With regard to the **circular economy**, the report highlights the need to recognise and incorporate **sustainable practices and innovations** into the economic framework. In fact, a single circular market is needed **that supports environmental sustainability while stimulating economic growth** by promoting business models and innovative consumer behaviour. A **more European and more strategic public procurement market** is considered equally important. By adopting procurement strategies that are not only transparent and competitive, but also sustainable, it is possible to ensure that public spending aligns with and actively supports more ambitious goals. Such a strategic move, according to the report, can harness the power of the market to encourage broader economic changes towards innovation and sustainability. Finally, the focus should also be on **strengthening administrative capacity**, as the successful implementation of EU strategies depends on the capabilities of public sector organisations. Measures to strengthen the capacity of national administrations are therefore essential to ensure the effective and accountable use of public resources.

A Single Market to play big

Demographic changes and evolving economic patterns are gradually reducing the EU's influence on the world stage. With an adjustment of strategic policies, the EU has the potential to counter these trends and confirm its position as a central global player. The EU can still count on strengths that enable it to move from a position of global leadership. The growth of EU businesses within the Single Market is essential to maintain and strengthen its international role.

The EU should not use competition policy to achieve a specific market outcome. The objective must be to **ensure that the rules remain effective in a rapidly changing market**. The recent revision of the Market Definition Notice emphasises the interconnected and globalised environment in which companies operate: markets are often global and structural changes in the world economy must be taken into account in market definitions.

However, EU companies **operating in global strategic sectors need the scale and scope of a fully integrated European market**. National markets, once designed to protect national industries, now act as a ceiling, hindering their growth potential.

This concerns first and foremost **finance, energy and electronic communications**, as key factors in any industrial policy and strategic sectors that must play a greater role in promoting EU interests. Similar considerations can be made **regarding the common**

approach to defence. The integration of a European dimension in the **health sector** has become crucial to ensure access and sustainability for EU citizens, especially considering demographic changes and the possibility of future crises. Finally, the **transport sector** is an emblematic example of how greater European integration is key to unlocking the full potential of the Single Market.

An effective Single Market for electronic communication networks and services

Electronic communications is one of the sectors where liberalisation policies, supported by pro-competitive regulation at European level, have worked best. The EU still comprises 27 separate national electronic communications markets.

In **mobile markets**, where access is unregulated, **an antitrust approach** focusing on market entry when assessing mergers has led to the same result. Moreover, spectrum policies, concerning the frequencies used for mobile TLC and fixed telephony services, are still fragmented. While the use of bands is harmonised at European level, spectrum allocation still follows national rules, in terms of timing, capacity and spectrum distribution among operators and assignment criteria (including coverage requirements). Two possible actions to address these problems in the short and medium term are to **ensure convergence of exposure limits on the basis of the 1999 EC Recommendation on Maximum Exposure Levels to Electromagnetic Fields** (which needs to be regularly reviewed to take into account scientific evidence and evolving standards). Finally, another critical issue **concerns the evolution** of broader **global digital markets** and Internet architecture, and the resulting unbalanced relationship between TLCs and large online platforms. While regulation continued to assume the dominance of TLC operators in the digital world, other actors - such as the large online platforms - were assuming the role of gatekeepers in accessing online services and thus of demand drivers. In other words, **existing sector regulation introduced significant regulatory asymmetries** between TLC operators and large gatekeepers in many relevant emerging markets. The **new Digital Market and Services Regulations** (DSA and DMA) have begun to effectively address this imbalance.

The European Commission recently published a **White Paper** on 'How to meet Europe's digital infrastructure needs? This document outlines economic and technological trends and paves the way for a profound rethinking of the main drivers of the electronic communications markets (objectives, architectures, R&D and regulatory framework).

The regulatory framework and increasing competition in the markets have resulted in a large **increase in consumer welfare**: prices have fallen, services have grown in terms of both quantity and quality, thanks to technological innovations that allow better use of existing physical infrastructure for fixed networks and various generations of transmission technologies for mobile networks, a new round of investment is needed to provide very high capacity networks (VHCN) and 5G networks. Furthermore, the delayed and varying implementation of the **principles of the European Electronic Communications Code** by national regulators has created subtle barriers within the Single Market for electronic communications.

The establishment of a Single Market for electronic communications must take into account this evolution and must be adaptable to different situations and needs: **the provision of infrastructure** naturally has geographical borders within the Union and the Member States. The provision of infrastructure is closely linked to **national territories and administrative rules**: an effort is underway to harmonise these rules to a minimum - **the Gigabit Infrastructure Act** is the latest piece of European legislation in this direction - but differences are unlikely to be completely overcome by the end of 2024, according to the report.

The **provision of services**, on the other hand, needs as large a market as possible to gain a competitive dimension and, therefore, a common regulatory framework is necessary. European digital services are practically non-existent. Europe must promote a **favourable environment for digital innovation**, reduce dependence on digital services from third countries and ensure that they are better suited to the preferences of European citizens. Currently, there are some key areas where **operators see a need to invest in order to consolidate the networks of the future**, such as: edge-cloud computing for efficient computing close to the users; low-latency technologies such as 5G and fibre; programmable networks through global and standardised APIs.

With regard to **the electricity communications market**, the primary objective is to facilitate **growth and investment attractiveness for European operators**. As markets are still predominantly national, cross-border consolidation could involve national markets, ensuring compliance with competition law. The **creation of a single electronic communications market** with European operators able to play a global role is an objective that does not contradict the goal of keeping markets open and competitive. The amount of investment needed in new technologies (e.g. edge/cloud, 6G, AI) means that due consideration should be given to the need for some level of consolidation within national markets or strategic action. An **industrial policy for the telecommunications sector** has to manage this process in order to mitigate the unforeseen and unintended consequences of overcapacity and diminishing returns, as well as technological changes and mergers and acquisitions. This **includes active labour policies and retraining measures**. A progressive approach is crucial to **eliminate administrative and regulatory barriers between national markets** by 2025. Harmonisation of regulatory practices would lay the foundation for several key objectives. At the same time, it **maintains a strong local dimension**, ensuring that citizens' access to networks and services is protected at national level. The resulting regulatory architecture should **ensure the same regulatory framework in all digital markets** and can build on other existing examples, such as the Eurosystem for central banks or, the recent provision of the AI Act providing for a European Office for AI, complemented by member state authorities.

Spectrum policy needs to be much more unified in order to have an effective Single Market. Although this is a critical issue for Member States, also linked to areas of national interest, it is of paramount importance for European industry to maintain leadership. Mobile telecommunications play a key role and their provision depends crucially on the availability of radio spectrum. However, **the lack of harmonisation of the rules governing spectrum allocation at national level undermines the ability of mobile operators to offer pan-European services**. Crucial for the full realisation of these transformations will be the deployment of 5G/6G mobile connectivity, augmented by artificial intelligence (AI) and cloud solutions. Europe needs to capitalise on the strengths of a unified telecoms market and **prioritise boosting the investments needed to close the growing connectivity investment gap**. In the context of spectrum allocation for international mobile telecommunication services (IMT), Europe's strategic interest lies in safeguarding **its leadership in the development and standardisation of 5G**. The allocation of this band for IMT use is crucial to facilitate the high-performance, high-quality development of 5G services, which in turn will lay the foundations for 6G technologies. Finally, the design and implementation of spectrum auctions require careful consideration. **Instead**, the EU could **adopt a much more forward-looking and Single Market-friendly strategy** to streamline spectrum management regulations in relation to upcoming policy decisions on the 6GHz+ frequency band. By 2027, it is proposed to **unify spectrum policy** to support the effective development of a single electronic communications market, focusing on the deployment of 5G and future technologies, and by 2029, it is proposed to have the **upper 6 GHz frequency band for IMT**, with a **common framework for allocation and auctioning**.

On November 25, 2015, the EU adopted Regulation 2015/2120, known as the **Telecommunications Single Market Regulation** (TSM) for an "open Internet," requiring telecommunications operators to treat all Internet traffic equally. There is concern that innovative use cases could be considered non-compliant. If this happened in one member state, it could trigger a domino effect; or it could lead to a service being compliant in one member state but not in another. In the short term, one solution would be for the **European Commission to provide additional guidance to operators in the form of a recommendation on how to develop and deploy differentiation-based use cases**, particularly those based on 5G network slicing, to give operators greater flexibility and clarity in deploying services in very different areas, such as industrial automation, rendering 3D objects in virtual worlds, or road safety. In the longer term, **a more comprehensive and significant revision of the Open Internet rules is recommended**, with the goal of maintaining an open Internet and full freedom of choice for users, but at the same time allowing the full benefits of new network technologies that will make extensive use of artificial intelligence to deliver the best user experience in different scenarios.

At the heart of the common public interest are two key elements: **cybersecurity and digital sovereignty**. The European landscape currently lacks a harmonized approach to lawful interception, necessitating a thorough review to explore pathways toward greater harmonization, all while safeguarding national security. **A harmonized framework could greatly streamline networks and operations across Europe**, without compromising security. The evolution of electronic communications has been deeply intertwined with national security concerns. The **NIS2 directive provides a common framework for cybersecurity risk management** and incident reporting. However, the imposition of widely differing additional national security requirements, as in the case of incident reporting, erodes the benefits of the Single Market by increasing costs and creating uncertainty for businesses. To solve this problem, it is imperative to ensure that these requirements are in line with the overall European legislative framework, taking additional measures only when absolutely necessary. Improving the resilience of network infrastructure within the Digital Single Market requires a **concerted effort to harmonize security requirements and promote collaboration with industry players**. This approach would enable the development of tailored national standards that meet both the objectives of public authorities and the operational efficiency of private operators. A significant European security concern is infrastructure that supports intra-EU and international electronic communication flows, particularly undersea cable infrastructure. By 2026, the report proposes **removing regulatory barriers** to cross-border operations through a common overarching framework for European digital sovereignty and European.

A Single Market to foster efficient energy and climate policies

The report considers the **Single Energy Market** as one of the tools for ensuring EU success in the new global order. For this reason, the EU must repurpose the decisive action taken at the beginning of the energy crisis to its day-to-day operations, thus implementing changes in its energy system and completing concrete projects quickly. Indeed, the electricity market has managed to avoid supply shortages, while the gas market-despite supply disruptions-has functioned quite effectively.

Overall, **Europe's response to the 2022 energy crisis was more effective and united than any previous energy crisis**, first through greater central coordination of national energy policies and subsequently through a common EU-level response, **with interventions in both electricity and gas markets and common rules on accelerating approvals for renewable energies**. Despite this united response, **the report highlights**

the risk of losing momentum for energy market integration, without questioning the right of each Member State to choose its own energy mix. The benefits of integration - in absolute terms - grow with the increase in renewable energies in the system, while reducing investors' risks and encouraging private capital inflows. Integrated markets, at the same time, help mitigate the impact of external shocks that selectively affect one or more countries.

Among the **priorities**, the report highlights the **need to reduce costs for consumers and the industrial sector**. To do this, the EU must accelerate the development of low-cost renewable energies and other forms of low-carbon generation. The foundation of the single energy market remains greater interconnection, and therefore further efforts are needed to eliminate barriers, thus increasing flexibility and mitigating price volatility. To this end, the report supports the need to **introduce regimes for acquiring cross-border flexibility or organizing joint auctions**, hoping for a **rapid agreement on the Energy Taxation Directive**, necessary to provide a fair incentive for renewable energies. **Achieving this level of accessibility and flexibility depends on a robust infrastructure network covering the entire continent**. In the coming years, Europe must redesign its physical infrastructure to ensure connectivity in the **electricity, hydrogen, carbon capture, and storage sectors**. With all this in mind, the report highlights the **need to attract a substantial amount of private capital required for these projects, through the development of new financial instruments capable of leveraging capital markets**. The use of instruments such as **Green Bonds**, it argues, may be desirable, and the share of the **EU's Green Energy Bond** to finance energy and climate funds could be increased.

At the same time, the report emphasizes the need to significantly reduce the time it takes for companies in Europe to access **funds and incentives** to implement clean technologies and, on the other hand, the time it takes for clean technology innovators to bring cutting-edge technologies to market. **Establishing a single executive entity to manage the EU's clean energy financing programs and incentive schemes would be of great benefit to companies and stakeholders**.

The Single Market is also an advantage for a credible EU external energy policy. **The EU should engage in mutually beneficial cooperation with reliable energy partners based on energy supply security and clean technologies**. In this context, the CBAM will be a key tool to safeguard the EU's industry and other sectors from environmental dumping.

Promoting peace and strengthening security: towards a common market for the defense industry

The report highlighted that only with the onset of Russian aggression towards Ukraine did the shortcomings of the European common defense become apparent. In 2022, the European Union allocated €240 billion to defense, a similar investment to China's (€275 billion).

Among the main problems are the **fragmentation of investments and the division of the European industrial and technological base**. The report also emphasizes the need to align the **development efforts of EU and NATO capabilities** to avoid duplication and maximize potential.

The regulation on ammunition production and the recent communication on the European defense strategy have highlighted the **need for greater coordination among Member States**. Achieving a Single Market also requires the **integration of demand and supply**, meaning that industrial and defense policy capabilities must be aligned with full harmonization of regulations and greater incentives for corporate cooperation.

It is essential to develop a common technological **base and improve equipment procurement in Europe** from national suppliers. At the same time, the report suggests strengthening relations between SMEs and larger companies, thereby Europeanizing the European supply chain.

The report underscores the **centrality of collaboration with strategic partners**, including the United Kingdom, the United States, and other NATO Allies.

The European Parliament, in a recent report, estimated that fragmentation costs €100 billion annually. Moreover, to ensure European security, greater financial investments will be necessary. It is also necessary to establish greater consistency and coordination of rules applied to space activities by all European institutional actors in the sector, through the upcoming EU Space Law. The new legal framework should also include provisions regarding the application of Single Market rules, tailored to segments, where and when genuine competition can take place. Finally, proposals for greater integration of financial markets and the strengthening of public procurement presented in this report are crucial for stimulating the space economy. The creation of complementary institutional tools, such as investment funds, anchor tenancy, and lighter and ad hoc procurement procedures, is essential to stimulate the growth of new and innovative industrial ecosystems.

The Single Market and Space: Promoting Integration for Strategic Autonomy

Historically, space activities in Europe have only partially followed the Single Market approach. Driven by the inherently institutional and political nature of the sector, space activities rely on public support. In the phase of developing skills and capabilities, this model has proven successful, elevating Europe among global leaders and enabling the growth of a strong European space industry. However, most industrial resources are concentrated in a few countries and companies that have the capacity to build, launch, and manage large space systems. This model is no longer adequate for the current global and competitive space economy.

Fragmentation of institutional actors at the European level, lack of common rules, and private capital to support new space ventures hinder the growth and competitiveness of the sector in the new space economy. A dynamic space sector, capable of thriving in tough global competition and providing the tools for Europe's strategic autonomy and security, is essential for Europe's future. To achieve this goal, it is necessary to revise the current approach, characterized by fragmentation of institutional actors and rules, weighted distribution of funding in Europe across the entire spectrum of activities, and insufficient financial instruments to stimulate private capital input.

The space sector encompasses a wide range of activities, from pure R&D and large institutional programs to commercial efforts and growing attention to defense and security activities, with unevenly distributed industrial capabilities across the EU. A "one-size-fits-all" approach would not be sufficient: while the current diversity of methods has its merits, improvements and harmonization are needed.

Leveraging the Single Market to strengthen health resilience

The COVID-19 pandemic has highlighted the urgent **need for greater multilateral cooperation and a more uniform approach** to addressing serious health threats. Infectious diseases, indeed, do not respect national borders, therefore, to ensure greater equality in access to healthcare and sustainability for EU citizens facing such threats, **greater integration of the Single Market is necessary.**

The report acknowledges that, to date, there is no true Single Market for medicines, as the EU heavily depends on third countries for the import of active pharmaceutical ingredients, and research and innovation activities are not sufficiently incentivized. It emphasizes, therefore, the need for **greater integration of the Single Market to (i) ensure greater equality in access to healthcare** in the face of potential future crises; (ii) **enhance production capacities** of active pharmaceutical ingredients, medicines, vaccines, and antibiotics; (iii) **ensure the formation of human capital** in all Member States, ensuring the continued attractiveness of healthcare professions; (iv) **streamline and integrate clinical trial processes**, encouraging the creation of transnational networks of research institutes, researcher mobility, and mutual recognition of professional qualifications.

Furthermore, **three crucial challenges for the future** are identified: **mental health, combating antimicrobial resistance (AMR), and neurodegenerative diseases**. To address these challenges, it is necessary to explore an innovative combination of **financing mechanisms at both European and national levels**. These include investments in advanced local healthcare infrastructures and screening centers, incentives to attract and retain healthcare workers, advanced technologies to accelerate innovation and digitization of healthcare systems.

Ultimately, the report identifies the **European Health Data Space Regulation** as a fundamental initiative to maximize the potential of health data, although processes for applications and access requests to health data need to be harmonized, and opt-out clauses for the use of health data need further clarification. Secondly, based on the experience of the COVID-19 pandemic, **the joint procurement mechanism** is considered a powerful tool to be replicated to facilitate access to innovative and orphan drugs. However, for this to reach its full potential, an **innovative European Guarantee Fund** should be established, specifically designed to help smaller countries overcome limited bargaining power due to lower procurement volumes. Finally, assuming that the Regulation on Human-Derived Substances (SoHo) will lead to greater convergence of rules on voluntary and non-remunerated donation, the report hypothesizes **joint procurement mechanisms for human-derived substances**, where larger states with greater volumes and industrial capacities become hubs for blood and plasma processing.

The Single Market as a catalyst for efficient and sustainable transport in the EU

Considering the transport sector as one of the fundamental pillars to ensure freedom of movement, the report highlights the need to establish a truly integrated **Trans-European Transport Network (TEN-T)**, including major railways, inland waterways, short sea shipping routes, and roads connecting urban nodes, ports, airports, and terminals, and **eliminate residual barriers between transport modes and national systems**, also addressing existing regulatory and technical obstacles. To this end, the **creation of a complete pan-European high-speed rail (HSR) network** and infrastructure for **recharging and refueling alternative fuels** is proposed. Furthermore, the importance of investing in the **maintenance of highways** and road infrastructure is emphasized, among others, to ensure the safety of drivers and passengers.

In this context, the **development of the TEN-T network** assumes fundamental importance. However, the report highlights the possible difficulty of achieving all objectives by 2030, also in light of investment needs. Therefore, a **revision of the Connecting Europe Facility** is suggested. The report also recognizes the urgency of: (i) **improving the Single European Rail Area**, also through increased digitalization and automation; (ii) swift implementation of the **reform of the Single European Sky** to reduce air traffic fragmentation, incentivize air service providers to modernize their technology, and cooperate across borders; (iii) **enhancing integration of maritime transport** into the

broader logistics chain. Regarding maritime transport, a thorough **assessment of integrating maritime transport into the ETS and the Carbon Border Adjustment Mechanism (CBAM)** is considered essential to prevent modal shifts towards road transport or non-EU ports with lower environmental standards, as this would undermine EU environmental efforts.

Furthermore, the report highlights that the EU should evaluate the progress of the **revision of the directive on passenger transport services** to liberalize the sector of regular bus and coach connections over long distances. Lastly, on urban mobility, it is necessary to **encourage active transport modes and shared mobility**.

A sustainable Single Market for all

The report highlights that to fully realize its potential, the Single Market must address a series of challenges, including ensuring mobility for people but also "freedom to stay," facilitating greater participation of small and medium-sized enterprises (SMEs), pursuing better alignment of tax regimes, and improving consumer protection rules.

Freedom of movement and freedom to stay

The report emphasizes that there is broad consensus that efforts to deepen or expand the Single Market must be accompanied by EU-level actions to **prevent major economic and social imbalances**. In this regard, one of the main tools is the EU cohesion policy, fundamental for adequately addressing the needs and challenges of the most vulnerable regions.

However, the flip side of this freedom is also highlighted, including **brain drain**. The report, therefore, supports the importance of breaking this vicious circle by supporting regions most affected in their efforts to retain and attract the working-age population, proposing the establishment of **specific programs to encourage or facilitate the return of talent to their home countries**. The next European Commission should appoint a **vice-president responsible for the "freedom to stay"**. Their portfolio should necessarily include, but not limited to, cohesion policy, general interest services, and support for SMEs. To address disparities between regions and strengthen support for regions experiencing economic decline and stagnation, it is suggested, among other things, to engage in **regular monitoring of disparities**. In the future, the EU should also provide greater support for **cross-border cooperation projects between public and private actors**. A key area for territorial cooperation is the interoperability of digital public services.

The **digital economy** is defined as a fundamental tool for harnessing the potential of the Single Market and ensuring freedom to stay for citizens and businesses. Therefore, significant investments in digital infrastructure and skills are needed, and in this context, a crucial role can be played by the **European Centre for the Development of Vocational Training**. Lastly, the right to affordable housing - although this is not a European competence - is emphasized, and the creation of a dedicated task force for monitoring the situation at the local and national levels is proposed.

Strengthening the social dimension of the Single Market

The report argues that further development of the Single Market can only be successful if it includes an authentic social dimension that ensures justice and social cohesion. To this end, the main objectives to pursue are threefold: (i) **extending the benefits of work to**

more people; (ii) avoiding a race to the bottom; (iii) preserving and consolidating the European market economy.

In order to extend the benefits of work to more people, it is essential to reduce barriers to worker mobility and address skills shortages. Therefore, simplification of procedures for recognizing academic qualifications, **introduction of a European diploma**, and **proposing appropriate solutions for work models** (e.g., digital nomads) are recommended.

To avoid a race to the bottom, it is necessary to ensure equal conditions, combat social dumping, and mitigate the risk of abuse. Therefore, strengthening the European Labour Authority and clarifying the framework for third-country workers are proposed.

Ultimately, concerning the market economy, **social economy enterprises are essential for promoting proximity and sustainable development of territories**. Therefore, facilitating access to financing and public procurement is necessary.

Harnessing the potential of SMEs

The report acknowledges that SMEs are catalysts for innovation and address urgent issues such as climate change, resource efficiency, and social cohesion by spreading their solutions across Europe. However, many SMEs perceive the Single Market only as a burden or as a source of increased competitive pressure, rather than as an opportunity. The report advances the idea of a **European code of commercial law for a simpler Single Market** that would provide businesses with a harmonized framework to operate, reduce bureaucracy, and administrative burdens. Secondly, the **integration of services into the Single Market** would be a game-changer. To achieve significant progress, the report believes that specific types of restrictions persist within the framework of the **Services Directive** - particularly in the retail services sector.

Addressing fiscal fragmentation

The report acknowledges that fiscal fragmentation is another major obstacle that EU businesses and SMEs in particular must face. Therefore, future policy priorities must include **completing ongoing projects and decisively adopting systemic reforms** aimed at creating a level playing field and avoiding harmful tax competition, while promoting productivity and supporting the EU's social market economy model. In detail, the EU must **create a new unified set of rules to determine the tax base of companies**, with differentiated frameworks for large corporate groups and SMEs. Additionally, **fiscal barriers in cross-border investments, such as withholding taxes on dividends of shares and interest on bonds paid to foreign investors, must be eliminated**. This will ensure a more uniform tax environment, simplifying current complexities and reducing internal tax competition within the EU.

Ongoing legislative initiatives in the field of VAT must be finalized to address the challenges posed by the platform economy, modernize the VAT system, and improve its functionality for consumers. Additionally, it is crucial to address **fraud**.

Single Market for consumers

The report believes that EU rules should **ensure that consumers can exercise their collective strength** to obtain a fair share of the benefits of the Single Market and accelerate the necessary changes for a greener and therefore more resilient EU. To this end, the EU

should strengthen the capacity of national authorities to **address suspected territorial supply constraints** through a common formal procedure for cross-border cases and **harmonize geo-blocking rules, adopt rules for consumer protection against greenwashing and unfair commercial practices.**

A Single Market to go fast and far

The Single Market faces several challenges, particularly from excessive regulatory burden and bureaucracy, which have undermined the competitiveness of SMEs. The report also highlights the issue of gold plating, where Member States add requirements to EU Directives, further fragmenting the Single Market. According to the European Commission, **by improving the implementation of existing regulations on goods and services, efficiency gains of up to €700 billion can be unlocked by 2030.** The Commission has made significant progress in simplification and reducing administrative burdens.

However, the path towards better regulation must address various challenges, involving different stages of the regulatory process. These challenges are systematically addressed through proposals organized into six distinct parts. This structure reflects the chronological phases of design, adoption, implementation, and enforcement of regulations, enriched by initiatives aimed at simplifying existing regulations. This comprehensive approach not only outlines the path towards a more efficient and competitive Single Market but also supports a lean and vibrant economic ecosystem.

The report identifies simplification of the regulatory framework as the primary solution to obstacles for the future Single Market.

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Improve proposal design in the Single Market

The report highlights the need for the consultation process, proposing a "one-off" approach to gathering essential information and opinions and suggests increasing financial and technical support to underrepresented groups, such as environmental organizations, consumer organizations, and SMEs. Furthermore, **a two-phase approach to impact assessments** - starting with a call for evidence followed by targeted consultation - should improve the effectiveness of these assessments.

While the introduction of impact assessments represents significant progress, requests for more comprehensive analysis and integration of different tests reflect a complex landscape of stakeholder priorities. To improve the effectiveness and transparency of the regulatory framework, it is necessary to streamline the toolkit for better regulation and update it without multiplying "pass or fail" tests. Updating the toolkit for better regulation should include a robust "**risk assessment**" to centralize its application. Additionally, the production of impact assessments should aim to clarify, rather than obscure, the policy decisions involved, thus promoting a more transparent decision-making process. The impact assessment could conclude with a **table summarizing the benefits and drawbacks** of policy options, including effectiveness, costs, and alignment with other policy objectives.

The **adoption of a "policy package" approach is recommended**, facilitating a holistic examination of policies and their impacts. Promoting policy packages offers several advantages over individual policy measures, including better design. Additionally, flexibility tools should be more systematically considered, as they can offer adaptable solutions to emerging challenges. Typically limited to review and sunset clauses, flexibility should also extend to experimental clauses. Finally, it is essential to develop and further

expand the internal capabilities of the European Commission, ensuring that policies are not only well-informed but also effectively implemented. Investing in good legislation yields substantial returns.

Improving the adoption of standards through informed decision-making

The process of adopting new rules within the Single Market requires a methodical and coherent approach to ensure that legislation not only addresses current needs but also anticipates future challenges, thereby fostering an environment of innovation and growth. The proposals outlined aim to refine this process through three distinct but interconnected dimensions: evaluating the impact of amendments by co-legislators, committing to uphold the principle of "non-regression" to safeguard the achievements of the Single Market. These measures aim to strengthen the regulatory framework, making it more adaptive, inclusive, and effective in meeting the diverse needs of the Single Market.

Most legislative proposals are closed with an agreement during the first reading, which has increased the ability to produce legislation promptly. However, the pressure to reach a compromise among co-legislators has led to the **creation of rules that reflect the balance of power** rather than a solid evidence-based decision-making process. The result is often **inconsistent legislation**, with potential unintended consequences that could undermine the effectiveness of the Single Market. **Assessing the impact of co-legislators' amendments** would not only increase transparency but also ensure that subsequent legislative negotiations and final trilogue negotiations begin with a clear understanding of the potential economic, social, and environmental impacts of the proposed changes.

Reaffirm the Delors method of maximum harmonization with mutual recognition

In recent years, the European Single Market has witnessed a worrying trend towards what we might call **"false" harmonization**. While it may offer apparent unity, this practice actually promotes fragmentation and compromises the smooth functioning of the Single Market.

To address these challenges, it is urgent to review and reaffirm the **harmonization method proposed by Jacques Delors** during his presidency of the European Commission to complete the Single Market. This approach promotes maximum harmonization of essential provisions while allowing for reciprocal recognition of procedural aspects. By establishing **uniform standards for key regulatory areas and ensuring some procedural flexibility**, this method seeks to strike a balance between ensuring level playing fields and accommodating the diversity of legal and administrative traditions among member states.

Maximum harmonization represents an effective tool for preventing the fragmentation of the Single Market. By eliminating the possibility for member states to impose divergent national requirements, barriers to cross-border trade can be reduced.

When the use of directives remains inevitable or preferable, it is essential to make two crucial choices to ensure their effective implementation. Firstly, member states must exercise greater discipline by avoiding the introduction of measures that go beyond what is strictly necessary under the directive. Secondly, systematic preference should be given to using the legal basis of the Single Market framework, particularly by relying on Article 114 of the Treaty.

A Single Market beyond its borders

The report emphasizes the need to strike a balance between **competitiveness, strategic independence, and equitable global conditions**, avoiding the imposition of harmful regulations and instead promoting strategic partnerships. To this end, **economic security** remains a fundamental aspect of the Single Market, and the EU has devised and implemented a series of targeted tools to effectively address both external and domestic dimensions, including the **Critical Raw Materials Law, the European Chips Act, and the Zero-Emission Industry Law**.

As fragmentation, both economic and geopolitical, intensifies, European decision-makers must engage in managing this process to minimize economic harm and preserve the international order. Regarding **technologies that need to be de-risked**, the report underscores the urgent need to **broaden the focus beyond semiconductors, artificial intelligence, quantum computing, and biotechnology**, as identified in the list of critical technologies, whose expansion to **include a wider range of technologies is essential**. On **export control**, coordination at the European level must be strengthened. Alongside these efforts, **the EU must significantly ramp up its actions regarding the procurement of critical raw materials**.

With that said, the report highlights that the EU must **reassess its approach in strengthening the external dimension of the Single Market**, taking more into account the international context and implementing policies that make the EU as **attractive as possible to investment**. In this context, **enlargement** remains a central objective, thus finding an approach to facilitate the early extension of Single Market benefits to candidate countries.

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