

Threats for uk businesses

[Business](#)



The Single European market was formed by countries who became members of the European Union. The European Union was formed to provide closer unification of the economic, social and political systems of member states. With the EU came the formation of the Single European market in Jan 1993. The single European market is simply an agreement by members to remove all trade barriers and the whole community was to become as one market for free trading to any of the member states. The barriers that were removed by the EU enabled the free movement of people, goods, services and capital.

There were basically three barriers that were removed by the EU each having a different effect on various companies. The first barrier to go was the barrier of Entry into other markets. What this meant that to enter other market companies had to make their product standard through out Europe. England has its own technical standards and France has its own standard. So if a company from France was to come into the English market then it would have to change it whole technical requirement to meet the requirements of the English market.

This actually created no opportunities for UK firms because they could also not take UK products to French market without changing the technical specification to meet the new standards. But the removal of the movement of goods because of free movement meant that good would come into UK more quickly easily and at a less price then before. Without delay and less paper work good will come in UK really cheap. This was major threat to the UK market. Competition within UK will decline and be taken over by foreign products easily.

Although this has yet to become all true, a free movement of goods would mean people bringing in good from other European countries creating a very big threat to local produced goods because they will have no where to go. The harmonisation of tariffs and taxes, this would mean that the UK will have to reduce its prices as VAT could fall. But it could mean the opposite if it increased. This would go either way again. A threat if it were to increase as good will become expensive. But a very big opportunity if it were to go down meaning a reduction in prices and meaning more demand for goods and more sales.

In UK children's cloths and books are zero rated, which mean they have no VAT on them. Bu the single market will mean to include VAT in the price, increasing the price and this is a threat as this would instantly mean a reduction in demand. But the worst threat for most UK companies because of the single market would be competing on equal terms throughout the EU. This would have a great effect in Local goods as we already know we are being charged too much for all goods and services, and far too much on luxuries such as tobacco and spirits.

If other EU countries were allowed to compete with UK firm is this single market then UK firms have a big threat. Most EU countries have a low cost of production making their goods really cheap; this is a threat for UK firms as the demand for foreign good shall increase people will be attracted to buy cheaper goods. Another big threat that UK companies face with the free trade is the ability for people to buy good from other states because they are cheaper there.

Very recently myfamilywanted to buy a car and instead of buying it from a local dealer as would have done 10 yrs ago we actually ordered the car from Germany. The car will come from thousand of miles away and still end up being cheaper then the price at which it is offered here. Reason simply cars are cheaper to produce in Germany because of fewer taxes of Raw materials and so the car will land UK and still be cheaper with VAT. This is a big threat which hasn't been exploited by many people as of yet but it is going to happen soon and UK firms will be greatly affected.

But with the ever growing multinational companies this will create plenty opportunities, to take the chance of using their huge size and positions to enter other markets. Companies will operate at a larger scale and this will enable them to diversify into other countries where they could be even more successful and the risk of having a slump in sales in one country could be covered by having better sales in another country. This will create more competition within UK and also outside UK. Mergers are opportunities that will come by all UK businesses and a correct investment will be worthwhile.