

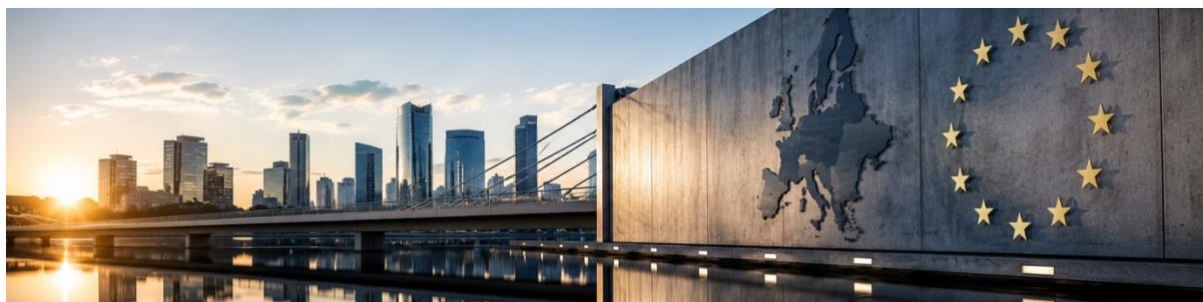
Newsletter



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Europe's Real Competitiveness Problem May Be Fragmentation **Why the Single Market Is Becoming the Centre of Europe's Growth Strategy**

For more than three decades, the European Single Market has been one of the foundations of Europe's economic model. With approximately 450 million consumers and 26 million businesses, it should provide European companies with a domestic market capable of supporting investment, innovation and global scale. Yet the economic potential of that market remains only partially realised.



Despite the removal of many formal barriers, businesses seeking to operate across the European Union continue to encounter differences in national rules, administrative procedures, taxation, authorisations, professional requirements and regulatory implementation. Individually, these barriers may appear manageable. Collectively, however, they can make expansion across Europe considerably more complex than operating within a genuinely unified market.

This is increasingly being recognised as a competitiveness issue. The European Commission's Single Market Strategy places renewed emphasis on removing persistent barriers, particularly in services, supporting SMEs and small mid-cap companies, increasing digitalisation and improving the consistent application of EU rules. The objective is not simply further regulatory harmonisation. It is to make the economic scale promised by the Single Market more accessible in practice.



The significance of this shift extends beyond the Single Market itself. Similar concerns about fragmentation increasingly appear across other areas of EU policy. The Savings and Investments Union seeks to improve the movement of savings and investment across Europe. Banking policy is focusing on barriers to cross-border activity and consolidation. Capital-market initiatives aim to provide European companies with deeper and more diversified sources of financing. Digital, energy and infrastructure policies increasingly emphasise interconnected European markets rather than predominantly national solutions.

Behind these initiatives lies a broader strategic challenge: scale. European businesses compete in a global economy in which their counterparts may benefit from large, integrated domestic markets. A European company theoretically has access to a market of hundreds of millions of consumers, but that advantage becomes less meaningful if entering each national market continues to require additional regulatory, administrative and operational adaptation.

Fragmentation also affects investment and growth decisions, as businesses and investors must consider the cost and complexity of scaling across multiple jurisdictions. Greater Single Market integration can therefore directly influence corporate strategy, market entry, financing and expansion, while companies able to anticipate where barriers may fall could be better positioned to capture new opportunities.

Europe already possesses significant economic scale. The challenge is increasingly whether businesses can use it. If the next phase of the Single Market succeeds in turning nominal market size into genuinely accessible economic scale, deeper integration may become one of Europe's most important competitive advantages.



Miltos Apostolidis
Head of Business Efficiency
mapostolidis@saranti-partners.com
T: +302120216569

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