THE INTERNAL MARKET: GENERAL PRINCIPLES

The internal market is an area of prosperity and freedom, providing access to goods, services, jobs, business opportunities and cultural richness. Continuous efforts are required to ensure the further deepening of the single market, which could yield significant gains for EU consumers and businesses. In particular, the digital single market opens up new opportunities to boost the economy (through e-commerce), while also cutting red tape (through e-governance and the digitalisation of public services). Recent research indicates that principles of free movement of goods and services and legislation in this area generate benefits estimated at EUR 985 billion annually.

LEGAL BASIS AND OBJECTIVES

Articles 4(2)(a), 26, 27, 114 and 115 of the Treaty on the Functioning of the European Union (TFEU). The common market created by the Treaty of Rome in 1958 was intended to eliminate trade barriers between Member States with the aim of increasing economic prosperity and contributing to 'an ever closer union among the peoples of Europe'. The Single European Act of 1986 included the objective of establishing the internal market in the European Economic Community (EEC) Treaty, defining it as 'an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured'.

ACHIEVEMENTS

A. The common market of 1958

The common market, the Treaty of Rome's main objective, was achieved through the 1968 customs union, the abolition of quotas, the free movement of citizens and workers, and a degree of tax harmonisation with the general introduction of value-added tax (VAT) in 1970. However, the freedom of trade in goods and services and the freedom of establishment were still limited due to continuing anti-competitive practices imposed by public authorities.

B. The launch of the internal market in the 1980s and the Single European Act

The lack of progress in the achievement of the common market was largely attributed to the choice of an overly detailed method of legislative harmonisation and to the rule that required unanimity for decisions taken in the Council. In the mid-1980s, the political debate on this issue led the EEC to consider a more thorough approach to the objective of removing trade barriers: the internal market.

The Single European Act entered into force on 1 July 1987, setting a precise deadline of 31 December 1992 for the completion of the internal market. It also strengthened the decision-making mechanisms for the internal market by introducing qualified majority voting for common customs tariffs, free provision of services, free movement of capital and approximation of national legislation. By the time the deadline had passed, over 90% of the legislative acts listed in the 1985 White Paper had been adopted, largely under the qualified majority rule.

C. Towards a shared responsibility to complete the internal market

The internal market has made a significant contribution to the prosperity and integration of the EU economy. A new internal market strategy running from 2003 to 2010 focused on the need to facilitate the free movement of goods, integrate the services markets, reduce the impact of tax obstacles and simplify the regulatory environment. Substantial progress was made in opening up transport, telecommunications, electricity, gas and postal services.

In its communication entitled 'Better governance for the Single Market' (COM(2012) 0259), the Commission proposed horizontal measures such as an emphasis on clear, easily implementable new regulations, better use of existing IT tools to facilitate the exercise of single market rights, and the setting up of national centres to oversee the operation of the single market. Monitoring is an integral part of the annual reports on single market integration in the context of the European Semester process.

D. The relaunch of the internal market in 2010

In order to boost the European single market once again and put the public, consumers and SMEs at the centre of the single market policy, the Commission published in October 2010 a communication entitled 'Towards a Single Market Act' (COM(2010) 0608). A series of measures were presented to boost the EU economy and create jobs, resulting in a more ambitious single market policy.

In October 2012, the Commission presented the Single Market Act II (COM(2012) 0573) to further develop the single market and exploit its untapped potential as an engine for growth. The act sets out 12 key actions to be rapidly adopted by the EU institutions. These actions are concentrated on the four main drivers of growth, employment and confidence: (1) integrated networks, (2) cross-border mobility of citizens and businesses, (3) the digital economy, and (4) actions that reinforce cohesion and consumer benefits.

The Single Market Act II follows in the footsteps of an initial set of measures presented by the Commission — the Single Market Act I — and includes the following actions aimed at a more thoroughgoing, better-integrated single market:

— Business mobility (e.g. introducing provisions to mobilise long-term investment, modernising insolvency proceedings and helping to create an environment that offers second chances to failing entrepreneurs);

— The digital economy (as a move towards the completion of the digital single market by 2015, the Commission proposed that e-commerce should be promoted in the EU by making payment services easier to use, more trustworthy and more competitive. The need to address the key causes of the lack of investment in highspeed broadband connections and to make electronic invoicing standard in public procurement procedures was also highlighted);

— Consumer confidence (e.g. introducing measures to ensure widespread access to bank accounts, as well as transparent and comparable account fees and easier bank account switching).

The Commission was due to present all of the key legislative proposals connected with the Single Market Act II by spring 2013 and the non-legislative proposals by the end of 2013. Parliament and the Council were called upon to adopt legislative proposals as a matter of priority. The progress was presented in the study entitled 'Single Market Act: State of Play'[1] .

On 28 October 2015, the Commission published a communication entitled 'Upgrading the Single Market: more opportunities for people and business' (COM(2015) 0550), which focused on ensuring practical benefits for people in their daily lives and creating additional opportunities for consumers, professionals and businesses. It complemented the Commission's efforts to boost investment, reap the opportunities of the digital single market and improve competitiveness and access to finance. The strategy also aimed to ensure a well-functioning internal market for energy and promote and facilitate labour mobility while preventing abuse of the rules. To further improve trading practices in the internal market, Directive (EU) 2019/633 banning certain unfair trading practices was adopted on 17 April 2019. These unfair trading practices include late payments for perishable food and last-minute order cancellations.

Currently, one of the most challenging issues in developing the internal market is the implementation of its digital component. In May 2015, the Commission adopted a Digital Single Market Strategy (COM(2015) 0192), which set an intense legislative programme for building a European digital economy, continued in the Agenda for Europe[2].

During the COVID-19 pandemic, in its communication entitled 'Europe's moment: Repair and Prepare for the Next Generation' (COM(2020) 0456), the Commission announced that the digitalisation of the single market would be an essential pillar of the recovery from the crisis. It will be based on four elements: (1) investment in better connectivity, (2) a stronger industrial and technological presence in strategic parts of the supply chain (e.g. AI, cybersecurity, cloud infrastructure, 5G), (3) a real data economy and common European data spaces, and (4) a fairer and easier business environment.

ROLE OF THE EUROPEAN PARLIAMENT

Parliament was the driving force behind the process that led to the creation of the internal market. Specifically, in its resolution of 20 November 1997, it backed the idea of turning the internal market into a fully integrated home market by 2002. In several resolutions adopted in 2006 (e.g. those of 12 February, 14 February, 16 May and 6 July),

[1]This study was commissioned by the European Parliament's Policy Department for Economic, Scientific and Quality of Life Policies, on behalf of the Committee on Internal Market and Consumer Protection (IMCO).
[2]'A Union that strives for more: my agenda for Europe', Political Guidelines for the next European Commission 2019-2024.

Parliament supported the idea that the internal market was a common framework and a point of reference for many EU policies.

Parliament also played an active role in the relaunch of the internal market. In its resolution of 20 May 2010 on delivering a single market to consumers and citizens, Parliament emphasised that measures must be taken in order to inform and empower consumers and SMEs more effectively, and to increase citizens' confidence. Parliament issued further responses to the Single Market Act with three resolutions adopted on 6 April 2011: 'Governance and partnership in the single market', 'A single market for Europeans' and 'A single market for enterprises and growth'.

Parliament's resolution of 20 April 2012 on 'A competitive digital single market — eGovernment as a spearhead' pointed out the need for a clear and coherent legal framework for the mutual recognition of electronic authentication, identification and signatures (which is necessary to guarantee that cross-border administrative services can operate throughout the EU). This was followed by the resolution of 22 May 2012 on the Internal Market Scoreboard.

On 11 December 2012, Parliament also adopted two non-legislative resolutions relating to the internal market, one on completing the digital single market and one on a digital freedom strategy in EU foreign policy, in which it stressed its strong support for the principle of net neutrality. This means that internet service providers should not block, discriminate against, impair or degrade, including through price, the ability of any person to use a service to access, use, send, post, receive or offer any content, application or service of their choice, irrespective of source or target. In the same resolution, it also called on the Commission and the Council to promote and preserve high standards of digital freedom in the EU. The aim of the resolutions was to develop policy and practice with a view to establishing a real digital single market in the EU to cope with different sets of national rules in key areas, including VAT, postal services and intellectual property rights. The principles of net neutrality and the open internet, as well as the abolition of roaming charges, have been introduced as part of a legislative package laying down measures concerning the European single market for electronic communications and to achieve a Connected Continent (COM(2013) 0627).

Parliament adopted its resolution of 7 February 2013 with recommendations to the Commission on the governance of the single market, establishing a single market governance cycle as a specific pillar of the European Semester. Furthermore, Parliament adopted its resolution of 25 February 2014 on single market governance within the European Semester 2014, followed by its resolution of 27 February 2014 on SOLVIT. Parliament then adopted its resolution of 12 April 2016 entitled 'Towards improved single market regulation', which highlighted the need to remove 'unnecessary regulation, bureaucracy and negative impacts, while achieving policy objectives and delivering a competitive regulatory environment that supports employment and enterprise within Europe'. On 26 May 2016, the European Parliament adopted a resolution on the Single Market Strategy, calling for a more innovative, deeper and fairer single market. In order to facilitate online access to the information, administrative procedures and assistance services that citizens and businesses need, Parliament advocated the establishment of a single digital gateway (Regulation (EU) 2018/1724).

On 19 January 2016, Parliament adopted a resolution entitled 'Towards a Digital Single Market Act', followed by numerous measures aimed at building the digital single market, e.g. in areas such as the collaborative economy, online platforms and artificial intelligence.

The study entitled 'Reducing costs and barriers for businesses in the single market' (published in April 2016) highlighted the significant potential of the digital single market in reducing costs and barriers in the EU for citizens and businesses.

Another study on 'A longer lifetime for products: benefits for consumers and companies' (published in June 2016) demonstrated the potential that the digital single market has to make the EU economy greener. Parliament adopted its resolution of 4 July 2017 on the same topic.

According to another study entitled 'Social economy', published in May 2016, the digital single market could even make the EU economy more social. The development of e-governance and related services such as e-health is one way to achieve that, as described in the study on 'Ubiquitous developments of the digital single market' (published in October 2013).

Following the Commission's announcement that it would put forward a new Digital Services Act in 2020, Parliament's Policy Department for Economic, Scientific and Quality of Life Policies organised a workshop on behalf of the IMCO Committee entitled 'E-commerce rules, fit for the digital age', where experts and stakeholders expressed the need to remove the remaining cross-border barriers to e-commerce in order to reap the full benefits of the internal market. Committee draft reports on the Digital Services Act were published in April and May 2020, with the final votes expected to be held in September.

On 17 April 2020, during the COVID-19 outbreak, Parliament issued a resolution in which it emphasised that the single market is the source of European collective prosperity and well-being and a key element of the immediate and continuous response to the pandemic.

Moreover, in its resolution of 19 June 2020, Parliament recalled that the Schengen area is a cherished achievement at the very heart of the EU project, and called on Member States to reduce restrictions on free movement and to step up their efforts to achieve the completion of Schengen integration.

The Policy Department for Economic, Scientific and Quality of Life Policies plans to publish a study in October 2020 on the legal obstacles to single market rules. The study will analyse Member State legislation that contradicts single market rules or creates new unjustified obstacles thereto and will seek to identify clear recommendations on how to remove these obstacles and prevent new ones from being created.

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[3]Poutvaara P. et al., Contribution to Growth: Free Movement of Goods. Delivering Economic Benefits for Citizens and Businesses (2019), prepared by the Policy Department for Economic, Scientific and Quality of Life Policies at the request of the IMCO Committee, and Pelkmans J. et al., Contribution to Growth: The Single Market for Services. Delivering economic benefits for citizens and businesses (2019), prepared

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