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WORKING DOCUMENT

on the proposal for a directive establishing harmonised requirements in the internal market on transparency of interest representation carried out on behalf of third countries and amending Directive (EU) 2019/1937

Committee on the Internal Market and Consumer Protection

Rapporteur: Pablo Arias Echeverría

The Commission proposal and the initial preparatory work in IMCO Committee

1. The Commission adopted the proposal for a Directive establishing harmonised requirements in the internal market on transparency of interest representation carried out on behalf of third countries and amending Directive (EU) 2019/1937 (2023/0463 (COD)) on 12 December 2023 as part of the Defence of Democracy package. This legislative act aims to contribute to the proper functioning of the internal market by setting harmonised requirements with regard to interest representation activities carried out on behalf of third countries. Those are activities conducted with the objective of influencing the development, formulation or implementation of policy or legislation, or of public decision-making process in the EU.
2. The proposal was referred to IMCO Committee and a first debate was held on 20 March 2024 during which the Commission presented the initiative. The Commission highlighted the key points, underlining that the proposal would increase the transparency of interest representation activities, in particular with regard to information about the entities providing the services of interest representation, their funding and the third countries' entities on whose behalf these activities are carried out.
3. The purpose of this document is to present the guiding principles of the Rapporteur on the proposal, as set out below, in view of the upcoming work on this key file.

Current situation of interest representation activities on behalf of third countries in the European Union

4. The European Union and its Member States are facing **major challenges** in the field of interest representation activities conducted on behalf of third countries.
5. Currently, there is a clear fragmentation of the internal market in this area, the majority of the Member States regulate the provision of services for interest representation activities, including on behalf of third countries. This creates an **uneven playing field**, leading to higher costs and complexity for interest representation in some countries compared to others. Hence, the proposal legal basis is **Article 114 TFEU**, allowing an harmonization of Member States' laws that currently are hindering one of the fundamental freedoms within the internal market, thus avoiding regulatory fragmentation;
6. Furthermore, the widespread dissemination of misinformation, occurring across digital platforms and traditional media channels alike, can be attributed directly to the **intervention of foreign entities**. Some of these entities aim to undermine our fundamental values and principles while also exerting influence over our democratic processes and institutions.
7. This constitutes a direct attack on the **foundational principles** of our Union, undermining the integrity of our core values. To address these challenges, the European Commission has presented this **proposal**
8. As a follow-up of the European Democracy Action Plan, this initiative aims to increase public trust in democratic institutions by ensuring transparency in interest representation for third countries. Its focus is therefore not to prohibit any type of activity or address criminal practices, such as money laundering, but to increase transparency and accountability when it comes to interest representation.

9. This proposal also aims to enhance the functioning of the internal market and complement existing legislation on the provision of services and transparency, such as the **Regulation on the transparency and targeting of political advertising** and the **Digital Services Act**. However, we can also not disregard, another key objective of this proposal: protection of our Democracies from foreign interference.
10. Foreign interference in our political decision-making processes and democracies is unacceptable. Parliament's resolution "**Russiagate: Allegations of Russian interference in the democratic processes of the European Union,**" exemplifies how third countries seek to influence and manipulate European democracies. Specifically referencing the case of **Catalonia**, this resolution expresses genuine concerns about the integrity of our democratic values. The demonstrated connections between the Catalan government, third-country envoys, parties, and politicians, alongside large-scale disinformation campaigns, illustrate foreign interference in separatist movements. These actions are part of a broader strategy aimed at destabilizing national and European democracy through direct engagement with the Catalan government. Serious actions that threaten the European way and our democratic values must be addressed and under no circumstances should be granted amnesty.
11. **Other examples** of foreign interference are highlighted in the INGE Special Commission's report, citing Qatar, China, and Venezuela. These nations have collectively invested over 259 million euros across 33 countries with the objective of influencing their democratic processes.
12. In this context, the EU must **restore the lost confidence** and trust of its citizens by means of enhancing the transparency of its decision-making and its capacity to act. That is what this proposal contributes to.

Challenges of the interest representation activities on behalf of third countries in the European Union

13. When it comes interest representation activities conducted on behalf of third countries, particularly those outside the European Economic Area (EEA), there are important **obstacles in the Single Market** of the European Union due to varying regulatory frameworks across Member States.
14. This fragmented regulatory framework not only disrupts the internal market and creates an uneven playing field, but also poses risks of third-country actors **evading transparency requirements** and covertly influencing EU decision-making.
15. Another identified challenge is the **unknown magnitude**, trends, and actors involved in interest representation activities conducted on behalf of third countries. Despite indications suggesting an increase in foreign interference, the scale of such activities remains largely undisclosed due to inconsistent data collection, lack of transparency, regulatory inconsistencies, and challenges in gathering of data. This information gap can be exploited by third countries, affecting democratic processes and eroding citizens' trust in institutions.
16. The Commission's proposal tackles these challenges; however, **practical application remains unclear** due to the lack of clear definitions regarding the scope of the proposal.

17. This lack of clarity extends to the **types of activities** that will be covered by the scope of application, requiring also further clarification. The scope within the value chain should also be clarified, as well as to what extent organisations receiving funding from third country governments (regularly or for specific activities) are covered.
18. The proposal also increases significantly administrative burdens and reporting obligations on the affected entities, including record keeping of information and provision of information to national authorities and European Union institutions. These obligations can be burdensome for SMEs, which often lack the resources to comply properly.
19. Furthermore, national authorities will also have to perform new tasks and face more administrative burdens, which might require streamlining in particular with regard to cooperation with EU institutions and bodies.

Possible way forward

20. The response to these challenges has to be **coordinated at the European level**, ensuring that our values are upheld and that there is transparency in the expression of diverse opinions from third countries.
21. We must establish clear rules that, while acknowledging **existing national rules**, ensure fair competition for all stakeholders.
22. The response posed by foreign interference in democratic processes must be founded on the **principle of transparency**.
23. However, the Directive should include **deterrent measures** that effectively prevent representation of third-country interests in the European Union from not complying with the new rules. These measures are essential to ensure compliance and to discourage any attempts at inappropriate influence or interference.
24. These actions may involve strengthening sanctions, such as by increasing the maximum amount of fines currently provided for in the proposal or by considering the **possibility to ban specific actors** who have been proven to repeatedly violate these obligations, or both.
25. Furthermore, we must ensure the proper and accurate **implementation**. This process starts with clearly defining the scope of the Directive and specifying to whom it applies. The scope of the proposal should explicitly outline activities such as lobbying, funding political campaigns and other forms of influence-seeking behaviour.
26. It is essential to define the scope clearly to prevent the measures from being **circumvented**. This will help to prevent any attempts to circumvent the measures by exploiting loopholes or grey areas.
27. We must ensure that **any entity operating under the direction of foreign governments** to represent the interest of these governments in the EU falls within the scope of this Directive regardless of the specific nature of their activities.
28. It is also necessary to define the **specific representation activities** that fall within the scope to prevent circumvention and ensure legal clarity.

29. Burdens on companies, especially SMEs, must also be considered. The Directive should include measures to facilitate compliance with obligations for **SMEs**, ensuring that the administrative burden on them is minimized.
30. Additionally, **enhancing and streamlining cooperation** between national authorities and EU bodies is also necessary.
31. This is a serious issue that demands the adoption of clear and effective measures that are both **feasible and practical**, serving as a unified response to safeguard the core values of our Union.
32. The rapporteur considers therefore that their swift adoption is key and encourage the next Parliament to prioritise this proposal.