Chart of the Week

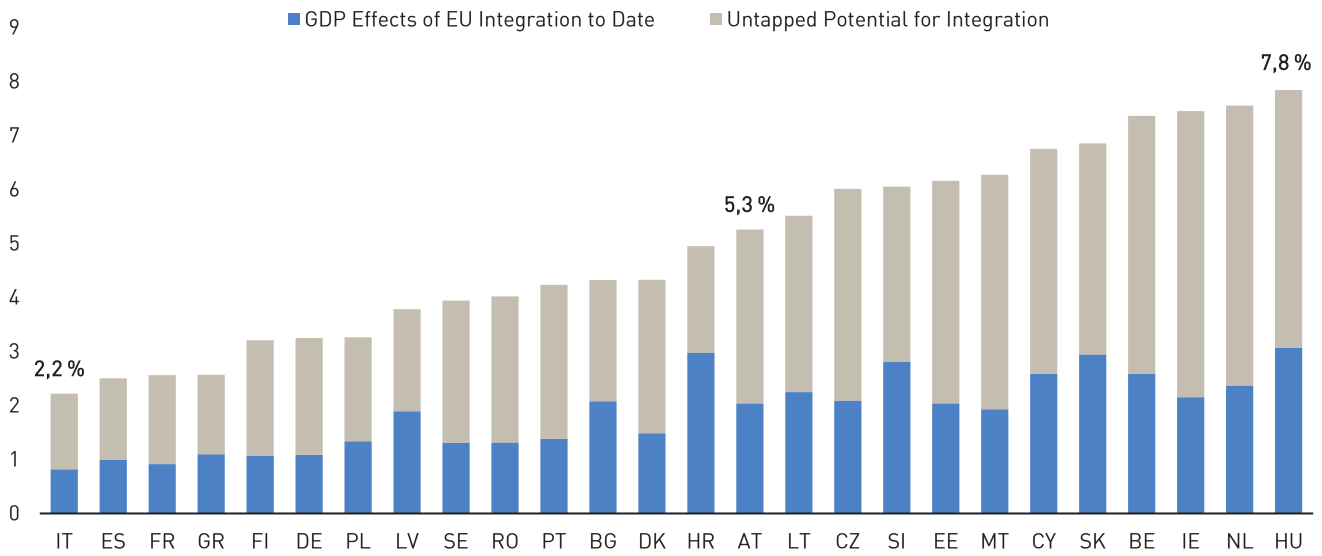
The Untapped Potential of the EU Single Market

The European Single Market is the world's largest common market and ranks among the EU's greatest economic achievements. For Austria in particular, it serves as a geo-economic buffer in uncertain times, as around 70 % of Austrian exports are destined for other EU countries. Nevertheless, despite extensive legal harmonisation, significant trade barriers between Member States persist. The EU therefore remains far from achieving a fully integrated Single Market and from fully realising the growth potential associated with deeper economic integration. Overall, only around half of the potential gains from integration have been realised to date. For Austria, the remaining potential is even greater: While integration achieved so far has increased real GDP by about 2 % compared to a scenario without the Single Market, further reductions in trade costs could raise the total GDP effect to as much as +5.3 % (see Fontagné and Yotov, 2026).

Only half of the potential of EU market integration has been realised so far

GDP Effects of EU Integration

In %



Source: Fontagné and Yotov, 2026.

Note: The potential gains are calculated using the Trade Cost Efficiency Bound (TCEB) as an empirical best-practice benchmark. If EU membership reduces Austria's trade costs by about 10%, while comparable EU countries achieve a reduction of 18%, the remaining 8% is considered untapped integration potential. The three percentages listed refer to the sum of the actual and potential GDP effects of EU integration.

A widely cited estimate by the IMF further illustrates just how significant intra-European trade barriers still are: According to this estimate, intra-European trade costs in the manufacturing sector in 2020 still amounted to an average tariff equivalent of 44%. In the services sector, the corresponding costs were as high as 110%. By comparison, the tariff equivalent for trade in goods between U.S. states was only 15%. Completing the Single Market would therefore make a substantial contribution to growth, resilience, and competitiveness in both Austria and Europe.

Take: Despite its successes, the EU Single Market remains incomplete, as only half of the potential gains from integration have been realised so far. The good news is that it is up to Europeans themselves to unlock this potential through economic policy measures. These include faster and more effective enforcement of existing rules, the removal of national barriers – particularly in the services sector – the modernisation of European corporate law, and the strengthening of the European capital market. Ultimately, the EU Single Market strengthens Europe's internal resilience while enhancing its capacity to act externally. Its further deepening is therefore not only an economic imperative but also a geostrategic necessity.

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