

Global Britain Briefing Note

No 67

7th January 2011

Less than ten per cent of the British economy is involved in exporting to the EU

*Yet EU regulation is imposed on the more than ninety per cent
of the economy which is NOT involved in exporting to the EU*

In calendar 2008, the proportion of the British economy – defined in the official statistics as “Final Demand” – involved in exporting Goods & Services worldwide was just over a fifth, 22.2 per cent to be exact¹. In the same year, the split of UK worldwide exports of Goods & Services between the EU and the world outside the EU was precisely 50/50². **The proportion of “Final Demand” (i.e. the British economy) involved in exporting Goods & Services to the EU was therefore 11.1% (50% x 22.2%).**

It follows that the proportion of UK “Final Demand” NOT involved in exporting to the EU was 88.9%.

Within that 88.9%, 11.1% was involved in exporting Goods & Services to the world OUTSIDE the EU. The remaining 77.8% represents the proportion of the British economy concerned with the British domestic (non-exporting) economy.

However, the percentage derived above for the proportion of the UK economy involved in exporting to the EU is overstated. The reason is that two separate distortions in the “official” statistics overstate the level of UK exports to the EU: **the Rotterdam-Antwerp Effect & the Netherlands Distortion³**; and that a third distortion arises **because receipts of income from overseas are not captured in the Blue Book Supply & Use tables** (from which “Final Demand” is calculated).

The official (Pink Book) data on exports of *Goods & Services* does NOT take account of the **Rotterdam-Antwerp Effect³**, which has the effect of overstating the proportion of British exports of Goods & Services going to the EU. Consequently, the real, adjusted proportion of the UK economy involved in exporting to the EU is, in the calculation set out above, less than the 11.1% figure derived above from official data.

Moreover, in the official (Pink Book) data, UK *receipts of income* in 2008 were split 54% from OUTSIDE the EU, 46% FROM the EU. The effect of the **Netherlands Distortion**³ is to overstate, in the official data, the amount of income originating IN the EU, and to understate the amount originating OUTSIDE the EU. Quantification of this distortion is difficult, but it is highly likely to be significant⁴. Were it possible to “aim off” to take account of this distortion, the proportion of UK worldwide income originating OUTSIDE the EU would be HIGHER than the 54% suggested by the official data, and, consequently, the “real” proportion of the UK economy involved in exporting TO the EU would be even smaller than the 11.1% derived from the official data.

The third distortion arises because *receipts of income* (earned by UK companies from – for example – international banking activities, or as dividends and interest on their investments overseas) **are not “captured” or separately identified** in the Blue Book Supply & Use¹ tables. Yet, in 2008, the value of those *receipts of income* from overseas was £ 262 billion. That figure (representing over ten per cent of UK GDP & hundreds of thousands of jobs, mainly but not exclusively in the City) was bigger than the value of worldwide UK goods exports in 2008: £ 252 billion.

Conclusion

. Absolute precision is impossible, **but it seems highly likely that the real percentage of the British economy involved in exporting to the EU is less than ten per cent.**

This conclusion is consistent with the estimate by successive British governments that “3 million jobs are involved in exports to the EU”⁵, and with the estimate made earlier by Global Britain⁶.

Notes & References

1. UK National Accounts : The Blue Book 2010, Table 2.1, Supply & Use Tables for the UK, 2008: www.statistics.gov.uk Data for 2009 not yet available.
2. UK Balance of Payments: The Pink Book 2010: Table 9.3, Exports of Goods & Services: www.statistics.gov.uk
3. See Global Britain Briefing Note No 64: The Rotterdam-Antwerp Effect & the Netherlands Distortion, 7.1.2011, www.globalbritain.org > Briefing Notes
4. See Global Britain Briefing Note No 32: Foreign Direct Investment: the Netherlands Distortion (Update), 4.6.04 www.globalbritain.org > Briefing Notes
5. According to Table 1.5 of the Blue Book 2010, there were 30.8 million “economically-active” people in the British economy in 2008. Three million divided by 30.8 million is 9.7%.
6. See Global Britain Briefing Note No 22: 90% of the British Economy is NOT involved in Exports to the EU, 20.9.02, www.globalbritain.org > Briefing Notes

End

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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