



Foreign & Commonwealth Office

Record of roundtable discussion with UK business representatives on the impact of EU Enlargement to the UK economy and private sector, 1 May 2014

On 1 May 2014 the Foreign and Commonwealth Office hosted a Business and Economic roundtable on EU Enlargement. It was attended by representatives from City of London Corporation, Tate and Lyle Sugars, London Chamber of Commerce and Industry, BT, Shell, Business for Britain, the National Farmers' Union, and the Food Standards Agency.

Enlargement of the Single Market

1. Several participants noted that the expansion of the Single Market to 500 million people had been beneficial for UK business. New member states (NMS) had faster growing economies than old ones. One company noted its growth in Eastern Europe was faster than elsewhere.
2. This growth was not uniform throughout the British economy, however. One participant noted that the UK's agricultural trade balance had fared less well; having previously been a net exporter of wheat and lamb, the UK was now a net importer.
3. On economic benefits from future enlargement, the accession of Western Balkans countries would be of less importance (due to the relative size of populations and economies) than for previous accession waves. The future accession of Turkey would, however, be highly significant in expanding the Single Market. That said, Turkey's economy was increasingly integrated with the EU whilst it remained outside EU, with Turkish companies adopting Single Market standards. One contributor remarked that in terms of economic benefits to the UK, it may be difficult to differentiate between Turkey joining and not joining the EU. UK businesses were not sufficiently aware of what they could reap from Turkey becoming a member of the EU.
4. When engaging government, UK businesses found it often easier to work with the EU than with individual member states; but UK businesses often preferred to work with the UK government rather than the EU.

Relationship between EU market and the global markets for UK businesses

5. One participant argued that the EU market may be declining in appeal and significance for UK businesses, many of whom were planning to expand into Asian and BRIC (Brazil, Russia, India, China) countries, which were viewed by some as more attractive future markets. One company countered this: the single market was a bedrock for its expansion globally both in Europe and to BRICS/MINT/US/Japan etc. The Single Market was also a good stepping stone for companies set on future expansion. Indeed, the accession of Eastern European states had increased the access of British firms to Russia, due to the connections these states had.
6. Since Croatia's accession, some UK companies had benefitted by supplying goods to Croatia that South American countries had supplied previously.
7. Some smaller firms were sceptical about the UK's EU membership, but other small ones looked to EU markets, as did medium-sized firms. Larger firms looked outside the EU.

Impact of enlargement on UK's ability to pursue the national interest in Brussels, and EU governance

8. The push for free trade from NMS since 2004 had helped push the EU's political outlook towards freer trade, resulting in good bilateral EU trade deals, which the EU was better able to negotiate by action as a unified block. NMS, with their focus on a free market, had been natural allies of the UK in Brussels. NMS such as Poland, Hungary and Slovakia did not always have a free trade orientation, though this may be more confined to agricultural products. Baltic NMS were pro-free trade.
9. The EU as a whole was less disposed to free trade than the UK, as evidenced by the EU's reaction to the UK Prime Minister's seeking of a free trade deal with China. One participant noted that prevailing protectionism in the EU made it even more important for the UK to push for the accession of Turkey, an ally in tackling anti-market forces
10. Some participants felt, however, that EU Enlargement had also worked against the UK. The increased number of member states had made it more difficult for the UK to protect its interests within EU institutions, particularly in the EU Parliament and Council of Ministers. This trend was compounded by the fact that QMV had become the norm for

decision-making in Council. Three or four allies were insufficient to protect UK interests, and greater effort was needed to create larger alliances. The UK would be unable to block the Commission's intentions on eg. pension reform. The financial transaction tax and a limit on bonuses were pointed to as two further proposals which the UK could, under QMV, find it difficult to oppose.

11. Turkish accession would make a significant difference to the functioning of EU institutions, in terms of voting weight. Theoretically, five MEPs from the Western Balkans who were not in favour of the UK could harm certain UK businesses.
12. Unless there was institutional reform, EU governance could suffer as more countries joined the EU. 28 countries protecting national interests inhibited consensus and efficiency. Proliferation of Commissioners and Director Generals (of which there were seven different ones in the food sector) was inefficient from a business perspective: a limit was needed. But the EU was not known for downsizing its institutions.

Impact of EU Enlargement on regulatory standards in New Member States

13. The EU had raised regulatory standards in new and aspiring member states, but sometimes these standards remained too low – indeed agricultural disease had spread from NMS. NMS had significant financial constraints, as evidenced by their response to Swine Fever. Some NMS could not reach or maintain EU standards on animal welfare. Participants were divided on whether it was better to invite candidate countries into the EU and then help to deal directly with animal disease issues, or whether candidate countries should be kept out of the EU until diseases had been addressed within their own borders. However, it was acknowledged that many diseases would not be contained by national borders and, given the international food market, quarantine would not always be 100% effective.
14. NMS found it difficult to keep up with the pace of new regulations. The EU should slow the roll out of energy packages, waiting for implementation of the previous one first. The more member states, the less predictable regulations across MS were.
15. EU aspirations had leveraged wider beneficial reform, too, as evidenced by Turkey's adoption of a media freedom law.

Enlargement and the impact of immigration from New Member States in the UK

16. Free Movement of Workers from NMS to the UK had been beneficial for UK businesses. Many were highly-skilled and ambitious. Hungary, for instance, had many mathematics and computer science graduates, which had helped firms looking to recruit in research and development. NMS had helped reduce shortage of skills in the UK, including in the agriculture sector. From a business point of view, transitional controls on free movement of workers had been sub-optimal, due to their inconsistency (minimal in 2004, rising sharply in 2007).

EU regulation and fair competition in the Single Market

17. Some participants were concerned that there was no level playing field of implementation of legislation across Europe. NMS were particularly at fault. This was of concern, as it prohibited fair competition in terms of access to markets. Member states were not fully implementing legislation, were slow doing it, or implemented legislation in a way that led to reduced compliance. Unfair competition was particularly prevalent with procurement contracts. A north/south split in the implementation of certain legislation existed to some extent.