

Global Britain Briefing Note

No 68

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The non-existent “benefits” of belonging to the EU Single Market

Over the last ten years, British trade with the world outside the EU has grown significantly faster than British trade with the EU.

This is true of both exports and imports. So what “benefit” is the UK deriving from membership of the EU’s Single Market ?

UK Exports

British exports (goods, services, income & transfers) to the world **outside** the EU are already fifty per cent greater by value than British exports **to** the EU¹.

British exports to countries **outside** the EU are growing much faster – **almost forty per cent faster** – than British exports **to** the EU. Yet – in theory – there are no trade barriers between member-states of the European Union: zero customs duties, zero quotas, zero non-tariff barriers, zero national protection. In addition, EU markets are geographically close to the UK.

One explanation for the disparity in growth rates of British exports to & outside the EU is the straightforward and easily-observed fact that **EU economies**, and therefore their propensity to import, are **anaemic**, whereas many economies in the wider world outside the EU are expanding rapidly. Not that supplying these faraway fast-expanding non-EU markets is easy: UK exporters often have to export over those importing countries’ import barriers: customs duties, quotas and overt and covert protectionism. Once in those markets UK exporters then face fierce local and foreign competition.

In spite of the obstacles to exporting to the world beyond the EU, UK exporters are finding far more growth there than they are in the theoretically trade-barrier-free EU.

The macro-statistical evidence is clear (Table 1): over a relatively long period – ten years – British exports **outside** the EU Single Market are growing far faster than British exports **to** the EU – thirty-seven per cent faster.

UK Imports

When it comes to UK imports, a similar pattern can be seen: imports from outside the EU are growing at almost twenty per cent faster than imports *from* the EU (Table 2). This is happening despite the fact that imports from *outside* the EU have to clear the tariff, non-tariff and regulatory hurdles erected by the EU's Single Market. In theory, imports into the UK from *inside* the EU do not face such hurdles.

Although differentials in growth of export markets may begin to explain why UK exports are growing faster outside the EU, it is difficult to see how that explanation can apply to UK imports. The main reason why UK imports are growing faster from outside the EU could simply be that the products and services of non-EU exporters to the UK cost less, once the costs of exporting over the Single Market's trade barriers are taken into account, than imports *from* the EU.

Conclusion

Given that British trade with the world beyond the EU is growing significantly faster than British trade *with* the EU; that the value of British exports to the world beyond the EU is already *50% greater* than the value of British exports *to* the EU; that the UK trades in massive deficit with the EU (and in balance with the world beyond the EU)², what "benefit" is the UK deriving from its membership of the EU Single Market ?

Summary

- Over the last ten years, UK exports (**goods, services, income, transfers**) going *outside* EU-26 have grown **37%** faster than UK exports *to* EU-26
- Over the last ten years, UK exports of **goods outside** EU-26 have grown **two-and-a-third times** faster than UK exports of goods *to* EU-26
- On the import side, the same phenomenon can be seen: over the last ten years, UK imports (**of goods, services, income & transfers**) from *outside* EU-26 have grown **18%** faster than imports from EU-26
- Over the same period, UK imports of **goods only** from *outside* EU-26 have grown **42%** faster than goods imports *from* EU-26

Rates of Growth of UK Exports to EU-26 and the world outside the EU (“RoW”) over the ten-year period 1999 to 2009

Table 1: Rates of growth of UK Exports 1999 to 2009 inclusive			
	Destination	Average annual % *	Index: EU-26=100
All exports§	To EU-26	4.18	100
	To RoW	5.71	137
	To World	4.94	118
of which: Goods	To EU-26	2.05	100
	To RoW	4.78	233
	To World	3.19	156
<i>§ of Goods, Services, (receipts of) Income, Transfers</i>			
<i>*annual average compound rate of growth 1999-2009, %</i>			
<i>1: Source: UK Balance of Payments: Tables 9.2 & 9.4 The Pink Book 2010: www.statistics.gov.uk</i>			

Rates of Growth of UK Imports from EU-26 and the world outside the EU (“RoW”) over the ten-year period 1999 to 2009

Table 2: Rates of growth of UK Imports 1999 to 2009 inclusive			
	Origin of Imports	Average annual % *	Index: EU-26=100
All imports §	From EU-26	4.30	100
	From RoW	5.09	118
	From World	4.60	107
of which: Goods	From EU-26	3.95	100
	From RoW	5.62	142
	From World	4.71	119
<i>§ of Goods, Services, (receipts of) Income, Transfers</i>			
<i>*annual average compound rate of growth 1999-2009, %</i>			
<i>1: Source: UK Balance of Payments: Tables 9.2 & 9.4 The Pink Book 2010: www.statistics.gov.uk</i>			

Notes & References

- 1 *Global Britain Briefing Note No 64, The Rotterdam-Antwerp Effect & the Netherlands Distortion, 7.1.2011 www.globalbritain.org > Briefing Notes*
- 2 *Global Britain Briefing Note No 60, 88 per cent of the UK Trade Deficit over the last five years was with EU-26, 29.10.10, www.globalbritain.org > Briefing Notes*

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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