



Asociace  
pro mezinárodní  
otázky  
Association  
for International  
Affairs

# Policy Paper 2/2016

V4 and the Internal Market: Benelux of the 21<sup>st</sup> Century?

—

March 2016

## V4 and the Internal Market: Benelux of the 21<sup>st</sup> Century?

—

**Kryštof Kruliš\***

*March 2016*

\* With contribution of Vladimír Benč (Slovakia), Liwiusz Wojciechowski (Poland) and Norbert Szijártó (Hungary).

The research paper was prepared in the framework of the project “Smooth Functioning of the Internal Market between V4 Countries” which has been supported by the International Visegrad Fund.

© 2016 Association for International Affairs (AMO). All rights reserved.

Views expressed in the paper are not necessarily the official attitude of publisher.



## Table of Contents

Introduction .....	3
Methodology of the Project .....	4
1. Analysis of Mutual Trade and Its Relation to the EU Internal Market .....	6
2. V4 and Market Integration: Overall Policy Recommendations .....	8
2.1 Joining Forces in Influencing Single Market Integration .....	8
2.2 Proactive Pursuing of Practical Steps That Would Increase Smooth Functioning of the Internal Market among the V4 Countries.....	9
2.3 Considering Deeper Market Integration among the V4 Countries .....	10
3. Summary of the Main Conclusions and Policy Recommendations of the Four Workshops.....	12
3.1 Public Administration in the V4 and the Internal Market .....	12
3.2 Consumer Organizations .....	16
3.3 Chambers of Commerce .....	19
3.4 Economic Journalists .....	22



### Introduction

February 15, 2016 marked 25 years since the establishment of the Visegrad Group (V4), a cooperation format encompassing four Central European countries: the Czech Republic, Hungary, Poland and the Slovak Republic. The anniversary invites not only to reflect on the quarter-century of the existence of the V4 cooperation, but also to strategically assess its role for the years and decades to come.

Is there a space for the V4 to become a framework for genuine cross-border bottom-up cooperation that would resemble Benelux or is the V4 cooperation destined to remain understood only as another grouping of EU countries limited mostly to a dialogue at the highest level of political representation, like the *Weimar Triangle*? And is there a demand from relevant stakeholders, including representatives of business and civil society, for a deeper institutional framework that would enshrine such bottom-up cooperation within the V4 region?

Due to EU membership of all V4 countries it is necessary to explore what additional and complementary value the V4 cooperation can bring to the EU institutional framework. The internal market of the EU is first and foremost to be considered when V4 cooperation is viewed from the bottom-up perspective. The EU internal market has been one of the key instruments in the successful economic transformation of the V4 countries. It provided opportunities for export-oriented growth, facilitated much-needed transfers of technology and managerial methods, and made the region attractive to foreign direct investments. Thanks to the United Kingdom, Ireland and Sweden, the citizens of the V4 could also enjoy free movement of labour force from the first days after accession to the EU and later also in other countries. Poland, and to a lesser extent Slovakia, has been substantially influenced by the free movement of people on the internal market, and in particular by the outflow of its young workforce.

Safeguarding proper functioning of the internal market is, however, a never ending story. Cases of significant failures in quality of goods or services originating in one of the EU member states may, through media and popular campaigns, influence general habits of consumers in other EU member states for a long time ahead even if the defect is no longer there. As a result, the internal market cannot function in its optimal way and provide the best results. General consumer trust in market surveillance, alert mechanism and transnational administrative cooperation is an additional feature that may determine the overall impact of the quality failure cases. The first and primary responsibility for the proper functioning of the internal market lies at the level of the whole EU. The basic provisions for market surveillance, alert mechanism and administrative cooperation are established by the EU *acquis*



(for instance directive 2006/123/EC on services in the internal market).<sup>1</sup> The proximity and interconnection of markets of the V4 countries and several recent cases of quality failures which received broad media coverage, such as “*Polish*” rock (*gritting*) salt affair, have, however, brought to the fore the question of an enhanced cooperation among the V4 countries beyond the necessary minimum required by the EU provisions.

The issue of how the V4 countries can cooperate in improving their position on the EU internal market and how the internal market functioning among them can be improved is thus of crucial strategic importance and can be a relevant aspect of the V4 cooperation agenda. The project titled “*Smooth functioning of the internal market between V4 countries*” which has been conducted over the last two years by a consortium of four V4 think-tanks, each representing one of the V4 countries, and co-financed by the International Visegrad Fund, aimed at exploration of possible enhanced V4 cooperation in this area.

This policy paper puts forward policy recommendations regarding mutual V4 trade relations and relevance of the EU internal market. After introducing methodology used in the project, the text provides an analysis of mutual trade among the V4 countries and how it is related to the EU internal market. The paper continues by a development of three categories of possible policy actions. The final part sums up outcomes of four workshops with stakeholders from the V4 countries, including representatives of economic journalism, representatives of national public authorities responsible for the internal market agenda, representatives of consumer protection groups and representatives of chambers of commerce.

## Methodology of the Project

The consortium of think-tanks responsible for the project was coordinated by the *Association for International Affairs (AMO)* from the Czech Republic. The other V4 countries were represented by the *Slovak Foreign Policy Association (SFPA)*, Polish *Sobieski Institute* and *Antall József Knowledge Centre* from Hungary.

The project was initiated by an opening study – research paper “*Internal Market among V4 Countries: Energizing Stakeholders’ Activity to Press for its Smoother Functioning*”.<sup>2</sup> The study was issued in February 2015. The paper offered: a) an initial analysis of the current

---

<sup>1</sup> Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, OJ (2006) L 376/36, as amended (Service Directive).

<sup>2</sup> *Internal Market among V4 Countries: Energizing Stakeholders’ Activity to Press for its Smoother Functioning*, February 2015. Available at: <http://www.amo.cz/en/smooth-functioning-of-the-internal-market-between-v4-countries-en/internal-market-among-v4-countries-energizing-stakeholders-activity-to-press-for-its-smoother-functioning-3/>



# Policy Paper 2/2016

## V4 and the Internal Market: Benelux of the 21<sup>st</sup> Century?

–  
March 2016

trade exchange and identification of limits to internal market functioning among the V4 countries, and b) established four target groups of stakeholders relevant for the project.

Target Group	The Main Reasons for Selection
<b>National public authorities</b> responsible for internal market agenda	<ul style="list-style-type: none"><li>▪ Ability to provide remedy in cases of breaches of internal market regulations (e.g. SOLVIT).</li><li>▪ Their smooth cooperation within the region (e.g. swift inspection of the producer) can prevent affairs associated with failed quality of products (e.g. RAPEX, RASFF).</li><li>▪ Knowledge of cross-border features of private transactions triggering activity of public law (e.g. IMI System).</li></ul>
<b>Consumer protection groups</b>	<ul style="list-style-type: none"><li>▪ Representation of consumers' interests in international framework organizations with possibility of identifying specific consumer interests of the V4 region.</li><li>▪ Experience with provision of advisory services to consumers regarding issues with cross-border features.</li></ul>
<b>Chambers of commerce</b>	<ul style="list-style-type: none"><li>▪ Ability to calm down cross-border animosities of businesses from different countries within the region, with particular stress on preventing the spiral of campaigns promoting national production against foreign production.</li><li>▪ Common representation of business interests of the V4 region at the EU level and in markets outside the EU.</li></ul>
<b>Economic journalists</b> who report on the internal market agenda	<ul style="list-style-type: none"><li>▪ Responsibility for providing balanced information about the internal market agenda to the public.</li><li>▪ Ability to inform about quality failures of products from different countries which would be proportional to the severity of the failure in question.</li></ul>

The study also opened up several issues and questions for each group of stakeholders which were further discussed during the subsequent four workshops. All V4 countries were represented by a stakeholder at each of the workshops. The speakers were provided with a set of questions long before the session. The discussion was moderated and followed by experts from the participating think-tanks (one for each V4 country). The workshops were held in each of the V4 capitals. The working language was English and interpretation into native tongues was provided when required. The duration of each workshop ranged from two to four hours. Two workshops, the one with economic journalists in Prague and the other with chambers of commerce in Budapest, were accompanied by a second panel where V4 representatives were supplemented by additional speakers. The workshops were opened also to invited expert audience.



## 1. Analysis of Mutual Trade and Its Relation to the EU Internal Market

The Czech Republic, Hungary and Slovakia are extremely open economies. Exports and imports alike are at very high levels relative to their GDP (generally above three quarters of GDP). Only Poland, partly due to its comparatively larger domestic market, is a less open economy with a lower level of engagement in foreign trade. Nevertheless, it still has a more open economy and depends more on foreign trade than similarly populous EU member states, such as Spain.<sup>3</sup>

Not only do the V4 countries have in common the fact that their economies are focused predominantly on the foreign trade; all the four states are also strongly oriented towards the Eurozone, Germany in particular, and there is a high level of mutual trade within the Visegrad Group itself.

Germany is the most important trading partner for all V4 countries. For the Czech Republic, exports to Germany account for almost one third of its total exports (31.5%). For the remaining V4 countries, Germany represents about one quarter of their respective exports.

V4 countries are also important export trading partners for each other. Each V4 country has at least one of the other V4 countries among its three most important export trading partners. In the case of the V4 group, the logic that immediate neighbours will have strong trade relations fully holds up to scrutiny. Slovakia is the only country to border all remaining V4 countries, and each rates among its four most important trading partners. The aggregate of Slovak exports to the other V4 countries is 31.5% of its total trade value, which is even higher than Slovakia's exports to its main trading export partner – Germany (22.3% of Slovak exports).<sup>4</sup> In the case of the Czech Republic, Hungary and Poland, the aggregate trade with other V4 countries is lower than their trade with Germany, but still at a relevant level.

Mutual trade in agricultural products has been a traditional source of tensions between the V4 countries, fuelled by real (but sometimes artificially overrated) issues of quality failures. The value of agricultural exports and imports between V4 countries is, however, not as significant as media-attractive controversies might suggest. According to Smutka (2014), agricultural trade is only a supplementary segment of mutual trade between V4 countries and

---

<sup>3</sup> According to the World Bank data for 2013, the level of Polish exports (46% of GDP) is on a par with Germany (also 46% of GDP) and far exceeds the figures reported by other big EU economies, including France (28% of GDP), the United Kingdom (30% of GDP), Italy (29% of GDP) and Spain (32% of GDP).

<sup>4</sup> Source: CIA, World Factbook. Based on data in USD.



# Policy Paper 2/2016

## V4 and the Internal Market: Benelux of the 21<sup>st</sup> Century?

–  
March 2016

accounts for less than 10% of total trade.<sup>5</sup> That said, it is noteworthy that individual V4 countries do not have equal positions in this trade segment. While Poland (and to a lesser extent Hungary in certain years) have comparative advantages in agricultural trade in relation to global markets; the agricultural trade of the Czech Republic and Slovakia is (with certain product exceptions) generally uncompetitive even within the V4.<sup>6</sup> The current uneven distribution of agricultural trade competitiveness among V4 countries could be an important reason for occasional tensions. Considering that the weight of agricultural trade in total V4 trade is 10% and that Poland has the lowest overall trade balance surplus of all V4 countries, this tension should not trouble the otherwise good mutual trade relations in any way.

The introductory analysis indicated that the preservation of access to the EU internal market, its smooth functioning and further intensification of internal market integration (for instance in the area of free movement of services) are in natural and vital interest of the V4 countries. For the Czech Republic, Slovakia and Hungary, this is of utmost priority, considering that most of their GDP is highly dependent on such market access. In Poland's case, an increase in its exports of goods and services could constitute a vital source of potential future growth. The access to the EU internal market is also a significant feature which secures considerable inflows of FDI into the V4 economies. Foreign greenfield investments in the V4 have been primarily aimed at developing the manufacturing base for mostly export-oriented production<sup>7</sup> which helps to attract advanced technologies and increases productivity.<sup>8</sup> Like Benelux in the 1950s, the V4 countries have strong motivation for becoming proponents of a fully functioning internal market and should be channelling particular effort in this direction. The four workshops with stakeholders explored what role the V4 countries can play in this regard.

---

<sup>5</sup> Smutka, L. (2014): Mutual Trade in Agricultural Products among Visegrad Countries – Basic Development Trends. *STUDIA UNIVERSITATIS BABEȘ-BOLYAI NEGOTIA*, Vol. 59 (LVIX), 2014 March, pp. 21–44, p. 31.

<sup>6</sup> Ibid, pp. 32, 35 and 38.

<sup>7</sup> Medve-Bálint, G. (2014): The Role of the EU in Shaping FDI Flows to East Central Europe. *JCMS*, Vol. 52, No 1, pp. 35–51, p. 43.

<sup>8</sup> Gkagka, A. & Zarotiadis, G. (2011): Growth and EU Trade Relations: A Case Study. *South-Eastern Europe Journal of Economics*, No 1. pp. 1-11, p. 2 and 3.



## 2. V4 and Market Integration: Overall Policy Recommendations

The economies of the V4 countries share several significant features that provide a broad platform of common interests and enable common strategies in the economic domain. The V4 countries are all i) open economies with their exports and imports alike at very high levels relative to their GDP; ii) most of the exports head towards the Eurozone, and Germany is the most important trading partner for all of the V4 countries; and iii) the V4 countries are not simply isolated islands connected only to an imaginary German mainland, but also important trading partners for each other.

This predetermines common interest of the V4 countries in ensuring smooth functioning of the internal market both a) at the European Union level, and b) at the regional level of the V4. The preservation of access to the EU single market and its further intensification (for instance in the area of free movement of services) are in natural and vital interest of the V4.

To this end, common strategies of the V4 countries could be classified into the following three categories:

- A) joining forces in influencing single market integration of the EU at both governmental and sub-governmental levels;
- B) proactive pursuing of practical steps that would increase smooth functioning of the internal market among the V4 countries; and
- C) consider deeper market integration among the V4 countries.

### A) Joining Forces in Influencing Single Market Integration

Like Benelux in the 1950s, the Visegrad Group has all the incentives to be a strong proponent of a fully functioning single market. The V4 countries could transform this common interest into support of the European Commission's single market initiatives and demand for their ambitious implementation throughout the European Union. The V4 countries should all become active members of *the like-minded group for the EU Single Market* where it is possible to find allies among other member states. In order to provide necessary credit to this endeavour, the V4 countries should also improve their implementation and compliance with the internal market *acquis*. Poland in particular, as the worst ranking state of the V4 grouping and one of the worst ranking states in the whole European Union in the Single Market





Scoreboard,<sup>9</sup> has to improve significantly its approach to the internal market legislation. Otherwise common initiatives of the V4 countries calling for more ambitious internal market integration could be undermined from the very beginning.

The cooperation of the V4 countries should not be limited to the governmental level. Also the V4 Chambers of Commerce or the V4 Consumer protection groups provide useful platforms for the expression of common interests at the European Union level and offer a broad range of opportunities for cooperation. The representatives of the civil society could represent V4 interests at the EU level through other forums than the governments and appeal to a different audience from the other states. Moreover, any V4 governmental level initiative in Brussels could be strengthened if it is duly accompanied by a genuine bottom-up initiative of the civil society. Thus, the cooperation in approaching the EU institutional environment should also embrace the stakeholder groups representing the V4 countries in Brussels, with particular stress on multilevel coordination.

### **B) Proactive Pursuing of Practical Steps That Would Increase Smooth Functioning of the Internal Market among the V4 Countries**

In order to boost economic convergence of the V4 countries to the economic level of the EU average, let alone the economic level of the immediate Western V4 neighbours Germany and Austria, the V4 countries should focus on progressive adoption of new technologies and strategies instead of trying to catch up with the 20<sup>th</sup> century sources of growth. This concerns hard infrastructure as well as soft (institutional) one.

The currently underdeveloped hard infrastructure of the V4 could benefit from focusing on the development of the most up-to-date networks ranging from the newest generation of the broadband internet to consideration of the smart grid and the most modern ways of transportation connections. The dominant East-West direction of infrastructure development should be accompanied also by the North-South direction that would allow deeper linkage of the V4 markets and enable to tap the largely idle sources of the economic potential.

The cooperation in the area of soft (institutional) infrastructure should focus primarily on elimination of obstacles to the four EU freedoms between the V4 countries. The public administration of the V4 countries should promptly respond to cross-border requests, such as in case of requesting inspections of manufacturers who export goods or services to another V4 country. A quick administrative action can prevent development of a broader conflict that could lead to longer term market fragmentation. Also economic journalists in V4 countries

---

<sup>9</sup> The European Commission. *Single Market Scoreboard* Available at: [http://ec.europa.eu/internal\\_market/scoreboard/](http://ec.europa.eu/internal_market/scoreboard/).



should be more aware of the necessity to distinguish between a quality failure of products in case of an individual producer and affairs that make the whole neighbouring country responsible for such a failure (e.g the “*Polish*” *gritting salt* affair). The Chambers of Commerce and Consumer protection groups could also play a key role in settling such cross-border disputes and preventing dispersal of regional animosities.

### C) Considering Deeper Market Integration among the V4 Countries

Besides the two previously mentioned means of cooperation, the V4 could also serve as a platform for enhanced market integration. There could be many gains from this. In the political domain, this could serve as a good example of market integration possibilities for the rest of the European Union. The more integrated the V4 markets in the sense of simplification of various bureaucratic obstacles, the more significant incentive for both small and large businesses and the greater attraction for foreign direct investments into the whole region.

There are various instruments of market integration that have been discussed at the level of the European Union for years without much hopes for success. Often the reason for halted progress is a large diversity of interests among the EU members. But on a smaller scale of the V4 region which shares certain similarities as far as the level of development is concerned, these instruments could be tested at least as pilot projects.

The V4 countries could for instance explore the possibility of the following:

- The V4 countries could allow free movement of services based on the **country of origin principle** among themselves. Such a positive regional example could be the best way of fighting the overweening *Polish plumber stereotype* that still lingers in some of the old members of the European Union and prevents the adoption of this principle at the level of the whole union. Regional similarities and a smaller number of involved countries could lead to higher security of such project which could work in parallel with the EU regime of the Service Directive, which still lingers beyond its potential due to the lack ambition to implement it.<sup>10</sup>
- The **Common Consolidated Corporate Tax Base (CCCTB)** has been discussed at the level of the European Union for years.<sup>11</sup> It is a means to simplify corporate taxation

<sup>10</sup> For further details on Service Directive and its implementation see: The European Commission. *Service Directive*. Available at: [http://ec.europa.eu/growth/single-market/services/services-directive/index\\_en.htm](http://ec.europa.eu/growth/single-market/services/services-directive/index_en.htm).

<sup>11</sup> For further details see: The European Commission. *Common Consolidated Corporate Tax Base*. Available at: [http://ec.europa.eu/taxation\\_customs/taxation/company\\_tax/common\\_tax\\_base/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/company_tax/common_tax_base/index_en.htm).



and redistribute the tax base between participating states (to be taxed there by the individual tax rate of each state) according to a specific key. The hardship at the overall union level rests in divergence of national interests regarding such a distributing key. Simply speaking, capital rich countries of the EU have different interests than countries where the products are manufactured. The V4 would be an ideal place for launching CCCTB in a smaller regional scale. From the perspective of capital/labor ratio, the V4 countries represent lower heterogeneity than it is the case at the overall EU level, and the system thus could be more easily accepted. This could also attract more foreign investments into our region and significantly cut the tax legislation red tape for companies that intend to expand their business in our region.

- Similarly, the red tape for e-shops in the region could be significantly lowered by broadening of the **Mini One Stop Shop** (MOSS), currently being applied only for VAT from electronic goods,<sup>12</sup> to VAT from all goods offered via the internet in the V4 countries. This could be an invaluable help to online-seller start-ups allowing them to engage in regional activities more easily.
- **Sharing economy platforms** as well as platforms providing for an instant peer-to-peer matching of supply and demand are currently not subjected to common rules at the level of the whole EU. Different states thus adopt different approaches to these new platforms, and keep them partly in uncertainty about the level to which regulatory provisions related to the traditional services should be also applied to these new business opportunities. Development of common definition for these platforms in line with the guidelines of the European Commission, expected in 2016, could provide an even playing field for these start-ups in the V4 region and simplify their regional expansion.

---

<sup>12</sup> For further details see: The European Commission. *Telecommunications, broadcasting & electronic services* Available at:  
[http://ec.europa.eu/taxation\\_customs/taxation/vat/how\\_vat\\_works/telecom/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/vat/how_vat_works/telecom/index_en.htm).



### 3. Summary of the Main Conclusions and Policy Recommendations of the Four Workshops

The following four sections sum up the main conclusions and policy recommendations of the workshops with stakeholders conducted during the project. Each section firstly introduces the main grounds on which the debate during the workshop evolved. It then provides specific outcomes from the workshops and indicates how relevant and/or topical the recommendation is and, where it is important, also mentions the priority based on situation in individual V4 countries.

#### 1) Public Administration in the V4 and the Internal Market

Proper functioning of the internal market is guaranteed by provisions of EU law obliging member states to ensure free movement of persons, goods, services and capital. The internal market's proper functioning is further safeguarded by various EU policies, ranging from the agenda of the internal market itself to policy areas such as competition law, transportation and consumer protection.

The EU has developed a number of programmes and systems to simplify and improve mutual cooperation between the authorities and institutions of individual states. The basic adaptable multilingual tool for online communication of authorities from various EU member states is the Internal Market Information System (IMI). The IMI includes various aids ranging from a pre-translated set of questions and answers that frequently occur in communication between authorities to on-line forms that simplify requests for information or measures from other authorities functioning in the internal market. There is also a network of national IMI coordinators who grant access to the system and provide user support. The IMI is up and running in the areas of the recognition of qualifications, cooperation between national authorities within the framework prescribed by the Service Directive,<sup>13</sup> and other areas such as patients' rights. Solvit, a network of national offices initiated by the European Commission to help EU citizens and businesses to push through their EU-guaranteed rights of free movement, also draws on the IMI for communication inside its network.<sup>14</sup> Further programmes for improved cooperation exist under the Service Directive. The Service Directive provides for an alert mechanism in services run on the IMI platform.<sup>15</sup> It also allows authorities from

---

<sup>13</sup> Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market, OJ [2006] L 376/36, as amended (Service Directive).

<sup>14</sup> For a scholarly analysis of Solvit and its impact, see, for instance, Vifell, C. and Sjögren, E. (2014): The legal Mind of the Internal Market: A Governmentality Perspective on the Judicialization of Monitoring Practices. *Journal of Common Market Studies* Vol. 52, No 3, pp. 461–478.

<sup>15</sup> Article 32 of the Service Directive.



one member state to request checks, inspections and investigations into services by authorities of other member states.<sup>16</sup> In addition, it establishes a scheme for hosting the personnel of related national authorities.<sup>17</sup> Specific Rapid Alert Systems, outside of the service sector, are created for food and feeds (RASFF) and for other dangerous products (RAPEX).

The principle of sincere cooperation of the EU is applicable not only between the EU and its member states but also horizontally, in direct relations between the authorities and institutions of individual EU member states, insofar as they are required to communicate with each other under EU law.<sup>18</sup> The relevant parties are thus obliged to satisfy their counterparts not only formally, but also in a way that renders the effect of requests as useful as possible. The EU also operates various programmes that facilitate such cooperation, including various Rapid Alert Systems (e.g. RAPEX, RASFF etc.), the Internal Market Information System or the network of Solvit Centres.

Considering how interlinked the markets in the Visegrad region are, the relevant authorities of the V4 countries could be expected to come into contact frequently. The workshop consisting of representatives of the V4 authorities responsible for such internal market horizontal cooperation focused on the following topics: (1) the organizational structure of the relevant authorities in V4 countries, (2) the frequency of cooperation between these authorities in V4 countries and the character of the demand for mutual cooperation, and (3) the possible ways of strengthened V4 cooperation in this area.

### **Main Conclusions and Recommendations**

- Poland apart, the V4 countries' adherence to transposition deadlines of the internal market *acquis* is slightly better than the EU average. The Polish results are particularly unfavourable in terms of the average transposition delay, which is almost twice the EU average and currently the second highest in the whole EU. The level of compliance deficit for internal market directives in all V4 countries (with the exception of Poland) is comparable to the EU average. Hungary is the group's best performing country. The Polish compliance deficit results are particularly poor and are the worst in the whole EU.<sup>19</sup> Poland still belongs to a group of 6 Member States with the highest number of pending infringement cases.<sup>20</sup>

---

<sup>16</sup> Article 29(2) of the Service Directive.

<sup>17</sup> Article 34(1) of the Service Directive.

<sup>18</sup> See case C-251/89 – *Athanasopoulos*, ERC I-2847, paragraph 57.

<sup>19</sup> The Single Market Scoreboard, Poland. Available at:

[http://ec.europa.eu/internal\\_market/scoreboard/performance\\_by\\_member\\_state/poland/index\\_en.htm](http://ec.europa.eu/internal_market/scoreboard/performance_by_member_state/poland/index_en.htm) (accessed on January 31, 2016).

<sup>20</sup> *Ibid.*



- The smooth functioning of the internal market among the V4 countries is dependent on proper compliance with the EU internal market *acquis*. Besides this, in case that the V4 as a group deserves to make a trustworthy campaign against any claimed breaches of the internal market rules from some other EU member states (e.g. claims of breaches in case of imposition of a minimal wage on truck drivers in Germany), it would be beneficial if the V4 countries had a good compliance record on their side.

*(Highly relevant: Poland; Relevant: the Slovak Republic, the Czech Republic and Hungary)*

- The highest level of concentration of agencies responsible for the tools of internal market horizontal cooperation under one ministerial office can be found in the Czech Republic where all programmes are administered by the Ministry of Industry and Trade, with the single exception of the RASFF, which is operated via an inspection authority subordinate to the Ministry of Agriculture. In Slovakia and Poland a dominant role is played by their Ministries of Economy, but at least one programme other than the RASFF (in each case a different one) is not administered by this ministry. In Hungary, each programme is governed by a different authority.

The most viable pattern for organization of authorities responsible for the horizontal internal market cooperation is to gather the all relevant cooperation tools into one single market centre (one unit in one ministry) which than can profit from broader insight into the internal market agenda. It is, however, similarly important to provide for a controlling mechanism of that single unit from outside of its structure and (according to best practice from the United Kingdom in the digital agenda) have a challenging authority that would assure that the one single market centre fulfils its tasks fully up to its potential.

*(Highly relevant: Hungary; Relevant: the Slovak Republic, Poland and the Czech Republic; existence of a challenging authority relevant for all)*

- The frequency of cooperation among V4 horizontal cooperation authorities is lower than the amount of mutual trade suggests. It is most probably caused by migration flows from the V4 countries to Western Europe (and the United Kingdom in particular) that triggers most of the incoming requests for horizontal cooperation and distorts the overall statistic. Second reason may lie in low information about the horizontal cooperation tool, their roles and possibilities of use among the general public and people working/doing business in another V4 country than their country of residence.

In practice, business, and firms in particular, trigger less demand for the internal market horizontal cooperation (e.g. intra-administrational cross-border transfers of documents and certificates) than citizens. Rather than relying on these tools, firms prefer to file



complete submissions accompanied by all documents, including official translations. This is most probably caused by uncertain response time within which the internal market horizontal cooperation can operate. Unless some degree of harmonization of administrative proceedings and some way of synchronization of the maximum time limits for specific actions undertaken by public authorities is introduced at the EU level, differing procedural law would most probably further cause unpredictable delays in horizontal cooperation. **If the demand for horizontal cooperation between the V4 countries rises in the future, it could be relevant to consider at least regional (V4) approximation of the respective procedural provisions including agreed maximum time limits for specific cases.** This could guarantee maximum response time and attract broader use of these tools also by business.

*(Relevant for all; more topical in relation between the Czech Republic and the Slovak Republic)*

- So far the highest demand for horizontal cooperation in the V4 region is between the Czech Republic and the Slovak Republic due to their extensive mutual migration flows. In the future, **a strengthened V4 horizontal cooperation could be considered for instance in the area of exchanges of personnel, joint workshops and trainings, or in the right to request inspections in the agricultural sector in a similar way as currently under the Service Directive.**

*(Relevant for all; more topical in relation between the Czech Republic and the Slovak Republic)*



### 2) Consumer Organizations

Consumer protection is recognized as an indispensable element in the functioning of the internal market.<sup>21</sup> Consumers should benefit from internal market integration and they should be able to exercise rights in relation to traders from any EU member state. Various aspects of consumer protection are approximated in a set of directives at the EU level.<sup>22</sup> The V4 countries therefore share at least minimum standards guaranteeing the position of consumers. The approximation of consumer protection can also ease life for business operators, as it makes rules in different states similar and thus, at least partially, cuts away the related red tape for those who operate in various V4 countries.

Each V4 country has a specific set of consumer organizations developing organically just like any other segment of civil society. Consumer protection groups help to balance the relationship between professional and well organized traders and dispersed consumers. According to the European Economic and Social Committee (EESC) “*independent consumer organizations play a key role in the market and must have the necessary human, financial and technical resources to carry out their role of protecting the rights and interests of consumers.*”<sup>23</sup> This is in line with previous opinions of the EESC invoking the concept of “economic democracy” which seeks to increase the role of consumer protection groups on the internal market, including their role in increased civil participation in competition policy.<sup>24</sup>

The consumer protection organizations in the Visegrad countries share a common trait of limited financial sources for their operation. This is visible in particular when consumer organizations from the V4 countries are contrasted to consumer organizations from countries such as Germany, Austria or Sweden. The lack of financing that V4 consumer organizations face is consequently transformed into limited internal personnel or limited availability of legal and technical expertise in consumer related issues. The necessary consequence is that the V4 consumer interests cannot be represented in the same way as consumer interests specific for countries where their higher GDP per capita naturally transforms itself into larger funding available for the consumer protection agenda. The V4 specific consumer interests are thus comparatively less visible on the EU internal market agenda or during the EU negotiations, such as the negotiation of the TTIP and other FTAs. This can be demonstrated by the occasionally highlighted issue of lower quality of certain products that are supplied to the V4 countries in contrast to those supplied to the former “EU15”. The scope of

---

<sup>21</sup> See also Article 169 of the Treaty on the Functioning of the EU (TFEU). The consumer protection issues represent a shared competence between the EU and its member states, see Article 4 (2) f) TFEU.

<sup>22</sup> The Directive on Consumer Rights (2011/83/EC); Directive on certain aspects of the sale of consumer goods and associated guarantees (1999/44/EC) or Directive on unfair terms in consumer contracts (93/13/EEC).

<sup>23</sup> European Economic and Social Committee (2012) p. 2.

<sup>24</sup> European Economic and Social Committee (2008) p. 5.





the problem, however, cannot be fully grasped, as limited means for a thorough legal and technical analysis available to consumer organizations by themselves limit proper detection and formulation of specific consumer interests of our region.

The workshop consisting of representatives of consumer protection groups from the V4 countries with participation of Polish authorities responsible for internal market focused on the following topics: (1) consumer protection in cross-border situations; (2) common interests of consumer protection in V4 countries; and (3) financing of activities of consumer organizations in the V4 countries.

### ***Main Conclusions and Recommendations***

- High degree of trade interconnection in the Visegrad region suggests that **V4 consumer organizations should be involved in a higher level of mutual networking**. Similar level of development of the V4 countries could embrace like-minded consumer interests, and these could be better represented if consumer organizations from the whole region weigh in together. Dialogue between consumer protection groups from different V4 countries and their coordinated attempts to secure quality goods and services could help to dissipate unnecessary stereotypes and generalizations about quality failures for which other countries of the region are blamed (e.g. “Polish” gritting salt affair).

Different level of co-financing which is usually required for projects in individual V4 countries may, however, lead to varying ability of consumer organizations to meet requirements for co-financing in joint projects (such in case of the International Visegrad Fund).

*(Highly relevant and topical for all)*

- Lower quality of some of products (especially in case of food or laundry detergents) in the V4 countries compared to the neighbouring countries like Germany or Austria, despite being marketed at similar prices, could be associated with much **lower activism and mobilization of customers in the V4 countries, including power of consumer protection groups**. Joining the forces of the V4 consumer protection group could help to create greater pressure at the EU level.

*(Highly relevant and topical for all)*



- The cross-border consumer protection cases are dealt with through European consumer centres. Consumer organizations are, however, also involved either as the initial point of contact or even as the final provider of advice.

**Opening of the operation of the European consumer centres or parts of their tasks in V4 countries to the competition of consumer organizations could help to stabilize financial situation of consumer organizations** and provide guaranteed income for a work in which they are already partially involved.

*(Relevant for all)*

- The European consumer centres are not connected to the Internal Market Information System (IMI). **Connecting European consumer centres and possibly also consumer organizations to IMI system** has a big potential for further development of the system and for the consumer protection in cross-border cases. This would also help in overcoming language differences and simplify the mutual communication.

*(Relevant for all)*

- Further issues of **the common consumer protection interests in the V4** include for instance a due provision of guarantees by the traders or regulation of the off-premises contracts. These were also identified as potential issues if higher harmonization of EU consumer protection standards (provided by the national legislation above the consumer protection standards demanded by the EU law) could be worth considering in V4 countries.

*(Relevant for all)*

- The Polish example of a **Public Private Partnership (PPP)** organized by the Chief Sanitary Inspectorate together with a federation of businesses for increasing education and informed choices about consumption and healthy life-style could be considered as a model for financing programmes for the benefits of consumers also in other V4 countries. Various other types of PPP projects and/or establishment of consumer organizations – business forums – should be explored in order to find additional financial sources for adequate identification and representation of interests that are specific for consumers from the V4 countries.

*(Relevant for all)*



### 3) Chambers of Commerce

The formal institutional links providing for cooperation of the Chambers of Commerce from the V4 countries could be considered as sufficient. There is a network of agreements that governs cooperation of the V4 Chambers of Commerce at the bilateral level. Several regional chambers also tightly cooperate on common projects, especially in neighbouring regions. All V4 Chambers of Commerce are members of the Eurochambers (the Association of European Chambers of Commerce and Industry)<sup>25</sup> which can also serve as a common platform for their coordination.

These institutional links were further strengthened by introduction of a truly V4 cooperation framework in April 2014. Based on the initiative of the Hungarian Chamber of Commerce and Industry, presidents of all V4 Chambers met in Budapest and agreed on a common Memorandum of Understanding.<sup>26</sup> The Chambers agreed on annual meetings in the V4 format.<sup>27</sup> The Memorandum further mentioned exchange of experience including cross-border clusters and exploration of mutually favourable opportunities in specific sectors such as automotive, logistics or energy from the perspective of suppliers to big transnational companies.<sup>28</sup> It also declared a shared will to coordinate formulation of common positions to the legislative proposals and other important issues at the level of European Union and possible common “V4 Chambers” positions at the Eurochambers.<sup>29</sup>

The primary similarity of the Chambers of Commerce in the V4 countries is that their existence is based on private law principles. Many Chambers in Northern or Western Europe have obligatory membership and their budgets are covered through regular payments of member fees. The Chambers of Commerce in the V4 region have only facultative membership and their financial and thus also personal capacities are limited. The only partial exception is Hungary, which has an obligatory registration in the Chamber which is connected with one-time payment. The obligatory registration also serves to strengthen the link between the Chamber and every member of the business sector. As a result, the Hungarian Chamber of Commerce and Industry has also better awareness of the entrepreneurial sector in the country.

---

<sup>25</sup> Eurochambers. *Members*. Available at:

<http://www.eurochambres.eu/Content/default.asp?pagename=OurMembers> (accessed on December 2, 2015).

<sup>26</sup> Hungarian Chamber of Commerce and Industry. *V4 Chambers Tighten Links To Promote Regional Cooperation*. Available at: <http://www.eurochambres.eu/Content/default.asp?pagename=OurMembers> (accessed on December 2, 2015).

<sup>27</sup> The signatories to the Memorandum of Understanding are: the Hungarian Chamber of Commerce and Industry, the Slovak Chamber of Commerce and Industry, the Czech Chamber of Commerce and the Polish Chamber of Commerce.

<sup>28</sup> Memorandum of Understanding between V4 Chambers, April 10, 2014.

<sup>29</sup> *Ibid.*



In contrast to the situation in Visegrad countries, the Austrian Federal Economic Chamber (WKO) has compulsory membership and represents more than 450.000 member companies.<sup>30</sup> Information provided by WKO are easily accessible also to entrepreneurs from the V4 countries as its official website offers information in Slovak, Polish and Hungarian version (the only missing V4 language is Czech).<sup>31</sup>

The workshop consisting of representatives of the Chambers of Commerce (Chambers of Commerce and Industry) from the V4 countries focused on the following topics: (1) institutional framework for cooperation; (2) common interests; and (3) functioning of the internal market and possibilities for enhanced cooperation within the V4.

### ***Main Conclusions and Recommendations***

- The existing **formal framework for mutual cooperation of Chambers of Commerce of the V4 countries could be considered as sufficient**. Further development of business cooperation among the V4 countries may be, however, limited by **underdeveloped hard infrastructure between them**. The energy, road and railway connections tend to be constructed primarily in the East-West direction and the North-South direction is lagging behind. The V4 economies have entered into a stage when both directions will be necessary to tap all the available opportunities.

*(Highly relevant and topical for all)*

- In order to move the convergence of the V4 economies forward, it is important to address not only hard infrastructure, but also **soft institutional infrastructure of the state** and public authorities. For instance, an initiative of the Polish Chamber of Commerce tries to develop a more business-friendly environment for politicians and public clerks and change the mind-set from “*public authorities that maintain power over citizens*” to “*public authorities that are servants to citizens*.” Without this change even the biggest investments into hard infrastructure (such as those in former Eastern Germany after unification) cannot alter the way business functions and convergence will cope with the glass ceiling. The mentioned initiative of the Polish Chamber of Commerce tries to tackle this problem through educational means at **school system for public clerks**. The V4 Chambers of Commerce should create a common project that would steadily demand such a change from political representations. Such a project could also cover **support for proper**

<sup>30</sup> WKO. *Working for your company*. Available at: [https://www.wko.at/Content.Node/wir/Austrian\\_Economic\\_Chambers\\_Home.html](https://www.wko.at/Content.Node/wir/Austrian_Economic_Chambers_Home.html) (accessed on December 4, 2015).

<sup>31</sup> WKO. *Mehrsprachige Info*. Available at: [https://www.wko.at/Content.Node/mehrsprachige\\_info/Sprachauswahl.html](https://www.wko.at/Content.Node/mehrsprachige_info/Sprachauswahl.html) (accessed on December 4, 2015).



**harmonization and practical execution of the EU internal market legislation,** in particular when the legislation serves as a limitation of cross-border barriers to business.

*(Highly relevant and topical for all)*

- For the time being, the Visegrad cooperation in the field of internal market functioning should primarily focus on **proper exchange of information and following best practices** rather than attempt for bigger projects of enhanced integration of V4 markets beyond the current level of the EU *acquis*. **Development of a more user-friendly culture by public authorities was also indicated as a prerequisite for any project on enhanced cooperation in market integration between V4 countries.** Without substantial changes of the current mind-set of public authorities, any such project may face a threat that it would not bring more interconnected and liberalized markets but will in fact impose additional administrative burden to business.

*(Relevant and topical for all)*

- Any deeper coordination of the incoming foreign direct investments may be difficult since the V4 countries are still to a large extent competitors in this field. It was mentioned that **at least certain level of coordination of the incoming investments** could be triggered by the fact that big investments are not only about benefits but also about potential risks, as the economy of the whole region is becoming too much dependent on one specific sector, for instance on the automotive industry. In negotiations with big investors, for instance from China or the USA, it is also relevant to advertise the whole region and not only individual states. Big investors look at the broader region and larger regional synergies.

*(Relevant and topical for all)*

- It is worth considering **joint economic diplomacy missions to foreign markets** but the **coordination work regarding setting up of such missions must start at the earliest possible phase** and reflect real interests of the business from the V4 countries.

*(Relevant and topical for all)*

- It is **important to develop a common stance of the V4 Chambers on issues that have the potential to fragment the internal market and dissuade entrepreneurs from exercising the four freedoms**, such as in the case of the introduction of a minimum wage for truck drivers in Germany.

*(Relevant and topical for all)*



### 4) Economic Journalists

The media plays a key role in influencing how the general public understands the internal market and dominates the formation of national interests and preferences towards functioning of the internal market. The media also serves as an indispensable part of the alarm mechanism which warns consumers in cases of quality failures of goods and services traded on the internal market. This watchdog function can, however, easily slide into exaggerations. Media campaigns that are disproportionate to the scope and severity of a given quality failure can have a long-lasting impression on consumers, influencing their general habits even long after the quality failure has been fixed.

The V4 region has in the last years witnessed sales of media titles by the German media houses and significant increase in ownership by the local capital. Several takeovers such as MF DNES and Lidové noviny in the **Czech Republic** or SME in the **Slovak Republic** have not been welcomed by part of their editorial office and lead to the establishment of new alternative media titles. In spite of that, both the Czech and the Slovak Republic remain at the very top of the press freedom charts, including the 2015 World Press Freedom Index<sup>32</sup> or Freedom of the Press 2015 by Freedom House.<sup>33</sup> Both countries show stably high level of freedom of press. The same is to a large extent true also for **Poland**, which usually ranked just a few places behind its two southern neighbours. The recent changes in regards to public media under the new Polish government, however, have not been yet reflected in any freedom of press charts. The Reporters without Borders (RSF) urged the European Commission to unequivocally condemn this legislative change and demanded it to be repealed.<sup>34</sup> Subsequently, the issue is to be scrutinized by the European Commission. Nevertheless, it has to be mentioned that up to date, no changes in Poland have been pursued towards freedom of private press and the blamed changes concerned only public broadcasting media. More alarming is the shift of media sector in **Hungary** which for years remains somewhat remote from the rest of the region as far as press freedom is concerned.<sup>35</sup> This position can be put in relation to reported steps of the Hungarian government and the use of taxation and other

---

<sup>32</sup> The Czech Republic is no. 13 and the Slovak Republic is no. 14 worldwide, ahead for instance of the British press which ranks 34<sup>th</sup> or the French press on the 38<sup>th</sup> position, the 2015 World Press Freedom Index, available at: <http://index.rsf.org/#/>

<sup>33</sup> Both the Czech and the Slovak Republics continually keep their position as Free Press countries, Freedom of the Press 2015, available at: [https://freedomhouse.org/sites/default/files/FreedomofthePress\\_2015\\_FINAL.pdf](https://freedomhouse.org/sites/default/files/FreedomofthePress_2015_FINAL.pdf) .

<sup>34</sup> The Reporters Without Borders (RSF). *RSF urges Juncker to call for the repeal of Poland's new media law*. 12. January 2016. Available at: <http://en.rsf.org/pologne-rsf-urges-juncker-to-call-for-the-12-01-2016,48730.html>.

<sup>35</sup> According to the most up-to-date data, Hungary ranks 65<sup>th</sup> worldwide just next to Serbia or Bosnia and Herzegovina, but still slightly ahead of Italy which occupies 73<sup>th</sup> position worldwide; see Reporters Without Borders (2015). *2015 World Press Freedom Index*. Available at: <http://index.rsf.org/#/> .



administrative measures in a way that may influence independence of the media in the whole country.

The comparison of the data from the two freedom of press indices suggests that freedom of the press in the Czech Republic, Slovakia and mostly also in Poland is at a similar and generally highly satisfactory level. In this respect, the press in these countries has the potential to make a natural contribution as a necessary correcting mechanism and safeguard against national policies that could threaten smooth functioning of the internal market. Freedom of the press in Hungary is somewhat remote from the rest of the region, but still considerably better than in the other south-eastern countries of the EU.

The internal market *acquis* and related EU policies significantly influence economic life in all EU member states. From a global perspective, the internal market to a large extent economically functions as one unit. The media approach in covering the EU internal market issues is, however, still dominated by national perspectives. This holds true also for the media in the V4 countries.

The workshop brought the following conclusions and recommendations:

### ***Main Conclusions and Recommendations***

- Presenting products and services **quality failures under national labels** is inscribed into the way the media functions. When the brand of wrongdoer is not famous, the media naturally use national labels such as “*Czech alcohol*” or “*Polish butter*” without any respect to the fact that only one brand from foreign country may be connected with a quality failure. It is still not seen as politically incorrect despite it may influence consumer habits for a long time and fragment internal market.

*(Highly relevant and topical for all)*

- The educative role of the media is dependent on the interest of the media readership. For the media it is important to follow a clash (even “scandal”) so that the coverage can attract attention. **Only at the background of such clashes, an educational role can be fulfilled and reports on the essence of the internal market can be provided.** Taking into account that the EU institutions situated in Brussels that are engaged in the internal market functioning are mostly afraid to openly refer about frictions between EU member states, most of the potential that may attract such media attention is lost. It could be exemplified by the issue of “Grexit” and “Migration crisis” how an open line of conflict serves as a magnet for the media from the whole EU. **Educational role of the media, however, should not in any way slip into suppression of relevant information,** as has



been witnessed recently in Germany and Sweden in connection with the “Migration crisis”.

*(Highly relevant and topical for all)*

- **The natural gravity of “scandals”** means that the media are often attached to the most excessive stances and thus exaggerate conflict lines to artificial dimensions. At the same time, **the stakeholders themselves tend to overstate their positions in order to attract media attention**. As a result, a call to boycott foreign products by a small interest group can get wider attention than a full scale organization such as consumer protection group or chamber of commerce.

*(Highly relevant and topical for all)*

- The V4 region generally had positive experience with foreign, mostly German, ownership of the media and the presence of traditional foreign media houses. This helped to cultivate the media scene. The foreign owned media in the EU, however, mostly remain focused on tastes and preferences of its domestic readership and its informational coverage of the internal market is not significantly influenced by the factor of foreign ownership.

*(Relevant and topical for all)*

- Good journalism about the internal market also needs to use ordinary and regular human stories to translate complex and problematic concepts into a form accessible to general public.

*(Relevant for all)*

- **The national stereotypes are by no means a speciality of Central Europe.** The representatives of the “Western” media at the workshop confirmed that the situation with the so-called “*Polish plumber*” stereotype had not changed much since the EU enlargement in 2004. In the former EU15 states, it is still associated with fears of skilled and cheap labour force and service providers from Central Europe.





Asociace  
pro mezinárodní  
otázky  
Association  
for International  
Affairs

# Policy Paper 2/2016

V4 and the Internal Market: Benelux of the 21<sup>st</sup> Century?

–  
March 2016

## **ASSOCIATION FOR INTERNATIONAL AFFAIRS (AMO)**

AMO is a preeminent independent think-tank in the Czech Republic in the field of foreign policy. Since 1997, the mission of AMO has been to contribute to a deeper understanding of international affairs through a broad range of educational and research activities. Today, AMO represents a unique and transparent platform in which academics, business people, policy makers, diplomats, the media and NGOs can interact in an open and impartial environment.

### **In order to achieve its goals AMO strives to:**

- formulate and publish briefings, research and policy papers;
- arrange international conferences, expert seminars, roundtables, public debates;
- organize educational projects;
- present critical assessment and comments on current events for local and international press;
- create vital conditions for growth of a new expert generation;
- support the interest in international relations among broad public;
- cooperate with like-minded local and international institutions.

## **RESEARCH CENTER**

Founded in October 2003, the AMO Research Center has been dedicated to pursuing research and raising public awareness of international affairs, security and foreign policy. The Research Center strives to identify and analyze issues crucial to Czech foreign policy and the country's position in the world. To this end, the Research Center produces independent analyses; encourages expert and public debate on international affairs; and suggests solutions to tackle problems in today's world. The Center's activities can be divided into two main areas: first, it undertakes research and analysis of foreign policy issues and comments on AMO blog; and second, it fosters dialogue with the policy-makers, expert community, and broad public.

**[www.amo.cz](http://www.amo.cz)**

**[@AMO\\_cz](https://twitter.com/AMO_cz)**

**[Facebook/AMO.cz](https://www.facebook.com/AMO.cz) | [YouTube/AMOCz](https://www.youtube.com/channel/UCAMOCz) | [LinkedIn/company/amocz](https://www.linkedin.com/company/amocz)**