

## BENEFITS OF THE EUROPEAN MARKET IN THE INTERNATIONAL ECONOMY

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### Abstract

The European market represents the world's largest economic area and stands as one of the European Union's most significant accomplishments. It has established a zone of over 500 million people with no internal borders or regulatory barriers that could restrict the free movement of goods, services, people, and capital (European Commission, n.d.). The EU is the most deeply integrated trading bloc globally, as around two-thirds of trade conducted by its member countries takes place within the Union itself (European Commission, 2020). The EU's gross domestic product accounts for about 22% of the global economy—second only to that of the United States—and its members benefit from a vast internal market that provides stability in times of global trade disruptions (World Bank, 2023). Within the single market, citizens enjoy the freedom to live, work, and study anywhere in the EU, while businesses can freely produce, sell, and invest across borders (European Commission, n.d.). Numerous technical, legal, and administrative obstacles that once limited trade and movement among member states have been eliminated to encourage seamless interaction within the European market (European Commission, 2020). The purpose of this analysis is to examine the current condition of the EU's free movement of goods and services and to identify the remaining untapped potential in areas such as trade, competition, and productivity—particularly those hindered by weaknesses in the enforcement of single market rules.

**Keywords:** European market; consumption; benefits; GDP; economic market

### INTRODUCTION

The European market, also called the internal or common market, is one of the European Union's most important achievements. It simplifies everyday life for citizens and businesses while promoting economic growth and development (European Commission, n.d.). The project is based on the principle that goods, services, capital, and people should move freely across all member states (European Commission, 2020). Since its establishment in 1993, the single market has been central to European economic integration, allowing the free circulation of people, goods, services, and capital (European Commission, n.d.).<sup>32</sup> By removing internal borders and regulatory obstacles, the EU has created an environment that encourages competition, increases efficiency, and lowers prices (European Commission, 2020). Economic and political motives have driven European integration. A unified cross-border market strengthens intra-EU trade, increases competitiveness, attracts foreign investment, and generates jobs (OECD, 2019).<sup>33</sup> A functional single market reduces transaction costs and improves resource allocation, contributing significantly to economic performance (World Bank, 2023). Small and medium-sized enterprises

<sup>32</sup> Bellucci, C., & Rungi, A. (2024). Pro competitive effects of vertical takeovers. Evidence from the European Union.

<sup>33</sup> Acemoglu, D., Makhdoomi, A., Malekian, A., & Ozdaglar, A. (2021). Too much data: Prices and inefficiencies in data markets. *American Economic Journal: Microeconomics* (forthcoming).

(SMEs) also benefit, gaining economies of scale, lower operational costs, and harmonized standards across Europe (European Commission, n.d.). Since its creation, legislative measures have expanded the rights of citizens and companies, enabling them to live, work, and operate freely within the EU. Over 25 years, the EU population grew from 345 million to approximately 510 million, and membership increased from 12 to 28 states (European Union, n.d.).<sup>34</sup> The single market has contributed to a 2.2% rise in EU GDP between 1992 and 2006—equivalent to €233 billion or around €500 per citizen—and created about 2.75 million new jobs (European Commission, 2015). Active businesses increased from 12 million in 1999 to over 22 million in 2014, while intra-EU trade grew by approximately 9% (European Commission, 2015; 2020). EU enlargement and the introduction of the euro between 1999 and 2004 further facilitated cross-border economic activity (European Commission, 2020).

## BENEFITS OF AN ECONOMIC SINGLE MARKET

The creation of a cross-border market has removed many obstacles that previously hindered the exchange of goods, services, and human resources within the EU (European Commission, n.d.). National rules have been replaced by harmonized regulations, increasing efficiency and promoting stronger competition (European Commission, 2020).<sup>35</sup> Although the economic benefits are not evenly distributed among all participants, the single market has created substantial opportunities for social and economic progress. One major advantage is the direct reduction of costs due to the removal of border checks and national restrictions. Harmonized production and quality standards enable products to be sold more easily and at lower prices across member states, reducing costs for both businesses and consumers (European Commission, n.d.). The principle of mutual recognition, established under the Single Market Act, allows products approved in one member state to be marketed in any other, further stimulating intra-EU trade (European Commission, 2020). Access to a larger market also allows companies—especially those in sectors where larger production increases profitability—to expand operations and optimize efficiency. Internationally active firms can create cross-border networks, invest in or merge with foreign companies, and relocate parts of their production abroad.<sup>36</sup> These strategies enhance competitiveness and make the EU single market attractive for foreign direct investment (OECD, 2019). Reduced entry barriers increase competition, forcing inefficient firms to exit the market and lowering prices for consumers.

At the same time, the variety of goods and services available to consumers expands. Cross-border labor mobility has become easier, allowing EU citizens to live and work in any member state under the same conditions as locals, while the recognition of professional and educational qualifications helps firms access skilled personnel more easily (European Commission, n.d.). Finally, financial integration has reduced transaction costs. Liberalized capital flows make cross-border financial operations faster and more affordable, while consumers benefit from broader access to financial products and opportunities for portfolio diversification (European Commission, 2020).

<sup>34</sup> Al-Faryan, M. A. S. (2022). Nexus between corruption, market capitalization, exports, FDI, and country's wealth: A pre-global financial crisis study. *Problems and Perspectives in Management*, 20(4), 224–237.

<sup>35</sup> Ali, A., & Salameh, A. A. (2023). Payment and settlement system in Europe: A multidimensional study. *Banks and Bank Systems*, 18(1), 38–52.

<sup>36</sup> Di Clemente, R., Lengyel, B., Andersson, L. F., & Eriksson, R. (2022). Understanding European Integration with Bipartite Networks of Comparative Advantage.

Table 1: Economic and Professional Benefits of the EU Single Market

Benefit	Description / Key Points
<b>Removal of trade barriers</b>	Reduction of costs due to elimination of border controls and national restrictions; facilitates easier and cheaper marketing of products across EU member states.
<b>Harmonization of standards</b>	Mutual recognition principle allows products approved in one member state to be sold in any other; boosts intra-EU trade.
<b>Economies of scale</b>	Companies can expand operations in a larger market, increase efficiency, and optimize production through cross-border networks, investments, mergers, or relocating production.
<b>Attraction of foreign direct investment (FDI)</b>	More competitive market makes the EU attractive to international investors.
<b>Intensified competition</b>	Easier access for foreign firms forces inefficient companies out, lowers prices, and benefits consumers.
<b>Increased product and service diversity</b>	Consumers enjoy a wider range of options across the market.
<b>Labour mobility</b>	Freedom of movement allows EU citizens to live and work in any member state; recognition of professional and educational qualifications improves earning potential.
<b>Financial integration</b>	Lower transaction costs, faster and cheaper cross-border operations, better access to diverse financial products, and portfolio diversification.

Source: Analysis of data from own research

## BENEFITS FOR CITIZENS AND CONSUMERS

The EU single market provides a wide range of benefits for its citizens and consumers. These include greater product diversity, higher quality standards, lower prices, and increased employment mobility across member states (European Commission, n.d.). In terms of consumer protection, the European Union has implemented major initiatives to strengthen consumer rights and ensure effective mechanisms for redress (European Commission, 2020).<sup>37</sup>

### Consumer rights and protections:

- General consumer rights harmonized across the EU, including protection against unfair contract terms, misleading advertising, lack of transparency, and limited withdrawal rights for online purchases.
- Sector-specific directives for Package Travel, Air Transport, rail, bus, maritime transport, and financial services (European Commission, n.d.).<sup>38</sup>
- Abolition of roaming charges and regulations supporting public health, including cross-border healthcare and food information (European Commission, 2020).

<sup>37</sup> Arain, H., Han, L., Sharif, A., & Meo, M. S. (2020). Investigating the effect of inbound tourism on FDI: The importance of quantile estimations. *Tourism Economics*, 26(4), 682–703.

<sup>38</sup> Petreski, M., & Olczyk, M. (2025). Foreign Direct Investment and Job Creation in EU Regions.

### Digital and dispute resolution measures:

- Harmonization of consumer legislation in the digital environment to address growth in e-commerce.
- Judicial solutions such as small claims procedures and alternative dispute resolution, including online platforms for fast and efficient conflict settlement.
- Tools under the Consumer Protection Cooperation Regulation for monitoring compliance, price comparisons, and oversight of digital platforms and social media (European Commission, n.d.).

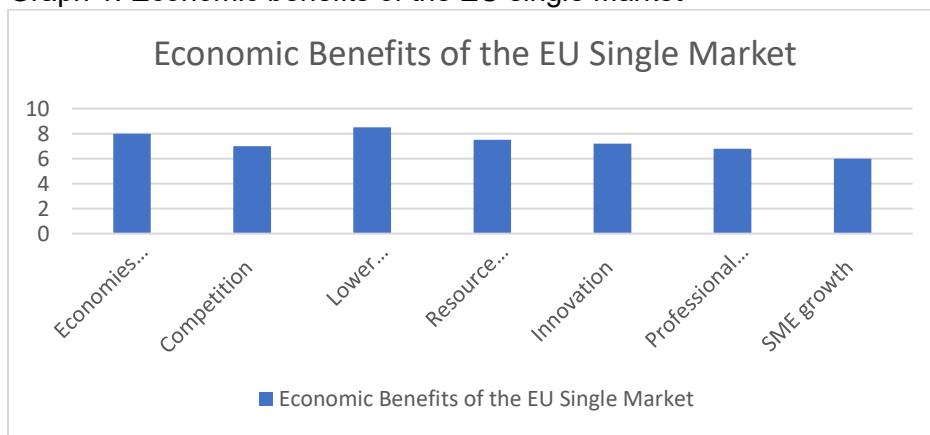
### Public health and safety initiatives:

- Comprehensive legislation introduced in response to outbreaks of animal diseases in the 1990s.
- Measures for early detection and containment, ensuring consumer safety, public health protection, and maintenance of animal welfare standards (European Commission, 2020).

## BENEFITS FOR COMPANIES AND PROFESSIONALS

The EU single market provides substantial economic advantages for businesses and professionals, such as economies of scale, heightened competition, lower transaction costs, and more efficient allocation of resources<sup>39</sup> (European Commission, 2020). Companies can operate on a larger scale and compete in a broad market, where national technical and quality standards have been replaced with unified European regulations and customs procedures have been eliminated (European Commission, n.d.). Significant progress has been achieved in removing barriers to the free provision of services across all EU member states. Despite steady growth in services trade since 1992, its total value remains lower than that of goods traded within the Union (OECD, 2019). The single market also fosters research and innovation. The European patent system, supported by a dedicated patent court, ensures strong intellectual property protection, while the European Fund for Strategic Investments provides capital for research and innovation projects (European Commission, 2020).

Graph 1: Economic benefits of the EU single Market



Source: Analysis of data from own research

<sup>39</sup> Cecchini, P., Catinat, M., & Jacquemin, A. (1988). The benefits of a single market. Wildwood House.

Professional mobility has improved through recognition of qualifications, the European Professional Card, and mutual recognition of diplomas, enabling easier employment in member states other than one's own, with roughly 17 million people working across borders (European Commission, n.d.). Reforms in public procurement allow SMEs to bid for contracts across the EU, offering further growth opportunities for smaller enterprises (European Commission, 2020). Modernization of the single market remains a priority for the European Commission, including support for digital businesses, start-ups, collaborative economies, and online platforms. Initiatives also target copyright legislation in the digital era, access to digital content, additional financing, and simplified regulatory procedures (European Commission, n.d.).<sup>40</sup> Overall, the single market allows companies to collaborate, innovate, and bring products to the entire EU market. It provides access to a wider variety of high-quality and affordable resources, enhancing competitiveness.<sup>41</sup> By improving access to capital, skilled labor, infrastructure, and business support services, the single market creates a favorable environment for investment, economic growth, and enterprise development (European Commission, 2020).

## EFFECTS OF SINGLE MARKET INTEGRATION

The European single market has produced significant social, political, and economic outcomes. Peace and stability are among the most important societal benefits, while economic integration has enabled businesses to operate more efficiently, improve competitiveness, and provide higher-quality goods and services at lower prices (European Commission, 2020). These advantages, however, depend on the full respect and implementation of the four fundamental freedoms: free movement of goods, services, capital, and people. Numerous studies by academic institutions, think tanks, and the European Commission have sought to quantify the effects of the single market. Ex-ante analyses estimate the potential benefits of full integration, whereas ex-post studies evaluate the actual outcomes over historical periods (European Commission, 2015). These assessments consider both static effects, such as gains from a larger market, economies of scale, and heightened competition, and dynamic effects, including increased variety of goods and services, higher investment, and more research and development activity (Baldwin, 1989; Secchini, 1985).<sup>42</sup>

One of the earliest ex-ante studies, the Secchini report (1985), predicted substantial benefits from removing trade and production barriers, exploiting economies of scale, and increasing competition among EU countries. Baldwin's (1989) analysis suggested that EU GDP could grow by 0.2% over 15 years due to improved resource allocation and investment. The European Commission's first ex-post evaluation in 1996 estimated a 1.1% GDP increase in 1994, primarily due to greater competition, efficiency, and productivity (European Commission, 1996). A later evaluation covering 1992–2006 concluded that the single market, combined with EU enlargement, increased the GDP of the EU-25 by 2.2% in 2006 (European Commission, 2007).<sup>43</sup>

<sup>40</sup> Dabrowski, M. (2022). Towards a new eastern enlargement of the EU and beyond. *Intereconomics*, 57, 209–212.

<sup>41</sup> Campoamor, A. C., & Parcerio, O. J. (2024). Behind the Eastern Western European convergence path: the role of geography and trade liberalization.

<sup>42</sup> Durá, P., & Pasimeni, P. (2025). The Economic Impact of the European Single Market. *Single Market Economics Papers*.

<sup>43</sup> Dorn, F., Flach, L., & Gourevich, I. (2024). EU Single Market for Services Could Increase Economic Output by 2.3%. ifo Institute / EconPol Europe.

A 2010 study by the European Commission estimated that the overall contribution of the single market to EU GDP ranged between 4.8% and 5.7% (European Commission, 2010).

• **Recent estimates and potential:** Recent analyses indicate that additional economic gains are possible if remaining barriers to trade and mobility are removed. A 2024 study by London Economics Europe provided updated estimates of the single market's impact on each member state and projected potential benefits from deeper integration.<sup>44</sup> The study examined GDP, household consumption, investment, employment, and productivity, combined with measures of integration in relation to the four freedoms, EU parliamentary adoption, and national wealth. From 1995 to 2011, integration levels generally increased, paused between 2011 and 2013, and resumed in subsequent years.

• **Future potential:** The analysis concluded that integration positively affects GDP, consumption, employment, and overall productivity, with indirect investment benefits contributing to GDP. If all member states reached the highest integration levels and intra-EU services trade reached 50%, the potential benefits could equal roughly one-third of the gains already realized by the single market, highlighting opportunities for further economic growth (London Economics Europe, 2024).

Table: Effects of Single Market Integration on GDP (1994–2024)

Year / Period	Report / Study	GDP Impact (%)	Key Note
1985 (projection)	Secchini Report	0%	Estimated benefits from full integration, removal of trade and production barriers, economies of scale, increased competition
1989 (projection)	Baldwin Analysis	+0.2%	EU GDP expected to grow over 15 years due to better resource allocation and investment
1994 (actual)	European Commission 1996	+1.1%	Growth mainly from greater competition, higher efficiency, and enhanced productivity
1992–2006	European Commission 2007	+2.2%	Effects of single market integration and EU enlargement for EU-25
2010	European Commission Study	+4.8–5.7%	Overall GDP increase confirming economic benefits of single market integration
1995–2011	London Economics Europe	+1.5%*	Integration levels rose; positive effects on GDP, household consumption, employment, and productivity
Future projections	London Economics Europe	~+1/3 of realized benefits	Potential additional growth if all countries achieve highest integration and intra-EU trade in services reaches 50%

<sup>44</sup> European Commission. (2025). Annual Single Market and Competitiveness Report. European Commission.

### Key messages

Further opening and deeper integration of the markets for goods and services—including logistics and network-related sectors—is essential to fully unlock the European Union's potential and create a strong foundation for long-term global competitiveness. Digitalisation plays a central role in enhancing Europe's competitiveness, and achieving its full benefits requires a comprehensive policy approach that promotes wider adoption of digital technologies, ensures the free flow of data, and establishes fair rules for data access. Legislation governing the single market should continually reflect the ambition for greater integration, while also providing companies with the flexibility and capacity to innovate and adapt quickly to rapidly evolving market conditions. Strengthening regulatory frameworks and ensuring their effective practical implementation should remain a top priority, enabling the single market to remain an attractive environment for business and employment. Finally, governance of the single market must be significantly reinforced at both the EU and national levels to ensure that single market rules are applied in a timely, transparent, and efficient manner.

### CONCLUSION

Nearly thirty years after the establishment of the single market, it is valuable to reflect on the benefits that EU member states have achieved. While the single market is still not fully completed, it has already succeeded in boosting intra-EU trade by removing tariffs and stimulating both production and domestic demand. Greater market openness has also intensified competition, improved the quality of goods and services, and lowered prices for consumers. Beyond these economic advantages, the single market has delivered important social and political benefits, including peace and stability. For citizens, it provides wider access to products and services, while for businesses, it enables more efficient operations, increased market competition, and the ability to offer higher-quality goods at lower prices. These benefits, however, depend on the unrestricted free movement of goods, services, capital, and people across the Union. As the European economy undergoes its third industrial revolution and becomes increasingly reliant on digital technologies, substantial efforts are required to realize the objectives of a digital single market. In the near future, cross-border exchange of knowledge and ideas—facilitated by videoconferencing and other technologies—may partially replace the physical movement of people. To ensure that the opportunities offered by new technologies are accessible to all citizens and businesses, significant investments in digital infrastructure will be necessary across many regions of the European Union.

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