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Internal Market among V4 Countries: Energizing stakeholders' activity to press for its smoother functioning

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Summary

The Czech Republic, Hungary and Slovakia are currently extremely open economies. Exports and imports alike are at very high levels relative to GDP (generally above three quarters of GDP). Only Poland, comparatively, 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 states of the EU, such as Spain. Furthermore, in 2013 all of the V4 countries reported a surplus trade balance, showing that their economies (expressed numerically relative to GDP) profited from participation in foreign trade.

Not only do the V4 countries share the fact that their economies are focused predominantly on the foreign trade; they are also **important export trading partners to each other**. All V4 countries have at least one of the other V4 countries among their three most important export trading partners. All V4 countries report that their economies are **highly dependent on Germany**, which is the most important exporting trading partner for all of them. At the same time, a large proportion of V4 exports to Germany are transformed by German exporters into final "made in Germany" export products headed for non-EU markets.

According to Smutka (2014), **agricultural trade is only a supplementary segment of mutual trade** between V4 countries and accounts for less than 10% of total trade. Only Poland (and to a lesser extent Hungary in certain years) have comparative advantages in agricultural trade in relation to global markets. The current uneven distribution of agricultural trade competitiveness among V4 countries could be an important reason for the lingering tension. Considering the weight of agricultural trade, this tension should not be allowed to trouble the otherwise good mutual trade relations**.**

The **preservation of access to the EU's internal market, its smooth functioning and further intensification of internal market integration** (for instance in the free movement of services) **are in the natural and vital interest of the V4 countries**. Like Benelux in the 1950s, the V4 countries have strong motivation to be proponents of a fully functioning internal market and should be channelling particular effort in this direction. The 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. Poland apart, the V4 countries' adherence to transposition deadlines and compliance with internal market directives is comparable or slightly better than the EU average. Polish results in this case are considerably worse.

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. 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, 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. In this respect, it is suggested to **explore opportunities for enhanced cooperation** and the introduction of additional tools for smoother communication between authorities in V4 countries.

There are large numbers of **chambers of commerce** and associations of entrepreneurs and employers and it is not always possible to find direct counterparts representing the same business sector segment in all V4 countries. Nevertheless, there is potential for common interests that could be explored and be used to develop common positions of the business sector in the Visegrad region. Conversely, the promotion of interests purely on a national basis, including various campaigns promoting domestic products, could even lead to market fragmentation.

Consumer protection groups are an important part of civil society. They help to balance the relationship between professional and well organized traders and dispersed consumers. Each V4 country has a specific set of consumer organizations developing organically just like any other segment of civil society. The international umbrella organizations such as European Consumer Organization (BEUC) or International Consumer Research & Testing (ICRT) can form a basic framework for the coordination and cooperation of certain key consumer organizations from V4 countries. However, the high **degree of interconnection in the Visegrad region suggests that V4 consumer organizations should be involved in a higher level of mutual networking.**

Freedom of press is one of the key factors indicating how **media** in a specific country is able to fulfil its goals and offer trustworthy and balanced reporting and comments on relevant issues of public life. It is also an essential factor that can influence the degree to which information is disseminated on internal market issues. The Czech Republic, Slovakia and Poland are at a similar and generally 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 the 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.

1. The Visegrad Group and the EU's Internal Market

The EU's internal market in goods and services has been one of the key instruments in the successful economic transformation of the Visegrad Group (V4) countries – the Czech Republic, Hungary, Poland, and Slovakia. Open access to the internal market of the EU has provided the countries of the V4 region with opportunities for export-oriented growth, facilitated much-needed transfers of technology and managerial methods, and made the region attractive to foreign direct investments.

The safeguarding of a proper functioning internal market is, however, a never-ending story. Cases of significant failures in the quality of goods or services originating in one EU member state may, thanks to media and popular campaigns, influence the general habits of consumers in other member states for a long time even when the quality failure has been fixed. As a result, the EU's internal market cannot function optimally and provide the best results. General consumer trust in market surveillance, alert mechanisms and trans-national administrative cooperation is another factor that may determine the overall impact of quality failures.

First and primary responsibility for the proper functioning of the internal market rests with the EU as a whole. The proximity and interconnection of markets in the V4 countries, the openness of their economies and several recent cases of quality failures receiving broad media coverage, however, underline the need for better intra-V4 cooperation.

To this end, the International Visegrad Fund co-funded the project Smooth Functioning of the Internal Market between V4 Countries, which tries to involve various parts of V4 civil society in the exploration of further ways to bolster the internal market between V4 countries.

This opening research paper on the above project first provides an initial analysis of the role of the internal market for the economies of V4 countries (Chapter 2) and then proceeds to examine the role of public administrations, chambers of commerce, consumer organizations and the media in V4 countries in safeguarding a functioning internal market (Chapter 3). The research paper, in a series of open questions, also suggests a framework for subsequent workshops in which relevant stakeholders from the V4 countries can discuss and make recommendations on joint strategies, to be summarized in the project's final policy paper.

2. Analysis of the role of the Internal Market for V4 countries

From the perspective of the economies of the V4 countries and their cooperation within the Visegrad region, the EU's internal market has three compelling advantages. First, it facilitates the establishment of foreign direct investments that can be interlinked in supply chains with other businesses throughout the Visegrad region and, at the same time, be connected to the whole EU market. Secondly, all of the V4 countries are intensively export-oriented economies, so openness to foreign trade through the internal market is an indispensable source of economic growth for them. Thirdly, the internal market facilitates significant mutual economic exchanges between V4 countries as the final consumers of each other's goods and services, while simultaneously constituting the dominant market for V4 exports. Preserving free access to the internal market and its smooth functioning is therefore in the vital interest of all V4 countries.

Interlinked supply chains

Foreign direct investment (FDI) has been one of the main drivers behind the economic growth and transition of V4 economies. As a study by Medve-Bálint (2014) stresses, although V4 countries were unsuccessful in attracting FDI throughout most of the 1990s, this changed in the last six years prior to the EU's 2004 enlargement, when stock FDI more than tripled and this trend continued in subsequent years.[1] The V4 countries' anticipated membership of the EU's internal market served as an additional security provider and, in the eyes of foreign investors, led to "a reduction of the risk premia".[2] The *acquis communautaire* of the four freedoms of the internal market (free movement of goods, services, capital and people) also guaranteed that foreign investments in the V4 countries could easily be interlinked in complex supply chains with businesses throughout the Visegrad region. The free movement of capital guarantees cross-border dividend payments between individual corporate entities in the production chains. The free movement of workers covers the rotation of managers over the V4 region. Finally, the free movement of goods and services is a conduit for cross-border flows of semi-finished outputs, facilitating cross-border collaboration in the product development and manufacturing process.

The last decade has witnessed a large inflow of FDI into the V4 economies. Before the financial crisis of 2009, the per capita FDI annual inflow into Central and Eastern European countries actually surpassed all other emerging markets, including Brazil, Mexico and

[1] Medve-Bálint (2014) p. 38.
[2] Breuss (2002) p. 255.

China.[3] The foreign greenfield investments in the V4 have been aimed primarily at developing the manufacturing base for mostly export-oriented production.[4] At the same time, according to Gkagka & Zarotiadis (2011), concentrated export orientation helps to attract advanced technologies and productivity and leads to greater internationalised entrepreneurial activity in national production.[5] Similarly, Inotai (2013) ascertains that owners of new technologies play a key role in export-driven growth.[6] The expansion in the exports of emerging economies thus largely reflects imports of new technologies and know-how from abroad. Internal market membership allowed V4 countries to harness this exchange and keep it stable, as evidenced by the fact that, for the most part, FDI did not abandon the region even during the global recession of 2009.[7]

In this respect, the EU's internal market plays an essential role in attracting FDI inflows into the V4 countries and in shoring up their sustainability and preserving their long-term perspectives even in a crisis.

Export orientation

All V4 countries are currently economies predominantly influenced by foreign trade and, in particular, by intra-EU trade. This can be attributed to developments over the past two decades and is the result of the massive expansion of V4 countries' exports and imports alike.

Figure 1 shows that the exports of goods and services relative to the GDP of the V4 countries have more or less doubled since 1993. In the case of the Czech Republic and Slovakia, this significant increase has been achieved from a baseline of already high exports, i.e. even in the 1990s exports accounted for about half of their GDP. Hungary, which, like Poland, had a lower level of exports relative to GDP in the 1990s, has been able to almost quadruple its exports of goods and services relative to GDP. The commodity structure of V4 countries' merchandise trade is dominated by trade in processed industrial products.[8]

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[3] See Medve-Bálint (2014) pp. 37 and 38.
[4] Medve-Bálint (2014) p. 43.
[5] Gkagka & Zarotiadis (2011) pp. 2 and 3.
[6] Inotai (2013) p. 4.
[7] For details, see Kruliš (2014) pp. 5-7.
[8] Smutka (2014) p. 30.

Figure 1: V4 countries' exports of goods and services (% of GDP)				
Country/ Year	Czech Republic	Hungary	Slovakia	Poland
2013	**77**	**89**	**93**	**46**
1993	40	23	55	21

Source: World Bank (retrieved on 28 December 2014)

As a result, exports of goods and services in the Czech Republic, Slovakia and Hungary currently exceed three quarters of GDP in these countries. Only Poland, partly due to its comparatively larger domestic market,[9] records exports below half of its GDP. Nevertheless, even 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%), Italy (29%) and Spain (32%).[10] Elsewhere in the EU, high export figures similar to those in the V4 (except Poland) are recorded in the Benelux countries – the Netherlands (83% of GDP) and Belgium (also 83%).[11]

Trends similar to those in exports have also been witnessed in imports. Over the last 20 years, imports of goods and services (as a % of GDP) have increased in all V4 countries (see Figure 2). Again, the level of imports in the Czech Republic, Hungary and Slovakia is significantly higher than in Poland. The results of these three V4 countries are comparable to the figures recorded for the Benelux countries in 2013 –73% of GDP in the Netherlands and 81% in Belgium.[12] Even in Poland (44% of GDP), the level of imports of goods and services is currently higher than in the EU's big economies, including Germany (40% of GDP), France (30%), the United Kingdom (32%), Italy (26%) and Spain (28%).[13]

[9] See also Inotai (2013) p. 2.
[10] Source: World Bank, data for 2013 (retrieved on 28 December 2014).
[11] Ibid. However, juxtaposing Benelux and the V4 is complicated as the GDP per capita in these two groups of countries differs substantially and the export statistics for the Benelux countries could be distorted by the "Rotterdam-Antwerp effect".
[12] Ibid. Reservations similar to those mentioned above also apply in this case.
[13] Ibid.

Figure 2: V4 countries' imports of goods and services (% of GDP)				
Country/ Year	Czech Republic	Hungary	Slovakia	Poland
2013	**71**	**81**	**88**	**44**
1993	39	30	60	20

Source: World Bank

The general trend of the increased openness of the V4 economies had another important aspect. Figure 3 shows that the increase in imports, measured in percentage points of GDP, was lower than the increase in exports for all V4 countries, with the exception, again, of Poland, where exports and imports increased at more or less the same rate (exports at 25% of GDP and imports at 24% of GDP).

Figure 3: Comparison of export and import increases (of goods and services) in V4 countries between 1993 and 2013 (% of GDP)				
Country	Czech Republic	Hungary	Slovakia	Poland
Change in exports	+ 37	+ 66	+ 38	+ 25
Change in imports	**+** 32	+ 51	+ 28	+ 24
Difference: change in exports – change in imports	+ **5**	+**15**	+**10**	+**1**

Source: Own calculations based on data from the World Bank

This additional aspect of the increased openness of V4 economies shows that most of the V4 countries were able to improve their trade balance (exports minus imports) over time and thus increase their overall GDP. The biggest shift in trade balance has been achieved by Hungary, followed by Slovakia, the Czech Republic and Poland. As shown in Figure 4, Hungary has transformed its deep 1993 trade balance deficit (-7% of GDP, the worst score of the V4 countries) in into the biggest trade balance surplus of the V4 countries (+8% of GDP) in the space of two decades. Similarly, Slovakia has turned its trade balance deficit (-5% of GDP) into a surplus (+5% of GDP). The Czech Republic and Poland both already had a slight trade balance surplus (+1% of GDP) in 1993 and have been able to improve it. The Czech Republic has been the more successful of the two, taking its trade balance surplus up to +6% of GDP, while Poland has attained a trade balance surplus of just +2% of its GDP.

Figure 4: V4 countries' trade balance (of goods and services) in 2013 (% of GDP)				
Country	Czech Republic	Hungary	Slovakia	Poland
Trade balance in 2013	**+6**	**+8**	**+5**	**+2**
Trade balance in 1993	**+1**	- 7	-5	+1

Source: Own calculations based on data from the World Bank

The data presented show that the Czech Republic, Hungary and Slovakia are currently extremely open economies. Exports and imports alike are at very high levels relative to GDP (generally above three quarters of GDP). Only Poland, comparatively, 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 states of the EU, such as Spain. Furthermore, in 2013 all of the V4 countries reported a surplus trade balance, showing that their economies (expressed numerically relative to GDP) profited from participation in foreign trade.

Mutual economic exchange between V4 countries and other important trading partners

Not only do the V4 countries share the fact that their economies are focused predominantly on the foreign trade; they are also important export trading partners to each other. All V4 countries have at least one of the other V4 countries among their three most important export trading partners (see Figures 5 to 8).

Figure 5: Trading (export) partners of the Czech Republic in 2012 (% of total USD trade value)	
Germany	31.8%
Slovakia	**9.1%**
Poland	**6.1%**
France	5.1%
United Kingdom	4.9%
Austria	4.7%

Figure 6: Trading (export) partners of Hungary in 2012 (% of total USD trade value)	
Germany	25.6%
Romania	6.2%
Slovakia	**6.1%**
Austria	6.0%
Italy	4.8%
France	4.8%

Figure 7: Trading (export) partners of <u>Slovakia</u> in 2012 (% of total USD trade value)			**Figure 8: Trading (export) partners of <u>Poland</u> in 2012** (% of total USD trade value)	
Germany	22.3%		Germany	26.0%
Czech Republic	**14.9%**		United Kingdom	7.0%
Poland	**8.8%**		**Czech Republic**	**6.5%**
Hungary	**7.8%**		France	6.0%
Austria	7.0%		Russia	5.2%
France	5.6%		Italy	5.0%

Sources 5-8: CIA, World Factbook (retrieved on 29 December 2014)

The logic that immediate neighbours will have strong trade relations fully holds up to scrutiny in this case. Slovakia is the only country to border all remaining V4 countries, and all of them are 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 in USD, which is a higher value than Slovakia's exports to its main trading export partner – Germany (22.3% of Slovak exports). Immediate neighbours within the V4 group always rank as at least the fourth most important export trading partner. The only exception is Slovakia as an export partner for Poland, which may be due to the size of the Slovak market and the biggest natural obstacle on the borders between the V4 countries – the Tatra Mountains.

All V4 countries also report that their economies are highly dependent on Germany, which is the most important exporting trading partner for all of them. 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.

Besides the focus on Germany, the lists of the V4 countries' most important trading partners reveal that their trade is strongly oriented towards markets within the EU. Among the six biggest trading partners of all V4 countries in 2012, the only one outside the EU's internal market is Russia (as Poland's fifth biggest export trading), and even this could change in light of current mutual EU-Russia sanctions. According to Špok (2012), Poland is also the leading exporter to non-EU states in terms of total exports (22% of total Polish exports), whereas Slovakia is the V4 country dispatching the lowest share of its exports outside the EU (15%).[14] Therefore, intensifying the orientation of direct exports outside the EU further would appear to be a desirable strategy for V4 countries. However, it should also be borne in mind that the export statistics could be severally distorted by the German economy's export

[14] Špok (2012).

focus. **A large proportion of V4 exports to Germany are transformed by German exporters into final "made in Germany" export products headed for non-EU markets.** Therefore, V4 countries, through their reliance on the German exporting machine, are more dependent on developments in the global economy than the list of their most important trading partners might otherwise suggest.

Mutual trade in agricultural products has been a traditional source of tension between the V4 countries, fuelled with real (but sometimes artificially overrated) issues of quality failures. With this in mind, it merits separate scrutiny. The value of agricultural exports and imports between V4 countries is 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 accounts for less than 10% of total trade.[15] 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.[16] The current uneven distribution of agricultural trade competitiveness among V4 countries could be an important reason for the lingering tension. **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 the V4 countries, this tension should not trouble the otherwise good mutual trade relations in any way.**

The analysis above offers the conclusion that the preservation of access to the EU's internal market, its smooth functioning and further intensification of internal market integration (for instance in the free movement of services) are in the natural and vital interest of the V4 countries. For the Czech Republic, Slovakia and Hungary, this is an 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. Like Benelux in the 1950s, the V4 countries have strong motivation to be proponents of a fully functioning internal market and should be channelling particular effort in this direction.

[15] Smutka (2014) p. 31.
[16] Ibid, pp. 32, 35 and 38.

3. The smooth functioning of the Internal Market between V4 countries: Relevant stakeholders

As the internal market is of the utmost importance for the V4 economies (Chapter 2), the role of individual stakeholders and the potential for better cooperation between them merits closer examination. In this light, Chapter 3 dwells on the four groups of key V4 stakeholders, i.e. Public Administrations (A), Chambers of Commerce (B), Consumer Organizations (C) and Media (D), and suggests areas for discussion in the upcoming stakeholder workshops.

A) Public authorities with competence over goods and services

The proper functioning of the internal market (i.e. a market without internal frontiers) 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.

As far as the individual states are concerned, it is essential for all EU internal market provisions to be implemented in a due and timely manner and for compliance with EU law to be strictly maintained. Furthermore, states cannot pursue any action to the detriment of the four freedoms unless a specific derogative clause can be justifiably invoked. These duties of states are further boosted by the principle of sincere (loyal) cooperation enshrined in Article 4(3) of the Treaty on European Union, as amended (TEU).[17] Moreover, the principle of sincere cooperation requires that member states not only abstain from adopting measures conflicting with EU laws, but also that they refrain from adopting measures impeding the efficacy of EU policies.[18] Member states are also obliged to take action to remove obstacles to the four freedoms, even where these are not caused by the state itself (e.g. the blocking of border crossings by French farmers targeting imports of Spanish strawberries).[19] However, it is recognized that such state actions must also respect the exercise of fundamental freedoms by citizens, including the freedom of expression or assembly (e.g. temporary protests against transit traffic pollution on border crossings between Austria and Italy).[20]

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[17] See, for instance, Lenaerts et al. (2011) pp. 147-155.
[18] Chalmers et al. (2010) p. 223.
[19] See, for instance, C-265/95 *Commission v France* [1997] ERC I-9659.
[20] Case C-112/00 Schmidberger v Austria [2002] ERC I-9977.

Figure 9 presents basic data on how the V4 countries have performed in transposing the internal market acquis.

Figure 9: Transposition of internal market acquis in the V4 countries					
Country	Czech Republic	Hungary	Slovakia	Poland	*EU average*
Deficit in the transposition of internal market directives (% of the whole acquis)	0.5%	0.6%	0.6%	1.0%	*0.7%*
Average transposition delay (months)	7.7	7.5	5.2	13.7	*7.5*

Source: Single Market Scoreboard
(most recent available data apply to May 2014, retrieved on 4 January 2015)

Poland apart, the V4 countries' adherence to transposition deadlines 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.

The Single Market Scoreboard also provides data on the compliance of transpositions that have been notified but are presumably not in conformity with the relevant directive. The data for V4 countries is shown in Figure 10.

Figure 10: Compliance with the internal market acquis in the V4 countries					
Country	Czech Republic	Hungary	Slovakia	Poland	*EU average*
Compliance deficit for internal market directives (% of the whole acquis)	1.0%	0.6%	0.8%	2.5%	*0.7%*
Pending infringement cases relating to internal market acquis	28	21	22	49	*30*

Source: Single Market Scoreboard (most recent available data apply to May 2014, retrieved on 4 January 2015)

Again, the level of compliance 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 of the EU.

The principle of sincere cooperation does not apply only in the vertical relationship between the EU and its member states. The Court of Justice of the European Union and its predecessors (CJEU) have already established that this principle is also applicable 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.[21] In practice, this means that the authorities of individual states, faced with such cases, are obliged to cooperate sincerely and respond in a timely manner to requests for cooperation from their counterparts. The principle of sincere cooperation aims to satisfy the relevant parties not only formally, but also in a way that renders the effect of requests as useful as possible.

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 the 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,[22] 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.[23]

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.[24] It also allows authorities from one member state to request checks, inspections and investigations into services by authorities of other member states.[25] In addition, it establishes a scheme to host the personnel of related national authorities.[26]

[21] C-251/89 – *Athanasopoulos*, ERC I-2847, paragraph 57.
[22] 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).
[23] For a scholarly analysis of Solvit and its impact, see, for instance, Vifell & Sjögren (2014).
[24] Article 32 of the Service Directive.
[25] Article 29(2) of the Service Directive.
[26] Article 34(1) of the Service Directive.

Specific Rapid Alert Systems, outside of the service sector, are created for food and feeds (**RASFF**) and for other dangerous products (RAPEX).

Figure 11 shows which authorities in V4 countries have primary responsibility for cooperation under the above EU programmes.

Figure 11: National authorities responsible for EU cooperative programmes

Countries/ EU programme	Czech Republic	Hungary	Slovakia	Poland
National Coordinators of the Internal Market Information System (IMI)	Ministry of Industry and Trade	Ministry of Foreign Affairs and Trade (Department of EU Internal Market and Legal Affairs)	Ministry of Economy	Ministry of Economy
SOLVIT	Ministry of Industry and Trade	*changes pending (temporary)*	Office of the Government (Department of Approximation)	Ministry of Economy
Rapid Alert System for non-food dangerous products (RAPEX)	Ministry of Industry and Trade	Hungarian Authority for Consumer Protection	Ministry of Economy	Office of Competition and Consumer Protection
Rapid Alert System for Food and Feed (RASFF)	Agriculture and Food Inspection Authority	National Food Chain Safety Office	The State Veterinary and Food Administration	Chief Sanitary Inspectorate

Source: European Commission webpages on the respective programmes: IMI,[27] SOLVIT,[28] PSCs,[29] RAPEX[30] and RASFF[31] (retrieved on 4 January 2015)

[27] European Commission (2014): National IMI coordinators. Available at: http://ec.europa.eu/internal_market/imi-net/contact/index_en.htm#cz, last update 3.3.2014.
[28] European Commission (2014): National SOLVIT centres. Available at: http://ec.europa.eu/solvit/contact/index_en.htm#sk, last update 11.12.2014.
[29] European Commission (2013): Points of Single Contact. Available at: http://ec.europa.eu/internal_market/eu-go/index_en.htm, last update 10.9.2013.
[30] European Commission (2014): List of RAPEX Contact Points. Available at: http://ec.europa.eu/consumers/consumers_safety/safety_products/rapex/how_does_it_work/docs/rapex_contact_points_en.pdf, last update 24.11.2014.
[31] European Commission (2014): Members of RASFF Network. Available at: http://ec.europa.eu/food/safety/rasff/members/index_en.htm, last update 22.12.2014.

The highest level of concentration of responsible agencies under one ministerial office can be found in the Czech Republic, where all of the mentioned 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.[32]

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. In this respect, it would be reasonable to explore opportunities for enhanced cooperation and the introduction of additional tools for smoother communication between authorities in V4 countries. The following set of questions aims to open a debate between responsible authorities from the V4 countries and, as such, to contribute to the smoother functioning of the internal market in this region.

What is your experience of cooperating with authorities from other V4 countries? How does the Internal Market Information System work between the V4 countries? How can its functioning be improved?

How effective is Solvit and its informal handling of claims of denials of EU rights to free movement between V4 countries? Is Solvit used between the V4 countries more frequently than in relation to other EU member states? Do the responsible national authorities cooperate with Solvit offices so that cases can be resolved informally?

How effective are the forms of administrative cooperation prescribed by the Service Directive between the V4 countries? Is there room for enhanced cooperation on the Visegrad group platform? How do the relevant authorities respond to requests for service-related checks, inspections and investigations from authorities in other V4 countries?

Could the pattern of cooperation established by the Service Directive, including inspection requests or the hosting of personnel, also be introduced to areas other than the service sector? Would relations between the V4 countries improve if such a level of cooperation was also guaranteed, for instance, in the agricultural sector?

[32] Data for Hungarian authorities are not updated in EU databases, e.g. according to the EU database, the IMI coordinator is still the Ministry of Foreign Affairs, even though this authority since summer 2014 bears the name of the Ministry of Foreign Affairs and Trade.

B) Chambers of commerce

There are large numbers of chambers of commerce and associations of entrepreneurs and employers in all V4 countries. Individual organizations are involved in a broad range of activities, ranging from advisory and assistance services to the advocacy of member interests at various levels of governance and member representation in various international forums. The most relevant organizations also tend to have representatives in the European Economic and Social Committee (EESC).

Figure 12 below lists all employer and entrepreneurial associations from V4 countries that currently have representatives in the EESC.

Figure 12: Chambers of commerce and associations of employers from V4 countries that have representatives in the EESC

Czech Republic	Hungary	Slovakia	Poland
Czech Chamber of Commerce Association of SMEs and Craft Industries Confederation of Industry Union of Czech Production Cooperatives	National Confederation of Employers and Industrialists Agricultural Cooperatives and Producers Federation of Traders and Caterers Association of Strategic and Public Utility Companies	National Union of Employers Agricultural and Food Chamber Entrepreneurs' Association of Slovakia	Business Centre Club National Association of Farmers' Groups and Agricultural Organizations Employers of Poland Polish Craft Association Confederation of Private Employers Polish Confederation Lewiatan

Source: EESC website (retrieved on 5 January 2015)

The list shows that it is not always possible to find direct counterparts representing the same business sector segment in all V4 countries. Nevertheless, productive dialogue between these associations is a key factor for improved business cooperation in the whole region. **There is potential for common interests that could be explored and be used to develop common**

positions of the business sector in the Visegrad region. Conversely, the promotion of interests purely on a national basis could even lead to market fragmentation.

Particular attention should be paid to various campaigns promoting domestic products to the disadvantage of products from other countries. There is a body of long-settled CJEU case-law that restricts the involvement of states in campaigns supporting the consumption of national products to the detriment of imports from other EU countries. States sometimes have various business organizations act vicariously for them, as a vehicle through which they can initiate and support such campaigns. However, in certain cases the CJEU sees through such constructs, and the actions of these organizations have been found to be in breach of EU law.[33]

In the "Buy Irish" case, the CJEU found that Irish support for the consumption of domestic products was inconsistent with EU law as it consisted of
"*a programme defined by the government which affects the national economy as a whole and which is intended to check the flow of trade between Member States by encouraging the purchase of domestic products, by means of an advertising campaign on a national scale and the organization of special procedures applicable solely to domestic products, and where those activities are attributable as a whole to the government and are pursued in an organized fashion throughout the national territory.*"[34]

The conditions for such campaigns were further laid in the "Apple and Pear" case, where the CJEU accepted a campaign drawing attention to
"*specific qualities of fruit produced within the Member State in question or from organizing campaigns to promote the sale of certain varieties, mentioning their particular properties, even if those varieties are typical of national production*",

yet at the same time found that such a campaign cannot be
"*intended to discourage the purchase of products from other Member States or to disparage those products in the eyes of consumers, or to advise consumers to purchase domestic products solely by reason of their national origin.*"[35]

Campaigns in breach of EU law are clearly damaging the smooth functioning of the internal market. It is, however, noteworthy that a campaign in support of domestic products (regardless of whether or not it is in breach of EU law) could trigger a spiral of campaigns responding to campaigns in other states and thus result in increased fragmentation of the internal market. Such a spiral is particularly threatening in the

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[33] Chalmers et al. (2010) p. 757, Case 249/91 *Commission v Ireland* [1982] ECR 4005, and Case 222/82 *Apple and Pear Development Council v Lewis.*
[34] Case 249/91 *Commission v Ireland* [1982] ECR 4005, paragraph 29.
[35] Case 222/82 *Apple and Pear Development Council v Lewis* [1983] ERC 4083, paragraph 33(b).

Visegrad region, where the individual markets are highly interlinked. A fragmented internal market would deprive the region of the economic benefits that could be reaped in the absence of such barriers. The following set of questions aims to open debate between the relevant organizations from the V4 countries and, as such, contribute to the smoother functioning of the internal market in this region.

How can chambers of commerce in the Visegrad region help to improve the functioning of the internal market between V4 countries and prevent market fragmentation?

Are the existing links between chambers of commerce in different V4 countries sufficient? Can chambers of commerce soften and moderate the potentially competing interests of some of its members?

How can chambers of commerce in the Visegrad region cooperate better? What common projects could be developed? For instance, could a common approach and position to the introduction of the single currency in Visegrad countries be forged between chambers of commerce? Is there room for the joint promotion of common interests at EU level or for the joint promotion of the Visegrad region in foreign markets, including America or Asia?

C) Consumer organizations

Consumer protection is recognized as an indispensable element in the functioning of the internal market.[36] 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 EU level.[37] 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 the various V4 countries.

Consumer protection groups are an important part of civil society. They 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

[36] 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.
[37] 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).

and technical resources to carry out their role of protecting the rights and interests of consumers."[38] 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.[39]

Consumer organizations are involved in a broad range of activities, including the unbiased comparative testing of products, information campaigns or lobbying, and advisory services to consumers in individual cases. The way consumer organizations are structured and financed differs from one EU member state to another.[40] Therefore, **each V4 country has a specific set of consumer organizations developing organically just like any other segment of civil society.** Some of the V4's national consumer organizations are members of international framework associations at various levels (see Figure 13).

[38] European Economic and Social Committee (2012) p. 2.
[39] European Economic and Social Committee (2008) p. 5.
[40] See also European Economic and Social Committee (2012) p. 4.

Figure 13: V4 national consumer organizations' membership of international framework organizations

Countries/ Framework organizations	Czech Republic	Hungary	Slovakia	Poland
International Consumer Research & Testing (ICRT)	dTest	-	-	Pro-Test Foundation
European Consumer Organization (BEUC)	dTest	National Association for Consumer Protection (OFE) National Federation of Associations for Consumer Protection (FEOSZ)	Association of Slovak Consumers (ZSS)	Association of Polish Consumers (SKP) Polish Consumer Federation (FK)
Consumers International (CI)	Consumers Defence Association of the Czech Republic (SOS)	Association of Conscious Consumers (ACC) National Federation of Associations for Consumer Protection in Hungary (FEOSZ)	Association of Slovak Consumers (ZSS)	Association of Polish Consumers (SKP) Polish Consumer Federation (FK)

Source: Framework organizations' websites: ICRT, BEUC and CI (retrieved on 2 January 2015)

The international umbrella organization for the comparative testing of goods and services is International Consumer Research & Testing (ICRT). The ICRT is a consortium of more than 35 organizations from around the world serving as a platform for the cooperation of its members as they conduct research and tests. Testing is carried out purely in the interests of consumers. All ICRT members have to follow strict rules on impartiality, including a ban on advertising in their publications.[41] Within the V4 region, ICRT members can be found only in Poland and the Czech Republic. Nevertheless, the absence of a member from Slovakia is partially offset thanks to the availability of the Czech *dTest* website in Slovak.

The international umbrella organization at European level is the European Consumer Organization (BEUC).[42] The BEUC has 40 members (consumer organizations) from 31 European countries and represents them at European level, thus promoting the interests of all European consumers.[43] All V4 countries have at least one consumer organization that is a member of the BEUC.

The global international umbrella for consumer organizations is Consumers International (CI). The CI is a worldwide federation of more than 250 consumer organizations from 120 countries.[44] It has representatives from all V4 countries. In Slovakia and Poland the IC member organizations are the same as those which are BEUC members. In Hungary, only the FEOSZ is member of both the CI and BEUC. In the Czech Republic, the CI and BEUC members are different.

The above international umbrella organizations can form a basic framework for the coordination and cooperation of certain key consumer organizations from V4 countries. However, the high degree of interconnection in the Visegrad region suggests that V4 consumer organizations **should be involved in a higher level of mutual networking**. Several arguments can be raised in this regard. First, there is the need to provide suitable assistance and protection to consumers engaging in cross-border shopping and in the use of services, particularly in border regions. Secondly, a similar level of development, bearing in mind the size of V4 national markets, could embrace likeminded consumer interests, and these could be better represented if consumer organizations from the whole region weigh in together. For instance, it may be worth exploring the potential that such joint action would have in response to the frequently highlighted issue of the lower quality of certain products that are supplied to the V4 countries in contrast to those supplied to the former "EU15". Lastly, 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.

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[41] ICRT (2015).
[42] Apart from the BEUC, there is also the European Association for the Co-ordination of Consumer Representation in Standardisation (ANEC), which represents consumers in the process of developing technical standards at European level. ANEC is governed by its General Assembly, which includes representatives nominated in every state collectively by all consumer organizations.
[43] BEUC (2015).
[44] IC (2015).

The following set of questions aims to open debate between the representatives of consumer organizations from the V4 countries and, as such, contribute to the smoother functioning of the internal market in this region.

Does all the main consumer organizations' websites provide at least basic information in English or in the languages of the other V4 countries? Can you provide assistance to consumers from other V4 countries in their language? How many applications from consumers from other V4 countries do you receive every year?

Are there joint interests specific to consumers from the Visagrad region? Can they be jointly addressed in campaigns and by the lobbying of consumer organizations from all V4 countries? Do you have access to sufficient resources for such joint actions?

Is there opportunity for the closer approximation of consumer protection regulations between the V4 countries that could go beyond the level of harmonization at EU level? Would such additional approximation improve the comprehensibility of regulation for consumers and even traders?

D) Media in the V4 countries

Freedom of press is one of the key factors indicating how media in a specific country is able to fulfil its goals and offer trustworthy and balanced reporting and comments on relevant issues of public life. It is also **an essential factor that can influence the degree to which information is disseminated on internal market issues**. If media is under state control or the control of purely nationally operating groups, it may show a tendency to preserve or even endorse clichés of the national perspective. This could support the fragmentation of the internal market. On the other hand, a free press can help the smooth functioning of internal market by broadening nationally limited perspectives and by questioning national stereotypes.

Worldwide respected press freedom indices reveal that press freedom in the V4 countries is middling, i.e. between the best and the worst ranking states of the EU. According to the Freedom of the Press index by Freedom House 2014 (which reflects events in 2013), the Czech Republic, Slovakia and Poland fit into the category of "Free" press, while Hungary is categorized as "Partly Free" (see Figure 14). The total score of the Freedom of the Press index by Freedom House 2014 ranges from 0 to 100 and shows the sum of country scores related to the economic, political and legal environment. A low score signifies higher freedom of press. The "Free" press countries have a total score from 0 to 30; the "Partly

Free" countries score from 31 to 60, while a score between 61 and 100 equals "Not Free" status.[45]

Figure 14: Freedom of the Press in the V4 countries, Freedom House 2014 index (reflecting events in 2013)

Country	**Total Score (0 to 100)**	Economic Freedom (0 to 30)	Political Freedom (0 to 40)	Legal Freedom (0 to 30)	Overall status
Czech Republic	**20**	8	8	4	Free
Slovakia	**23**	7	9	7	Free
Poland	**27**	7	11	9	Free
Hungary	**35**	11	13	11	Partly Free

Source: Freedom House, 2014 Freedom of the Press data (retrieved on 30 December 2014)

The following picture can be painted from a comparison of the total scores of EU countries in the *2014 Freedom House Freedom of the Press* index.[46] The total scores of press freedom in the Czech Republic (20) and Slovakia (23) indicate that there are still shortcomings in contrast to press freedom in the best scoring Scandinavian countries, Sweden and Norway (10) Finland (11) and Denmark (12), and Benelux countries, the Netherlands (10) and Belgium (11). However, the total score of the Czech Republic and Slovakia is fully comparable to the freedom of press score of the United States (21), France (22) and the United Kingdom (23). Poland's total score (27) is slightly worse due to its worse score in the political and legal environment of press freedom. Hungary, with a total score of 35, is categorized as "Partly Free", but this is still not too far off the "Free" status. It ranks alongside Italy (31) as one of the best scoring EU countries that slumped into the "Partly Free" category. Besides Italy and Hungary, this group includes Bulgaria (39), Croatia (40), Romania (41) and Greece (46).

An alternative to the previously mentioned Freedom of the Press index by Freedom House is the *World Press Freedom Index* 2014, issued by *Reporters Without Borders* (again also reflecting events in 2013).[47] According to the Reporters Without Borders index, most of the

[45] Freedom House (2014) p. 2.
[46] Freedom House, 2014 Freedom of the Press data (retrieved on 30 December 2014).
[47] Reporters Without Borders. *World Press Freedom Index 2014.* Available at: http://rsf.org/index2014/en-index2014.php (retrieved on 30 December 2014). The index is composed of six general criteria of different weight. These criteria include: pluralism, media independence from the authorities, the environment in which journalists function, the quality of legislative framework for the media, the transparency of institutions affecting news production and the quality of infrastructure.

V4 countries score considerably better. Hungary, however, is even more detached from the three remaining states (see Figure 15).

Figure 15: World Press Freedom Index 2014 in the V4 countries, Reporters Without Borders (reflecting events in 2013)

Country	Czech Republic	Poland	Slovakia	Hungary
Total score	10.07	11.03	11.39	26.73
Rank worldwide	13	19	20	64
Category	Good situation	Good situation	Good situation	Noticeable problems

Source: Reporters Without Borders. World Press Freedom Index 2014
(retrieved on 30 December 2014)

The Czech Republic, with a total score of 10.07, takes 13th position worldwide and follows closely on the heels of the best ranking Scandinavian countries and the Netherlands (6.46). It is even one place ahead of Germany (10.23). Poland (11.03) and Slovakia (11.39) are not far behind in 19th and 20th place worldwide and are ahead of the total score of countries such as the United Kingdom (19.93), France (21.89) and the United States (23.49). This index is thus only unfavourable to Hungary, which, with a total score of 26.73, trails in in 64th position worldwide and is categorized as "Noticeable Problems", much like Croatia (26.82), with Greece (31.33) and Bulgaria (31.42) scoring far worse.

A comparison of the data from the two indices suggests that freedom of the press in **the Czech Republic, Slovakia and Poland is at a similar and generally 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 the 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.** Unfortunately, Hungary's slight handicap cannot be readily balanced out by reading and watching the press in neighbouring countries (because the languages are completely different). The media in world languages, English in particular, could therefore perhaps play a greater role in providing alternative perspectives to the Hungarian public than media from the other V4 countries.

Also, here each country is assigned a score of between 0 and 100 (0 representing the highest freedom of the press achievable and 100 the least free environment for the press).

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Internal Market among V4 Countries: Energizing stakeholders' activity to press for its smoother functioning

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January 2015

How can the media support the smooth functioning of the internal market among V4 countries? The way the media reports and comments on various internal market issues is a key factor that could determine its vitality. Another significant factor is how the V4 media covers failures in the quality of goods or services originating in the V4. The media coverage must be timely and proportionate to the gravity of the quality failure. The administrative apparatus of all V4 states should fully respect this and be particularly sure to disseminate information not only to domestic media, but also, in relevant cases, to the media from other V4 countries. The media, for its part, should be aware that 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. At the same time, when the nationality of producers who have failed to deliver the right quality of goods or services is stressed in media campaigns rather than the particular brand of the wrongdoer, the result is unreasonable damage to the image of all producers from the wrongdoer's country. Therefore, the media serves as a necessary channel of information on the internal market's warning system, but can also cause fragmentation of the internal market and be a barrier preventing it from reaching its full potential for economic development.

The following set of questions aims to open debate between media representatives from the V4 and, as such, contribute to the smoother functioning of the internal market in this region.

Does media coverage of issues related to the EU's internal market form a specific branch of journalism? Is writing about the internal market different from ordinary journalism and to what extent? Is it possible to eradicate national perspectives on a specific issue and to what extent is this necessary/desirable?

What is the current level of media coverage of internal market related issues and how it can be improved? Is the degree to which markets and businesses in the internal market are interconnected poorly reflected in general economic journalism?

How can journalists in V4 treat issues concerning quality failures of goods or services that originate in other V4? Is the reporting timely and proportionate? What experience do journalists have of the provision of information by authorities from other V4 countries? What are the main stereotypes regarding the quality of goods and services that originate in other V4 and how do the media treat them? How do the media in the EU15 countries treat the "Polish plumber" stereotype? How has it changed since EU enlargement in 2004?

Can the EU's internal market really work without internal barriers, like a market of a single state, if the media is mostly focused on the readership of individual states? What can be changed in this respect? Is single journalism needed for the single market?

Smooth Functioning of the Internal Market between V4 Countries

The project supported by the International Visegrad Fund is a platform for meetings of experts, representatives of media, consumer organizations, chambers of commerce and public administrations from Visegrad countries in order to discuss possibilities of enhanced functioning of internal market in the Central European region.

Visegrad Fund
www.visegradfund.org

Tentative timeline	Event	Place
6 February 2015	Workshop – Media	Prague
6 March 2015	Workshop - Public Administrations	Bratislava
12 June 2015	Workshop - Consumer Organizations	Warsaw
4 September 2015	Workshop – Chambers of Commerce	Budapest
4 December 2015	Presentation of project outcomes	Prague

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ASSOCIATION FOR INTERNATIONAL AFFAIRS (AMO)

Association for International Affairs (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 NGO's 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.

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Founded in October 2003, the AMO's 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 suggsts 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.

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