CEPS EXPLAINER

A NEW STRATEGY TO EMPOWER THE SINGLE MARKET

Will the EU finally prioritise, decide and act - or will its leaders again only express lofty aims?

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2025-07

SUMMARY

Following the publication of the European Commission's new Single Market Strategy in May 2025, this CEPS Explainer looks at the finer details to answer one of the eternal EU questions: will this be the strategy that finally empowers the single market to reach its full potential?

Admittedly, one could look at this latest strategy – coming off the back of 2024's Letta and Draghi reports, as well as 2025's Competitiveness Compass and Omnibus proposal – in two ways: as either extremely ambitious and living up to the demands of businesses and some Member States… or a giant set of soundbites that often lack depth, detail or credibility.

Fortunately, this Explainer is cautiously positive – but once again, the new strategy's ultimate success will depend on the one thing that has felled so many previous initiatives: the political will of European leaders to prioritise the single market, confront the many vested interests and put an end to fragmentation once and for all.

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INTRODUCTION – A CHEQUERED HISTORY OF SINGLE MARKET STRATEGIES

In the 43 years since the first-ever Internal Market Council meeting (in November 1982), based on an incipient Commission strategy paper, the EU has significantly improved its efforts to strengthen, widen and deepen the single market. Yet not nearly far enough, given the EU's economic potential and its discrepancies between words and substantive action.

As history shows, once the Commission, the European Parliament (EP) and the Council agree a common front – as shown in the first four years of Jacques Delors' Commission presidency, usually acting together with the Council troika – progress can be deep and fast. Without such a common front, progress is haphazard, and the overall drive is likely to be ineffective.

The challenges that the EU faces today still have everything to do with the single market but in a radically different context, both internally and externally. What isn't different is the triple motto: *prioritise, decide and act*. Indeed, any single market strategy is hardly worth the paper it's written on if this triple motto isn't adhered to.

Nowadays, removing barriers inside the EU – still a badly necessary policy action, though not sufficient alone – seems to have become less politically appealing. It's only rarely prioritised, although it's talked about a lot but scarcely decided and acted upon.

Instead, a myriad of other action plans, strategies, frameworks, reviews, packages, dialogues and initiatives in fields related to the single market are launched, not to speak of a range of old, new and proposed funds and many suggested 'Acts' (an increasingly popular term that has absolutely no significance in EU law whatsoever). Take the 'Competitiveness Compass', considered by the Commission (and others) as the 'North Star' for 'priority actions to reignite economic dynamism in Europe'. The Compass was much inspired – and rightly so – by the Letta and Draghi reports, which proposes three 'flagships', in turn leading to a flood of proposals[1].

Although the Compass clearly acknowledges the manifold and crucial links with the single market, the single market itself covers barely one (!) page (out of 26). However, this observation shouldn't be interpreted as a dismissal of other important EU priorities.

[1] By way of illustration: Flagship One comprises eight proposed 'Acts' and four strategies; Flagship Two proposes two 'Acts' and six 'plans' plus a vision, a review and a strategy; Flagship Three comprises another three strategies, one initiative and a plan.

What it's meant to underline, once again, is that the single market usually isn't a politically attractive area for firm EU action because it's often tedious, there's much resistance from hidden vested interests, there's an insistence on national preferences (read: EU fragmentation) and one must have a careful and detailed understanding of the underlying reasons and history of 'barriers'… and why it's so difficult to remove them.

Also, the easy fix expectation that throwing more funding around may help or lubricate the single market is rarely the solution.

THE NEW SINGLE MARKET STRATEGY – AN INITIATIVE IN NINE PILLARS

On 21 May 2025, the Commission published a new Single Market Strategy.

Dependent on how one looks at this 'strategy', it could be applauded as extremely ambitious and largely living up to the demands of business and some Member States… or as a giant set of soundbites that often lack depth, detail or credibility. Whilst not the focus of this short CEPS Explainer, lots of recent economic analysis, including a very recent Commission survey, have found that the economic rationale for a strategy that bolsters the single market is pretty sound. However, some diverging findings still linger, such as very recent IMF research (stressing continued fragmentation) and the state-of-the-art gravity-based survey by Head and Mayer which found that the EU internal market in goods is as 'integrated' as that in the US. That's why this intricate economic issue deserves a separate analysis in future.

Back to the matter at hand, the total number of 'actions' proposed by the Commission in the new strategy amounts to no less than 58, with some of these actions actually representing multiple actions. The Commission claims that 'a new approach is warranted' and a 'new method' is presented. It's not clear whether this claim is justified but it's underpinned by nine 'pillars', which are respectively:

i. **Fewer barriers**: though of course there's nothing very 'new' about this.
ii. **More ambition:** the single market for services does indeed deserve more ambition but a 'novel' approach by going for a sectoral selection isn't new, just difficult to achieve.
iii. **More focus:** Specifically, a focus on SMEs, start-ups, scale-ups and the new category of small mid-caps is justified but primacy has to be given to rapid EU capital market integration, which has been difficult and intrusive for Member States.
iv. **More effective digitalisation:** With Member States and the EU working in sync, this could well be promising.

v. **More simplification:** Namely all about the Omnibus package, often based on the principle of 'one in, 27 out', which is hardly a new principle and was first advocated in the first half of the 1980s.

vi. **More effective implementation and enforcement:** A long-standing request from business and consumers, so should be prioritised but not presented as entirely new.

vii. **More ownership:** Indeed, 'joint' responsibility between the EU and Member States, and the Single Market Enforcement Taskforce could really help. The strategy also proposes 'national EU sherpas' that should also help 'Europeanise' national reflexes.

viii. **More synergy:** An attempt to link investment and national regulatory reforms, which can make sense but – for the single market – money is only rarely the problem. Often, rules and prohibitions are the main issues.

ix. **More protection**: Shielding the EU from trade disruptions whilst reducing external dependencies.

Making the 'Terrible Ten' irrelevant

After setting out these nine pillars, the strategy zooms in on the so-called 'Terrible Ten' shortcomings, five of which are '*evergreens*' in the single market area (namely a lack of single market ownership by Member States; hurdles for the intra-EU recognition of professional qualifications; slowness and delays in European technical standard setting, despite the much greater speed than decades ago and the fact that businesses are paying for new designs, tests and technical try-outs in several countries; stubborn divergences in national services regimes, e.g. authorisation and certification; and the tedious and wasteful procedures when posting workers to other Member States).

Can these evergreens be tackled in earnest? In the recent past, Member States have stood in the way time and time again, despite elegant wording in European Council conclusions.

The other five of the 'Terrible Ten' include simplification; far more rigorous Europeanisation of Extended Producer Responsibility rules and an EU market for waste (both most welcome); at long last, addressing Territorial Supply Constraints, be it that the new strategy in fact foresees a case-by-case approach which should be avoided; and finally, the fragmentation of the EU business environment between Member States might be overcome with the help of Letta's 28th EU regime, which should greatly help companies scale up throughout the EU. This should apply to corporate law, insolvency, labour laws and taxation, and ultimately perhaps with an EU code of business law.

However, this great improvement has proven most difficult to push through and implement. A lingering issue is whether such a regime will be allowed to be more attractive than existing national regimes.

What this new strategy is totally silent about is the '*hard fragmentation*' of the single market. What is meant by this is that there are four important instances that EU leaders appear to be carefully avoiding: the consolidation of a true EU telecoms market, an effective common approach for relevant spectrum frequencies, the full adoption of the SES 2+ air traffic control system and turning copyright from a national to an EU intellectual property right.

In short, silently accepting this hard fragmentation is both costly and deeply mistaken. It also goes against the Draghi report, which repeatedly laments the disease of fragmentation in the EU.

THE INCREDIBLE AMBITION OF A SINGLE EU SERVICES MARKET

Following the 'Terrible Ten', the new strategy zooms in on the four most prominent regulated services: telecoms, energy, transport (though only parts of it) and financial services. Retail is also briefly touched upon, as is construction.

From the strategy itself, one cannot derive the significance of the Grid Package (on steadily increasing interconnectors, crucial for the EU's future of renewables serving the entire single market), of the Digital Network Act, which is likely to have major consequences for today's fragmented telecoms market, and a host of other announced 'Acts' that have just been enacted or are about to be proposed. Of course, their success will depend on detailed proposals but equally on Member States being willing to give up existing or former bastions.

A series of other hurdles will also be addressed, such as the fragmented state of public procurement IT ecosystems and the need for a unified EU capital market, which is of paramount importance for scaling up and increasing the competitiveness of highly innovative EU firms (which often move to the US, attracted by better access to more [venture] capital). But decades of talk have yielded little in terms of common EU legislation that would allow for the emergence and proper functioning of a true EU-wide capital market, let alone a common regulator. It's worth remembering that both Letta and Draghi regard the EU capital market as vital for spurring private innovation, productivity and investment.

The promised EU-wide capital market constitutes a litmus test for the genuine preparedness of Member States and the financial players to act in favour of European integration. However, the vested interests haven't yet significantly shifted their positions.

The many recent publications of CEPS' sister think tank, the European Capital Markets Institute (ECMI) showcase the active thinking over how to complete the EU capital market, often including comment from the financial sector itself, but to little avail so far. The IMF has also joined the loud chorus calling for action to create an integrated capital market. Interestingly, besides a concise summary of what regulatory and institutional measures and reforms in finance are needed, authors insist on regulatory reforms *in the EU economy at large* to generate attractive investment returns.

Pushing innovation in the single market

Besides the European capital market's importance, there's also the specific issue of financing start-ups and scale-ups. The EU has slowly woken up to this need, if not its urgency. The first response consisted of initiatives by the European Investment Bank – often jointly with the Commission – to develop instruments such as the Startup Europe initiative and similar or specialised offerings, but also non-financial approaches such as the European Innovation Council's Scale UP 100 initiative. There are explicit links with new single market initiatives such as the Unitary Patent. The European Union Intellectual Property Office has found that start-up finance is much easier to obtain once new ideas are underpinned by a unitary patent and/or an EU trademark.

Meanwhile, the Commission has strengthened its efforts by proposing an EU Startup and Scaleup Strategy, which seeks to integrate actions in (venture) finance, skills, technology and EU as well as national regulation. Not an impressive strategy, perhaps, but what matters is whether the initiatives and proposals are welcome and needed.

Here, the answer is a clear 'yes' – but they must be seen as complementary to the unified EU capital market.

Conclusion – it's now on EU decision-makers

Altogether, the comprehensive new Single Market Strategy is to be applauded for its emphasis on the EU economy's dynamism and future 'competitiveness' (even though, as noted, there's much to be improved) but what's still absolutely essential is and remains how serious the Member States are about it.

There are signs that the position and roles of Member States are changing – and for the better. Recently, Member States have paid much more attention to their own roles and responsibilities to improve the single market. Moreover, more initiatives have been emerging directly from groups of Member States, as has been the case with 16 Member States recently calling for a deeper single market.

Overall, this is very positive. But it means that entrenched vested interests in some areas, including services, must be terminated. The usual way out in Council circles is that the European Council 'leads' the process and its backing should, in principle, guarantee a firm hand in steering the process.

However, this seems not to be the case. In the EP secretariat, the many conclusions of European Council meetings on the single market were long carefully followed. In the background documents of the High-Level Group (of 2015/6), one could read without much ado that receiving European Council leaders' blessing isn't really discussed; rather, it's prepared with the expected consensus in mind and would seem to serve no strong steering function.

Hence, the political leaders at the top don't really lead the single market strategy other than in vague, splendid wording. Despite the ongoing war in Ukraine and the noisy, distracting US President, EU leaders ought to lead where their primary interests are found, namely in deepening and widening the single market where appropriate. And finally, to avoid and correct what Mario Draghi has so effectively criticised – the single market's continued fragmentation.

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