

PRESS RELEASE - NEW WORKING PAPER

## What is Wrong with the Single Market?

**Brussels, 26th February 2016** - Europe's Single Market is in many ways an illusion – it exists only nominally. There are substantial barriers to cross-border exchange and the Single Market is riddled with uncertainty. The EU has again set itself the target to advance the Single Market and it is thus important to consider what factors made Europe resistant to more Single Market reforms in the past, and what this resistance has entailed.

In this paper we will explore what we mean by a Single Market, and what the possible reasons for its failure to meet its goals are. While the nature and profile of the Single Market, and its regulations, have changed over the years, they often have focused on the wrong issues, or on factors that would not change the nature of markets as such. The piecemeal approach to reform, followed until now, has created a complex web of regulations, administrative rules, national discretion, and partial freedoms. Fractional and incomplete liberalization have reduced the potential gains.

Although many problems are endogenous to the Single Market there are others that are a result of external structural shocks. The European economy has undergone profound structural changes, and as the economy has shifted profile, it has moved further into sectors and areas where there is very little of the Single market. The more Europe's economy grows dependent on services and the digital sector, the less Single Market there will be in Europe. It is evident that the improvements that can be made in Europe's integration is less about classic Single Market reforms and more about building adequate market institutions and advance structural reform.

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