

Implications of the EU for business

In general terms, the value to a British firm of the UK being a member of the EU depends on the extent to which the firm trades with other member countries and with countries outside the EU, such as the USA. General benefits for British firms of the UK's membership are that it is easier to trade within the EU because there are no barriers, and that firms have access to more customers, bringing opportunities for economies of scale. On the other hand, the UK cannot use protectionist policies such as tariffs on imports against firms from other EU countries, UK firms are subject to EU legislation and the UK has to impose tariffs against firms from countries outside the EU.

Positive implications of the EU for UK business

Membership of the EU offers the following benefits to businesses in the UK:

- There is access to a market of 495 million people, which is bigger than Japan and the USA put together.
- The large market provides opportunities for economies of scale, lower costs and increased specialisation.
- More competition may lead to improved efficiency and therefore lower costs.
- More intense competition can encourage innovation.
- There are opportunities for more European mergers and joint ventures, resulting in synergy and improved efficiency.
- There is encouragement for inward investment from non-EU countries, which increases employment, income and opportunities for supplier industries. The UK has been a major recipient of this, with firms like Toyota in Derby and Nissan in Sunderland establishing themselves within the external tariff wall.
- There is greater mobility of labour, giving firms a wider labour force to draw on.
- With firms more able to invest anywhere in the EU, there is greater mobility of capital.
- The free movement of factors of production makes it possible for existing EU (and UK) businesses to move to new EU countries where costs are substantially lower. Some firms, such as Volkswagen, have already made the move east.

Negative implications of the EU for UK business

The UK's membership of the EU presents the following difficulties for firms in the UK:

- There is an increase in legislation and the need to meet common technical standards.
- There is increased competition both in Europe and in the domestic market.
- Labour and capital may be attracted to other European countries.
- Low wage rates in countries such as Poland, where average salaries are only 18% of the EU average, will make these new EU members fierce competitors for jobs, and they may attract inward investment that might previously have come to the UK.