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DOI

[10.54648/leie2025006](https://doi.org/10.54648/leie2025006)

Publication date

2025

Document Version

Final published version

Published in

Legal Issues of Economic Integration

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Citation for published version (APA):

Cseres, K. J. (2025). From Completion to Creation: The New Single Market Agenda. *Legal Issues of Economic Integration*, 52(2). <https://doi.org/10.54648/leie2025006>

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From Completion to Creation: The New Single Market Agenda

For decades, reforming the Single Market has been about fine-tuning – removing barriers, deepening integration, and optimizing the existing framework. But in 2025, the challenge is different. Europe is being called to engage in market-making in real time: designing new legal frameworks to enable new forms of exchange. This new phase of market-making demands more than just technical adjustments. It challenges Europe to rethink the very nature of its market – how it enables the climate transition, fosters digital sovereignty, and secures economic autonomy.

The European Union's Single Market, often framed as a space of free and undistorted competition, a 'flagship achievement of the European integration process',¹ has in recent years come under growing pressure – both from within and without. Built around the idea free exchange across borders, it has remained in many respects incomplete, with the lack of common and uniformly applied policies in key areas of economic and social policymaking. The fragility of the single market and integration has long been recognized. Policy reports, ranging from the Cecchini Report in 1992² to the Europe 2020 Strategy,³ emphasized issues like regulatory divergences and declining political support for market integration. Yet, despite these calls for deeper integration, progress has stalled, and 'integration fatigue' has remained a central concern.⁴

While the European Union was long focused on expanding and deepening the Single Market, it now increasingly finds itself engaged in a defensive position – confronting internal fragmentation, the resurgence of economic nationalism, and a growing distrust in institutions. In this context, the central question is no longer how to preserve the existing market framework, but how to reconceptualize and adapt it to meet current challenges that go beyond economic efficiency, addressing issues of sovereignty, resilience, fairness, and the EU's ability to act in a fractured world.

¹ R. Raudla & A. Spendzharova, *Challenges to the European Single Market at Thirty: Renationalisation, Resilience, or Renewed Integration?*, 44(1) J. Eur. Integration 1–17 (2022), doi: 10.1080/07036337.2021.2011263.

² P. Cecchini, *The European Challenge. 1992: The Benefits of a Single Market* (Wildwood House 1988).

³ Communication from the European Commission, *EUROPE 2020 a Strategy for Smart, Sustainable and Inclusive Growth*, Brussels, 3 Mar. 2010 COM(2010) 2020.

⁴ M. Bauer et al., *Reinventing Europe's Single Market: A Way Forward to Align Ideals and Action*, ECIPE Policy Brief No-11/2024 (Jun. 2024), https://ecipe.org/wp-content/uploads/2024/05/ECI_24_PolicyBrief_11-2024_LY05.pdf (accessed 11 May 2025).

1 FRAGMENTATION

The Single Market has advanced substantially since the 1980s. As a highly institutionalized framework for economic cooperation and integration, the Single Market has fundamentally reshaped Europe's internal economy, significantly reducing the relevance of national borders for the movement of goods, services, capital, and labour. At the same time, it has also exposed Member States' varieties of capitalism and regulation and their political contestation of EU integration against sentiments of national sovereignty.⁵ Fragmentation within the European Single Market has become increasingly apparent, as disparities between Member States grew more pronounced. Despite the hope that EU integration would bridge economic divides, it has remained a patchwork of economic and regional disparities.

Moreover, fragmentation has deepened over the past years, as regulatory divergence, economic nationalism (patriotism in some Member States), and regional inequalities persist.⁶ For example, Western European Member States have often pushed for ambitious climate policies, while Central and Eastern Europe have remained more cautious, reflecting differing priorities.⁷ Similarly, there are important differences concerning digital regulation, particularly on data privacy and AI.⁸

Economic nationalism adds another layer of division. As France and Germany rely on state aid and subsidies to protect domestic industries, their approach creates tensions with other Member States, where such policies are seen as protectionist and distorting competition.⁹ Moreover, some Member States, e.g., Hungary openly contested the market model of liberal democracy. As open markets face increasing contestation and global economic cooperation weakens, their governments shifted towards state-led governance, sidelining the legal checks and balances that have traditionally shaped economic law. Such moves reflect a different understanding of the rule of law, separation of powers, and the role of markets.¹⁰ Meanwhile, labour market disparities, including wage differences and varying social protections,

⁵ J. Snell, *Varieties of Capitalism and the Limits of European Economic Integration*, 13 Cambridge Y.B. Eur. Legal Stud. 415–414 (2011), doi: 10.1017/S1528887000002093. Bauer et al., *supra* n. 4.

⁶ M. Blauburger & S. Schmidt, *Fragmentation and Convergence in the European Union: Policy Implications and Responses*, 55 J. Common Mkt. Stud. 875 (2017). F. Schimmelfennig, *The Politics of EU Enlargement and the Eastern Divide*, 21 Eur. Union Pol. 456 (2020).

⁷ M. A. Vachudova, *The Eastern European Challenge to EU Climate Policy*, 35 E. Eur. Pol. 531 (2019).

⁸ V. Mitsilegas, *Digital Regulation and the European Union: Legal and Political Challenges*, 26 J. Eur. Pub. Pol'y 45 (2019).

⁹ H. Schneider, *State Aid in the European Union: Economic Nationalism and Integration*, 45 Eur. L. Rev. 275 (2020). K. Armstrong, *Economic Nationalism and State Aid in the EU*, 25 Eur. L.J. 523, 275–295 (2019). K. Armstrong, *Economic Nationalism and State Aid in the EU*, 25(5) Eur. L.J. 523–546 (2019).

¹⁰ K. J. Cseres & Y. Albert, *The Authoritarian Market Playbook*, VerfBlog, 2025/1/31, <https://verfasungsblog.de/the-authoritarian-market-playbook/> (accessed 15 Apr. 2025).

exacerbate inequalities within the EU, with Southern Europe facing higher unemployment and weaker social benefits compared to the North.¹¹

The East–West and North–South divides remain salient, with Eastern European countries like Poland and Hungary often resisting deeper integration on issues like climate policy and migration.¹² In contrast, the economic stability of Northern countries contrasts sharply with the financial challenges still faced by many Southern states, which forms a legacy of the Eurozone crisis.¹³ These divides, coupled with differences in taxation and financial regulation, continue to fragment the Single Market, and challenge the EU’s goal to achieve cohesive economic integration.¹⁴

The fragmentation within the European Single Market has sparked intense debates in recent years raising the question of how to reshape the Single Market to address goals such as strategic autonomy, decarbonization, digital sovereignty, and social cohesion. These debates mainly focused on shielding the single market from internal fragmentation and external disruption, rather than proactively redesigning or reimagining them for the challenges ahead.

Faced with crises like COVID-19, Russia’s invasion of Ukraine, and energy shortages, the EU’s goal was to preserve the Single Market. Fragmentation remained the main policy focus, with the Commission prioritizing market stability over a more fundamental rethinking of the Single Market.

2 LETTA AND DRAGHI

The publication of the Letta¹⁵ and Draghi¹⁶ reports in 2024 brought renewed attention to how Europe must ‘deepen’ and ‘modernize’ the Single Market in order to scale up, compete internationally and bring EU citizens social and economic benefits. The analyses presented in both reports converge on highlighting examples that demonstrate how the Single Market remains highly fragmented and call with urgency for change. They both recognize that Europe can no longer rely on market forces alone to achieve its goals.

¹¹ M. Mazzoleni, *Labor Market Disparities in the European Union: A North-South Divide*, 18 Eur. Lab. Stud. J. 99 (2021).

¹² R. D. Kelemen, *Eastern Europe and the EU: Tensions in Economic and Political Integration*, 16 Eur. Pol. Rev. 91 (2020).

¹³ M. Chorostowski & D. Gros, *Eurozone Crisis: North-South Disparities in Economic Recovery*, 42 Eur. Econ. Pol’y Rev. 113 (2020).

¹⁴ W. Kok, *Taxation and Financial Regulation in the EU: Challenges for Integration*, 11 Eur. Fin. Reg. J. 248 (2021).

¹⁵ E. Letta, *Much More Than a Market, Speed, Security, Solidarity, Empowering the Single Market to Deliver a Sustainable Future and Prosperity for All EU Citizens* (19 Apr. 2024).

¹⁶ The Draghi report: A competitiveness strategy for Europe, 9 Sep. 2024.

In April 2024, Letta's report warned of a slow erosion of the Single Market's cohesion, as consecutive crises and economic pressures pushed Member States toward nationalist solutions. But the report also made the argument that the Single Market should not merely be preserved – it should be renewed to support Europe's priorities of climate transition, digital leadership, and strategic autonomy – goals that not all Member States equally embrace. In order to have the capacity to achieve these priorities, Letta proposed a new 'freedom': the free circulation of knowledge, research, and innovation, along with the four traditional freedoms of the EU (goods, services, capital, people). To make these proposals durable and enforceable, the report presents a pragmatic approach to improve the regulatory framework and strengthen enforcement tools with the aim of enhancing speed and efficiency in the Single Market and to ensure coordination and prevent unilateral national action.

Draghi's report in late 2024 on competitiveness and strategic investment called for unlocking private and public investment to support EU priorities, such as innovation, economic security, defence and decarbonization. Draghi outlined a vision for a new EU competitiveness framework, an EU-wide industrial policy, strengthening the single market and a dedicated EU budget for manufacturing.

His findings called for the Commission and Member States to reform capital markets, clarify green investment standards, and for a more coherent EU industrial policy to support strategic sectors, reduce dependencies, and ensure technological sovereignty. As Draghi himself put it: 'Europe faces a choice between paralysis, exit or integration. Exit has been tried and has not delivered what its proponents hoped for. Paralysis is becoming untenable as we slide towards greater anxiety and insecurity. So, integration is our only hope left'.¹⁷

The new Commission, appointed in late 2024, inherited this agenda but must now turn these ambitions into legal reform – across competition policy, energy market integration, digital regulation, and the green transition. This means a rethinking of how legal rules shape incentives, which market actors the EU wants to promote, and what legal structures can support its strategic goals. As the new European Commission begins its mandate, the next phase of EU economic integration is taking shape, and it is clear that the Single Market is no longer just an economic project. Decisions on competition policy, industrial strategy, and Single Market governance are increasingly legal-political choices about how Europe wants its markets to function.

¹⁷ Address by Mr Mario Draghi at the presentation of the report on the Future of European competitiveness in the European Parliament, 17 Sep. 2024.

3 SINGLE MARKET-MAKING IN REAL TIME

As spring 2025 unfolds, the European debate is also changing. While fragmentation remains high on the agenda, the core concern is not just market integrity but defining the purpose of the market itself. The EU's challenge is no longer preserving the Single Market – it is redesigning it to address new strategic realities. Integration through law has been the EU's central strategy for building its internal market. Yet as scholars of political economy and legal theory have long argued, markets do not exist outside law – they are constituted by it. The EU's legal architecture has not merely enabled cross-border trade; it has actively shaped the normative, institutional, and distributive contours of the European economy.

In a context where politics increasingly shape economic governance, the relationship between politics and markets has become more short-term, volatile, and subject to abrupt shifts. Such politicization is often also accompanied by rising populism and deepening polarization, which can further undermine the stability and predictability traditionally associated with market regulation. As a result, efforts to reform the infrastructure of the Single Market face complex challenges in shaping the legal, institutional, and societal consensus necessary for resilient economic governance.

Amid a fundamental reassessment of transatlantic relations and the global order, the EU faces new challenges for trade, geopolitical stability, and economic growth. This occurs alongside the already urgent investment needs for the green and digital transitions, enhanced defence capabilities, and challenges posed by an ageing population. As US trade policy becomes more transactional, the EU's commitment to a rules-based order, its core values, and open multilateral cooperation remains vital and should shape the Single Market's new legal infrastructure.

By combining 'integration through law' and the idea of markets as legal constructs, one can better understand how the EU's future legal choices – about competition, regulation, and institutional design – embed specific market logics. This raises the question of not just how to make markets work, but also what kind of markets EU law has built, and in whose interest they serve.

This is market-making in real time – creating new legal frameworks to enable new forms of exchange. However, it is no longer just about 'fine-tuning' the single market. The EU should return to what it once did best: building common legal frameworks to unlock new economic possibilities. The Single Market has started as a political commitment to the idea that law could unite a shared economic space. Today, the challenge is to renew that commitment in a meaningful way.

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