

Global Britain Briefing Note

No 75

16th December 2011

92 per cent of the UK Trade Deficit in the last five years was with EU-26

UK Trade with the world outside the EU is almost in balance

The UK traded in deficit with nineteen of its twenty-six EU partners in 2010

Between 2008, when recession took hold, & 2010, UK exports outside the EU shrank by only 3%; but exports to EU-26 plunged by almost a quarter.

Markets outside the EU, with which the UK traded in surplus in 2010, seem to be more stable than those of EU-26, with which the UK trades in massive & permanent deficit.

*The UK Cash Gross Contribution to EU Institutions continued its inexorable upward march, costing the British taxpayer **£ 51 million per day** in 2010.*

- In 2010, 56% (probably 60% or more if account is taken of the *Rotterdam-Antwerp Effect* & the *Netherlands Distortion*) of British exports went to the world outside the EU. *Table 1*
- **In 2010, the UK traded in surplus with the world outside the EU.** *Table 2*
- In 2010, 44% of British exports (probably 40% or less if account is taken of the *Rotterdam-Antwerp Effect* & the *Netherlands Distortion*) went to EU-26. *Table 1*
- **In 2010, the UK traded in massive deficit – a record £ 52 billion – with EU-26.** *Table 2*
- The current recession began 2008. UK exports to EU-26 shrank in 2009 and again in 2010. However, though UK exports to the Rest of the World outside the EU also shrank in 2009, they recovered in 2010. *Table 1*

<i>£ bn</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>Reduction 2010 v. 2008</i>
Exports to EU-26	310	320	349	283	273	(22%)
Exports to Rest of World	326	360	354	300	342	(3%)
Exports to whole World	636	681	703	583	614	(13%)
<i>Proportion EU-26/World#</i>	<i>49%</i>	<i>47%</i>	<i>50%</i>	<i>49%</i>	<i>44%</i>	
<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.</i>						

- Cumulatively, over the period 2006 – 2010, the UK deficit with EU-26 accounted for 92 % 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*

Year		2006	2007	2008	2009	2010	Cumul. '06 – '10
Balance UK/EU-26	<i>£ bn</i>	(34.9)	(36.1)	(1.2)	(17.9)	(52.4)	(142.5)
Balance UK/Rest of World	<i>£ bn</i>	(8.2)	+1.3	(18.6)	(2.4)	+15.7	(12.2)
Balance UK/Whole World	<i>£ bn</i>	(43.1)	(34.8)	(19.8)	(20.3)	(36.7)	(154.7)
<i>UK Deficit with EU-26 as a proportion of UK Deficit with World</i>							<i>92%</i>

- On its trade with the whole world in 2010 the UK ran large deficits on Goods & Transfers (£ 118 bn), and surpluses on Services & Income (£ 82 bn). *Table 3*
- In 2010, UK exports of Goods (“visibles”) accounted for 43% of all UK exports worldwide. “Invisibles” (Services, Income & Transfers) accounted for 57% of all UK exports worldwide. In other words, for the UK, **the export value of “invisibles” is 33% (57 minus 43 divided by 43) higher than the export value of “visibles”**. *Table 3*
- The UK appears to have a structural surplus on its trade with the USA. In 2010, the UK surplus remained above £ 20 billion. **The cumulated trade surplus with the USA over the five-year period 2006-2010 is £ 107 bn, compared with a cumulative deficit with EU-26 over the same period of £ 143 bn.**
Table 9.2 on page 102 of the 2011 Pink Book for US data and Table 2 for EU data*
- The UK appears to have a structural surplus on its trade with Switzerland, recording a surplus with that country in seven of the eight last years.
*Table 9.2 on page 102 of the 2011 Pink Book**

Table 3: UK Current Account in 2010: £ bn*					
	Goods	Services	Income	Transfers	Total
Exports:-					
To EU-26	142	68	54	9	<i>273</i>
To Rest of World	124	103	109	6	<i>342</i>
Exports to World	266	171	163	15	615
<i>Exports to World as percentage</i>	<i>43%</i>	<i>28%</i>	<i>27%</i>	<i>2%</i>	<i>100%</i>
Imports:-					
From EU-26	186	57	63	19	<i>325</i>
From Rest of World	178	55	77	16	<i>327</i>
Imports from World	364	112	140	35	652
<i>Imports from World as percentage</i>	<i>56%</i>	<i>17%</i>	<i>21%</i>	<i>5%</i>	<i>100%</i>
Balances:-					
With EU-26	(44)	11	(10)	(10)	<i>(52)</i>
With Rest of World	(54)	48	33	(10)	<i>16</i>
With World	(98)	59	23	(20)	(37)

- The UK appears to have a structural surplus on its trade with Australia, recording a surplus with that country in each of the eight last years.

*Table 9.2 on page 102 of the 2011 Pink Book**

Table 4: Balances: UK Largest Surpluses & Deficits in 2010: £ bn*		
Surpluses	USA	20
	Australia	10
	Switzerland	6
	Luxembourg	6
	Saudi Arabia	5
Deficits	Germany	(23)
	China + Hong Kong	(22)
	Norway	(18)
	EU Institutions	(10)
	Spain	(5)

- In 2010, the **UK Gross Cash Contribution to EU Institutions** hit a new record of **£ 18.4 bn, equivalent to £ 51 million per day**. UK Gross & Net Contributions began rising 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 5

	2006	2007	2008	2009	2010	Cum. '06 – '10
Gross Contribution	(15.4)	(15.8)	(16.4)	(17.4)	(18.4)	(83.4)
Receipts from “Brussels”	9.3	8.5	9.8	10.8	8.1	46.5
UK Net Contribution	(6.1)	(7.3)	(6.6)	(6.7)	(10.3)	(36.9)

	£ m in year	£ m per day
Gross Contributions	(18,445)	(51)
Receipts from “Brussels”	8,141	22
UK Net Contribution	(10,314)	(28)#
#Assuming the average salary of a nurse is £30,000 p.a., & that the UK Net Contribution had been used instead to employ nurses in the NHS, 942 nurses <i>per day</i> could have been recruited every day of the year in 2010, totalling 343,830 in the whole year.		

Notes & Data Sources

**The Pink Book 2011, 23rd November 2011, www.statistics.gov.uk > Economy > Balance of Payments > The Pink Book 2011. In 2011 the Pink Book was published approximately four months later than usual. The statistical data summarised in this Briefing Note is from Chapter 9: Geographical Breakdown of Current Account, starting on page 96.*

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 implausible 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 page 159 of the *Pink Book 2011*) 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 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 to the world outside the EU.

16th December 2011

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)

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