



In brief: UK-EU economic relations – key statistics

Standard Note: SN/EP/6091

Last updated: 20 October 2011

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Section Economic Policy and Statistics

1 UK's trade with the EU

Goods trade

In 2010, **54%** of the UK's goods exports were to other EU countries, comprising 9.8% of GDP; **51%** of its goods imports came from other EU countries.

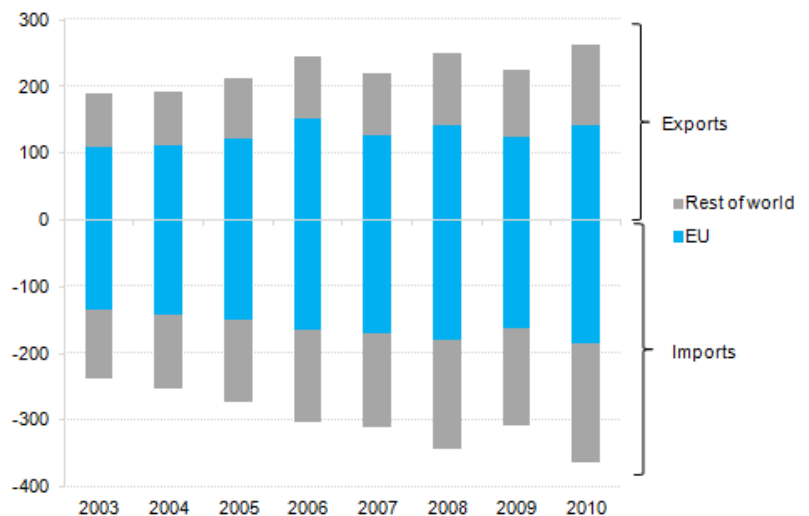
Goods and services trade

In 2009 (latest figure available) **49%** of the UK's goods and services exports were to other EU countries, comprising 13.5% of GDP; **52%** of its goods and services imports came from other EU countries.

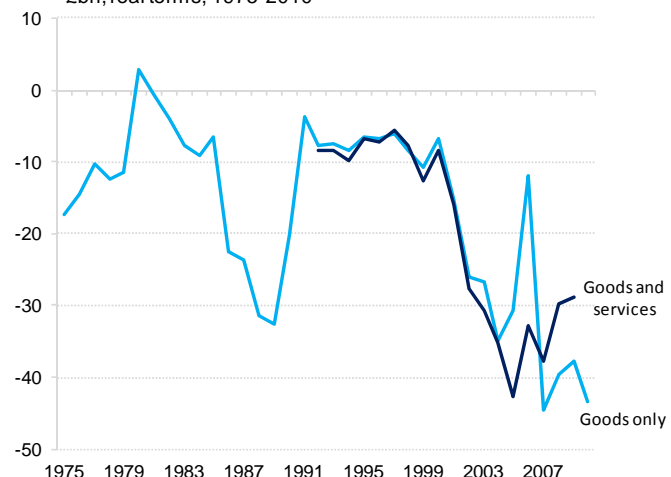
Trade balance

The UK's goods trade balance with the EU in 2010 showed a deficit of **£43bn**. Taking into account services trade as well, the balance in 2009 was **£29bn** (i.e. the UK is a net exporter of services to the EU). The chart shows the UK's trade balance with the EU since 1975 in real (i.e. inflation-adjusted) terms.

UK imports and exports of goods: EU and rest of world
£bn, 2003-10



UK-EU annual trade balance
£bn, real terms, 1975-2010



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2 UK jobs associated with EU trade

Both the present and the previous government have stated that **3.5m jobs** are linked, directly and indirectly, to the export of goods and services to the European Union (see, for instance, [HC Deb 21 Jan 2008 c1565W](#) and [HC Deb 6 Sep 2011 c603-4W](#)). This figure is based on a 2006 BIS study, which assumes that the share of UK employment linked to trade with the EU is equal to the share of total UK value added generated in the production of goods exported to the EU. This is not the same as saying that 3.5m jobs are dependent on the UK's EU membership, since some trade with EU countries would take place even if the UK withdrew from the single market.

3 Cost of EU regulation to the UK economy

This is not readily quantifiable. The British Chamber of Commerce *Burden Barometer* attempts to estimate the costs of EU regulations: the 2010 edition can be found [here](#). It suggests that the recurrent annual cost to UK businesses from EU-origin regulations implemented since 1998 is **£7.4bn**, and the cumulative costs (since 1998) have been £62bn.

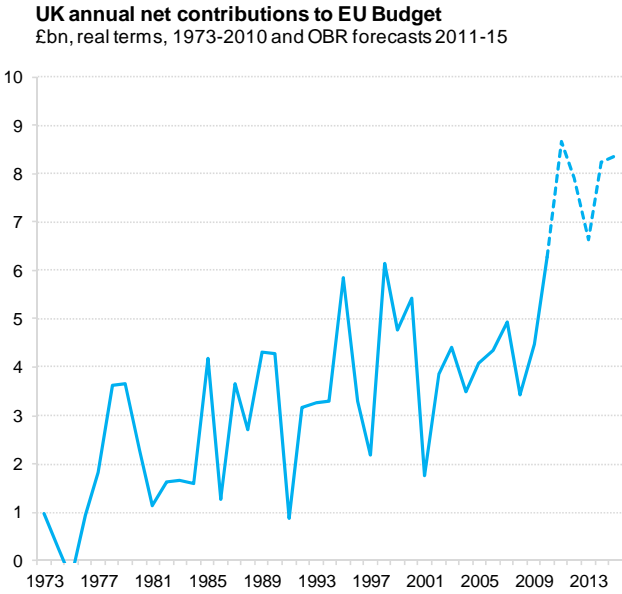
The figures are based on the Government's impact assessments, which are produced for each new regulation. By the BCC's own admission, the benefits associated with these regulations are not fully accounted for because these are only rarely quantified in the impact assessments: such benefits might arise, for instance, through having one set of rules for the common market, through improved safety standards or through enhanced environmental protection. Moreover, it is arguable that many of the EU-origin regulations would have been implemented at national level anyway in the absence of a 'parent' EU directive.

In March 2007, EU Heads of Government agreed a target to reduce the administrative burden resulting from EU law by 25%, by 2012. The Commission estimates that this could save European businesses a total of €150 billion (£100 billion). For more details see the European Council's [Action Programme for Reducing Administrative Burdens](#), and the Commission web page on administrative burden reduction [here](#).

4 UK contributions to the EU Budget

The UK's net contributions to the EU Budget since 1973 are shown real terms in the chart. Gross and net contributions, and receipts from the Budget are shown in the table overleaf. More details on the EU Budget can be found in the Library Standard Note [EU Budget](#).

As with other Member States, the UK's gross contribution to the EU Budget is a function of VAT receipts, gross national income, customs duties and sugar production. Uniquely among the Member States, the UK has benefitted from a rebate ('abatement') on its EU Budget contributions since 1985. This is calculated according to a formula which in essence means that the UK's net contribution is reduced by 66%, relative to what it would be without the abatement. However, certain elements from the Budget are excluded from the



66% deduction, including EU overseas aid, and from 2009 *non-agricultural expenditure in new Member States*. This latter development, the effect of which has been phased in up to 2011, largely accounts for the sharp increase in the UK's net contribution.

UK (forecast) contributions to the EU Budget - 2008/09 to 2015/16

	Gross £bn	% change ^a	Abatement £bn	Other public sector receipts £bn	Net £bn	% change ^a
2008/09	13.2	.	5.6	4.6	3	.
2009/10	13.7	3.8%	4.2	4.8	4.7	56.7%
2010/11	15.6	13.9%	2.7	3.7	9.2	95.7%
<i>forecasts</i>						
2011/12	16.1	3.2%	2.8	4.8	8.5	-7.6%
2012/13	16.4	1.9%	3.6	5.1	7.7	-9.4%
2013/14	17.6	7.3%	4	5.3	8.3	7.8%
2014/15	18.6	5.7%	4.3	5.4	8.9	7.2%
2015/16	17.8	-4.3%	4.6	5	8.2	-7.9%

^a over previous year

Sources: OBR *Economic and Fiscal Outlook, March 2011*; HMT *Public Expenditure Statistical Analyses 2011*

The UK's public sector receipts under the EU Budget in 2009/10 are broken down in the table below.

Public sector receipts from the EU Budget, 2009/10

	£m	% of total
Agricultural guarantee fund	3,038	63.4%
Agricultural guidance fund	239	5.0%
Social fund	571	11.9%
Regional development fund	919	19.2%
Other receipts	22	0.5%
Total	4,789	.

Source: HMT *European Union Finances 2010*

5 Estimates of single market benefits

As a net contributor to the EU Budget, the UK receives no *direct* financial gain from EU membership; however, the trade and employment benefits of being in the single market are believed by this Government and the previous one to outweigh the cost incurred through the Budget. These are explained more fully in the Library Standard Note [Economic Costs and Benefits of the EU](#).

Making an assessment of the economic consequences of withdrawal from the EU is highly dependent on assumptions made about the terms of departure. This is borne out by the enormous range of estimates from the literature:-

A study by researchers from the National Institute of Economic and Social Research (NIESR) looks at the macroeconomic impact of UK withdrawal from the EU. (Pain, N and Young, G "The macroeconomic impact of UK withdrawal from the EU", in *Economic Modelling* 21, 2004). It considers withdrawal causing four 'broad' shocks:

- a reduction in productive efficiency due to lower inward FDI;

- increased barriers to trade with EU;
- a fiscal 'windfall' due to lower net transfers to the EU; and,
- lower food prices (due to the removal of CAP).

Assuming a gradual fall in FDI, they **estimate GDP in constant prices to be 2.25% lower in the long run**. This compares to similar estimates of gains from joining the EU for Austria and estimates of gains by Switzerland following a number of bilateral trade agreements. **Manufactured exports are expected to fall by 7.5%**. Depending on policy reactions, **employment is estimated to fall by between 75,000 and 160,000 after three years**. Despite the fall in payments to the EU, in the long run there would be a small fall in Government revenues due to lower levels of growth.

There are alternative views of the costs and benefits of the EU. A report from the think-tank Civitas, [A cost too far?](#), argues that the cost of remaining in the EU is 'unequivocally negative'. It estimates that: **"The current recurring annual cost to the UK of EU membership is estimated to range between approximately three and five per cent of GDP, with a 'most likely' figure of four per cent of GDP, equivalent to £40 billion per year"**. This is based on estimates of the cost of regulation, the cost of the Common Agricultural Policy and the cost of the EU Budget. The study finds that there are neither costs nor benefits with respect to inward investment and the single market.

The Treasury conducted a literature review of the costs and benefits of EU membership ([here](#)): this cites a BIS study that estimates that the trade benefits of EU membership have resulted in a 6% higher GDP (i.e. income) per capita in the UK that would otherwise have been the case. That would equate to around **£1,300 per capita**. The current Government has no plans to commission a full cost-benefit analysis of membership (see, for example, [HL Deb 9th June 2010 cWA44](#)).