

Strengthening the Single Market:

An Overview of the
Enrico Letta Report

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The origin of Enrico Letta’s report on the Future of the Single Market can be traced back to a European Council meeting on 23 March 2023. At this meeting, it was noted that to build a robust and future-proofed economy that secures long-term prosperity, the European Union requires an integrated approach across all policy areas to increase productivity throughout the continent, combining a deepened Single Market and reinforced industrial, agricultural and trade policies. The European Council urged the Council of Ministers and the European Commission to continue with its work on aspects concerning the protection of the EU’s competitiveness and asked them to report on progress ahead of the meeting on 23 June 2023.¹

At the June summit, on the back of reporting by the Council Presidency and the Commission, the heads of state and government assessed the progress in enhancing Europe’s long-term competitiveness and productivity, particularly focusing on the EU’s Single Market. At this meeting the European Council “called for an independent High-Level Report on the Future of the Single Market”.²

In September 2023, it was announced by the European Commission, as well as Spain and Belgium, who held the Council presidency in the second half of 2023 and the first half of 2024 respectively, that Enrico Letta, the former Italian Prime Minister, would be responsible for writing this report, which was presented by Letta in April 2024. The report is the culmination of over 400 meetings in 65 European cities with hundreds of experts. In the report, Letta addresses the strengths and weaknesses of the EU and its Single Market and sets out a series of measures aimed at improving the economic resilience of the bloc.

A Fifth Freedom

One of the report’s major suggestions is the introduction of a fifth freedom that would be focused on research, knowledge, innovation, education, competence, and data. This new freedom would be added to the already existing four freedoms which cover goods, services, people, and capital which underpin the Single Market. The aim of this new freedom is to reinforce the internal dynamics and the global competitiveness of the Single Market.

The report argues that this new freedom would “transform existing dispersed knowledge, fragmentations and disparities into unified opportunities for growth, innovation, and inclusivity”.³ The implementation of this new freedom would require a complex approach that would include policy initiatives, infrastructure improvements, collaborative frameworks, and a commitment to foster innovation, open science, and digital literacy. It is suggested in the report that one of the initiatives of the next European Commission should be to develop an action plan to flesh out and implement this new freedom.

Letta puts forward a series of proposals in the report that would be designed to help implement this new freedom. These include the establishment of a European Knowledge Commons. It is envisaged that this centralised, digital platform would enable citizens, researchers, and businesses to access publicly funded research, data sets and educational resources. The report advocates for the expansion of programmes such as Marie Skłodowska-Curie Actions, a set of research fellowships created by the EU, to increase the mobility of researchers and innovators.

Financing Strategic Objectives

Letta argues that initially the EU must focus on mobilising private capital through the development of a Savings and Investments Union (SIU), which would be built on the incomplete Capital Markets Union, to improve the EU’s economic security through more effective mobilisation of private and public capital. The SIU would be integral for mobilising private capital to help fund the EU’s ambitious goals, such as the green and digital transitions, and the enhancement of defence capabilities.

Letta spotlights the need to move towards a more integrated supervision of financial markets. The report also advocates for the strengthening of the European Securities and Markets Authority (ESMA) so it could take on more supervisory responsibilities.

1 European Council (2023) [European Council meeting \(23 March 2023\)](#) – Conclusions.

2 European Council (2023) [European Council meeting \(29 and 30 June 2023\)](#) - Conclusions

3 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

Further steps that the report sets out include balancing state aid and preventing competition distortions. The report suggests this could be done by introducing a new state aid contribution mechanism, whereby Member States would be required to put a portion of their national funding toward financing pan-European investments.

Scale Matters

The report addresses the challenges posed to the EU's global influence by demographic shifts and changing economic trends, and how the EU can face these challenges. Letta points out that European companies are falling behind American and Chinese counterparts in terms of productivity and innovation. He insists, however, that "not all EU companies and markets are in need of a bigger size" and that "the vital link between large and small enterprises must be preserved".⁴ He also argues for greater integration in areas such as energy, defence, transport, health, and finance in order to boost the effectiveness of the Single Market. The report highlights the fragmentation of the electronic communications market and details how it obstructs the scale and growth of pan-European operators.

Other proposals include the removal of administrative and regulatory barriers to create a truly unified market, especially in the electronic communications and digital services. The report also advocates for a more unified integrated approach to regulation, as well as cross-border consolidation, to allow for growth and pan-EU investment. The report suggests that cross-border consolidation could include ensuring that competition law is respected in domestic markets.

The report also includes 'road maps' that set out targets and tasks to be fulfilled from 2024 through to 2029. For example, one of the targets the report sets out is that by 2027, a Clean Energy Delivery Agency should be set up to streamline the delivery of technical support, administer funding programmes, and serve as a "one-stop-shop for all stakeholders".⁵

A Market for All

Letta recognises that for the Single Market to reach its full potential, it must concentrate on issues such as guaranteeing the mobility of individuals while also ensuring the 'freedom to stay'. The report states that the "Single Market should empower citizens rather than create circumstances where they feel compelled to relocate in order to thrive"⁶. Letta recognises the importance of free movement but insists that it should be a choice and not a necessity, and that opportunities should be available to those who want to contribute to their locality. Letta also argues that the Single Market should allow for the increased participation of small and medium sized enterprises (SMEs) and urges the EU to improve the alignment of tax regimes, as well as consumer protection rules.

The report argues for the establishment of programmes to support the return of talented individuals to their home countries. Letta suggests that the European Commission should appoint a vice-president that is responsible for the freedom to stay.

Letta's report also advocates for the removal of barriers to the mobility of workers in the hope of addressing skills shortages. He suggests streamlining procedures for recognising academic qualifications, as well as establishing a European diploma.

In order to fully exploit the potential of SMEs, the report recommends the integration of services into the Single Market, and "a European code of commercial law for a simpler Single Market".⁷ The report argues that these steps would lessen bureaucracy and administrative burdens for businesses as well as provide them with a harmonised framework in which to operate.

4 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

5 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

6 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

7 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

Going Fast and Far

The report recognises the role that excessive regulations and bureaucracy have played in damaging the competitiveness of SMEs. According to the report, “improving the implementation of existing regulations on goods and service, efficiency gains of up to €700 million can be unlocked by 2030”.⁸

The report highlights the risk-averse approach the EU has taken to regulations since the financial crisis. This approach has led to an increase in overlapping regulations and compliance costs, as well as creating legal uncertainty which can all hinder the performance of SMEs.

Letta argues for the harmonisation method, first proposed by Jaques Delors, to be re-examined and reaffirmed. This method “promotes maximum harmonisation of essential provisions while allowing for reciprocal recognition of procedural aspects”.⁹ It also establishes consistent standards for important regulatory areas and guarantees some flexibility in procedures. By doing this, it aims to balance the need to secure level playing fields with allowing for a diverse range of legal and administrative methods among the member states.

Beyond Borders

The report emphasises the importance of economic security and the need to balance this with integrating Europe into the global market. Letta advocates for an approach that strikes a “balance between competitiveness, strategic independence and equitable global conditions, avoiding the imposition of detrimental regulations and instead fostering strategic partnerships based on well-founded policies”.¹⁰

Letta argues that the EU needs to concentrate its efforts to improve economic relations with the US. Now, considering the second presidency of Donald Trump, the need for this feels all the more pressing. Letta promotes restarting discussions on developing a Transatlantic Single Market. He also highlights the need to find a framework to strengthen economic ties with the UK that is mutually beneficial.

The report argues for the creation of an Economic Security Council within the Council of the European Union. This would be designed to encourage Member States to appoint a Minister for Economic Security. This new initiative would aid in recognising present and emerging external economic security threats such as predatory investments, cyber threats, and technological theft.

Reactions and Impact

The reactions to the report have been generally positive. European leaders including Giorgia Meloni, Pedro Sánchez, and Emmanuel Macron received the report positively. European Parliament political groups including the Group of the Progressive Alliance of Socialists and Democrats, the Renew Europe Group, and the Greens have all praised the report.¹¹

Andreas Schwab, of the European People’s Party, noted that the report reminded everyone that the internal market is the engine of European prosperity.¹² The Renew Europe Group’s Svenja Hahn described the report as a to-do list for the EU.¹³ Nikola Farantouris, on behalf of The Left Group, welcomed some of the proposals in the report such as for a common tax policy or a common European industrial policy, but disagreed with the further deregulation of employment policy and the emphasis on the mobility of investments.¹⁴

Business groups such as BusinessEurope, the European Round Table for Industry, EuroCommerce, and Digital Europe or the European Chemical Industry Council (CEFIC) labelled the report “pertinent and timely” and a “wake-up call”.¹⁵

8 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

9 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

10 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

11 Piazza, C., Kelly, C. & Feld, C. (2024) [A Roadmap for the Next Mandate? Takeaways from the Letta Report](#)

12 [Verbatim report of proceedings - Empowering the Single Market to deliver a sustainable future and prosperity for all EU citizens](#) (debate) - Monday, 21 October 2024

13 [Verbatim report of proceedings - Empowering the Single Market to deliver a sustainable future and prosperity for all EU citizens](#) (debate) - Monday, 21 October 2024

14 [Verbatim report of proceedings - Empowering the Single Market to deliver a sustainable future and prosperity for all EU citizens](#) (debate) - Monday, 21 October 2024

15 Piazza, C., Kelly, C. & Feld, C. (2024) [A Roadmap for the Next Mandate? Takeaways from the Letta Report](#)

It has been noted that the report correctly diagnoses many of the EU's most pertinent issues and that many of its proposals repeat ideas that have been put forward before while "glossing over trade-offs".¹⁶ An example put forward was the report's suggestion of a new EU-wide auto-enrolment pension system, but it does not provide an explanation for how this would work with existing national pension systems or how it would improve access to capital across Europe for firms.

Responding to the report, the Taoiseach, Simon Harris said that Ireland fully backed the integration of capital markets at an EU level but argued that this should not include the harmonisation or insolvency law or corporation tax.¹⁷ The proposed SIU could help tap into some €33 trillion already in current and savings accounts in the EU.¹⁸ The Irish Government is hesitant of the prospect of a centralised SIU as it could lead to greater harmonisation of corporate tax rules which could have a significant impact on the Irish economy. It has been argued that the lack of detail in the report on this issue has made it easier for countries such as Ireland and Luxembourg to object to it.¹⁹

Priorities

The implementation of a SIU is critical to the future of the EU Single Market. As mentioned above, important areas such as the green transition, the digital transition, and defence needs, require a large amount of investment. By 2030, investment approaching €1 trillion a year will be required, with annual investments of €700 billion needed for the green transition and €125 billion needed for the digital transition.²⁰

One criticism of the current state of the European capital markets is that it lacks depth as it leans heavily on banks for finance, where deposits are more liquid and have a nominal value. This causes issues in capital markets which are more inclined towards illiquid investments that are long-term.²¹ In 2022, bank lending to the private sector in Europe amounted to 84% of GDP compared to 52% of GDP in the US. This, along with the small degree of market-based financing, might lower the number of opportunities for financial diversification for companies. This could result in making it more difficult for companies to absorb macroeconomic shocks. While the reliance on bank-financing places a limit on the amount of debt-financing required by European companies, it also makes them more susceptible to banking crises and financial shocks.²²

The formation of inexpensive long-term savings and investment products is the main part of the proposed SIU, so the EU should perform a thorough analysis of previous attempts to create these products, such as UCITS, the pan-European personal pension product and the European long-term investment funds.²³

The addition of a fifth freedom is a notable and novel suggestion and one that should be considered by President von der Leyen and her new team. However, it is not a new idea, with former European Commissioner for Science and Research, Janez Potočnik, suggesting something similar in his Green Paper in 2007 on the subject of '[The European Research Area: New Perspectives](#)'. It is thought that Letta's suggestion of a fifth freedom focused on research, innovation, and education, could be the catalyst required to establish a fully functioning European Research Area.²⁴

Letta specifically mentions enshrining the fifth freedom in the Treaty on the Functioning of the European Union. The tortured history of European treaty reform suggests that this could be a difficult task but one that should not be shirked. The mounting pressure to make the EU and its institutions ready for further rounds of enlargement may make treaty reform inevitable, which might present an opportunity for a fifth freedom to be realised, and for the Single Market overall to be strengthened in keeping with the findings of the Letta report.

16 Berg, A. & Meyers, Z. (2024) [Enrico Letta's Report: More than a Market but Less than an Agenda](#)

17 Connolly, T (2024) [Ireland opposed to harmonisation of corporate tax laws](#)

18 Letta, E. (2024) [Much More Than a Market – Speed, Security, Solidarity](#)

19 Berg, A. & Meyers, Z. (2024) [Enrico Letta's Report: More than a Market but Less than an Agenda](#)

20 DG Trésor (2024) [Developing European capital markets to finance the future: Proposals for a Savings and Investment Union, Ministère de l'Économie, des Finances et de la Souveraineté industrielle et numérique](#)

21 Lannoo, K., Berg, J. & Thomadakis, A. (2024) [From a Capital Markets Union towards a robust Savings and Investments Union](#), European Capital Markets Institute.

22 Lannoo, K., Thomadakis, A. & Arnal, J. (2024) [Staying ahead of the curve: Shaping EU financial sector policy under von der Leyen II](#), Task Force Report, Centre for European Policy Studies, European Capital Markets Institute and European Credit Research Institute, Brussels.

23 Lannoo, K., Berg, J. & Thomadakis, A. (2024) [From a Capital Markets Union towards a robust Savings and Investments Union](#), European Capital Markets Institute.

24 Brent, T. & Francica, E. (2024) [High-profile report urges EU to create a 'fifth freedom' of research and innovation](#)

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