

## Free movement of goods

Free movement of goods is one of the key element of the internal market, established in Article 28-30 of the *Treaty on the functioning of the EU*. It gives access to the Member States' market for producers, and to a wide variety of goods for consumers. **Once a product has been produced and marketed in a Member State it can be sold in the whole EU.**

## Development

Free movement of goods was the first one of the four freedoms and it had to come a long way until today. As a primary initiative at the beginning of the integration, it came to fruition thanks to the European Customs Union (now EUCU), established in 1958 (however, the elimination of customs duties was accomplished only in 1968.). As a result of EUCU, countries of the European Economic Community removed customs barriers between each other and applied common customs policy towards third countries. This means that traders did not have to pay duty for exporting their products within EEC.

**Customs tariffs were eliminated from 1968 between Member States**, but other kind of barriers still impeded free trade of goods. The next necessary step was the **harmonisation of national legislation, as different standards were used in connection with the production and trade** in each country. So 'the problem for the common market was not the existence of national regulations, but the differences between them.'<sup>57</sup> Producers who wanted to enter with their goods to other countries' markets had to examine and meet the given standards. This caused additional costs to the producers, indirectly affecting free trade among member states. In order **to abolish these technical barriers, harmonisation directives were introduced**, which aimed to converge national regulations.<sup>58</sup>

## In practice

**Free movement of goods means that countries of the European Union must not impose any kind of duties on goods produced in the EU when crossing borders and neither goods produced in third country once imported to the EU.** These latter also have to be considered as goods of free circulation within the EU. That is why you can choose from a wide variety of products from different countries in the supermarket, from Spanish chorizo till Norwegian salmon. As a result of the Single Market, EU

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<sup>57</sup> Europedia: *Free movement of goods in the EU*, Retrieved from: [http://www.europedia.moussis.eu/books/Book\\_2/3/6/02/?all=1](http://www.europedia.moussis.eu/books/Book_2/3/6/02/?all=1) [Date accessed: 10, February, 2017]

<sup>58</sup> Europedia: *Harmonisation of legislations*, Retrieved from: [http://europedia.moussis.eu/books/Book\\_2/3/6/02/1/index.tkl?lang=en&all=1&pos=63&s=1&e=10](http://europedia.moussis.eu/books/Book_2/3/6/02/1/index.tkl?lang=en&all=1&pos=63&s=1&e=10) [Date accessed: 10, February, 2017]

Member States negotiate collectively in the frame of the World Trade Organization (WTO), where the regulations of international trade are laid down.<sup>59</sup>

Since the beginning of the implementation of this freedom, decision makers had to face the fact that not only customs duties can reduce competitiveness of imported goods but other types of measures too. For example, if a country poses restrictions on the importable amount of a given product, or on the proportion of ingredients, or on the label, they also impede free movement. As a result, **any charge that has equivalent effect on trade or quantitative restrictions on imports are equally prohibited.** For instance, charges that are imposed on imported products<sup>60</sup> with the same effects as customs duties to protect domestic products must be regarded as this type of charge. Quantitative restrictions or measures having equivalent effects are also prohibited.<sup>61</sup> **In other words, any kinds of regulations or restrictions that directly or indirectly hamper free movement of goods are prohibited.** Practically the initial customs union resulted in a principle of totally free circulation of goods: **if a product was made and marketed legally in a Member State, it must be allowed on the market of any other member state (principle of equivalence).** That is why we can read more and more labels “made in EU” on different products, instead of a given country of origin.

Any discrimination must be justified by non-economic considerations, like public morality, policy or security (for example protection of health and life of humans, animals or plants), always proportionately to the goal.<sup>62</sup>

**The free movement of goods also implies common consumer protection.** Moreover, European standards for product safety ensure that those goods which do not meet the restrictions will be withdrawn.

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<sup>59</sup> Eurostat: *Intra-EU trade of the most traded goods*, Retrieved from: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Intra-EU\\_trade\\_of\\_the\\_most\\_traded\\_goods](http://ec.europa.eu/eurostat/statistics-explained/index.php/Intra-EU_trade_of_the_most_traded_goods) [Date accessed: 17, February, 2017]

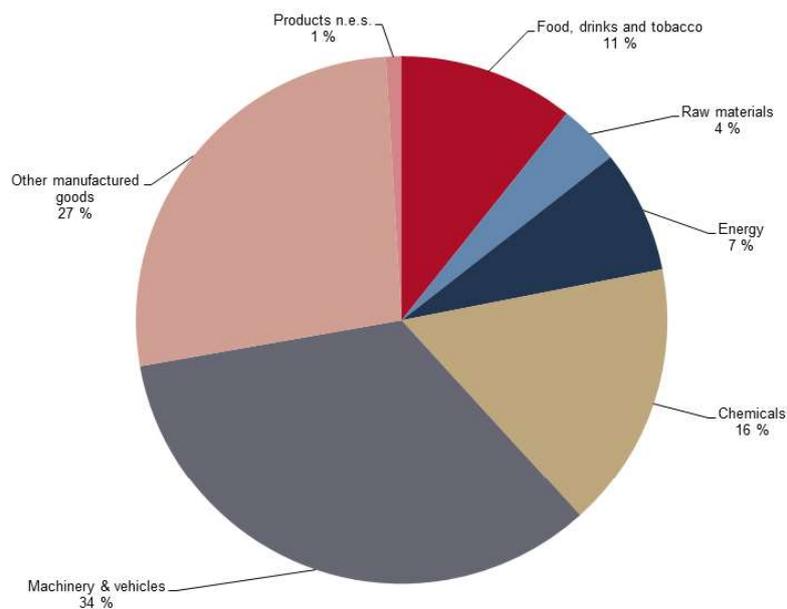
<sup>60</sup> Judgment of the Court of 1 July 1969 in Case 24/68. “Any pecuniary charge, however small and whatever its designation and mode of application, which is imposed unilaterally on domestic or foreign goods by reason of the fact that they cross a frontier, and which is not a customs duty in the strict sense, constitutes a charge having equivalent effect... even if it is not imposed for the benefit of the state, is not discriminatory or protective in effect and if the product on which the charge is imposed is not in competition with any domestic product.” Retrieved from: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A61969CJ0002> Date accessed: 17, February, 2017]

<sup>61</sup> Judgement of Court of Justice in “Dassonville” Case 8/74. „All trading rules enacted by Member States which are capable of hindering, directly or indirectly, actually or potentially, intra-Community trade are to be considered as measures having an effect equivalent to quantitative restrictions.” Retrieved from: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:61974CJ0008&from=EN> Date accessed: 17, February, 2017]

<sup>62</sup> European Parliament: *Free movement of goods*, Retrieved from: [http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU\\_3.1.2.html](http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_3.1.2.html) [Date accessed: 18, February, 2017]

## Interesting numbers

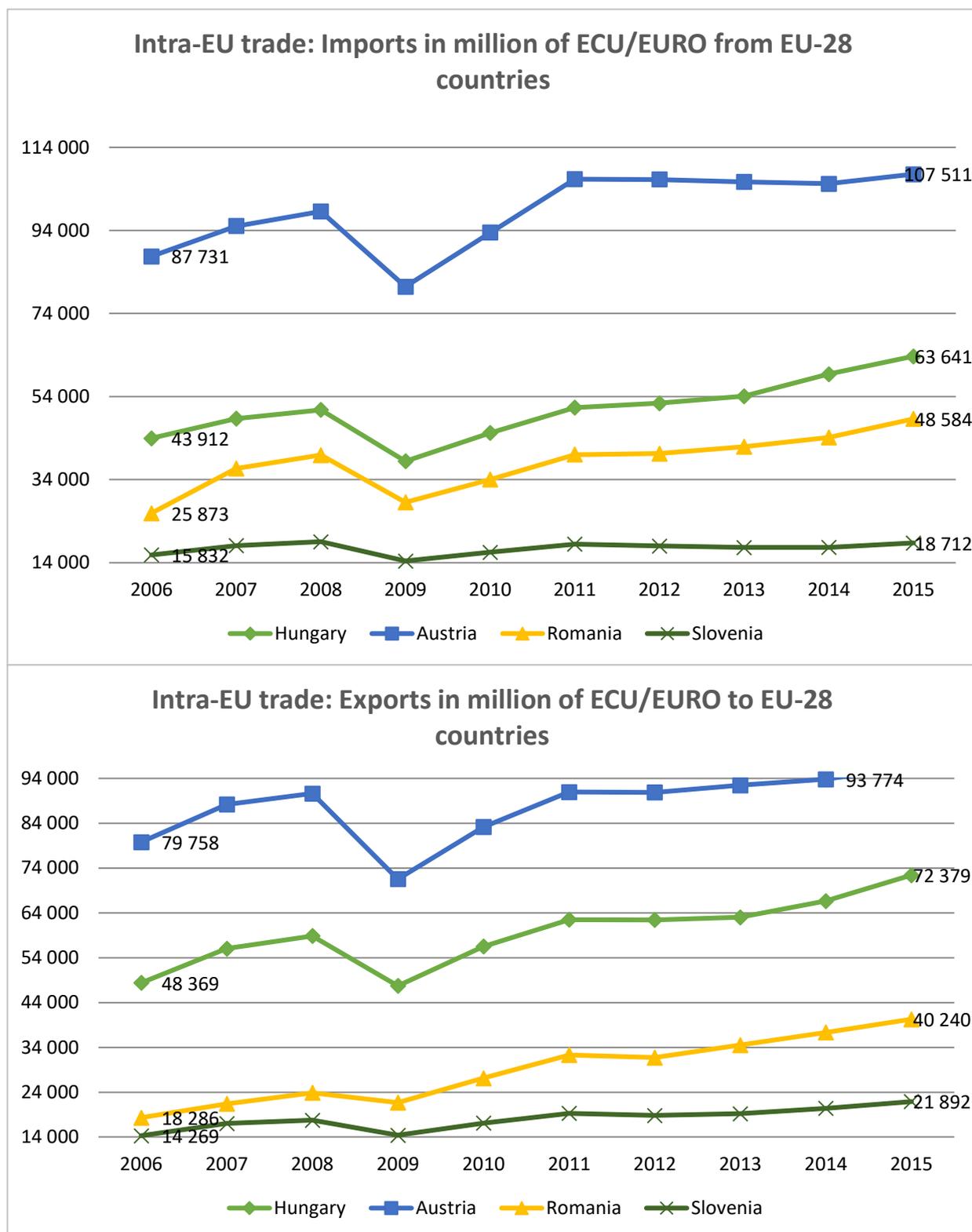
- Commonly, Member States in the EU trade goods more within the EU than with third countries. In 2013 most countries' overall trade of goods was realized with EU28 states (except the United Kingdom, Greece and Malta).<sup>63</sup>
- Austria, Hungary, Slovenia and Romania also have a high share of export in their total export with EU Member States (between ~70-75%)
- Motor vehicles, trailers and semi-trailers seem to be the most significant goods in EU trade, they keep their top position among most traded goods since 1994.<sup>64</sup>
- Both exports and imports to and from EU-28 countries are slightly growing in Austria, Hungary, Slovenia and Romania



13. Figure: Intra EU-28 exports of goods by product 2013  
Source: Eurostat – Statistics explained

<sup>63</sup> Eurostat: *Intra-EU trade in goods – recent trends*, Retrieved from: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Intra-EU\\_trade\\_in\\_goods\\_-\\_recent\\_trends](http://ec.europa.eu/eurostat/statistics-explained/index.php/Intra-EU_trade_in_goods_-_recent_trends) [Date accessed: 18, February, 2017]

<sup>64</sup> Eurostat: *Intra-EU trade of the most traded goods*, Retrieved from: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Intra-EU\\_trade\\_of\\_the\\_most\\_traded\\_goods#The\\_5\\_most\\_significant\\_products\\_in\\_intra-EU\\_trade](http://ec.europa.eu/eurostat/statistics-explained/index.php/Intra-EU_trade_of_the_most_traded_goods#The_5_most_significant_products_in_intra-EU_trade) [Date accessed: 18, February, 2017]



14. Figure: Intra-EU trade: Exports and Imports to EU-28 countries  
 Source: Eurostat, 2016 Dataset

## Challenges

- **Harmonisation is still in progress;** the series of measure is not complete yet. It causes difficulties mainly to the small and medium-sized enterprises (SMEs). These companies cannot adapt to those national regulations and technical requirements in case of certain products, which are not harmonised yet. So, they focus their activity on domestic area instead of competing with bigger companies in the European market.<sup>65</sup>
- **Only 25% of EU-based SMEs export and an even smaller portion export beyond the EU.**<sup>66</sup>
  - To enhance competitiveness, the Commission aims to help SMEs to facilitate their access to the Market. That is why COSME, *Europe's programme for small and medium-sized enterprises* was founded. You can find more information about [SMEs' access to markets](#) and [COSME](#) on the European Commission's webpage.
- **Lack of enterprising attitude** (compared to the USA).<sup>67</sup>
  - The Commission promotes entrepreneurship through an [Entrepreneurship 2020 Action Plan](#) (adopted in 2013), which aims to encourage people to enterprise. It includes an educational framework, making entrepreneurship education a basic feature in education systems<sup>68</sup>, and the reduction of administrative regulations and burdens as well.<sup>69</sup>
- **Technological developments, innovations and different new products also pose challenges, as regulations often cannot keep pace with them, causing barriers in their trade.**
- Similarly, **new ways of trading emerged thanks to the Internet (such as online shopping) which mean new areas to be covered by EU regulations.**

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<sup>65</sup> Enterprise and Industry DG of the European Commission (2010). *Free movement of goods. Guide to the application of Treaty provisions governing the free movement of goods*, Publications Office of the European Union, Luxembourg

<sup>66</sup> European Commission: *SMEs' access to markets*, Retrieved from: [https://ec.europa.eu/growth/smes/access-to-markets\\_en](https://ec.europa.eu/growth/smes/access-to-markets_en) [Date accessed: 18, February, 2017]

<sup>67</sup> European Commission: *Promoting entrepreneurship*, Retrieved from: [https://ec.europa.eu/growth/smes/promoting-entrepreneurship\\_en](https://ec.europa.eu/growth/smes/promoting-entrepreneurship_en) [Date accessed: 2, March, 2017]

<sup>68</sup> European Commission: *Entrepreneurship education*, Retrieved from: [https://ec.europa.eu/growth/smes/promoting-entrepreneurship/support/education\\_en](https://ec.europa.eu/growth/smes/promoting-entrepreneurship/support/education_en) [Date accessed: 2, March, 2017]

<sup>69</sup> European Commission: *Improving conditions for competitiveness*, Retrieved from: [https://ec.europa.eu/growth/smes/cosme/improving-conditions\\_hu](https://ec.europa.eu/growth/smes/cosme/improving-conditions_hu) [Date accessed: 2, March, 2017]