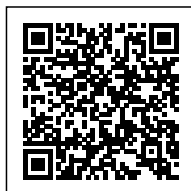


# MARKET SET TO BREAK DOWN BARRIERS TO COMPETITION

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## **Although one step closer to achieving market unity across its 17 autonomous regions, serious questions remain over the implementation of new rules**

Spain has long-been a fragmented market but, following approval by the Council of Ministers, the long-awaited Bill to Guarantee Market Unity is finally on its way to becoming legislation. The essence of the new law is to eliminate regional differences that can restrict companies wishing to operate pan-Spanish businesses. Currently, if a company wants to operate in Spain in more than one autonomous community, they require different administrative authorisations, one for each operating location. The New Law will mean that a single licence or authorisation obtained from one public administration allows operation across the whole country. The principal provision for a single national authorisation is very important, as if it is recognised across the country it will open up the domestic market, say lawyers. "The new law, once approved, will require significant changes in Spain's 17 regional autonomies regarding the free movement of goods and services," says Orion Armengol, a Competition and EU

Law Partner at Pérez-Llorca. "There have been reports, however, that certain regions have been attempting to resist implementation of the law."

While there have been changes to the draft legislation, the essential elements of the rule have remained, with only slight alterations for implementation. While the law is intended to simplify the process of selling goods and services across the country, there is the feeling among lawyers that it could interfere with the authority" of the autonomous communities.

Some have even suggested that the law could be challenged in the Constitutional Court. There have already been reports that the Government in Cataluña has dismissed the New Law - it has been reported as saying it will fight the regulation- with some politicians believing it to be an attempt to strip the region of its power.

Nonetheless, lawyers believe the changes will actually be positive for the regions. "The law tries to enhance competition in Spain rather than hamper it," says Armengol. "By creating single market regulation, it is the regions that have the best incentives - in terms of fewer licences, lower taxes or less public bureaucracy and red tape - that will prove to be most attractive destinations. The key is that businesses will now be able to operate and circulate goods and services freely throughout the country."

Lawyers are not sure whether the rules will have much impact on their own practices. The main issue will be for the companies themselves, because they will have to see how the administrative procedures to which they subject will be simplified.

"Maybe the New Law will create more opportunities and I understand that this measure is favourable for the potential foreign investor who wishes to market new products or supply goods or services according to the demand in its sector," says Marla Bojorge, Managing Partner of Corporate specialists Bojorge & Associates.

Still, the Market Unity Bill is intended to stimulate growth by removing various barriers to the market. There are also proposals to reform the tax system after the Government appointed a committee of experts to reform of the tax system headed by Professor Manuel Lagares, which is due to report back in February 2014.

Studies show that it is precisely the small and medium-sized enterprises (SMEs) and entrepreneurs that are one of the main engines to boost the Spanish economy, given their capacity to generate employment and their potential to create value.

"However, in recent years, these operators have reported a decline in economic activity and have had to develop their activities in a fiscal, financial and regulatory work environment are thus less capable of adapting to," explains Bojorge. "Also, they are facing a structural dependence on sourcing bank funding which, in the present circumstances, may limit their expansion."

The expectation is that the new reforms can boost confidence and encourage investment and activity, say lawyers, especially for ambitious or expansionist SMEs, which in turn could help drive Spain out of recession.