

Entrepreneurs frustrated by EU's half-baked single market in services

Member states are reluctant to recognise professional qualifications from elsewhere in bloc

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After sending more than 20 letters to German and French authorities over an 18-month period, Ludovic Gerboin just gave up. His attempts to get his French master baker certificate recognised in Germany had hit a wall.



Back in 2004, the boulanger from Laval had met the love of his life in Bavaria and wanted to open a bakery there. He eventually bit the bullet and took Germany's Bäckermeister exam. The rules seemed arbitrary, the 47-year-old told the Financial Times: "It was so frustrating."

Since Gerboin's experience, the EU has issued a directive aiming to simplify the recognition of professional qualifications. But entrepreneurs and companies operating in services across EU borders still struggle with a web of seemingly arbitrary restrictions.

More than half of the barriers to the single market in services that the bloc identified in 2002 still exist today — in part due to Germany's reluctance to open up its highly regulated professions to intra-EU competition.

In the history of the single market, only one French baker has ever had their certificate from their home country recognised in Germany, according to an EU database.

Research has shown that removing those barriers would hugely benefit the bloc's lagging economy, as services account for about 70 per cent of its GDP. The IMF estimated in 2024 that Europe's internal barriers in services were equivalent to a 110 per cent tariff.

“Services are an engine of growth,” said Lisandra Flach, economics professor at the University of Munich. Her research showed services accounted for 82 per cent of European economic growth between 2000 and 2023. Making it easier for companies to offer services across borders within Europe would offer a source of growth, she said — especially at a time when the region’s economy faces pressure from US President Donald Trump’s trade wars.

In reality, however, European companies still face a patchwork of regulation and non-tariff barriers to trade in services within the bloc. Rules governing sectors such as financial markets, transport and energy vary widely by country, while access to many professions is limited by byzantine national rules.

Overall, a quarter of European applicants seeking recognition of foreign qualifications were rejected in 2024, according to an FT data analysis. A further 10 per cent were asked to sit exams or “undergo an adaptation period” before they could be approved.

In total, 711,000 foreign qualifications have been recognised in another member state since 1997, including 356 bakers. Nurses, doctors and secondary schoolteachers account for 60 per cent of the total, but there is a long tail of smaller professions — including acupuncturists, drone pilots, saddle makers and wine tasters — among the 6,679 regulated activities listed.

Economists warn such barriers curb not just labour mobility but also investment, innovation and competitiveness.

“Intra-EU trade in services is stuck at a measly 8 per cent of GDP, as compared to 24 per cent for goods, laying bare how limited our not-so-single market really is,” said Anthony Gooch Gálvez, of the European Round Table for Industry. The services sector, he said, was the “sleeping giant” of European integration. “It’s time to wake up.”

In theory, the principle of free movement of services is anchored in European law. The 2006 Services Directive was intended as a key pillar enabling the freedom to establish a business or to provide or receive services in another European country.

In practice, many aspects of the directive were not implemented or enforced at national level, leaving existing barriers untouched. National rules continue to restrict access to about 5,700 services activities that account for about 22 per cent of the European workforce.

Regulations are especially thorny in Germany where guilds of skilled crafts date back to the Middle Ages. In 53 professions, entrepreneurs need a master certificate to run or open a business.

Preparing for the theoretical and practical exams for such certificates generally takes at least one year for fulltime students or up to three-and-a-half years part-time. Costs can

easily add up to €10,000 along with the wages people forgo while they are studying — and the exams must be done in German.

The government in Berlin even tightened the rules in 2019 when it added 12 more professions to the list, including tilers and makers of wooden toys and barrels. Supporters of such regulations argue they act as a guarantee of quality, but economists see them as barriers to entry that reduce competition and keep prices high.

Even covering a vehicle with a vinyl film — known as car wrapping — is protected by Germany's centuries-old guild rules, Bremen district court ruled this year. The court found that car wrapping counted as the production of “signs and illuminated advertising”, one of the professions in Germany that requires a master certificate.

The EU's single market for goods has been extensively tested in court. But there has been far less legal action to enforce a single market in services. And attempts from Brussels to improve it have often been faced with a political backlash.

The French nationalist politician Philippe de Villiers became the poster child for the opposition to the Services Directive when he warned about the threat of the “Polish plumber”, who became a symbolic figure representing eastern European workers allegedly undercutting local labour markets and regulations.

His rhetoric fuelled public anxiety in France and across Europe that opening national markets to cross-border service providers would cut wages and undermine social protections. The directive was ultimately watered down.

Enrico Letta of the IE University in Madrid, author of the 2024 report on improving the single market, said that progress in harmonising rules for professional services had stalled because of “national protections” and the powerful trade associations linked to those professions, especially in Germany and France.

“This is a more complicated obstacle to overcome,” Letta told the FT.

Beyond regulated professions, say experts, many services are highly complex to integrate across borders.

“Services are incredibly differentiated,” said Jacques Pelkmans of the Brussels-based think-tank CEPS, pointing to different levels of integration in services such as transport, energy and financial markets. Services can be less mobile and more local than goods, he says, and language differences also play a greater role.

Amid Trump's tariff threats and the bloc's push to become more competitive, Brussels is again eyeing the possibility of overcoming national interests to reap the fruits of more economic integration. European Commission president Ursula von der Leyen last month set out plans to implement a new single market strategy by 2028, including efforts to harmonise authorisation and certification schemes across the bloc.

The commission wants to make it easier to provide services in a different country on a temporary basis, for example to facilitate cross-border car rentals and installation, maintenance and repair services. But translating political momentum into concrete measures will not be easy.

“European leaders are happy to agree on the need for more competitiveness,” said one EU diplomat. “But when it comes to actually giving their own national sensitivities, they all want the others around the table to move first.”

For Gerboin, the French baker in Bavaria, the cross-border hurdles in his own profession reflect the “pride of bakers” — but are overdone. “No matter if you have a master certificate or not, the best baker stays in business,” he said. “If your bread is not good, you will not be successful in the long run.”