

# Global Britain Briefing Note

## 88 per cent of the UK Trade Deficit over the last five years was with EU-26

*In 2009 the UK traded in deficit with sixteen of its twenty-six EU partners.  
UK exports contracted sharply compared with 2008; so did imports.*

*The UK Gross Contribution to EU Institutions continued its inexorable upward march,  
costing the British taxpayer **£ 48 million per day** in 2009.*

- The UK current account balance (“trade deficit”) with the whole world, having reached alarming levels in 2006 & 2007, contracted significantly in 2008 & 2009.

*Table 1*

- The contraction in 2009 occurred in spite of a large increase in the UK deficit with EU-26. The UK **deficit with the world outside the EU**, strongly negative in 2008, almost disappeared in 2009 (a deficit of £ 1.1 bn).

*Table 2*

<b>Table 1: UK Current Account Deficit with World 2005 – 2009*</b>					
<b>Year</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>£ bn</b>	32.8	44.9	36.5	23.8	15.5

- Cumulatively, over the period 2005 – 2009, the UK deficit with EU-26 accounted for 88 % of the deficit with the whole world. Cumulatively, on **its trade with the world outside the EU**, the UK has been almost in balance.

*Table 2*

<b>Table 2: UK Current Account Balance With EU-26 &amp; Rest Of World*</b>							
<b>Year</b>		<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Cumul. '05 – '09</b>
Balance UK/EU-26	£ bn	(40.6)	(35.5)	(38.5)	(5.5)	(14.4)	(134.5)
Balance UK/Rest of World	£ bn	+7.8	(9.4)	+2.0	(18.3)	(1.1)	(19.0)
Balance UK/Whole World	£ bn	(32.8)	(44.9)	(36.5)	(23.8)	(15.5)	(153.5)
<b>UK Deficit with EU-26 as a proportion of UK Deficit with World</b>							<b>88%</b>

- The value of UK exports to EU-26 shrank by almost a fifth in 2009 compared to 2008; the shrinkage in UK exports to the Rest of the World was less. *Table 3*

<b>£ bn</b>	<b>2008</b>	<b>2009</b>	<b>Difference</b>
Exports to EU-26	342	277	(19%)
Exports to Rest of World	359	300	(16%)
<b>Exports to World</b>	<b>701</b>	<b>577</b>	<b>(18%)</b>

- On its trade with the whole world in 2009 the UK ran a large deficit on Goods, (£ 82 bn), offset by surpluses on Services & Income. *Table 4*

	<b>Goods</b>	<b>Services</b>	<b>Income</b>	<b>Transfers</b>	<b>Total</b>
<b>Exports:-</b>					
To EU-26	124	64	77	12	<b>277</b>
To Rest of World	104	95	97	5	<b>300</b>
<b>Exports to World</b>	<b>228</b>	<b>159</b>	<b>174</b>	<b>17</b>	<b>577</b>
<i>Exports to World as percentage</i>	<i>40</i>	<i>28</i>	<i>30</i>	<i>3</i>	<i>100</i>
<b>Imports:-</b>					
From EU-26	161	55	58	17	<b>291</b>
From Rest of World	148	54	85	14	<b>302</b>
<b>Imports from World</b>	<b>309</b>	<b>109</b>	<b>143</b>	<b>31</b>	<b>593</b>
<b>Balances:-</b>					
With EU-26	(37)	9	20	(6)	<b>(14)</b>
With Rest of World	(45)	41	11	(9)	<b>(2)</b>
<b>With World</b>	<b>(82)</b>	<b>50</b>	<b>31</b>	<b>(15)</b>	<b>(16)</b>

- In 2009, UK exports of Goods (“visibles”) accounted for 40% of all UK exports worldwide. “Invisibles” (Services, Goods & Transfers) accounted for 60% of all UK exports worldwide. In other words, for the UK, **the export value of “invisibles” is 50%** (60 divided by 40) **higher than the export value of “visibles”**. *Table 4*

- In 2009, the UK increased its surplus (+ £11.5 bn) on its trade with the USA, though it was less than the surpluses of more than £ 17 bn recorded in 2005, 2006 & 2007. The cumulated trade surplus with the USA over the five-year period 2005-2009 is £ 75 bn, compared with a cumulative deficit with EU-26 over the same period of £ 135 bn.

Table 5

<b>Table 5: Balances: Largest Surpluses &amp; Deficits in 2008: £ bn*</b>		
<i>Surpluses</i>	Netherlands	12
	USA	12
	Luxembourg	8
	Switzerland	8
	Australia	6
<i>Deficits</i>	China + Hong Kong	(19)
	Norway	(12)
	Germany	(12)
	EU Institutions	(7)
	France	(6)

- In 2009, the **UK Gross Contribution to EU Institutions** hit a new record of **£ 17.4 bn, equivalent to £ 48 million per day**. UK Gross & Net Contributions are set to rise sharply from 2009 onwards as a result of the abandonment by Mr Blair, then Prime Minister, on 17th December 2005, of part of the Fontainebleau Abatement.

Table 6

<b>Table 6: UK Contributions to EU Institutions: £ bn*</b>						
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Cum. 05 – 09</b>
Gross Contribution	(15.1)	(15.4)	(15.8)	(16.4)	(17.4)	(80.1)
Receipts from “Brussels”	9.1	9.3	8.5	9.8	10.7	47.4
Net Contribution	(6.0)	(6.1)	(7.3)	(6.6)	(6.7)	(32.7)

### **Notes & Data Sources**

\* *The Pink Book 2010*, 31<sup>st</sup> July 2010, [www.statistics.gov.uk](http://www.statistics.gov.uk) > Economy > Balance of Payments > *The Pink Book 2010*

- 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 (described on pages 200 & 201 of the *Pink Book 2010*) or the separate Netherlands Distortions (see *Global Britain Briefing Note No 52*, “UK plc’s Export Growth is Coming from Outside the EU”, 21<sup>st</sup> November 2008). The effect of these two distortions is to significantly overstate (in the *Pink Book*) the value of UK exports to EU-26.

# Global Britain

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