

Global Britain Briefing Note

No 87

6th September 2013

UK Trade in 2012

*Growing, and in surplus, outside the EU;
shrinking, and in massive deficit, with the EU*

Why, when the UK has a structural surplus on its trade with advanced economies like the USA, Australia, Singapore, South Korea & Switzerland, & with developing economies like Brazil, does the UK have a massive structural deficit on its trade with the EU ?

- The first global recession of the 21st Century began in 2007, as does the period – 2007 to 2012 - covered by this Briefing Note. (Northern Rock collapsed on 14th September 2007; Lehman Brothers collapsed on 15th September 2008).
- In 2012, the value of British exports worldwide (£ 672 billion) was less than the equivalent figure for 2007 (£ 688 billion). *Table 1*

Table 1: UK Exports (Goods, Services, Income, Transfers) 2007 to 2012	£ bn					
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Exports to EU-26	318	344	284	277	317	278
Exports to Rest of World	370	371	308	349	385	394
Exports to whole World	688	715	592	626	702	672
<i>Proportion EU-26/World#</i>	<i>46%</i>	<i>48%</i>	<i>48%</i>	<i>44%</i>	<i>45%</i>	<i>41%</i>
# Not adjusted for the Rotterdam-Antwerp Effect or the Netherlands Distortion (see Global Britain Briefing Note No 64). The “real” proportion is lower than given here.						

- UK exports to the world outside the EU rose continually from 2009 to 2012, in which year their value exceeded the 2007 level by 6%. In contrast, the value of UK exports to EU-26 was 13% lower in 2012 than in 2007. *Table 1*
- In 2012, 59% (probably 60% or more when account is taken of the *Rotterdam-Antwerp Effect* & the *Netherlands Distortion*) of British exports went to the world outside the EU. (Taking 60% as the real proportion, this means that **UK exports outside the EU are already 50% higher** [60 minus 40 divided by 40] than UK exports to the EU.) *Table 1*

- In 2012, 41% of British exports (probably 38% or less when account is taken of the *Rotterdam-Antwerp Effect* & the *Netherlands Distortion*) went to EU-26. **The proportion of UK worldwide exports going to EU-26 is shrinking.** *Table 1*

Table 2: UK Current Account Balance with EU-26 & Rest of World							£ bn
Year	2007	2008	2009	2010	2011	2012	Cum. 2007-12
Balance UK/EU-26	(40.9)	(5.2)	(21.0)	(52.9)	(38.0)	(83.2)	(241.2)
Balance UK/Rest of World	+9.7	(8.6)	+0.9	+12.9	+15.5	+24.0	+54.4
Balance UK/WholeWorld	(31.2)	(13.8)	(20.1)	(40.0)	(22.5)	(59.2)	(186.8)

- Cumulatively, between 2007 & 2012, the UK trade surplus with the world outside the EU was £ 54 bn. Over the same period, the UK deficit on trade with EU-26 was £241 bn. *Table 2*
- In 2012 alone, the UK traded in massive deficit – £ 83 billion – with EU-26. *Table 2*
- The UK traded in deficit with twenty-three of its twenty-six EU partners in 2012. *Table 9.2 of the 2013 Pink Book*
- The UK Gross Contribution to EU Institutions continued its inexorable upward march, costing the British taxpayer **£ 55 million per day** in 2012. *Tables 5 & 6*
- On its trade with the whole world in 2012 the UK ran large deficits (minus £ 131 bn) on Goods & Transfers, and a large surplus (+ £ 74 bn) on Services. *Table 3*
- On its Income balance with the world in 2012, the UK recorded a small (minus £2.2 bn) deficit, mainly because Income from EU-26 halved compared with the average of the previous five years. *Table 3*
- The UK has a structural surplus on its trade with the USA. In 2012 alone, the UK surplus with the USA was £ 28 billion. *Table 4*
- The cumulated UK trade surplus with the USA over the six-year period 2007-2012 is £125 bn, compared with a cumulative UK deficit with EU-26 over the same period of £ 241 bn. *Table 9.2 of the 2013 Pink Book; & Table 2 above*

- The UK has a structural surplus on its trade with Australia, Brazil, Singapore, South Korea, Switzerland & the USA, recording surpluses with those countries in most or all of the last eleven years.

Table 9.2 of the 2013 Pink Book

Table 3: UK Current Account in 2012: £ bn					
	Goods	Services	Income	Transfers	Total
Exports:-					
To EU-26	150	72	47	9	278
To Rest of World	149	121	115	9	394
Exports to World	299	193	162	18	672
<i>Exports to World by type as percentage</i>	<i>44</i>	<i>29</i>	<i>24</i>	<i>2</i>	<i>100</i>
Imports:-					
From EU-26	206	60	74	20	361
From Rest of World	201	59	90	21	371
Imports from World	407	119	164	41	732
<i>Imports from World by type as percentage</i>	<i>56</i>	<i>16</i>	<i>22</i>	<i>6</i>	<i>100</i>
Balances:-					
With EU-26	(56)	12	(27)	(12)	(83)
With Rest of World	(52)	62	25	(11)	24
With World	(108)	74	(2)	(23)	(59)

Table 4: Balances: Largest UK Surpluses & Deficits in 2012: £ bn		
Surpluses	USA	28
	Switzerland	8
	Australia	7
	Saudi Arabia	5
	Ireland	4
Deficits	Germany	(23)
	Norway	(19)
	China + Hong Kong	(16)
	Spain	(12)
	EU Institutions	(12)

- In 2012, the **UK Gross Contribution to EU Institutions** hit a new record of **£ 20 bn, equivalent to £ 55 million per day**. UK Gross & Net Contributions began rising sharply from 2010 onwards as a result of the abandonment by Mr Blair, then Prime Minister, on 17th December 2005, of part of the Fontainebleau Abatement. *Table 5*

Table 5: UK Contributions to EU Institutions: £ bn							
	2007	2008	2009	2010	2011	2012	Cum. 2007-2012
Gross UK Contribution	(16.0)	(16.6)	(17.2)	(18.6)	(19.5)	(20.0)	(107.9)
Receipts from EU Inst.	8.6	10.0	10.8	8.2	8.7	7.8	54.1
Net UK Contribution	(7.4)	(6.7)	(6.4)	(10.4)	(10.8)	(12.2)	(53.9)

Table 6: UK Cash Contributions to & Receipts from “Brussels” in 2012: £ million		
	£ million in year	£ m per day
Gross Contribution	(20009)	(55)
Receipts from EU Institutions	7781	21
UK Net Contribution	(12228)*	(34)
* Assuming that in 2012 the average cost of employing a qualified nurse was £ 35,000 per annum, & that the 2012 Net UK Contribution to “Brussels” of £ 12.22 billion had been used instead to create new NHS nursing posts in the UK, how many such posts would have been created? The answer is three hundred & forty-nine thousand three hundred & seventy-one: 349,371.		

Notes & Data Sources

The Pink Book 2013, 31st July 2013, www.statistics.gov.uk > Economy > Balance of Payments > The Pink Book 2013. The statistical data summarised in this Briefing Note is from Part 3, Chapter 9: Geographical Breakdown of Current Account.

Payments to & from supra- & international organisations, & remittances by expatriates, which are included in “Transfers”, are not strictly-speaking “Trade”, but a large proportion of them are trade-related. HM Government itself justifies UK net payments to the EU on the grounds (unsupported by any evidence) that *“the UK needs to be in the EU for trade”*.

The data above is not adjusted for the Rotterdam-Antwerp Effect or the separate Netherlands Distortion (see *Global Britain Briefing Note No 64, “The Rotterdam-Antwerp Effect & the Netherlands Distortion” 7th January 2011*). The effect of these two statistical distortions is to significantly overstate (in the *Pink Book*) the value of UK exports to EU-26, & to significantly understate the value of UK exports outside the EU.

*In the tables, brackets mean “minus”.
Due to rounding, columns & rows may not
sum exactly.*

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