

**KAUNAS UNIVERSITY OF TECHNOLOGY**  
Faculty of Economics and Management

**LITHUANIAN OPERATIONAL RESEARCH SOCIETY WITHIN EURO (LITORS)**

**RIGA TECHNICAL UNIVERSITY**  
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**TALLINN UNIVERSITY OF TECHNOLOGY**  
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# **ECONOMICS & MANAGEMENT - 2012**

**PROGRAMME AND COLLECTED ABSTRACTS OF INTERNATIONAL SCIENTIFIC CONFERENCE**

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## MODEL OF FREE MOVEMENT OF GOODS AND SERVICES IN THE EU

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The creation of the internal market is one of the European Union's (EU) important achievements, which contributes significantly to the simplification of commercial affairs between the member states. The opened borders to domestic markets of 500 million consumers and the possibility to operate on the same set of rules throughout the Community without discrimination of national considerations create excellent opportunities for business expansion, being particularly beneficial for companies originating from small countries.

Nevertheless, open borders mean not only attractive opportunities for businesses in other countries, but also new competitors coming to a domestic market. For this sake, the gains from common market enlarging fall disproportionately on small countries, and much depends on activities performed by governments. So, for example, statistics show that the majority of Latvian businesses still prefer to limit their activities to 2.2 million domestic customers, sharing them with foreign investors, who have stepped in the Latvian market within the EU expansion, and not taking advantage of existing possibilities in the EU. The Latvian as well as other national governments of the EU internal market cannot keep the local market intact by applying protectionism measures, which is against the EU principles. The only way for entrepreneurs to hold back the external pressing is to be active and spread operation throughout the other countries.

Much what was done by the European Community to ensure the free movement of goods and services in the EU internal market. However, in order to achieve the desirable result the adopted EU regulations should be applied at national levels in a proper way.

The *objective* of the paper is to provide a model based on the qualitative analysis of the EU regulations, ensuring effective functioning of free movement of goods and services, as well as to elaborate a matrix for practical realization of the model presenting the system of relevant activities and the corresponding tasks applying the EU legal instruments. The paper mainly touches on the issue of the correct implementation of the existing EU level solutions for free movement of goods and services.

To work out the paper the author has applied analytical and graphical *methods*, such as comparative method, factor determination method, specifications method, qualitative analysis and others.

For the *data* analysis official data from the twelve line ministries of the Republic of Latvia and other governmentally supported bodies were used. Latvian and EU level legal acts related to the commercial activity in the services sector and commercial transactions with goods were studied. Good practices of other EU member states regarding the organization of B2G communication were also scrutinised.

In her research *the author concluded* that the feedback from the implementation of the EU legal instruments depends on each particular EU member state. Regulations and directives define the obligatory minimum requirements, but the EU member states choose the mechanisms for their transposition into the national systems. Currently the quality of transposition of the mentioned requirements differs significantly from country to country. Unfortunately, sometimes the EU member states implement the requirements just formally, and do not ensure that the aim of a certain requirement is achieved in practice. The European Commission checks the performance of the instruments and supervises the implementation of requirements. Nevertheless, the main attention of the European Commission is still focused on the prevention of protectionism and discrimination in a domestic market. However the quality of the EU instruments, such as, points of single contact for companies, encouraging significantly also local entrepreneurship, remains under the consideration of national governments. Each member state should individually take care of the potential benefits to businesses from the EU implemented measures. The proposed in the paper model and the matrix of its practical implementation provides a useful assistance to the EU member states to apply the entire system of the free movement of goods and services into their national legislation.

*Keywords:* European Union, internal market, free movement, cross-border business.

*JEL Classification:* F02, F23, F43, F59.