SPEECH

Europe at a crossroads: it is high time to complete the Single Market

Keynote speech by Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, at the SRB Legal Conference 2025

Brussels, 18 June 2025

Thank you for your kind invitation. It is a pleasure to join you this morning to discuss the key obstacles to completing the single European market from the ECB’s perspective.

40 years ago Jacques Delors presented a now-famous "White Paper", outlining a bold and comprehensive vision for completing the single European market. This historic document identified 279 obstacles, many of them legal in nature, that stood in the way of the free movement of goods, people, capital and services across Europe.

Delors’ White Paper did not come out of nowhere – it was conceived as a solution to tackle the challenges plaguing Europe in 1985: eurosclerosis[1], competitiveness crisis, paralysing political tensions. These issues dominated the headlines of the time.

Policymakers overcame these obstacles with the Single European Act building on a clear and actionable timeline. And the rest, as they say, is history.

Fast-forward 40 years and we now stand at a similar crossroads in Europe, this time facing even greater challenges. Geopolitical fragmentation is on the rise, sparking demand for more strategic autonomy to ensure we remain the masters of our own destiny. Our economies are undergoing profound structural changes as we navigate the clean energy and digital transitions. Meanwhile, there is a growing concern we are losing out on competitiveness, which risks threatening European standards of living.

I will start my remarks today by taking a look at why deepening the Single Market matters. I will then cover some of the main obstacles hindering the Single Market from developing its full potential and conclude by outlining a possible way forward.

In this, I am guided by Jacques Delors’ insight from 40 years ago, which could not be more relevant today – *"The time for talk has now passed. The time for action has come."*

Deepening the Single Market is key for prosperity and our mandates

Over the past decades the Single Market has delivered remarkable economic results and substantially improved the wellbeing of more than 440 million citizens across the continent.

ECB economists have found that the Single Market has added between 12% and 22% to long-run EU GDP[2]. We saw a remarkable five-fold increase in the intra-EU trade of goods between 1993 and 2021[3]. And, importantly, the Single Market forms the bedrock of a predictable investment and business environment, founded on the rule of law.[4]

Yet, markets remain fragmented and too many internal barriers are preventing the Single Market from developing its full potential.

This is particularly the case for services, which account for around 75% of the EU's GDP. Soberingly, 60% of barriers to trade in services are still the same as they were 20 years ago. And, worryingly, intra-EU services trade is no higher than services trade with non-EU countries, suggesting that the Single Market for services operates significantly below its potential.

This self-induced straightjacket comes with a significant price tag.

The IMF estimates that internal barriers to the Single Market are, on average, equivalent to a tariff of 44% for goods and a staggering 110% for services. These figures underline an ironic reality: while much of our focus is directed at the potential economic impact of external tariffs applied to goods traded with non-EU trading partners, we risk overlooking the far greater burden of self-imposed internal barriers. These barriers are weighing on our economy every single day. Fortunately, unlike external tariffs imposed on us by non-EU countries, the decision to address internal barriers lies entirely within our own competence.

One might ask: why should deepening the Single Market concern the ECB?

The establishment of a fully integrated single market could enhance the effectiveness of our **monetary policy**. The euro area's single monetary policy cannot be tailored to national circumstances. Economic theory identifies this as one of the inherent costs for countries joining a monetary union. However, merging currencies can still yield substantial *net* benefits when countries' economic cycles are closely synchronised, as this ensures that the ECB's single monetary policy is appropriate for all euro area countries.[5] A deeper internal market works as a catalyst for such synchronisation by aligning the economic structures of the countries subject to a single monetary policy. This is achieved either through enhanced risk sharing and the free movement of goods, services, capital and labour.[6]

A more integrated single market is also crucial for effective **banking supervision**. Although we have a Single Rulebook in the banking union, national variations remain within this single prudential rulebook. In addition, foundational elements of the prudential framework, such as accounting standards, securities and insolvency laws, continue to differ across Member States, which adds unnecessary complexity. A more integrated banking system with more harmonised rules would yield significant benefits: it would make the allocation of credit inside the Single Market more efficient while providing opportunities for banks to grow and compete across borders.[7]

Deepening the internal market also offers **broader advantages**. It could enhance euro area competitiveness by enabling businesses to scale up, achieve economies of scale and allocate resources more efficiently. Increased competition drives innovation and productivity, while harmonised regulations lower costs and reduce administrative burdens for firms across borders. This environment attracts investment, strengthens supply chains and enhances the euro area’s strategic autonomy by reducing dependence on external markets. These advancements not only support the effectiveness of our monetary policy and banking supervision but also address the challenges of an increasingly fragmented geopolitical landscape.[8]

But we cannot succeed if we have 27 different policies for our firms and industries.

We cannot succeed if we fail to recognise professional qualifications across the EU.

And we certainly will not succeed if we allow a self-defeating spiral of national fragmentation to take hold. Instead, any meaningful debate on growth, productivity and strategic autonomy must begin – and end – with a firm commitment to completing the Single Market and to do so in a timely manner.

Deepening the Single Market is a legal imperative

Completing the Single Market is not only necessary in light of the challenges of our times – it is also a legal imperative anchored in the EU Treaties.

Let me first recall that the *ultima ratio* of the Single Market is its completion. As long as barriers persist to the free movement of persons, goods, services and capital, the Single Market remains an unfinished promise.

Second, the completion of the Single Market is not just an aspiration – it is a legal obligation. Article 3.4 of the Treaty on European Union states unequivocally that “the Union shall establish an internal market”. Hence, the Single Market is nothing less than an explicit objective of the Union under the Treaties.

And third, the Treaties are very clear that the Single Market is a key lever to foster citizens’ welfare and promote the Union’s interests in the world.[9] This is important at a time when increasing strategic autonomy has become essential in light of geopolitical rifts and shifts.

Thus, completing the Single Market is not merely something that is “nice to have”, something we might do when the moment is right, something that depends on the political winds and tides. It is a legal imperative strongly anchored in the Treaties.

So, if the Treaties are crystal clear about the need to complete the internal market, one may ask: what are the main impediments to its full completion? And, more importantly, what can be done to address them?

The “troubling three” for the ECB

To be clear, Member States and EU institutions are in the driving seat when it comes to addressing the barriers hindering the Single Market – not central bankers or prudential supervisors. However, the ECB very much welcomes the recent momentum to deepen the internal market, and I would like to reflect on this important endeavour from our perspective.

Encouragingly, the challenge of completing the internal market is well understood. The Commission has accelerated its work on making the Single Market simpler, seamless and stronger.[10] As a first step, the

EU and the Member States must work together to prevent the emergence of new barriers. However, to achieve meaningful progress, the EU must also remove the barriers that obstruct the functioning of the Single Market.

In this regard, the European Commission's new single market strategy provides a clear and focused roadmap by identifying the "terrible ten" – the most significant barriers that must be addressed.[11] This prioritisation is both pragmatic and effective. While clearly all barriers need to be removed in the long term, the Commission's strategy wisely concentrates efforts on those whose resolution promises the greatest economic impact.

Let me highlight three key points relevant for delivering on our mandate.

Overly complex EU rules

The first one is complexity. The key issue here is not complexity per se, but *excessive* complexity. As Albert Einstein wisely said, "Everything should be made as simple as possible, but no simpler". This principle applies equally to regulation.

EU market legislation must often balance a wide array of diverse market interests and national policy preferences, which inevitably results in complexity and diverging rules. In this context, we welcome ongoing simplification efforts provided they do not compromise the fundamental purpose of the rules.[12]

In this respect, it is important to emphasise that reducing complexity is best achieved through European harmonisation, not by lowering regulatory requirements. Harmonisation not only simplifies the legal framework but also makes it more seamless and, when based on best practices, stronger. As I stated earlier this year: don't cut rules, harmonise them.[13] After all these decades of European integration there is still no better way to simplify and to lower the regulatory burden than to reduce 27 regimes to one.

Lack of Single Market ownership by Member States

Another main obstacle to advancing the internal market lies in the fact that it is a shared competence between the EU and the Member States.[14] Member States have legitimate policy interests that may have unintended consequences for the Single Market. Think about areas like consumer protection or health and safety. In these fields, national preferences differ, driving fragmentation and complexity in EU regulation.

Member States also contribute to market fragmentation through delayed transposition, incorrect application, or overly burdensome and unnecessarily divergent implementation of EU law – a practice commonly referred to as "gold-plating", although it would be more fitting to speak of "lead-plating" as from a European perspective this practice results in something that is not shiny like gold but heavy like lead.

Such practices are also evident in banking supervision because the prudential framework also consists of EU directives that need to be transposed into national law.

For example, in several areas, including licensing and governance, rules differ across Member States because laws transposing EU directives are not fully harmonised. Dealing with a wide array of different national rules is far from ideal for the single European supervisor. Further harmonising the regulatory framework for the banking sector would further enhance our effectiveness as a bank supervisor.

While harmonisation within the internal market has typically been achieved through directives, there is an increasing reliance on regulations to legislate in the financial sector. Regulations offer a clear advantage: they do not require transposition into national legislation, thereby avoiding delays, transposition deficits and the risk of national preferences diluting the intended benefits of internal market rules. In areas where full harmonisation is currently politically or technically unfeasible, alternative approaches, such as introducing a "28th regime", could provide a practical and effective interim step.

Complicated business establishment and operations

Finally, the establishment and operation of companies across the EU remains unnecessarily complex and costly, largely due to the fragmentation of legal rules across Member States. This hinders businesses, particularly start-ups, from scaling up effectively.

A related challenge persists in the banking sector where cross-border banking integration remains limited despite the banking union's Single Rulebook, Single Supervisory Mechanism and Single Resolution Mechanism.

The advantages of deeper cross-border banking integration are clear.

Eliminating barriers to integration would enable banks to achieve economies of scale and enhance risk diversification, with cross-border mergers offering opportunities for greater profitability. However, the current limited level of cross-border integration restricts the potential for private risk-sharing within the European banking market. This fragmentation also hampers banks' ability to optimise liquidity management, ultimately increasing risks to financial stability.[15]

European banking supervision has taken important steps to tackle obstacles to cross-border banking integration. For example, we issued a guide affirming that cross-border mergers within the euro area will be treated the same as domestic mergers.[16] We clarified that European banking supervision will not hinder banks wishing to convert subsidiaries into branches.[17] Additionally, we made it clear that banks operating across borders through subsidiaries can apply for liquidity waivers to pool liquidity across legal entities. In short, we made it as clear as we could and let me repeat this message just as clearly today: as long as regulatory prudential requirements are met, we will not stand in the way of cross-border banking consolidation and cross-border integration more generally, very much to the contrary.

However, despite these efforts, progress on financial integration in the euro area remains limited. This indicates that remaining obstacles are influenced by factors unrelated to banking supervision. In this context, reaching a political agreement on the banking union's third pillar, a European deposit insurance scheme, is more critical than ever. Moreover, avoiding undue fragmentation of the single market and unjustified impact on the freedoms of the Treaty is critical.

Beyond progress on the banking union, advancing the capital markets union is equally critical, as the two are intrinsically linked and mutually reinforcing.[18] A stronger banking union, for instance, helps prevent shocks from spreading to broader capital markets, while robust capital markets diversify funding sources and reduce banking risks.

Currently, financial institutions looking to expand across borders face a fragmented landscape of national specificities and procedures, for example, securities, accounting and insolvency laws. Addressing these barriers through the harmonisation of securities laws, accounting frameworks and corporate insolvency rules is essential to fostering a truly integrated financial market.

Encouragingly, the Commission's savings and investment union (SIU) proposal, with the capital markets union as a key pillar, brings renewed momentum to these efforts. Swift implementation of the full SIU strategy requires decisive action. At EU level, this includes advancing policy initiatives on supervision, as well as trading and post-trading infrastructure. At national level, reforms such as taxation of cross-border investments remain crucial.

Conclusion

Before concluding, let me offer one final practical suggestion drawing from our own experience with the Economic and Monetary Union. The success of the euro was, in part, built on the foundation of a clear and well-defined timeline in the Maastricht Treaty setting out a roadmap for economic convergence and the creation of a common currency.

Similarly, the adoption of the Single Market in 1993 crucially built on the timeline contained in the Single European Act of 1986, which was championed by Jacques Delors.

Also today, in light of the mounting challenges we face, we do not have time to waste.

Also today, we need to move forward and complete the Single Market.

To effectively drive progress, we need a clear and time-limited roadmap, which includes concrete interim milestones and – crucially – a final "mobilising deadline", as the governor of the Banque de France has called it.[19]

We must undertake this endeavour jointly – EU institutions, Member States, businesses – ultimately all of us. Because, ultimately, completing the Single Market concerns all of us.

As Jacques Delors wisely said *"Europe is not just about markets. It is about a way of life."*

To protect that European way of life and to foster prosperity, strategic autonomy and competitiveness, our best course of action is to timely complete the Single Market.[20]

Thank you for your attention.

1.

The term "Eurosclerosis" was coined by German economist Herbert Giersch in a 1985 paper of the same name. He used it to refer to the economic stagnation and high unemployment characterising western Europe at the time.

2.

See Lehtimäki, J. and Sondermann, D. (2020), "Baldwin vs. Cecchini revisited: the growth impact of the European Single Market", *Working Paper Series*, No 2392, ECB, April.

3.

See Council of the EU and the European Council (2024), *30th anniversary of the EU single market*.

4.

Elderson, F. (2025), "The rule of law as a constitutional pillar of European central banking", keynote speech at the Italian constitutional court, Rome, 9 June.

5.

Mundell's (1961) Optimum Currency Area theory evaluates the trade-offs between the loss of independent monetary policy and the benefits of deeper economic integration. It asserts that a single currency is most effective when adopted by countries with similar economic conditions and closely aligned policies, as this minimises the costs associated with relinquishing independent monetary policy.

6.

When regions in a monetary union face differing economic conditions, the absence of an independent monetary policy eliminates a key stabilisation tool, leaving economies vulnerable to slow and sometimes painful adjustments. A fully integrated single market, however, can enable private risk-sharing. In such a framework, households, firms, banks, and investors can more effectively diversify their activities across the union, sharing both risks and rewards. This private sector mechanism reduces the need for fiscal transfers, easing some of the economic constraints associated with operating under a single monetary policy. Furthermore, the free movement of goods, services, capital, and labour also plays a pivotal role in facilitating economic adjustments, fostering greater synchronisation across the Union and enhancing the appropriateness of a single monetary policy.

7.

See Majino-López, J. and Véron, N. (2025), *EU Banking Sector & Competitiveness: Framing the Policy Debate*, study, European Parliament, May.

8.

Strengthening Europe's strategic autonomy is a top priority of the EU. To achieve this, Europe must bolster its strategic industries to reduce excessive dependencies, as highlighted in reports by Mario Draghi and

Enrico Letta.

9.

See Treaty on European Union, Article 3.1 (one of the Union's aims is the well-being of its peoples) and Article 3.5 (in its relations with the world, the Union aims to promote its interests).

10.

See European Commission (2025), *A Competitiveness Compass for the EU*, 29 January.

11.

See European Commission (2025), *A Strategy for making the Single Market simple, seamless and strong*, 21 May.

12.

As highlighted in our detailed legal opinion on the first omnibus package, there is also a risk that, in pursuing simplification, we may go too far and inadvertently undermine the very purpose of the rule. In principle, rules emerge as a solution to a problem, hence the goal of simplification should be to make regulations more efficient without compromising on their effectiveness. See Opinion of the European Central Bank of 8 May 2025 on proposals for amendments to corporate sustainability reporting and due diligence requirements.

13.

See Elderson, F. (2025), "Resilience offers a competitive advantage, especially in uncertain times", keynote speech at the Morgan Stanley European Financials Conference, London, 19 March.

14.

Article 4.2(a) of the Treaty on the Functioning of the European Union.

15.

See Buch, C. (2025), "European banking integration: harnessing the benefits, containing the risks", speech at the Warsaw School of Economics, Warsaw, 10 April and Montagner, P. (2025), "Cross-border banking in the EU: from national silos to an integrated market", article for Eurofi Magazine, Warsaw, 8 April.

16.

ECB (2020), *Guide on the supervisory approach to consolidation in the banking sector* ; Buch, C. (2024), "Financial integration in Europe: where do we stand after the banking union's first decade?", speech at the "Globalisation: What's Next?" conference, Paris, 30 April.

17.

Enria, A. (2021), "How can we make the most of an incomplete banking union?", speech at the Eurofi Financial Forum, Ljubljana, 9 September.

18.

See ECB (2024), "Statement by the ECB Governing Council on advancing the Capital Markets Union", 7 March and Eurogroup (2024), "Statement of the Eurogroup in inclusive format on the future of Capital Markets Union", 11 March. These recent statements lay the groundwork for future progress on the capital markets union. Moreover, the recently published report by Enrico Letta calling for a strong political commitment to empower the Single Market paves the way for a truly integrated financial market for the coming legislative term.

19.

Villeroy de Galhau, F. (2025), "A mobilising deadline for seizing "Europe's moment", speech at a hearing before the National Assembly Foreign Affairs Committee, Paris, 14 May.

20.

See also Lagarde, C. (2025), "Europe's "global euro" moment", *Financial Times*, 17 June.