

Simplify to amplify: unleashing innovation through a stronger Digital Single Market



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Executive summary

Europe's competitiveness challenge is no longer abstract or cyclical; it is structural. It is visible in persistent capital outflows, lagging standalone 5G deployment, fragmented financial markets and an innovation ecosystem that struggles to scale beyond national borders. It is felt in the steady relocation of startups, the uneven deployment of digital infrastructure and the widening gap between ambition and delivery.

Against a backdrop of geopolitical instability, technological competition and growing political fragmentation, Friends of Europe convened senior representatives from EU institutions, the European Parliament, industry and civil society to examine a central question: how can Europe turn its Digital Single Market from a regulatory framework into a genuine engine of innovation and growth?

The debate moved beyond rhetoric, confronting structural weaknesses and political constraints while also identifying a narrow window of opportunity. Five overarching conclusions emerged:

- **Integration is the first simplification.** Replacing directives with regulations and advancing a comprehensive One Market Act could materially reduce fragmentation.
- **Financial integration is foundational.** Without a fully functioning Savings and Investments Union, Europe will continue to lose startups, scale-ups and growth capital.
- **The investment climate must improve.** Capital flows where returns are strongest. Structural profitability conditions in Europe must become more competitive.
- **Digital infrastructure is strategic infrastructure.** Connectivity underpins AI adoption, productivity growth and sovereignty.
- **Political courage is required.** Deeper integration faces resistance in a more Eurosceptic Parliament, but geopolitical pressures may create momentum for reform.

Throughout the evening, one message became clear: Europe does not lack talent, ideas or capital. The challenge lies in aligning governance, markets and political will quickly enough to remain competitive in a rapidly evolving global order.

Citizens at the centre: what Europeans expect from digital connectivity

The evening's discussions were grounded in public sentiment, opening with evidence from a new citizen survey presented by Debating Europe, Friends of Europe's citizen engagement unit. Conducted between October and November 2025 among 2,000 citizens aged 18-65 in Germany, Greece, Portugal and Romania, the research made one point unmistakably clear: connectivity is no longer seen as a technical service. It is regarded as essential infrastructure, as vital as energy or transport, underpinning economic opportunity, social inclusion and daily life.

Across all four countries, large majorities described reliable internet access as indispensable for work, education, healthcare, communication and financial services. Fixed broadband remains dominant in Germany, Greece and Portugal, while Romania shows greater reliance on mobile data. Online banking ranked among the most valued digital services everywhere.

Yet satisfaction levels vary. Portugal and Romania report relatively strong provider choice, while roughly half of respondents in Germany and Greece feel options for affordable, reliable home internet are insufficient. In Greece, 72% said slow or unstable connections directly disrupt daily activities. A persistent rural-urban divide was also acknowledged in most countries.

Citizens linked connectivity directly to competitiveness, particularly for small businesses. At the same time, cybersecurity concerns were widespread, with at least 78% expressing worry about cyberattacks. Strong support emerged for strengthening Europe's own digital infrastructure as a matter of resilience.

Perhaps most strikingly, respondents expressed greater trust in the European Union than in national governments to manage connectivity policy. It is a finding that both legitimises and raises expectations for EU-level action.

Europe's strategic inflexion point

Participants agreed that Europe's digital agenda is unfolding in a fundamentally altered geopolitical landscape. Digital infrastructure is no longer treated primarily as a neutral utility sector; it is now recognised as a strategic asset that enables economic competitiveness, technological sovereignty and security. Supply chains are politicised. Technological standards are contested. Investment decisions increasingly reflect geopolitical risk calculations.

In this context, Europe's openness, historically a defining strength, must now coexist with resilience and competitiveness. The Digital Single Market, conceived as an economic integration project, has become central to Europe's ability to project influence and retain industrial capacity.

Yet ambition has outpaced execution: the Single Market remains incomplete, cross-border scaling is complex, capital markets are fragmented and infrastructure deployment uneven. Participants warned that Europe risks confusing legislative activity with structural progress.

The discussion reflected a recognition that Europe is at an inflexion point. Global instability and shifting transatlantic dynamics may create a window for deeper integration. At the same time, a more Eurosceptic political environment complicates majority-building.

The central question emerged clearly: can Europe move from incremental reform towards structural coherence quickly enough to remain competitive?

Integration as simplification: from Single Market to One Market

The discussion quickly turned to the architecture of Europe's internal market. One speaker set the tone with a stark proposition:

“ The first simplification is integration.

In a Union of 27 member states, complexity often stems less from regulation than from fragmentation. According to the speaker, directives, while politically expedient, produce divergent national implementations. Regulations, by contrast, apply uniformly. The abundance of national interpretations increases compliance costs, reduces scale and deters investment.

The argument was clear: if Europe seeks simplification, it must first complete integration. A comprehensive One Market Act was proposed as the political vehicle for moving from a “Single Market,” still fragmented in practice, to a truly unified “One Market.”

The same speaker cautioned against allowing reform to become diluted through institutional inertia:

***“ If it is delegated to sectoral councils,
everything will die in a minute.***

The comment underscored a deeper concern: incrementalism is insufficient when structural integration is required. Sectoral silos, whether in telecommunications, capital markets or energy, risk preserving fragmentation rather than dismantling it.

The discussion also acknowledged current legislative realities. A more Eurosceptic Parliament complicates majority formation. National sensitivities remain strong, particularly in areas touching fiscal sovereignty or industrial policy.

However, several participants argued that geopolitical volatility may paradoxically create momentum for integration. External pressures can sharpen internal clarity.

The tension is therefore not conceptual but political. The tools for deeper integration already exist within the Treaties. The question is whether political leadership will deploy them decisively.

Arguably, integration is not merely technocratic; it is a strategic necessity.

Capital markets: the structural bottleneck

Financial fragmentation emerged as a topic of broad cross-sector agreement during the discussion.

Europe's incomplete Capital Markets Union, now reframed as the Savings and Investments Union, remains the central barrier to scaling innovation. Startups may be founded in Europe, but scale often occurs elsewhere. Venture capital markets remain nationally segmented. Pension and savings pools are not fully mobilised across borders.

The argument was reinforced in unequivocal terms:

“ The integration of financial markets is the core of the core.

Without financial integration, digital ambition remains constrained. AI development, 5G infrastructure, cloud investment and startup scaling all depend on accessible and competitive capital.

Yet industry voices introduced an important nuance. One participant reminded the room:

“ Money flows where it is profitable to invest.

This observation introduced a crucial nuance: structural profitability conditions matter. If regulatory unpredictability, fragmented demand or limited scale depress returns, capital will seek more attractive jurisdictions.

Participants discussed the interplay between financial integration and regulatory coherence. Deep capital markets require predictable rulemaking: investors price regulatory risk, and fragmentation increases it.

The discussion therefore linked capital markets to broader governance reform. A functioning Savings and Investments Union is intertwined with integration across services, digital markets and infrastructure.

Without structural coherence, Europe risks perpetuating a cycle in which talent is trained locally but scaled globally

Digital infrastructure: the backbone of competitiveness

The discussion underscored that digital infrastructure is not merely a sectoral concern; it is the backbone of productivity, AI deployment and strategic autonomy.

An industry leader stressed that capital would flow where returns are strongest, warning that if investing in European networks is not sufficiently attractive, capital will shift elsewhere. Telecommunications, the leader implied, depends on sustained investment cycles rather than one-off expenditure, making predictability and profitability central to long-term planning.

The urgency of standalone 5G deployment became a focal point. While adoption progresses globally, Europe's penetration remains comparatively low. The industry leader warned:

***“ You’re not going to have the leverage of AI to drive productivity unless you have 5G standalone.*”**

The link between connectivity and AI competitiveness is direct. Without modern network architecture capable of supporting machine-to-machine communication, Europe's digital transformation ambitions remain theoretical.

This discussion also emphasised the need to treat connectivity as strategic infrastructure rather than a narrow sectoral concern. Policy silos separating digital, competition, industrial and security files undermine coherence.

The debate touched on sovereignty concerns, including supply chain resilience and operational control. However, some participants favoured a risk-based approach over blanket technological exclusion.

Ultimately, infrastructure investment conditions reflect broader market confidence. Regulatory clarity, market scale and integration determine capital allocation decisions.

Connectivity is far from a peripheral issue. It is the backbone of Europe's productivity strategy.

Simplification: coherence, not deregulation

The simplification agenda generated an active debate.

Participants acknowledged that legislative volume can create compliance burdens. Yet the greater challenge lies in divergent national implementation and overlapping regulatory frameworks.

The forthcoming 28th regime was widely welcomed as a potentially transformative instrument, enabling companies to operate under a single European legal framework. By reducing cross-border friction, it could unlock scale without lowering standards.

Yet political sensitivities remain. Taxation, social policy and industrial regulation intersect with sovereignty concerns. Achieving uniformity requires negotiation and compromise.

Participants cautioned that simplification means coherence and predictability, not deregulation.

Skills, AI and labour markets

Digital transformation is not solely about markets and infrastructure – it is also about people.

One speaker emphasised the scale of the skills challenge: only 60% of EU citizens currently possess basic digital skills. The Union aims to double the number of ICT specialists to 20 million by 2030, reflecting both ambition and urgency.

“ Every person in working age should have, at least once a year, a training for upskilling and reskilling.

The discussion made clear that workforce readiness is not peripheral to competitiveness; it is foundational. As another participant warned succinctly:

“ You cannot produce good quality output with poor inputs.

The message was direct: Europe cannot expect technological leadership if it underinvests in the people required to design, deploy and manage advanced systems.

The link between AI and productivity was equally explicit. “Artificial intelligence will increase productivity and Europe’s competitiveness,” one speaker noted, but only

if the workforce is equipped to absorb and implement these technologies. As the speaker added:

“ We need people to innovate, but we need people to implement these innovations.”

Upskilling and reskilling must therefore be systematic rather than reactive: educational curricula must integrate digital literacy, professional training must evolve with technological change, and AI cannot succeed if introduced into unprepared systems. Social dialogue and human oversight remain critical for maintaining trust. The Digital Single Market must sustain growth as well as social cohesion.

Territorial cohesion and fiscal tensions

The conversation then shifted to the question of how the benefits of deeper integration would be shared across the Union.

Several speakers cautioned that integration carries distributional consequences. Innovation, capital and high-value digital activity remain concentrated in major urban hubs. Without deliberate safeguards, further market consolidation risks reinforcing geographic disparities rather than reducing them.

Participants questioned whether the forthcoming Multiannual Financial Framework (MFF) aligns with the integration agenda, warning that advancing a unified market while weakening cohesion instruments could worsen disparities. Market integration, they noted, cannot substitute for targeted regional investment mechanisms.

The debate also touched on fiscal coordination, an issue acknowledged as politically delicate but increasingly unavoidable. The relationship between market scale, public investment and fiscal architecture remains unresolved, particularly in a Union marked by uneven economic capacity.

What emerged clearly is that integration cannot be judged solely by aggregate growth. Its political sustainability will depend on whether peripheral regions see tangible benefits alongside leading hubs. Without visible inclusion, even economically sound reforms may struggle to secure lasting democratic support.

Concluding reflections: integration or stagnation

A consistent logic emerged from the conversation: Europe’s digital competitiveness will depend less on announcing new initiatives and more on making the Single

Market function in practice: through harmonised rules, integrated capital markets and investment conditions that sustain infrastructure modernisation. At the same time, speakers cautioned that implementation and political feasibility are now part of the competitiveness equation, given the difficulty of advancing integration in a more Eurosceptic parliamentary context.

The discussion did not converge on a single legislative fix. Instead, it framed competitiveness as the product of alignment: governance that can drive cross-sector integration, markets that can finance scale and a political narrative that can sustain majorities for deeper European solutions.

Key ideas to take forward

- **Treat integration as the starting point for simplification.** Shift the centre of gravity from managing complexity to reducing fragmentation: favour regulations over directives where feasible and keep reform anchored at the highest political level so it does not dissipate into sectoral silos.
- **Package reforms so they land as one coherent political project.** Participants repeatedly returned to the need for a single, comprehensible “One Market Act” narrative rather than a long list of disconnected measures, particularly to avoid the fate of past agendas that became lost in technical detail.
- **Accelerate progress on the Savings and Investments Union as the “enabling condition.”** If Europe wants startups to scale in Europe, it needs deeper pools of growth capital and more cross-border mobilisation of savings. The practical takeaway was to treat capital market integration as a prerequisite for digital ambition, not a parallel track.
- **Rebuild Europe’s investment case for connectivity—starting with predictability.** The discussion pointed to a simple logic: long-term infrastructure investment follows stable expectations. A near-term priority is to reduce uncertainty that interrupts network investment cycles (especially for standalone 5G) and to align policy tools with the real cadence of telecoms investment.
- **Accelerate standalone 5G as a productivity lever, not a telecoms KPI.** Interventions linked Europe’s AI and industrial competitiveness directly to network capability (machine-to-machine, low latency, reliability). The practical implication: treat 5G standalone deployment as strategic infrastructure policy, not only a sector file.
- **Address “same service, same rules” as a competitiveness and fairness issue.** A recurring frustration was regulatory asymmetry: European infrastructure players face heavier constraints than global digital actors providing substitutable services. A pragmatic next step is to clarify where equal treatment can be enforced without undermining openness.
- **Make simplification real for companies by reducing cross-border friction—not by lowering standards.** Participants welcomed the 28th regime concept as a potentially transformative tool to enable scaling under a single EU framework.

The key idea was to prioritise what directly unlocks cross-border operation (legal clarity, uniform application, fewer national interpretations).

- **De-risk dependency with a risk-based approach to sovereignty.** Rather than defaulting to blanket exclusions, some speakers pointed toward pragmatic “sovereignty-by-design” measures, strengthening operational control, resilience and cybersecurity so Europe can manage risk while keeping markets functional.
- **Put skills on the critical path, not the side agenda.** The skills gap was framed as a binding constraint on digital transformation. The takeaway was to prioritise scalable approaches: workplace training, public–private delivery models, and incentives that make reskilling routine so the workforce can absorb new technologies without losing trust or cohesion.
- **Keep territorial cohesion visible in the competitiveness narrative.** The conversation repeatedly highlighted a political risk: deeper integration can widen disparities if high-value activity concentrates in a few hubs. A practical “next step” is to ensure that connectivity rollout, skills investment and Single Market tools are designed with peripheral regions in mind, so integration remains politically sustainable.



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info@friendsofeurope.org

friendsofeurope.org

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