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How to Invigorate the Internal Market

An Eroding Internal Market – Exit & Recovery Plan

EU Member States have distributed more than 700 billion euros of state aid since the COVID-19 pandemic propelled the continent into crisis mode, with the Russian war of aggression justifying the continuation of the emergency measures taken. The industrial policy approach behind these crisis mechanisms has extended to regulation, which is nowadays used to pick “winning technologies”. Embodying the four freedoms of movement, the Internal market is at the heart of the European project; we urgently need a transition pathway to fix it.

Transition pathway back to Internal Market Rules

The EU Member States and institutions need to draft a transition pathway to return to a properly functioning Single Market, based on robust rules. This should include:

- ❑ Adopting a binding plan to phase out crisis-based state aid emergency measures by 2030.
- ❑ Developing strict modernisation criteria for future state aid – linked to clean energy and green technologies transformation.
- ❑ Further increasing transparency on state aid, covering not only policies but also project-level initiatives: the European Commission should gather detailed information on every initiative and make this data freely available as open data.
- ❑ Agreeing on procedures to keep the market opportunities open on state aid-based projects and initiatives, using the abovementioned transparency framework as a tool.

Ways to Enhance the Working of the Internal Market

The European Commission should develop the Internal market further, most notably by creating a genuine Internal Market for Circular Economy. The foundations for this project are already in place: circularity by design is guaranteed by Eco-design for Sustainable Products Regulation (ESPR); the Digital Product Passport will prolong the lifecycle and facilitate the repurposing of products, as well as finally, the recovery of secondary raw materials. However, one important stage that is yet to cover is waste.

The von der Leyen Commission has established a robust Digital Agenda that defined multiplying the value of the European Data Economy as its key objective. However, we are still in the infancy when it comes to developing GDPR compliance mechanisms that make data easily usable by virtue of privacy-enhancing technologies. This must be made a key topic for the next Commission, not least as it is a necessary pre-requisite for the development of European market for industrial data too. The vast majority of these industrial datasets will be mixed datasets, containing elements of usually low-risk personal data (such as the operator of the connected machine).

Creating a “Real-Time Economy” (RTE) presents an opportunity for Europe to establish fully digitalised economy based on digital taxation, as well as standardised structural electronic invoices, receipts, and procurement messages. These elements are being implemented in various EU Member States, but in varying ways. One especially promising approach is the one pursued by the Nordic States. The Commission should take the initiative and steer the development towards truly interoperable European networks, as was the case for GSM. To do so, the Commission should have a clear vision and ability to lead the process of developing the building blocks

together with the businesses to reach interoperability and forge a competitive, multi-player market for RTE services in the EU.

Better Regulation

In order to ensure a better investment environment, the Commission should develop and adhere to the following Better Regulation Principles:

1. We need a robust process to assess the contents of existing regulations prior to any new regulatory project. One key element should be *enhanced cooperation and coordination between the Commission Directorate-Generals*. We have seen too many conflicting and overlapping proposals in recent years. To secure quality and coherence, the legislation needs to be prepared in-house.
2. The impact and effect on internal market competition, individuals, and companies must be carefully assessed based on a *uniform, transparent, and evidence-based process*, which should be the same in every Directorate. There should also be a strict procedure for exemptions from these requirements, applicable only in exceptional cases, including public notification of exemption.
3. Regulatory options should always be tested through the tool of “sandboxes” *before* adopting new proposals.
4. We need a new and better balance between the use of non-legislative and legislative instruments. Too many fundamental issues have been left to be solved by delegated or implementing acts in recent years. *Only technical details should be left for non-legislative acts to cover*, with clear boundaries set by regulation. Industry needs to be involved in every regulatory project that involves delegated and implementing acts.
5. The Regulatory Scrutiny Board should be *made institutionally independent* from the Commission.

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Technology Industries of Finland (TIF) represents Finnish technology industries and counts over 1,800 member companies, ranging from SMEs and start-ups to world leading MNEs. The technology industry is comprised of five subsectors: electronics and the electrotechnical industry, mechanical engineering, the metals industry, consulting engineering, and information technology. Technology industry is the most important export industry of Finland, with operations constituting over 50 % of all Finnish exports and accounting for 70 % of all private investments.