

**Europe moves East: The impact of the ‘New’ EU Member States on UK business**  
**Trade and Industry Select Committee**  
**October 2007**

The House of Commons Trade and Industry Select Committee has published the final report from their inquiry into the impact of the ‘new’ EU member states (MSs) on UK business. The states referred to as ‘new’ are Czech Republic, Estonia, Hungary, Latvia, Lithuania, and Slovenia, and also the most recent members, Bulgaria and Romania. SMMT submitted comments to the committee in March 2007.

**Key conclusions and recommendations**

The Committee made the following key conclusions and recommendations:

General

- The accession of ‘new’ MSs has benefited UK business, but benefits could be greater if business was better informed about opportunities resulting from their membership.

Economic advantages and funding

- ‘New’ MSs are not necessarily low-cost, low-value economies. Genuinely low-cost, low-skill production is heading further east to for example China, where labour costs are even lower.
- Significant opportunities remain in these countries; they should be viewed as partners as well as competitors.
- These countries are also export markets. Poland now has a larger economy than that of the Netherlands and buys £2.8 bn/year worth of UK exports (similar amount to China).
- EU funding into the ‘new’ MSs will provide opportunities for UK companies, such as in construction.
- High-value added sectors, such as information technology are increasingly working in these countries, hence sophisticated facilities and technical knowledge is increasing in these countries.
- Early investment in new markets provides a competitive advantage; the UK has been slow to take advantage of this, mainly due to UK business lacking confidence.

UKTI and trade missions

- The UK lacks high-level trade missions compared to other nations and UK ministers should travel abroad more to promote the UK.
- The Committee is concerned about lack of resources for UKTI and their approach to EU MSs does not differ i.e. more focus should be given to opportunities in so-called ‘new’ MSs.

Skills

- Technical skills are strong in these countries. This inquiry has further highlighted skills gaps in the UK and the importance of addressing this issue. Migrant workers should not be considered to be a solution.



- Skills and a good work ethic mean employers in the UK find migrants to be attractive employees.
- Migrants who are overqualified for their jobs in the UK are starting to move into higher-paid, more skilled jobs. It is clear that Eastern European labour is not a long-term solution to UK skills problems.

#### Relocation issues

- Some sectors are clearly relocating much of their production to ‘new’ MSs.
- There are cases of labour shortage in major centres of investment in these countries. Wage costs are rising in these areas too, and are in some cases comparable to Western European levels.
- The proximity of Eastern Europe to the UK remains a competitive advantage.
- There is some reluctance for UK business to be involved in the region.

#### Migration

- Migration to the UK has occurred from these countries, and the committee concludes, migration levels are likely to slow.
- Migrant workers should be made aware of their worker rights as the earliest possible opportunity.
- If migrants return to their countries, there is great opportunity to use the good links built up in the UK to explore possibilities in these markets. Government and business need to develop strategies to maximise the UK’s competitive advantage.

**To access the full report please go to:**

**[www.publications.parliament.uk/pa/cm200607/cmselect/cmtrdind/592/59202.htm](http://www.publications.parliament.uk/pa/cm200607/cmselect/cmtrdind/592/59202.htm)**

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