EU Single Market Strategy 2025

Bitkom Position Paper

Simplify, Harmonize, Digitalize

Introduction

Unlocking the Full Potential of Europe’s Single Market

The Single Market is Europe’s greatest economic asset, yet its full potential remains untapped. Despite its unmatched size, it is facing sluggish growth and declining global competitiveness. To revitalize its economic prospects, Europe must eliminate fragmentation, facilitate cross-border business, and reduce administrative burdens. As the Draghi Report underscores, Europe’s ability to drive future growth hinges on becoming a global leader in the digital sector. At the heart of this transformation lies a single, unifying goal: a fully integrated Digital Single Market.

Bitkom therefore strongly supports the European Commission’s initiative to outline a strategy with future initiatives to strengthen the Single Market. To achieve this, the EU must position itself as an attractive destination for innovation, investment, and talent. First and foremost, ensuring the effective implementation and enforcement of existing digital regulation must take priority before proposing new legislation. Ensuring uniform application across all Member States is crucial for preventing disparities that inhibit the seamless flow of goods, services, and capital. This also includes strict enforcement of the Cassis de Dijon principle, the New Legislative Framework (NLF), and Harmonized European Standards (hENs) to support the broader single market.

Beyond enforcement, advancing harmonization and further integration across the Single Market is critical. A particular focus must be placed on reducing bureaucracy and streamlining reporting obligations, allowing businesses in Europe to focus their resources on innovation. This also includes establishing a robust Capital Markets Union through aligned tax and insolvency laws, empowering pension funds to unlock capital flows, and introducing the ‘28th Regime’ to provide startups and scaleups with a unified legal framework. The simplification of access to public tenders, modernization of public procurement with EU-wide platforms and harmonization of cross-border telework rules are equally essential. Furthermore, we support the Commission’s plan to create a true European single market for telecommunications with the foreseen Digital Networks Act. An EU-wide harmonised market improves the conditions for investment and expansion in the telecommunications sector for all market players.

Europe has no time to lose. In an increasingly uncertain global environment, the Single Market and its economic strength are Europe’s greatest assets for defending its interests on the world stage. The outlined reforms will not only spur innovation and economic growth but also secure Europe’s place as a leader in the global digital economy.

1. Creating an Integrated and Harmonized Digital Single Market

The last mandate has seen an overhaul of virtually the entire legal framework for Europe's digital economy. To harness the potential of these new rules in fostering technological advancement and innovation, coherent and consistent implementation across the European Single Market is essential. Without it, the risk of further market fragmentation could hinder digital innovation in Europe. A truly integrated Single Market enhances Europe's market power. Leveraging this strength is urgently needed in a geopolitically tense world to advance European interests on the global stage.

Harmonized Legal Framework: Overlaps and divergences in the regulatory visions of EU digital laws are often leading to unintended contradictions and inconsistencies that fragment the Single Market due to varying interpretations. Examples for this include the differing risk classifications between the AI Act and the Medical Device Regulation or the inconsistent use of the legal term 'dark pattern' across the Data Act, Digital Services Act (DSA) and Digital Markets Act (DMA). Rather than proposing new legislation, the European Commission should prioritize regulatory consistency by systematically reviewing existing rules.

Coherent Enforcement: Enforcement structures across Member States vary widely in terms of number, focus, competence, and resources, leading to inconsistent implementation. The consequences of this discrepancy were clearly visible in the case of the General Data Protection Regulation (GDPR) and are currently posing risks for the NIS2 Directive. The disparity extends to decision-making speed and the imposition of sanctions. Inconsistent enforcement of horizontal laws leads to fragmentation and impedes cross-market innovation. Efficient structures and regular dialogue are essential to facilitate collaboration between member state authorities. To achieve this, expert groups must be equipped with adequate administrative support and robust digital infrastructure.

Efficient Listing of hENs**:** hENs are a key building block for the easy access of products to the European Single Market. The process for the effective review and the listing of hENs in the Official Journal of the EU should be designed in such a way that a standard can be listed promptly once it has been finalized and proposed to the European Commission for listing. In addition, the drafting of technical rules by the European standardization organizations, as introduced horizontally by the New Approach in 1985, should remain the standard. Common specifications and the anchoring of technical details in legislation are a regression towards the 'old approach'. The New Approach was introduced to develop flexible, technology-independent legislation by moving away from detailed product-specific technical requirements and instead setting only essential or basic requirements for products or product groups.

Harmonizing the NLF: As a general principle, all new regulations should align with the NLF framework. The rules for affixing the CE marking must follow the model established by Regulation 765/2008 to ensure uniformity and clarity in regulation. Similarly, the structure of the Declaration of Conformity should revert to the proven template of Decision 768/2008 to ensure clarity and comparability. However, inconsistencies exist, such as Annex V of the Cyber Resilience Act (CRA) and the conformity requirements in the AI Act. In addition, Module A must be anchored as a standard option in all sectoral legislation in order to enable standardised and flexible application. The formal conformity requirements for components and spare parts must also be harmonised. Bitkom believes that the integrity and effectiveness of the NLF must be further strengthened by ensuring that all legally relevant terms are clearly defined and used consistently.

Enforcing the Cassis de Dijon Principle**:** In recent years, Member States such as France[1] or Germany[2] undermined the Cassis de Dijon principle by introducing additional or deviating national requirements for manufacturers and importers. This dents not only the free movement of goods, but also hurts the competitiveness of the European economy and weakens consumer confidence in the internal market. If infringements are identified, the Commission must set clear deadlines for the revision or repeal of the relevant national regulations. To prevent such infringements, it should also take proactive measures, such as providing training and issuing guidelines.

2. Cutting Bureaucracy

In Germany, the National Regulatory Control Council estimates annual bureaucracy costs at €65 billion. The ifo Institute, which also takes into consideration indirect effects, calculates the annual economic loss to be as high as €146 billion.[3] To unlock the full potential of our Single Market, we must eliminate unnecessary bureaucracy and focus on scaling innovation across borders. The European Commission's initiative to reduce reporting obligations by at least 25% is a crucial step toward this goal.

Streamlined Reporting Obligations: Reporting obligations across digital laws must be streamlined within the Single Market to reduce the administrative burden for companies operating in various member states. This is especially true for the various reporting obligations related to cybersecurity, including NIS2, CRA, GDPR, and the CER Directive. Divergent obligations are particularly problematic during cyber emergencies, when resources should be focused on response efforts rather than navigating complex reporting processes. These challenges highlight the need for coordinated action to harmonize regulations and reduce bureaucracy.

Assess the effectiveness of existing legislation: Existing digital regulations should be evaluated for effectiveness and reformed or even abolished when needed. A prime example is the outdated copyright levy system, originally designed over 50 years ago to compensate for private copying via tape recorders. It now extends to products like smartphones and smartwatches, despite private copying being largely irrelevant in the streaming era, creating unnecessary red tape. Political action should replace this outdated framework with a future-proof, product- and technology-neutral system that is efficient, transparent, and reduces bureaucracy.

Prioritize EU-wide Innovation: In its new mandate, the European Commission should focus on measures to foster investment in key technologies across the Single Market, such as the foreseen Cloud & AI Development Act. Improved access to AI computing

[1] For example, the 'LOI n° 2020-105 du 10 février 2020 relative à la lutte contre le gaspillage et à l'économie circulaire'.
[2] For example, the 'Sechster Staatsvertrag zur Änderung medienrechtlicher Staatsverträge'.
[3] Kosten der Bürokratie – Reformen dringend geboten | Publikationen | ifo Institut

infrastructure and data is a key aspect of promoting innovation. National and European public high-performance computing resources remain underutilized by businesses due to administrative hurdles, incompatible technical requirements, and a lack of expertise. To encourage greater uptake, access must be simplified, application processes streamlined, and alignment with business needs to be ensured.

3. Fostering European Champions

A truly integrated European Single Market is crucial for European Startups and Scaleups. Harmonization is key to removing barriers and allowing companies to tap into a market of 450 million potential customers across the Union without maintaining artificial barriers and foster home-grown European Champions. This harmonization should be comprehensive, from a uniform definition of startups to a fully integrated Capital Markets Union (CMU) as outlined above.

Consistent Insolvency and Tax Laws: The top priority must be eliminating fragmentation caused by divergent national insolvency and tax laws to foster integrated capital markets, ease cross-border transactions, and improve company financing. A unified legal framework should standardize digital reporting and establish a centralized platform for financial, tax, and regulatory filings, enabling compliance for startups and scaleups across Member States.

Introduction of the 28th Regime: To help overcome fragmentation in the Single market for European Startups and Scaleups, we strongly support the introduction of a new EU-wide legal framework, the '28th Regime'. This regime would exist alongside national laws and offer companies the opportunity to adopt a single set of rules simplifying contracts and legal relationships through all EU member states.

Simplified Access to Public Tenders: Startups and innovative businesses require easier access to public tenders. We advocate for targeted measures to better integrate innovation potential into the procurement process and increase participation from these companies.

4. Establishing a Genuine Capital Markets Union

Creating a robust CMU is essential to address the persistent inefficiencies in European capital markets, limiting their ability to support economic growth and innovation across the EU. A fully integrated and liquid capital market would unlock private savings, boost productive investment, and enhance the global competitiveness of European businesses.

Boosting EU Capital Flow: Improving the regulatory and tax framework for retail investors to ensure fair treatment compared to institutional investors, is essential to foster more integrated and efficient capital markets. Such measures would not only reduce barriers for investors and promote long-term investment but also strengthen the flow and efficient allocation of capital within Europe.

Clarified Regulatory Frameworks: Fragmented regulatory requirements hinder cross-border financial services. Residual obligations imposed by host Member States should be limited to essential, non-redundant measures, ensuring streamlined regulatory practices across the EU.

Unlocking potential: The availability of capital is critical to the success of European tech startups and scaleups. Institutional investors, such as pension funds and insurance companies, have a key role to play as they hold the necessary money to drive European innovation. The EU needs to facilitate their ability to channel funds to finance the major transitions ahead. VC investment needs to be made more attractive to these institutional investors, for example through tax incentives or a potential review of Solvency II and Basel IV.

5. Building a Modern EU Public Procurement Framework

From 2020 to 2023, the German Federal Government alone spent 11,3 billion Euro[4] on procuring IT hardware, software and services. This is an enormous market with a high turnover. A vivid public procurement market fosters the European internal market and unlocks growth and innovation potential, particularly for SMEs in Europe.

EU Pre-Qualification Platform: To reduce the administrative burden and avoid the repeated submission of documents for each tender, a Europe-wide Pre-Qualification Platform is needed. This platform could store, approve, and enable the reuse of company documents for multiple tenders. This facilitates access to public contracts and lowers barriers to bid submissions, especially SMEs.

Open Markets and Limited In-House Procurement: To provide the public sector with the best technologies and solutions, open markets must be ensured, and in-house procurement should be limited to the necessary extent. Excessive direct awards shall not restrict competition and innovation.

Online Marketplaces for Public Procurement: Public procurement must become more efficient and transparent through digital platforms and limited in-house procurement. We call for the establishment of European online marketplaces that enable simplified, standardized, and fair procurement processes across borders, between different member states. This also necessitates limiting in-house procurement to a minimum.

6. Facilitating Cross-border Telework

Cross-border telework within the European Union faces legal barriers that hinder the free movement of labor. Addressing these challenges requires coordinated measures in employment law, social security, tax law, and employer reporting obligations under the Posting of Workers Directive.

[4] Beschaffungsamt des BMI | Daten und Fakten

Clear Rules for Cross-border Workers: The Rome I Regulation determines the applicable employment law for cross-border telework, including mandatory host country provisions like occupational health and safety. For legal certainty, time limits on applying overriding mandatory provisions for temporary stays are desirable. The Posting of Workers Directive, while relevant for postings, also applies to remote work, necessitating clear rules to limit its scope.

Simplified Social Security: EU regulations coordinate social security for remote work, but administrative burdens remain due to A1 certificate requirements. Simplified systems like a European real-time register and the European Social Security Pass are needed. A transitional scheme could reduce burdens for short stays abroad.

Better Tax Treaties: Remote work raises income tax issues, such as potential establishment of permanent employer offices abroad and taxation based on work location. Harmonized EU criteria and de minimis rules in tax treaties could provide clarity and prevent double taxation.

Electronic Reporting Procedures: The Posting of Workers Directive imposes varying reporting requirements, creating burdens, especially for SMEs. A standardized electronic procedure across all Member States could reduce complexity.

Bitkom represents more than 2,200 companies from the digital economy. They generate an annual turnover of 200 billion euros in Germany and employ more than 2 million people. Among the members are 1,000 small and medium-sized businesses, over 500 start-ups and almost all global players. These companies provide services in software, IT, telecommunications or the internet, produce hardware and consumer electronics, work in digital media, create content, operate platforms or are in other ways affiliated with the digital economy. 82 percent of the members' headquarters are in Germany, 8 percent in the rest of the EU and 7 percent in the US. 3 percent are from other regions of the world. Bitkom promotes and drives the digital transformation of the German economy and advocates for citizens to participate in and benefit from digitalisation. At the heart of Bitkom's concerns are ensuring a strong European digital policy and a fully integrated digital single market, as well as making Germany a key driver of digital change in Europe and the world.

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