Europe’s Single Market can be considered the EU’s greatest achievement. But it’s still a political illusion in many ways. Any company doing business in Europe faces significant barriers to cross-border exchanges within the EU. It is these barriers that hamper companies’ ability to scale and compete internationally on the back of innovation and economic integration, a new ECIPE paper warns.

In addition, the EU’s outdated approach to competition policy discourages innovation and competitiveness. Due to mixed legal competences, competition rules are often enforced differently by Member States’ national authorities, and can be appropriated to support protectionist industrial policy ambitions.

EU policies have created new layers of regulation and legal uncertainty. According to Matthias Bauer, Europe’s legally fragmented internal market disincentivises business growth and innovation, while the EU’s approach to competition discourages businesses from scaling across national borders.

The analysis suggests that the EU and national governments must eliminate policy fragmentation in Europe’s internal market and change course in competition policy to support investments in innovation, business growth, and the adoption of advanced technologies. There is an urgent need for an approach to competition policy that accounts for the value created through the adoption of innovative technologies and disruptive business models across industries in the EU.

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