

Global Britain Briefing Note

No 62

7th January 2011

A country doesn't need to belong to the EU to trade with it

The EU will soon have Free Trade Agreements with 80 per cent of all the non-EU countries in the world¹.

Several non-EU countries already export more to the EU than does the UK:-

A. The USA exports more in absolute terms to the EU than does the UK

The USA is not an EU member. It has zero votes in the EU Council of Ministers and no MEPs in the European Parliament. The USA doesn't pay a cent to "Brussels" (the UK paid £48 million *per day* to "Brussels" in 2009) and doesn't have to impose one iota of EU regulation on its domestic economy. The USA has no Free Trade Agreement with the EU, and consequently has to export to the EU over the EU's Common External Tariff (customs duties) and quotas.

Nevertheless, the USA exports more to the EU than the UK. In 2009, US exports to the EU were £ 407 billion; British exports to the EU were £ 277 bn.²

B. China exports more goods to the Eurozone³ than does the UK

China is not an EU member. It has zero votes in the EU Council of Ministers and no MEPs in the European Parliament. China doesn't pay a cent to "Brussels" (the UK paid £ 48 million *per day* to "Brussels" in 2009) and doesn't have to impose one iota of EU regulation on its domestic economy. China has no Free Trade Agreement with the EU, and consequently has to export to the EU over the EU Common External Tariff (customs duties) and EU quotas. Nevertheless, China exports more goods to the EU than the UK (and will soon no doubt be exporting more services to and receiving more income from the EU than the UK).

In the year ended 31st March 2010 Chinese goods exports to the 16-member Eurozone were £ 141 bn, greater than the value of British exports of goods to the Eurozone of £ 125 bn.⁴

C. Norway & Switzerland export to the EU far more in proportion to their populations than does the UK

Norway and Switzerland each has a free trade agreement with the EU, Norway through its membership of the European Economic Area (“EEA”), Switzerland through bilateral (i.e. Swiss-EU) sectoral free trade agreements.

Norway and Switzerland have never been members of the EU. They do however make a very modest financial contribution to various EU programmes. In 2009, together, Norway and Switzerland paid £ 168 million into such programmes (compared with the £17.43 billion that the UK paid to the EU in 2009). *Per capita* of their respective populations, Norway and Switzerland combined paid £ 13.70 to the EU in 2009; the UK paid **twenty-one times as much**: £ 285.30, to the EU in 2009.

Table 1 shows that EFTA members Norway & Switzerland export to the EU, **per capita** of their respective populations, over **five times** (Norway) and **three times** (Switzerland) by value as much goods as the UK.

The table also shows that the percentages of Norwegian and Swiss worldwide goods exports going to the EU are significantly higher than the equivalent UK percentage.

Table 1: Exports of Goods to the EU by Norway, Switzerland & the UK in 2007			
	<i>Norway</i>	<i>Switzerland</i>	<i>UK</i>
Goods exports to the EU in 2007, £ bn ^a	55.0	52.8	127.8
Population in 2007, million ^b	4.71	7.55	61.03
Goods exports to the EU per capita in 2007, £	11677	6993	2095
<i>Goods exports to the EU per capita in 2007, indexed on UK = 100</i>	<i>557</i>	<i>334</i>	<i>100</i>
Goods exports to EU/Goods exports worldwide	81% ^a	62% ^a	55% ^c
<i>a: Table 319, Statistical Yearbook of Norway 2009, www.ssb.no/english; £1= \$2.00</i>			
<i>b: World Bank: World Development Indicators Database. www.worldbank.org/data</i>			
<i>c: Table 9.4, UK Balance of Payments: The Pink Book 2010: www.statistics.gov.uk .</i>			
<i>Data on geographical breakdown of exports of services & receipts of income & transfers, & on goods for 2008 & 2009, not available for Norway. Data not adjusted for the Rotterdam-Antwerp Effect.</i>			

Notes & References

1 See Global Britain Briefing Note No 61, *The EU has to negotiate Free Trade Agreements with Third-Parties – and it does*, 7th Jan 2011, www.globalbritain.org > Briefing Notes

2 In calendar 2009 US exports (goods, services, receipts of income & transfers) to EU-27 were \$ 637,462 million. Those exports, at the average 2009 exchange rate of £1 = \$1.57, were equivalent to £ 407,027 million.

In calendar 2009, US exports (goods, services, receipts of income & transfers) to the UK were \$ 154,966 million, equivalent to £98,704 million.

Thus, in calendar 2009, US exports (goods, services, receipts of income & transfers) to EU-26 (EU-27 less the UK) were equivalent to £308,323 (£407,027 less £98,704).

In 2009 UK exports (goods, services, receipts of income & transfers) to EU-26 were £277,014 million.

Thus, in 2009, US exports (goods, services, receipts of income & transfers) to EU-26 (£308,323) were greater than UK exports (goods, services, receipts of income & transfers) to EU-26 (£277,014). And US exports (goods, services, receipts of income & transfers) to the EU as a whole, including the UK (i.e. EU-27), were greater, at £407,027, than UK exports (goods, services, receipts of income & transfers) to EU-26 (£277,014).

Sources: US Bureau of Economic Analysis: www.bea.gov/international, and United Kingdom Balance of Payments: The Pink Book 2010: www.statistics.gov.uk .

3 In 2009 the Eurozone accounted for 76% of EU-27 GDP, 66% of EU-27 population and 86% of UK exports to EU-26; that Chinese goods exports [to the Eurozone] exceed British exports of goods to the Eurozone is almost certainly likely to be true of the EU as a whole.

4 Source: *Monthly Bulletin, European Central Bank, October 2010, Geographical Breakdown of Current Account*, www.ecb.int

Global Britain

Lord Stoddart of Swindon
(Independent Labour)

Lord Pearson of Rannoch
(United Kingdom Independence Party)

Lord Willoughby de Broke
(United Kingdom Independence Party)

Lord Harris of High Cross (1924- 2006)
(Cross-Bencher)

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