

## Business and Europe

The UK is part of the Single European Market, the European Union (EU). This means that it can trade one of fourteen other countries in that market without facing any barriers to trade. It also means there is no restriction in the employment of anyone in the EU or the ability to set a business in the EU.

The benefits of EU membership to businesses are:

- ▶ **Increase in market size** (a greater number of potential customers) as a result of the freedom of movement of goods and services. UK business can now sell to any of the other fourteen countries without facing extra costs or restrictions on the types of products they can sell.
- ▶ **Greater access to cheap factors of production** e.g. raw materials, technology and labour. A business can employ individuals from any part of Europe. Football clubs have certainly benefited from this! The National Health Service has found this a good source of skilled doctors and nurses when they have had shortages of medical staff.
- ▶ **Access to EU government contracts**, not just UK government contracts, benefiting businesses who sell goods and services to government departments (e.g. road builders could be “contracted” to provide roads in Spain).
- ▶ **Lower administration costs to trade**, meaning that businesses do not have to pay extra money to send their goods abroad, other than normal transport costs.

The costs of EU membership to UK businesses are:

- ▶ Greater competition from other EU businesses.
- ▶ Increased costs due to compliance with EU regulations e.g. common technical standards.

Enlargement of the EU is likely to happen in the next few years with a number of Eastern European nations joining the EU. This will provide a further increase in the market size BUT the customers will have a lower average income and also be able to compete at lower prices with UK businesses.

### European Single Currency (“Euro”)

At present the UK is outside the Euro zone. The Euro zone comprises 12 countries (Belgium, Austria, France, Finland, Luxembourg, Italy, Netherlands, Germany, Portugal, Ireland, Greece and Spain) who share **one currency - the euro**.

The advantages to businesses of being inside the Single Currency zone are:

- No uncertainty over pricing and costs when exporting or importing, because they all share the same currency
- No costs of changing currency

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