

# Global Britain Briefing Note

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## Would Berlin allow any discrimination against UK exports to the Eurozone if “Brexit” happens ?

The Eurozone’s biggest trading partner worldwide is the UK<sup>1</sup>

The Eurozone’s biggest export market worldwide is the UK<sup>1</sup>

The Eurozone’s biggest supplier worldwide is the UK<sup>1</sup>

The Eurozone’s biggest trade surplus worldwide<sup>1</sup>  
is with the UK

Germany and its fellow Eurozone members are explicitly creating the top tier of a “two-tier” Europe. The inner core will consist of countries using the euro, with a single currency, a single budget and a single central bank. Germany, politically, economically & demographically, will dominate the state-like Eurozone, and, *de facto*, Berlin will be its capital.

Countries in the outer tier will keep their own currencies, budgets & central banks. British withdrawal from the European Union (colloquially know as “Brexit”) is moving ineluctably from the realms of the possible to the probable. If “Brexit” were to happen, would the Eurozone, led by Germany, discriminate against British exports ?

Any such discrimination would be illegal under the provisions of the World Trade Organisation (“WTO”), of whose predecessor the UK was a founder member in 1948. It would also be a case of the Eurozone economically shooting itself in the foot.

**German prosperity depends crucially on a healthy Eurozone.** Over half<sup>2</sup> of German exports go to “EU-25” (EU-27 less Germany less the UK). A decision by a German government to discriminate illegally against UK exports to Germany post-Brexit would first have to get the consent of corporate Germany; the trade unions; the Chancellery; the Bundestag; the Bundesrat; the regional Länder and, most probably, the powerful *Bundesverfassungsgericht* (German Constitutional Court) in Karlsruhe. The probability of that consent materialising is infinitesimally small.

Already, 69% of Eurozone imports come from countries outside the EU<sup>1</sup>. For 40 years the EU has traded happily without bilateral free trade agreements (“FTAs”) with the USA, China, Japan & other countries. If “Brexit” happens, why would the Eurozone<sup>3</sup> (and the rest of the EU) not trade happily, with an FTA or without, with the Eurozone’s single biggest trading partner worldwide - the UK ?

### Eurozone exports (goods, services, income, transfers) in 2012

<b>Table 1: Eurozone Exports in 2012: € bn<sup>1</sup></b>		
<b>Destination</b>	<b>Value</b>	<b>%</b>
<b>UK</b>	<b>486</b>	<b>15</b>
USA	418	13
Switzerland	251	8
China	154	5
Russia	122	4
Japan	72	2
Others	1639	52
<b>World</b>	<b>3142</b>	<b>100</b>

### Eurozone imports (goods, services, income, transfers) in 2012:-

<b>Table 2: Eurozone Imports in 2012: € bn<sup>1</sup></b>		
<b>Origin</b>	<b>Value</b>	<b>%</b>
<b>UK</b>	<b>423</b>	<b>14</b>
USA	407	13
China	224	7
Switzerland	213	7
Russia	154	5
Japan	98	3
Others	1507	50
<b>World</b>	<b>3026</b>	<b>100</b>

### Eurozone Trade Balances (goods, services, income, balances) in 2012:-

<b>Table 3: Eurozone Surpluses/(Deficits) in 2012: €bn<sup>1</sup></b>	
<b>Eurozone Trading Partner</b>	<b>Value</b>
<b>UK</b>	<b>+63</b>
USA	+11
Switzerland	+38
China	(70)
Russia	(32)
Japan	(26)
Others	+132
<b>World</b>	<b>+116</b>

Table 3 shows that the Eurozone, on its trade (comprising trade in goods, services, income & transfers) with non-Eurozone countries in calendar 2012, had a **balance of payments surplus worldwide** of €116 bn. The Eurozone balance of payments surplus ***with the UK alone*** was €63 bn.

## References

- 1 Data from the May 2013 edition of the Monthly Bulletin of the European Central Bank ([www.ecb.int](http://www.ecb.int) > Monthly Bulletin > Table 7.2, Current & Capital Accounts, page S 63)
- 2 Global Britain Briefing Note No 78, *German Trade in 2011*, 20.7.12, [www.globalbritain.org](http://www.globalbritain.org) > Briefing Notes
- 3 Tradewise, the 17-member Eurozone is a useful proxy for “EU-26” (the EU less the UK). In 2011, the GDP (at current prices & exchange rates) of the Eurozone was 85% of the GDP of EU-26. In 2011, EU-27 GDP was US \$ bn 17576. UK GDP was US \$ bn 2246. So EU-26 GDP was US \$ bn 15330. Eurozone GDP was US \$ bn 13081. Eurozone GDP as a proportion of EU-26 GDP was  $13081/15350 = 85\%$ . GDP data for calendar year 2011 from the World Bank World Development Indicators Database, [www.worldbank.org/data](http://www.worldbank.org/data)

## Global Britain

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