

# EUROPEAN ECONOMIC AREA

## STANDING COMMITTEE OF THE EFTA STATES

Ref. 24-222

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### SUBCOMMITTEE IV ON FLANKING AND HORIZONTAL POLICIES

#### EEA EFTA Comment

#### **30 Years, 30 States: Together for a Competitive and Resilient Europe**

#### **1. EXECUTIVE SUMMARY**

- *The EEA EFTA States (Iceland, Liechtenstein and Norway) recognise 30 years of deeply integrated cooperation with the European Union through the Agreement on the European Economic Area (EEA Agreement).*
- *The EEA Agreement brings together the 30 EEA States in one internal market that guarantees equal rights and obligations and a level playing field for individuals and economic operators within the EEA. The EEA Agreement covers the four freedoms of the internal market – goods, services, capital and persons, with equal competition and state aid rules – as well as flanking and horizontal policies related to the internal market such as research and development.*
- *The EEA EFTA States are committed to continuing to prioritise this long-term partnership for the benefit of EEA citizens and businesses.*
- *The current geopolitical situation highlights the importance of the internal market as a driver for Europe's welfare and competitiveness. Therefore, efforts aimed at achieving greater economic security and resilience should not result in the fragmentation of the internal market of 30 States.*
- *The further development of the internal market should be one of the main priorities during the next EU legislative cycle. The EEA EFTA States highlight the importance of reducing existing administrative burdens and avoiding the creation of new barriers. Building awareness of the benefits of the internal market should also be a priority at both European and national level.*
- *The EEA EFTA States welcome the green and digital transition. They acknowledge the accomplishments of the current legislative cycle, while emphasising the importance of*

*assessing the impact of new legislation thoroughly. They also note that further attention should be paid to ensuring that Europe has the necessary skilled workforce in place to increase European competitiveness, inter alia in the field of net-zero technologies.*

## **2. 30 YEARS, 30 STATES**

1. Looking back at 30 years of close cooperation between the three EEA EFTA States (Iceland, Liechtenstein and Norway) and the European Union, the internal market has been a key driver for European competitiveness and a source of prosperity, employment and environmental progress since the Agreement on the European Economic Area (EEA Agreement) entered into force in 1994.
2. The EEA Agreement brings 30 States together in a homogenous market in which goods, services, capital and persons can move with a high level of consumer protection. The EEA Agreement ensures surveillance, enforcement and application of EEA law in a two-pillar structure. Furthermore, it allows for cooperation outside the four freedoms in fields such as research and development, education, social policy, the environment, consumer protection, tourism and culture.
3. The EEA EFTA States will continue to prioritise this long-term partnership, address the challenges that arise and work together with the EU to develop an internal market fit for purpose, for the benefit of both citizens and businesses. As active contributors to new policies, the EEA EFTA States would like to highlight the importance of the EEA Agreement and their commitment to further developing the internal market.
4. Brexit reduced the geographical scope of the internal market, and the COVID-19 pandemic led to the almost immediate closing of borders, unprecedented disruptions to European supply chains, interruption in the cross-border movement of workers and a significant increase in the use of state aid. Russia's war of aggression against Ukraine further strained value chains. In parallel, European competitiveness in global markets and the level playing field of the internal market have been challenged by geopolitical developments and state aid measures in other regions.
5. The 30 States in the internal market face these challenges together. The EEA EFTA States are committed to finding common solutions and unlocking new opportunities together with the EU Member States. As strong proponents of the green and digital transition, with many leading industries, innovators and research institutions, the EEA EFTA States actively contribute to Europe's global competitiveness.
6. The internal market is one of Europe's most valuable assets in a changing world. A strong internal market enhances resilience and economic security in the face of crises and serves as a tool to address strategic dependencies. Therefore, enhanced political commitment to – and further strengthening of – the internal market, will be of utmost importance in the years to come. The EEA EFTA States therefore welcome the strategic

insights provided by Mr Enrico Letta in his report to the European Council,<sup>1</sup> which serves as useful input for further discussions.

7. The EEA EFTA States have 30 years of experience of contributing to and implementing EEA-relevant internal market legislation, and participate in many EU agencies and programmes. In accordance with the EEA Agreement, when preparing new legislation, the European Commission seeks advice from the EEA EFTA States via the Commission expert groups and committees in which they participate. When the Commission subsequently drafts new legislation with implications for the well-functioning of the EEA Agreement, the EEA EFTA States encourage the Commission to actively involve them and seek their advice. Finally, when negotiating new legislation, the EU institutions should bear in mind that EEA-relevant internal market legislation will eventually also become legislation in the EEA EFTA States. Consequently, it is mutually beneficial for the EEA EFTA States to be consulted when appropriate.
8. The EEA EFTA States note that the EU is increasingly addressing geopolitical challenges through internal market legislation. Consequently, several internal market-related initiatives also address issues such as trade, customs and security, which are not within the scope of the EEA Agreement as such. In this context, it is imperative that a strategic rethink of the internal market takes into account the special relationship rooted in the mutual obligations of the EEA Agreement and any potential implication of the EEA, including by ensuring that new initiatives do not inadvertently erect barriers<sup>2</sup> and result in the fragmentation of the internal market both regarding application and enforcement, that will inevitably lead to loss of competitiveness as a whole and reduce economic security. The EEA EFTA States stress the need for close dialogue with the EU institutions on how to address shared challenges within the framework of the EEA Agreement.
9. The EEA EFTA States share the EU's ambition for a more competitive and resilient European economy, and regularly discuss issues related to economic security with the EU institutions. At the same time, they are mindful of the potential implications of EU initiatives for the level playing field of the internal market, as well as for trade relations with countries outside the EEA. The EEA EFTA States emphasise the importance of remaining open to international cooperation and trade whenever possible.

### **3. OVERCOMING BARRIERS IN A CHANGING EUROPE**

#### **3.1. Removing obstacles to unlock the internal market's potential**

10. The EEA EFTA States consider it a priority to continuously develop the internal market to unlock its full potential. Europe's competitiveness and economic security will benefit from removing the remaining obstacles and avoiding the creation of new ones.

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<sup>1</sup> 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\*](#), report on the future of the Single Market, presented to the European Council on 18 April 2024.

<sup>2</sup> Ibid, 141.

11. Businesses in the EEA EFTA States, particularly small and medium-sized enterprises (SMEs), have expressed concerns about maintaining their global competitiveness in the face of growing administrative burdens resulting from EU legislation. SMEs are the backbone of the European economy. Growing or even excessive administrative burdens tie up resources in SMEs that could otherwise be available for innovation. They also carry the risk of entrenching the market positions of larger competitors with more resources to deal with compliance. The EEA EFTA States therefore welcome the Commission's aim to reduce reporting obligations by 25% as announced in the 2024 Annual Single Market and Competitiveness Report.<sup>3</sup> However, they stress that reducing administrative burdens should be a continuous effort not limited to a specific target in reporting obligations. The EEA EFTA States invite the Commission to engage in dialogue with EEA EFTA States and their businesses on how administrative procedures at national level can be streamlined and simplified, for example by electronic means.
12. The EEA EFTA States appreciate the accomplishments of the current legislative cycle, particularly with regard to the green and digital transition. The Commission should continue its emphasis on better policy and law making by conducting a comprehensive and timely impact assessment of each legislative proposal and ensuring consultation with stakeholders. This is of particular importance for initiatives that may have implications for several policy areas. As a result, legislative overlap at European level could be avoided and consistency ensured. Moreover, the EEA EFTA States welcome the suggestion presented in the Commission Communication on the long-term competitiveness of the EU<sup>4</sup> to include a methodology for assessing the cumulative impact of policies in the competitiveness check.
13. Furthermore, whenever the periodic evaluation of existing legislation reveals that it hampers innovation with little benefit for its objectives, the EEA EFTA States call on the EU institutions to reassess the need for maintaining such legislation. They find the Commission's regulatory fitness and performance programme (REFIT) a useful tool in this respect.
14. Improving the internal market for services and eliminating barriers to the cross-border provision of services should be prioritised over the coming years. To this end, the Commission should first consult the Expert Group on the Services Directive to identify the best way forward. Furthermore, clear guidance on the implementation of the Services Directive is of great importance.
15. The EEA EFTA States support the Commission in enhancing cooperation on the enforcement of internal market rules, and welcome the establishment and work of the Single Market Enforcement Task Force (SMET). They also note the need to prevent the emergence of new barriers. As national technical regulations continue to accumulate, it is becoming increasingly essential to verify that proposed legislation is proportionate

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<sup>3</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The 2024 Annual Single Market and Competitiveness Report – [COM\(2024\) 77](#)

<sup>4</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Long-term competitiveness of the EU: looking beyond 2030 – [COM\(2023\) 168](#)

and in alignment with the internal market rulebook before being enacted, thus avoiding potential trade impediments.

### **3.2. Creating opportunities through the green and digital transition**

16. The green and digital transition creates opportunities and can be a lever to increase Europe's resilience and economic security.
17. The EEA EFTA States support Europe taking a leading role in the digital transition to increase competitiveness. Digital technologies enable more efficient and productive business operations, as well as fostering innovation and thus driving competitiveness in Europe. Moreover, they enhance consumer access to new goods and services and generate vast amounts of data, which can lead to more strategic and informed choices and better public services. The digital age requires agile and adaptive regulatory frameworks, including for artificial intelligence. The goal should be to create a regulatory environment that is both supportive of innovation and protective of the rights and interests of businesses and individuals.
18. The EEA EFTA States support the initiatives put forward during this Commission's mandate that take essential steps to increase resilience and strengthen supply chains, and recall their position papers on the Critical Raw Materials Act (CRMA) and the Net Zero Industry Act (NZIA).<sup>5</sup> They also note that the Internal Market Emergency and Resilience Act (IMERA) will contribute to the availability of critical products in future emergencies and provide a fast and collective response to disruptions in the internal market.
19. The green and digital transition has created a demand for new skills. For acts such as the Chips Act, NZIA and CRMA, a skilled workforce will play a key role in ensuring competitiveness. The EEA EFTA States agree that Europe needs to address the existing skills gap for the green and digital transition. To this end, the EEA EFTA States participate in EU programmes providing financial support for reskilling and upskilling, such as the European Social Fund Plus (ESF+), InvestEU, Erasmus+, Digital Europe Programme, Horizon Europe and the Programme for Environment and Climate Action (LIFE).
20. Maintaining a level playing field in the internal market is an essential basis for European competitiveness. This basis must not be forgotten in the face of intense global competition and the extensive investments necessary to achieve the green transition and economic security. In the view of the EEA EFTA States, state aid instruments should be designed carefully at national level, and their implementation monitored closely to avoid fragmentation of the internal market.

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<sup>5</sup> EEA EFTA Comments on proposals for a [Regulation establishing a Single Market Emergency Instrument](#) (renamed Internal Market Emergency and Resilience Act), a [Net Zero Industry Act \(NZIA\)](#) and a [Critical Raw Materials Act \(CRMA\)](#)