



Media Release

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The Single Market is failing the UK – new report demonstrates

As the first of a series of detailed papers to consider how the UK should exit the European Union Global Britain has today published a research paper “Why the EU’s single market is failing Britain”.

Written by Ewen Stewart and Brian Monteith, directors of the Global Britain think tank, the paper demonstrates three reasons the Single Market puts the UK at a disadvantage.

Firstly, because no single market has been achieved in services the EU gives a priority to trade in goods rather than services, where the UK strength lies. This results in a huge UK trade deficit in goods of £89bn with the EU.

This compares against a £10bn surplus in goods trade with the America’s (largely the US) where there is no preferential trade deal. The EU’s Single Market appears to give all other members an advantage while disadvantaging the UK.

Secondly, the UK runs a trade surplus with the rest of the world and a very large deficit with the EU. This is a paradox – the UK runs a surplus where it has no trade deal, and a huge deficit where it does. Having common EU regulations does not appear to give the UK any advantage.

Thirdly, the EU’s GDP growth has lagged every other region in the world for a generation – and its rate of decline is accelerating. This has caused British business to vote with its feet away from the declining EU to faster growth markets. In 1999 61% of UK trade was with the EU, now it is 43%. By 2025 the report suggests the EU will account for under 35% UK trade.

The Global Britain report argues it is the structurally low EU economic growth and its favouring of trade in goods over services that has caused the UK’s exports to the EU to perform so poorly compared with the rest of the world.

In addition, the report notes that claims the EU is the largest single market in the world are fallacious because when the UK figures are removed the US is the world’s largest market, with a GDP of \$17,947bn, compared with the EU ex-UK GDP of \$13,381bn. The UK does not have to be “inside” the US to trade there, why then should the UK have to be “inside” the EU’s single market to trade with it?

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The paper concludes that remaining in the single market would bind the UK into perpetual EU trade deficits and low growth while providing no say on framing new EU Single Market regulation. Chairman of Leave Means Leave, Richard Tice said,

“The rational and logical position for the UK is to leave the Single Market and trade under World Trade Organisation rules. If the EU will not offer tariff free access to the Single Market within a reasonable timeframe we should be clear that no deal is Better than a bad deal.”

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Editors' notes:

A soft copy of the paper is attached.

Global Britain is a Brexit think tank of nearly twenty years standing and is publishing research papers to support the government in delivering the will of the British people.

The following is the Executive Summary of the Report:

EXECUTIVE SUMMARY

- Trade is critical to the UK economy with UK exports of £669bn in 2015.
- The UK has the largest current account deficit in the G7 approaching 6% of GDP. Understanding the reasons for this is critical to designing the right trade strategy post BREXIT. It is clear from the UK's performance from within the single market that something is badly amiss.
- Asymmetry One – the UK runs a substantial global surplus in services and a substantial deficit in goods. The UK's goods trade deficit with the EU was £89bn in 2015. The UK recorded a £10bn goods surplus with the America's (largely USA). Odd that the UK should be in surplus with the US, where there is no preferential trade deal, and a massive deficit within the Single Market. Further, the UK service surplus with the US is approximately 50% higher than all 27 nations of the EU combined.
- Asymmetry Two – the UK runs a trade surplus with the rest of the world and a very large deficit with the EU. This is a paradox – the UK experiencing underperformance to the regulatory regime it is tied into, but out-performance where it is not.
- Asymmetry Three – the EU is a declining bloc. Its GDP growth has lagged every other region in the world for a generation. The rate of decline is accelerating. This has caused business to vote with its feet away from the declining EU to faster growth markets. In 1999 61% of UK trade was with the EU, now it is 43%. By 2025 we estimate the EU will account for under 35% trade.
- We believe structurally low EU economic growth and the nature of its Single Market, which favours trade in goods over the UK's strategic advantage in services, has caused the UK's exports with the EU to perform so poorly and so much better with the rest of the world. These are critical observations and greatly undermine the case for remaining in the Single Market or EEA.

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- Global tariffs continue to fall. Average tariffs into the EU are now just above 1%. While they remain high in a few sectors, agricultural products being the prime example, the benefit from being inside the single market without facing the global tariff regime is minimal. Frankly, compared with currency swings, the tariffs into the EU in aggregate is a rounding error.
- Further, it is a fallacy that one needs to be inside the Single Market to trade with it. US, China, Japan and Australia all enjoy access so long as they meet the single market regulatory standards, just as the UK can trade with China so long as Chinese standards are met for its local market.
- On the other side of the coin the Single market remains the world's growth laggard, is highly regulated and inflexible. It advantages trade in goods over services. The outcome is a large deficit while the UK enjoys a surplus with the rest of the world.
- The US is the world's largest market, with a GDP of \$17,947bn, compared with the EU ex UK GDP of \$13,381bn. The UK does not have to be "inside" the US to trade there, why then should the UK have to be "inside" the EU's single market to trade with it?
- The key lesson is the UK does well with the world and very badly with the place the UK is currently tied to – the EU – and remaining in the Single Market will not improve this deficit. On the contrary it may make matters worse as the UK will be required to incorporate continuing EU single market related regulation into domestic law without any say in its framing.
- If the UK remains tied to the EU single market regulatory regime it will continue to pull our political and economic focus towards the world's least successful economic zone while tying us down with needless and expensive regulation for all businesses, even if they do not export. The UK has also been paying large membership fees for access into this failing market while other countries such as the US have not – continuing financial contributions will likely be demanded as the price for a bad deal.
- The EU's record on reaching Free Trade Agreements is very poor, with countries such as Switzerland and Chile having struck more deals and of higher value than the EU and the EU having no FTAs with the leading economies of US, Japan and China. This problem arises because the EU's 27 members have been slow to reach agreement, with each having their own peccadillos they want resolved. A single country, such as the UK will be able to achieve more FTAs and more quickly than the EU can.
- It is in the EU's interests to agree a zero tariff deal with the UK simply because they sell more to the UK than the UK sells to the EU. However if they refuse to do so within reasonable timeframe, the UK should leave the EU without a formal agreement, after Article 50 has been triggered, relying on WTO rules and striking free trade deals with our global partners. This stance would be far better than remaining in the failing Single Market, having left the EU, which would be worse than the current arrangements, unsatisfactory as they are. This is because the UK would swap a current marginal influence on Single Market regulation (12% vote in the council of ministers) for no say in regulatory framework at all – while having to accept free movement of people.
- To remain in the Single Market, having left the EU, is the 'no say, low growth, regulatory burden, sovereignty illusion' option locking in perpetual trade deficits. That is why no deal, is better than a bad deal.