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BULLETIN

Removing Single Market Barriers: Challenges and Perspectives

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The COVID-19 pandemic has limited the functioning of the single market, which has contributed to a 24% drop in intra-EU trade in second and third quarter of 2020. In addition to pre-existing barriers, the Member States introduced new, often permanent, restrictions on cross-border economic activity. In order to restore the full economic potential of the EU, including global competitiveness, in March 2020 the European Commission (EC) published a long-term action plan to strengthen the single market. However, growing protectionism of the Member States poses challenge for implementing this concept.

The development of the single market has removed a number of regulatory and technical barriers to the exchange of goods and services within the Union. It is estimated that it contributed to an increase in intra-EU trade by 55% in goods and 33% in services, respectively, and the creation of 56 million jobs and an increase in EU GDP by around 8-9%. The European Parliament (EP) points out that the remaining barriers (including the lack of harmonisation of national laws) preventing the full development of the internal market could amount to €713 billion by the end of 2029, which if removed could mean an increase in EU GDP by another 9-12%. Poland, which has a high share of EU countries in its domestic export structure (about 80%), sees significant losses from the barriers, especially in the construction, agri-food, and services sectors (including e-commerce).

Eliminating the Barriers. The current market barriers do not, to a large extent, contradict EU law, but result from the way countries implement and enforce EU legislation. In March 2020, the European Commission diagnosed 13 trade barriers most often reported by businesses and consumers (see table below). The barriers particularly affect the small and medium-sized enterprise (SME) sector, which has limited capacity to deal with complex bureaucracy. The problems exist particularly in the service sector, which remains more fragmented and less competitive than the goods market.

The COVID-19 pandemic has disrupted the functioning of the single market. More than a dozen countries (including Poland) limited cross-border trade in medical equipment, food (reducing the import of food products), or introduced restrictions on the free movement of people, imposing a mandatory quarantine on cross-border workers. Supply chain disruptions have also occurred.

EC Actions on Removing Barriers. The response of the EU institutions has helped to eliminate some of the problems that emerged from the pandemic. The EC implemented guidelines for green corridors, which the Member States use to enable efficient and continuous transport of goods across borders. Also, Europe-wide procurement of a variety of products was undertaken, including medical goods such as joint stocks of ventilators, personal protective equipment, and vaccines.

At the request of the European Council, in March 2020 the Commission published a package of initiatives identifying the most common problems in cross-border trade and their origins, as well as an action plan for better implementation of the regulations. One of the elements of the plan was to launch the Single Market Enforcement Task-Force (SMET), consisting of representatives of the Member States and the EC. SMET helps assess compliance of national law with EU regulations and proposes solutions for the effective removal of barriers. Since its launch, the group has contributed to the successful elimination of 43 restrictive measures imposed by Member States related to the COVID-19 pandemic (including the suspension of agricultural and food exports, export bans

on medicinal products) and the prior eligibility checks requirements for a total of 161 professions.

In May 2021, the EC published an update of the industrial strategy that included strengthening the resilience of the single market to future crises similar to the COVID-19 pandemic in a way that protects the freedoms of cross-border trade. In parallel to the strategy update, the EC published the first single market report, which is intended to be annual. This year, it analysed the actual impact of the pandemic on key sectors of the economy and noted protectionist practices among the states, such as laws forcing grocery stores to increase the share of goods produced domestically.

Challenges for the EC's Plans. Some of the Commission's initiatives encountered problems in the legislative process. An example is the EC proposal of January 2017 aimed at streamlining the notification procedure under the Services Directive (in force since 2009). Countries must notify the Commission of new national regulatory measures affecting cross-border services, but the procedure is not fully effective, as there are a number of national laws and regulations that still do not comply with it. Several countries (France, Germany, Austria, Italy, Portugal) considered the proposal a breach of the principles of proportionality and subsidiarity of EU legislation. The EC withdrew the proposal in April given the lack of prospects of reaching agreement. Separately, the Mobility Package I (regulation of road transport, especially applicable to transport companies) was appealed by Poland—and later by several other countries—to the Court of Justice of the EU as introducing protectionist and discriminatory provisions on Polish transport companies. The complaint stemmed from an EC legislative proposal under pressure from the EP and the EU Council that had two requirements: the mandatory return of vehicles to the country where the company's headquarters is located once every eight weeks and the use of cabotage quotas for international combined transport. The study of the environmental effects of these regulations commissioned by the EC indicated that 3.3 million tonnes of additional CO_2 emissions per year may occur in the EU, which is contrary to the objectives of the European Green Deal.

Conclusions and Recommendations. Despite the number of initiatives recently proposed by the European Commission, the number of barriers overall is not diminishing. This is due to a lack of cooperation between Member States and ineffective enforcement mechanisms. The latest proposals for action to tackle barriers are part of the EU's broader industrial strategy, but are not a key component. This means that the pace of deepening the single market is too slow, especially in the area of services provided by startups and SMEs. As a result, it is more difficult for them to become competitive entities on an international scale. It also makes it difficult for citizens to take full advantage of the opportunities of the single market.

The COVID-19 pandemic has created new barriers, contributing to long-term disruption of supply chains and thus affecting the stability of production and trade. Protectionist tendencies to restrict market access to companies from other countries have intensified, diverting attention from the previously diagnosed barriers. This phenomenon is visible in the work of the SMET group, which in its year and a half in operation has focused mainly on the current market challenges resulting from the effects of the pandemic.

The conclusions from the first report on the single market should encourage the European Commission and the Member States to develop effective mechanisms to counteract market fragmentation in crises. The SMET group could coordinate these works by inviting representatives of businesses and consumers to work with it. In the longer term, SMET could provide solutions to identified barriers, as well as mobilise the Member States to remove problems reported by businesses. At the same time, the group's activities within the scope of competence of the EC Directorates General should be clarified and duplication of work performed by other advisory groups should be avoided.

The more effective removal of barriers will be possible once the single digital portal (2023), a source of information on regulations and administrative procedures necessary to conduct cross-border economic activity, becomes fully operational. It is also important to analyse legislative initiatives at the EU level in terms of their impact on the functioning of the single market.

For Poland, it is crucial to disseminate the benefits of deepening the market for European integration and competitiveness. The administration can use its experience in the preparation of two black books of barriers in the single market (2020 and 2021) in creating lasting coalitions to deepen the market and increase influence in bodies such as SMET. One proposal for such a coalition is a group of Member States created from the publicly available list of non-tariff barriers enacted by state.

13 Most Frequently Reported Single Market Barriers by Businesses and Consumers

1.	Difficulties in obtaining information, not only on market opportunities and potential business partners, but also on the relevant regulatory requirements.
2.	Burdensome and complex administrative procedures when it comes to selling goods or services in another Member State.
3.	Uneven access to public procurement.
4.	Inefficiencies related to additional technical requirements, standards and other rules in certain sectors at the national level (as opposed to EU requirements).
5.	Issues concerning entry and exercise requirements in relation to specific activities or professions.
6.	Consumers and business experience when cross-border requests for purchases are rejected or redirected.
7.	Consumers report lower levels of trust in online cross-border purchases.
8.	Consumers are the target of fraud with a cross-border origin.
9.	Businesses report burdensome procedures due to differences in tax systems and administrations.
10.	Businesses report problems with solving commercial/civil disputes and payment collection.
11.	Businesses report problems with registration of business activity in another Member State.
12.	Businesses report problems with skill shortages and mismatches.
13.	Language barriers.

Source: Communication From the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Identifying and addressing barriers to the Single Market.

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