



NETWORK INSULAR CHAMBRERS OF COMMERCE OF THE EUROPEAN UNION

INSULEUR Contribution to the Public consultation on Territorial Supply Constraints

- OPEN CONSULTATION FEEDBACK -

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This initiative *clearly* has an impact on island economies, and in fact islands are among the territories most structurally affected by territorial supply constraints (TSCs): **unjustified territorial supply constraints disproportionately harm island economies** because they amplify existing structural disadvantages: higher logistics costs, limited supplier access, smaller market size, and dependence on a narrow set of distributors. Any EU initiative that reduces TSCs would *directly* improve competitiveness, consumer prices, and SME viability in islands.

Island regions experience the effects of TSCs more acutely due to structural disadvantages: higher transport costs, smaller markets, and limited wholesale competition. When manufacturers impose unilateral restrictions—such as differentiated packaging, refusal to supply, or wholesale price discrimination—insular SMEs are left with no alternative sourcing channels. This results in systematically higher wholesale prices and reduced product variety, directly undermining consumer purchasing power, a concern explicitly raised by Member States and EU institutions.

These practices cannot be justified by regulatory differences, as islands share the same national rules on labelling and product standards. They therefore constitute unjustified barriers that fragment the Single Market and disproportionately harm insular communities.

Even though the consultation document does not explicitly mention islands, several elements directly map onto insular realities:

1. Structural dependence on external suppliers

Island retailers and wholesalers rely almost entirely on imports. When manufacturers restrict cross-border sourcing — e.g., refusing to sell, limiting quantities, or imposing territorial restrictions — islands cannot compensate by switching to alternative supply channels.

The document describes such practices, for example:

“A supplier stopped selling or refused to sell products to me because I was reselling them in other Member States.”

For islands, this is not just a commercial inconvenience — it becomes a barrier to basic market functioning.

2. Higher consumer prices and reduced choice

The introduction notes that TSCs contribute to **significant price differences across the EU** not explained by taxation or logistics. For islands, where logistics already increase prices, TSCs *stack* additional artificial price inflation on top of unavoidable transport costs.

This means island consumers pay a double penalty:

- **natural insularity costs**, and
- **artificial territorial restrictions**.

3. Impact on SMEs: the backbone of island economies

TSCs disproportionately affect SMEs because they lack bargaining power with large manufacturers, they rely more on cross-border sourcing to remain competitive, and they cannot absorb price discrimination or supply limitations.

The document explicitly lists practices that SMEs often face, such as:

“A supplier has limited the quantity of its products available for sale to prevent me from reselling those products in other Member States.”

For island SMEs, limited quantities mean empty shelves, lost customers, and reduced competitiveness.

4. Territorial supply constraints reinforce geographic fragmentation

The Single Market Strategy identifies TSCs as one of the “Terrible Ten” barriers. Islands already experience fragmentation due to:

- distance from mainland markets,
- smaller population,
- seasonal demand fluctuations,
- dependence on maritime and air transport.

TSCs deepen this fragmentation by preventing islands from sourcing from the most efficient EU markets.

For island economies, these commercial constraints can be further compounded by physical transport and logistics bottlenecks. Even where an island business is legally able to source goods from another Member State, limited freight capacity, seasonal transport pressures or disruptions to maritime and air connections may restrict its ability to bring those goods to the local market.

Evidence provided by INSULEUR member Chambers illustrates this problem. In Chios, for example, freight transport can face significant pressure during the peak tourism season, when increased demand for ferry capacity can result in delays for commercial vehicles carrying essential goods and retail supplies. Such situations demonstrate how commercial Territorial Supply Constraints and the structural logistics constraints of insularity can combine to reinforce market fragmentation.

5. Expected impact of the initiative on island economies

If the Commission successfully tackles unjustified TSCs, the benefits for islands would be substantial. Removing artificial territorial restrictions allows island retailers to source from cheaper EU markets. This directly reduces the cost of living — a major political and social issue in islands. Island shops often suffer from stockouts, limited product ranges and delayed product introductions.

Ending TSCs would allow them to source from multiple Member States, improving availability and choice.

For islands, however, the effective removal of TSCs must also be considered against the reality of their physical accessibility. Island businesses can face a double constraint: artificial restrictions on where they can source goods, combined with higher costs and logistical difficulties in physically transporting those goods to the island. During periods of particularly high transport demand, these combined constraints can contribute to stockouts, additional transport costs and disruption of otherwise viable supply chains.

6. Strengthened SME competitiveness

Island SMEs could negotiate better prices, diversify suppliers, participate in multi-country purchasing alliances and reduce dependency on a single national distributor.

7. Improved resilience of island economies

Islands are vulnerable to supply chain disruptions (weather, transport, seasonality). Cross-border sourcing flexibility increases resilience - a key priority in EU island policy.

However, sourcing flexibility alone cannot ensure resilient island supply chains if adequate transport capacity is unavailable. Measures addressing TSCs should therefore take account of the interaction between Single Market access and the specific logistical constraints of island territories. This should be complemented, where appropriate, by national and European measures supporting island logistical resilience and reliable access to essential goods, particularly during periods of peak transport demand.

8. Alignment with EU cohesion and insular policy objectives

Reducing TSCs supports:

- Article 174 TFEU (special attention to islands),
- cohesion policy,
- the Right to Stay / demographic resilience agenda,
- SME competitiveness strategies,
- INSULEUR and island chambers’ long-standing demands.

9. INSULEUR's Position on Policy Options

INSULEUR supports a **legislative initiative (Option 4)** identifying prohibited practices and clarifying when differentiation may be justified. Islands require legal certainty and enforceable rights to source goods from the most competitive markets. Guidelines for authorities (Option 2) should complement legislation to ensure consistent enforcement across Member States.

Self-regulation or case-by-case approaches are insufficient for insular SMEs, which lack bargaining power and face persistent structural disadvantages.

Conclusion

Addressing territorial supply constraints is essential to ensure that island consumers and SMEs can fully benefit from the Single Market. INSULEUR stands ready to provide further evidence and support the Commission's work in designing effective and proportionate measures.



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