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Where's The Insider Advantage?

A comparative study of UK exports to EU and non-EU nations between 1960 and 2012

Michael Burrage

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Civitas: Institute for the Study of Civil Society

Author

Michael Burrage is a director of Cimigo which is based in Ho Chi Minh City, Vietnam, and conducts market and corporate strategy research in China, India and 12 countries in the Asia Pacific region. He is also a founder director of a start-up specialist telecom company which among other things provides the free telephone interpreter service for aid workers and others in Afghanistan at www.afghaninterpreters.org.

He is a sociologist by training, was a Fulbright scholar at the University of Pennsylvania, and lectured at the London School of Economics for many years, specialising in cross-national analysis of industrial enterprise and professional institutions. His years there were, however, interrupted by spells as a research fellow at Harvard, at the Swedish Collegium of Advanced Study, Uppsala, at the Free University of Berlin and at the Center for Higher Education Studies and the Institute of Government of the University of California Berkeley. He has been British Council lecturer at the University of Pernambuco, Recife, Brazil, and also a visiting professor at Kyoto, Hokkaido, Kansai and Hosei universities in Japan.

He has written articles in a number of American, European and Japanese sociological journals, conducted a comparative study of telephone usage in Tokyo, Manhattan, Paris and London for NTT, and a study of British entrepreneurs for Ernst & Young. His recent publications include *Revolution and the Making of the Contemporary Legal Profession: England, France and the United States* (OUP) 2006 and *Class Formation, Civil Society and the State: A comparative analysis of Russia, France, the United States and England* (Palgrave Macmillan) 2008. He edited *Martin Trow: Twentieth-century higher education: from elite to mass to universal* (Johns Hopkins) 2010. He recently contributed to *Professionen, Eigentum und Staat: Europäische Entwicklungen im Vergleich -19. und 20. Jahrhundert,* (Wallstein Verlag) 2014.

55 Tufton Street, London SW1P 3QL
T: 020 7799 6677
E: info@civitas.org.uk

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Table of Abbreviations

BCC	British Chambers of Commerce
BIS	Department of Business, Innovation & Skills (UK Government)
BIT	Bilateral Investment Treaty
CAGR	Compound Annual Growth Rate
CBI	Confederation of British Industry
EBOPS	Extended Balance of Payments Services Classification
EC	European Commission or European Community
ECM	European Common Market
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
EU 11 (12)	EU members before 1995: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain. (UK)
EU 14 (15)	EU members before 2004: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden (UK).
FCO	Foreign and Commonwealth Office (UK Government)
FTA	Free Trade Agreement/Area
GDP	Gross Domestic Product
GDP(PPP)	GDP by purchasing power parity
HMG	Her Majesty's Government
IPPA	Investment Promotion and Protection Agreement
Mercosur	South American common market
MiFID	Markets in Financial Instruments Directive
NAFTA	North American Free Trade Agreement
NTBs	Non-tariff barriers
OECD	Organisation for Economic Co-operation and Development
TTIP	Transatlantic Trade and Investment Partnership
UKIP	United Kingdom Independence Party
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation

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1. A 39-year-old argument

In 1975, when Harold Wilson's Labour Government sought to make the case for a Yes vote in the 1975 referendum on membership of the European Common Market, one of the arguments in the pamphlet sent to every household in the country was that:

Inside, on the improved terms, we remain part of the world's most powerful trading bloc. We can help to fix the terms of world trade… Outside, we are on our own… We would have to try to negotiate some special free trade arrangement, a new Treaty… But… until it was in force, Britain's exports to the common market would be seriously handicapped. Britain would no longer have any say in the future economic and political development of the common market. We would just be outsiders looking in… Other countries have made … special arrangements with the Community. They might find Community decisions irksome, even an interference with their affairs. But they have no part in making those decisions.[1]

It has proved to be a remarkably durable argument. It might be said perhaps to have stood the test of time, though of nothing else it must be added, since it has been subject to rather little critical scrutiny or revision over the intervening years. Instead, Mr Wilson's successors have been content to reprise his arguments, and often his words, occasionally elaborating on them by contrasting the insider advantage that the UK has enjoyed as a member of the EU with the disadvantages of those outside it who have taken no part in the making of the rules, whether half outside such as Norway and Switzerland, or those fully outside in the wider world who face the remaining tariff barriers of the EU.

Over the past eighteen months or so, unsettled by the prospect of a referendum and rising opinion poll support for UKIP, members of the UK's current political elite have sought to rally support for membership of the EU in terms very similar to those used by Mr Wilson, almost as if nothing that the EU has done since 1975, and nothing that the UK has experienced as a member, could provide a more convincing, appealing, or contemporary argument for continued membership than the uncertain, and possibly difficult, prospects of life outside it. In the peroration of his contribution to a conference of the Confederation of British Industry (CBI) in November 2012, the leader of the Labour Party, Ed Miliband invited his audience to sympathise with 'voiceless, powerless' Norway, and raised the spectre of the UK 'standing alone' while 'the terms of trade would be dictated by others'. In the edited version of his speech, his argument was rephrased as follows:

Those in favour of leaving the EU say we could still be part of the Single Market. They may be right. But who would set the rules? Not us. It would be those within the European Union. We would live by rules that we have no say in making ourselves. Still contributing to the EU Budget, as Norway does, but voiceless and powerless. Unable to change the terms of trade… The best place for Britain is to be at the table, seeking to shape the economic direction of Europe. Do we want to be inside the room? Or do we want to guarantee ourselves a place outside the room? And then think about the world trade talks. If we left the EU, be under no illusions, it would be the United States, China, the European Union in the negotiating room, literally eating our lunch, and Britain in the overflow room.[2]

Two weeks later, at the end of November, in a speech at Chatham House, organised by the big business pro-EU group Business for New Europe, the former Prime Minister, Tony Blair, contrasted the past and present 'rationale for Europe'. Sixty-six years ago 'when the project began… it was peace. Today it is power… in this new world, to leverage power, you need the heft of the EU.' This led him to conclude that one of the three major disadvantages of leaving the EU was that 'we would be out of the decision-making process determining the rules of the Single Market'.[3]

On 10 December 2012, in a speech to the Parliamentary Press Gallery, the present Prime Minister warned of the 'Norway option'… of being 'governed by fax' from Brussels and 'unable to influence the EU's laws'. Six weeks later, 23 January 2013, when outlining his plans for a referendum on British membership of the European Union, he repeated the warning. 'Norway has no say at all in setting (EU) rules. It just has to implement its directives.' He then stressed, more emphatically than any of the others, the critical importance of the insider advantage. 'Our participation in the Single Market, and our ability to help set its rules, is the principal reason for our membership of the EU.'[4]

In May 2013, in an article in *The Daily Telegraph*, Peter Mandelson, a former EC commissioner, added his contribution. He sought to discredit what he chose to call the 'anti-Europeans' argument… that we can continue trading at will in Europe, with the same privileges as now, without being part of its policy-making, its regulatory rules and its policing of the market's openness. This is a grave deception.'[5]

These and other speeches and articles appear to have been part of an orchestrated campaign, with the same arguments and often the same words in all of them. Unfortunately, they also seem to have agreed that no evidence at all would be required about specific insider advantages, or about any benefits or 'privileges' that the UK has obtained from the rules it has helped to make.

Mr Miliband's reference to the 'terms of trade' was as close as he came to a specific example, but much as the EC might have wished to do so, it seems unlikely that the EU has ever been able to 'dictate' or 'change' the terms of trade, at least as these are normally understood.[6] One would have thought that Mr Blair's years in office might have given him a few telling illustrations to help his case, but he declined to mention any. And none at all are worth mentioning in the 700 pages of his autobiography. Mr Cameron only gave an example which rather contradicted his argument, where the UK was not voiceless but was nonetheless powerless. He was referring to the EC's Working Time Directive. 'We cannot,' he said, 'harmonise everything… it is neither right nor necessary to claim that the integrity of the Single Market, or full membership of the European Union, requires the working hours of British hospital doctors to be set in Brussels, irrespective of the views of British parliamentarians and practitioners.'[7]

One might at first, without thinking, take Mr Mandelson, as a former EU commissioner, to be an informed witness, or even living proof, of the UK's insider advantage. However, like all commissioners, he has sworn before the European Court to act 'in the general interest of the Union' rather than the UK, so he may well be among the less informed and less reliable witnesses to any insider advantages , or 'privileges' as he put it, obtained by Britain. In any event, he felt no need to say what these 'privileges' might be, or how UK exporters had benefited from them.

Constant repetition of an argument by apparently informed past and present office-holders no doubt helps to embed it in the public mind, but it does not make it any more correct, nor does it mean that no evidence is required to support it. The advantages the UK has obtained by being an EU insider, and helping to set the Single Market rules, remain in the dark. In this paper, I will try to identify them.

2. How can we identify insider advantages?

The most direct way in which these insider advantages might be identified would be to pick one or more regulations or directives where the UK has taken a distinctive position which other members were initially not inclined to support, but where, by making alliances, by force of argument and weight of evidence, doughty British insiders eventually prevailed, to the benefit of UK trade with other members and to the disadvantage of outsiders.

The chances of doing this with any precision seem remote. The UK Permanent Representative in Brussels recently sought patiently to explain the extraordinarily complex web of relationships that form the EU legislative process to members of the Commons European Scrutiny Committee.[1] They are at best opaque, and parts are of course confidential and completely hidden, so it seems doubtful whether any researcher could identify who was responsible for any of the more than three thousand EC directives and regulations that together form the Single Market, let alone determine what the advantages for insiders might have been.[2]

As it happens, a recent report by Europe Economics for the Department for Business, Innovation & Skills (BIS) analysed the British influence on EU efforts 'to create/ deepen the Single Market' during the Financial Services Action Plan 1998–2006. It focused specifically on the Markets in Financial Instruments Directive (MiFID).[3] In this instance, policymakers had decided that British practice was best, and the MiFID therefore 'closely reflected British norms and policy theories', and in many respects 'mimicked UK practice'. It might therefore be considered as a perfect example of the UK's insider advantage. If the UK had not been a member of the EU, it hardly seems likely that the EU would have been inclined to follow British practice quite so closely.

However, as Europe Economics point out, it was able to exercise such influence largely because of favourable circumstances at the time: the EU was then seeking to liberalise the financial services and the UK was then thought to embody international best regulatory practice. Since the financial crisis, circumstances have changed fundamentally. The EU is now seeking to restrict and control the financial sector, and is no longer looking to the UK for inspiration or guidance. Far from it. Hence, the second half of Europe Economics' analysis largely consists of explaining why UK influence is likely to be insignificant or negligible in the foreseeable future, and why the UK should probably expect to be overruled or outvoted, as it already has been on the bonus cap, though it might yet win on that issue in the European Court. The UK may still be the leading player in financial services within the EU, but its insider

advantages have not merely disappeared, but turned into disadvantages. A bonus cap is not being proposed in New York, Zurich or Hong Kong.

Financial services is the most closely watched and best reported sector of the British economy. The idea that we could conduct similar analyses of the waxing and waning of the insider advantages of a representative sample of other sectors to determine the net balance of insider advantages and disadvantages from UK participation in EU rule-setting, even with the full-hearted collaboration of Messrs Miliband, Blair, Cameron and Mandelson and others convinced of their existence, seems improbable.

Maybe the best evidence will eventually come from outsiders who feel that EU members' insider advantages have worked to their disadvantage when competing in EU markets. Such an opportunity might occur now that the EU has opened negotiations with the United States about a Transatlantic Trade and Investment Partnership (TTIP). An American negotiator might perhaps, in due course, identify the insider advantages or 'privileges' that they consider protectionist, and would like to see removed. We will have to wait and see.

At present, the only circumstance where responsibility can be clearly identified is when a country exercises its veto, but that, of course, is only to prevent something, presumably a potential disadvantage, from happening. On every other occasion, the rules simply emerge, as the Prime Minister put it when referring to the Working Time Directive, from 'Brussels', without anyone being quite sure which pressure group or party or country, or group of countries, or committee, or official or commissioner, should be held to account. In practice, one wonders if, from the point of view of the average person, and in terms of participation in debate in the media, blogosphere, pub or living room, Norway's 'government by fax' feels so distinctive.[4]

Every member country of the EU seems to be governed for much of the time in much the same way, not knowing what their representatives said or did, or how or when or why a particular directive or regulation was debated or agreed. As one expert, whose career is devoted to understanding and teaching EU governance, and who is 'very strongly supportive of the European Union', put it: 'It is not clear who is responsible for what. It is not clear what coalitions governed on what issues, what the majority was on what issues, or who were the winners and losers.'[5]

The regulation on how restaurants within the EU may serve olive oil provides an instructive example. Suddenly, seemingly out of the blue, the people and governments of the EU were informed by an EU official, and the Norwegians presumably by

fax, that: 'From the first of January next year, we can guarantee the quality and authenticity of olive oil… And we do that by having new rules on labelling, concerning the category and origin of olive oil.' After explaining that the new rules will force restaurants to serve sealed, throw-away bottles of oil to customers instead refillable flasks or bowls, he concluded by saying that: 'This is good news for consumers in Europe.'[6]

Who instigated or devised this particular ruling, its precise legal status, and what debate or expressions of public concern might have prompted it, remained unreported. Since the sealed, throwaway bottles were to replace bowls and refillable jars of olive oil in every café, bar and restaurant across the EU, it is a fair bet that the Brussels lobbyists of companies who bottle, label and distribute olive oil or other sauces and condiments must have been involved, since it would transfer the business of thousands of local olive oil growers and family-based supply chains into their hands.

Three days later, in the face of Europe-wide media ridicule, the regulation was revoked, and the lobby groups supporting the measure emerged from the shadows to express their dismay.[7] This might look like a rather reassuring sign that the EU is after all accountable to its citizens. But that is not quite the end of the story. Who, one wonders, has the power to reverse, at a stroke, a regulation that had passed through all the EC approved decision-making processes? Was it Dacian Ciolos, the Agricultural Commissioner, all on his own? What part did the European Parliament play, either in the original decision or in its reversal? For the moment, no one knows, and the British and everyone else seem no better informed than the Norwegians − perhaps less well informed.[8]

The direct route of assessing insider advantages by tracking debates and discussions through to actual benefits for UK trade would appear to be impassable at present, and perhaps indefinitely. In this search, we will therefore have to adopt a second, less direct but much simpler method, and that is by trying to identify the outcomes and results of the insider advantages. This is the method by which schools and universities, hospitals and ambulances, and many other public services in the UK, are routinely judged, as well, of course, as private companies, so there seems no good reason why the same method should not be applied to the Single Market. That means, above all else, measuring the rate of growth of UK exports against that of non-members since it began. The main promise of the Single Market was, as it still is, to increase trade between member countries, and since it was hardly needed to increase UK imports, this means to increase exports.

Growth of exports as such is nothing to celebrate or write home about, since it is the normal occurrence. Absence of growth is a rather unusual and exceptional event, as may be seen from UNCTAD’s records of export growth in 237 countries since 1950.[9] Hence, if the insider advantage exists, it must primarily be sought, and show itself, in an increase in the rate of growth of UK exports over the life of the Single Market, compared with either EEA and EFTA states who may adopt the rules but are not insiders who had a part in formulating them, as well as states in the rest of the world who follow only those rules that apply to the sale of goods or services within the Single Market.

As far as I am aware, this is the first attempt to identify insider advantages by searching historical and cross-national export data, so it must be considered an exploratory investigation, a search for clues worthy of closer scrutiny and analysis at some later date. It will make use of evidence in the OECD databases, long the primary source of trade data, with the decided advantage of being readily accessible to anyone. With a few clicks, therefore, anyone can corroborate the findings of this search, and for that matter, amend, supplement and update them.

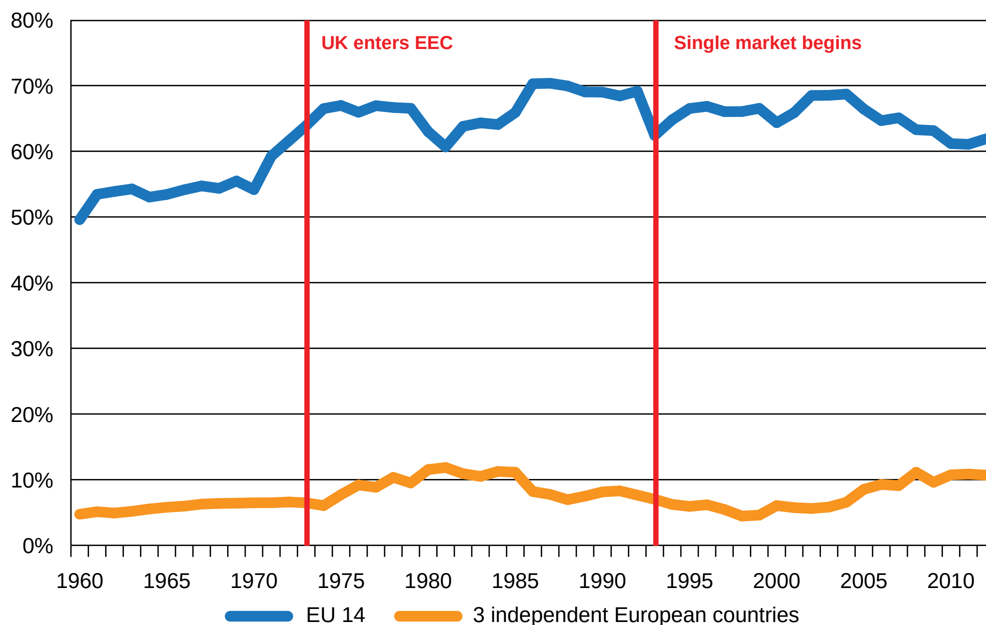
3. A view of the half-century 1960–2012

Perhaps we may best begin by examining UK exports to the members of the EU over a very long time span, that is to say from 1960, the earliest date that we have records for exports to most of them, and well before the UK joined the Common Market, until 2012, the latest year for which records are available, a span of more than 50 years.

Figure 1 presents the UK exports to 14 countries that were to become members of the present EU from 1960 to 2012, as a percentage of total UK exports to all 22 of the OECD countries for which we have data over this half-century. To provide a comparative marker, it also gives the proportion going to the three European countries that opted to remain independent.

Figure 1

UK export of goods to 14 present EU member countries as a percentage of exports to 22 OECD countries, compared with exports to three independent European countries, 1960–2012



The three independent European countries are Iceland, Norway and Switzerland.
EU 14 are the old countries of the EU (before 2004) other than Britain, i.e. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden. These are the only EU countries for which there is data from 1960.
Source: *Monthly Statistics on International Trade, Dataset: trade in value by partner countries, United Kingdom*. Since exports to Belgium and Luxembourg were not recorded from 1960–1993, imports from the UK recorded by the Belgium and Luxembourg Economic Union were substituted over these years. Both databases are at www.oecd-ilibrary.org

What it shows is that the proportion of goods going to the future EU member countries grew rather sharply, by 12 per cent, over the twelve years before the UK entered the Common Market, from 49.6 per cent in 1960 to 61.6 per cent in 1972. However,

over the 40 years of EU membership, for all the costs and obligations incurred, for all the treaties negotiated, and for all the immense amounts of time and anguish spent arguing about various aspects of the EU project, the proportion of UK exports going to the UK's future EU partners has changed hardly at all. To be precise, it has fallen by two per cent, from 63.9 per cent in 1973, the year of entry, to 61.9 per cent in 2012, with 0.5 per cent of the fall occurring during the years of the Single Market, despite the insider advantages the UK was supposedly enjoying.

The overall impression of this graph is, surely, that EU membership and the Single Market changed nothing. Year by year, the proportion has, as the graph shows, fluctuated a little, near 60 per cent in 1981 and touching 70 per cent in 1986–87, and there is an ominous downwards slide since 2004, (some years before the financial crisis one may note), but there is no indication whatever, by this first simple measure, that the EU or the Single Market has had any impact on UK exports at all. It therefore gives no clue as to where the insider advantages might be found.

The orange line plotting the proportion of the exports of the three independent countries only makes matters worse. It also fluctuates, but overall it contrasts with exports to the present members of the EU. Instead of continuity and slight decline, exports to these three countries have increased during all three periods, before the UK joined the EU and was still a fellow member of EFTA, from 5.1 per cent to 6.5 per cent, over the Common Market years from 6.0 to 7.6 per cent, and most of all under the Single Market, despite a dip in 1998–99, from 7.0 per cent to 10.7 per cent. Over the half-century, therefore, the proportion going to the non-EU members has more than doubled, so the Single Market years have been rather good years for UK exports to them, even though they are not members of it, and had no part in determining its rules. By themselves, these figures suggest that the UK enjoyed more advantages trading with outsiders, albeit outsiders with which the UK or the EC had bilateral trade agreements, than with fellow insiders.

In volume and value, of course, there have been large increases in UK exports to both groups of countries, but those going to the non-EU members have risen faster. Since the inauguration of the Single Market, UK exports to the EU countries increased from $9.2b to $25.9b per month in 2012, a nominal increase of 180 per cent, (in real terms of 78 per cent) while those to the three independent European countries from $1.0b to $4.5b per month, an increase of 331 per cent (in real terms 171 per cent).

One wonders, of course, whether this could be the result of the focusing on the

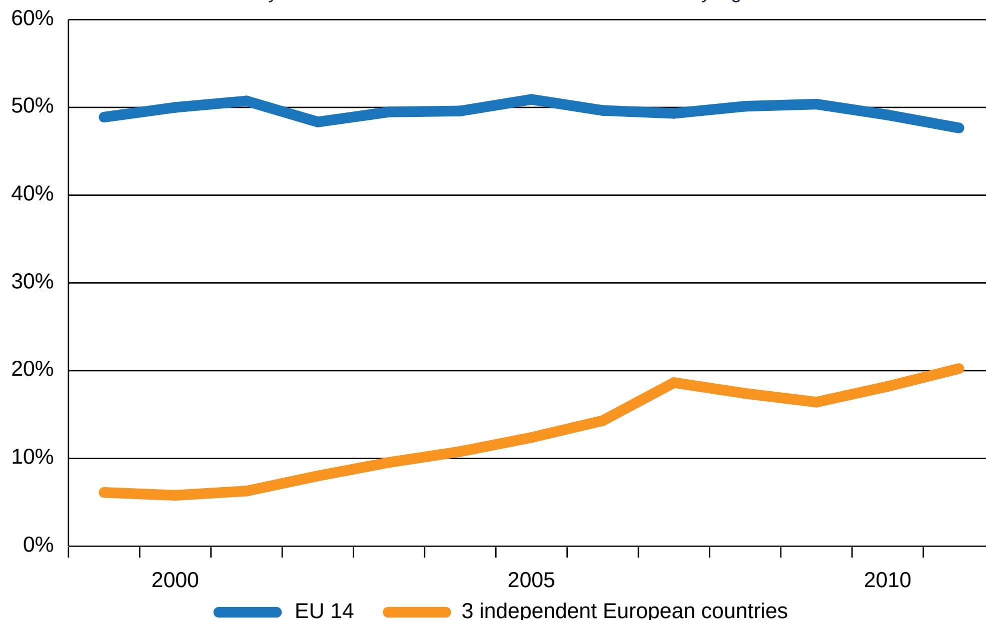
export of goods. As often observed, the UK has become a predominantly service economy, and it might be that services exports would show a quite different picture.

It is not possible to present a similar half-century diorama of services exports since the collection of systematic evidence about them is a relatively recent. The OECD has been publishing returns from some countries since the mid–1980s, but comprehensive figures for EU countries and the three independent countries of Europe date only from 1999, and hence can provide no more than an addendum to the evidence on the export of goods. Figure 2 (below) shows the proportion of UK exports going to 14 EU countries that were all members of the Single Market over the years 1999–2011, alongside the proportion going to the three independent countries of Europe. As the OECD has grown since 1960, they are here expressed as a proportion of 33 OECD countries.

Figure 2

UK exports of services to 14 present EU member countries as a percentage of UK exports of services to 33 OECD countries, compared with exports of services to three independent European countries, 1999–2011

Source: Dataset: Trade in services by partner country – EBOPS 2002: United Kingdom. The missing entry for Australia in 2003 was taken to be midway between those of 2002 and 2004. www.oecd.ilibrary.org



The proportion going to the EU does not differ greatly from that of goods exports in that it has been fairly has stable, though with a marginal decline over the 13 years as a whole from 48.9 per cent to 47.7 per cent.[1] The big surprise in this chart is that the proportion going to the three independent countries has trebled in this

relatively short period, from 6.1 per cent to 20.2 per cent. In real terms, US$(1993), UK services exports to them grew by 145 per cent, while those to fellow members of the Single Market grew by only 68 per cent, which is slightly less than the 72 per cent growth of UK exports to all 33 OECD countries.

Over 13 years of the Single Market, therefore, the growth of UK services exports to fellow EU members has not only been significantly lower compared with exports to the non-members in Europe, but also to the average growth of services exports to other OECD non-members scattered around the world. The surprise springs from the fact that over most of these years British prime ministers have been urging the European Commission to extend or deepen or complete the Single Market in services. One must conclude either that their efforts have had little effect or that the Single Market is not particularly helpful to UK services exports, or both.

These are puzzling and counter-intuitive findings. For all the insider advantages the UK has supposedly enjoyed, not to mention the other costs and obligations that EU membership has entailed, it is reasonable to expect that the proportion of its exports going to fellow members of the EU would increase, especially under the Single Market.[2] Correspondingly, it would be reasonable to expect that the proportion of UK exports going to countries which enjoyed no insider advantages, and only benefited from EEA or bilateral free trade agreements with the EU over some of these years, would decline, though whether they did or not would also depend of course on what was happening to exports to the other five OECD countries that are not included in this calculation.

The first step in this search has therefore drawn a blank. The insider advantage case might perhaps be saved by arguing that the proportion of UK exports going to fellow members would have fallen more than a mere two per cent, were it not for the UK’s insider advantage. This argument, however, would require strong evidence to support it, especially as we have just observed that the proportion of exports going to EU countries grew most of all when the UK was not a member of the EEC.

4. The top 35 fastest-growing exporters to the EU

In a second attempt to identify the insider advantages, we will consider the UK as an outsider exporting to the other 11 founder members, and compare its performance with that of real outsiders, in the hope that the UK’s insider advantages might be revealed by the contrast with the export performance of countries who are without them.

To produce a manageable list, and exclude the absolute exporting beginners with tiny starting figures and therefore very high growth rates, a minimum requirement of exports to the EU 11 of at least $100m per month in 2011 was set for inclusion in the comparison. Thirty-four countries remained. So that we may compare like with like, the exports of these 34 countries to the UK were subtracted from their totals, since the UK cannot, of course, export to itself. Adding the UK as an exporter to the EU 11, we therefore have 35 countries.

The results are given in Table 1 (below) in the form of a league table of the top 35 fastest-growing exporters to the 11 founder members of the Single Market over its first 19 years. The UK, it may be seen, is in 28th position, fractionally below Egypt. Twenty-seven non-member countries, without the insider advantages or ‘privileges’, have therefore increased their exports to 11 founder members of the Single Market at a faster rate than the UK. Once again, neither the advantages of being an insider, nor the disadvantages of being as outsider, are readily apparent. If we did not know, and were asked to identify the sole country to enjoy insider advantages, based on the rate of growth of their exports to the EU it seems doubtful if anyone would choose the 28th country on the list. The aggregate value of UK exports to our 11 founder member countries might perhaps be a clue, and we will return to examine it in a moment.

The objection to such a list is that it confuses ‘emerging’, ‘transitional’, ‘middle-income developing countries’ and ‘petroleum and gas producing countries’ to mention just a few of the distinctions made in UNCTAD’s classification of exporters, and places them alongside ‘major exporters of manufactured goods’, and that it does not therefore compare like with like. However, in the present context none of these distinctions are relevant. The aim is simply to try to identify insider advantages and outsider disadvantages, and it is not certain how the elimination of, say, emerging exporters or oil producers would help in that search. If the minimum requirement had been set at, say, $1b per month, the UK would have risen to 21st place, and if the three oil exporters had been excluded, the UK would move further up the list to 18th. Some British observers might feel a little better after these corrections, but it is difficult to think of any analytical benefit from such a shorter, more select, list.

Table 1
Top 35 fastest-growing exporters of goods to 11 founding members of the EU Single Market 1993–2011

Rank		% growth over 19 years measured In US$(1993)	Exports per month in 2011 In US$bn(2011)
1	Vietnam	544	0.4
2	Qatar	496	0.3
3	Ukraine	446	1.1
4	China & Hong Kong	429	15.3
5	United Arab Emirates	402	2.8
6	Russia	377	7.8
7	India	367	3.4
8	Brazil	357	3.4
9	Turkey*	295	6.2
10	Nigeria	250	1.1
11	Australia	243	2.6
12	South Africa*	224	2.1
13	Chile*	198	0.6
14	Korea*	197	3.0
15	Mexico*	176	2.1
16	Morocco*	170	1.5
17	Singapore	163	2.3
18	New Zealand	147	0.3
19	Canada	142	2.3
20	Bangladesh	129	0.1
21	Bahrain	129	0.1
22	US	126	22.2
23	Switzerland*	114	11.8
24	Saudi Arabia	114	2.3
25	Norway*	114	2.7
26	Kenya	99	0.1
27	Egypt*	96	1.1
28	UK	81	23.9
29	Israel*	51	1.5
30	Japan	51	4.7
31	Taiwan	50	1.5
32	Iceland*	48	0.1
33	Thailand	48	0.9
34	Kuwait	21	0.3
35	Indonesia	12	0.6

Source: www.oecd-ilibrary.org.OECD database Monthly Statistics of International Trade doi:10.1787/data-02279

There is merit in presenting, at least to begin with, as comprehensive a list as possible without prior editing out of countries by some arbitrary and debatable rule. In any case, since we are also hoping to observe the disadvantages of being an outsider, the smaller, newly-emerging exporter countries deserve to be included since, in addition to the disadvantage of not having taken any part in the rule-making of the Single Market, they have to surmount unfamiliar non-tariff, shipping and marketing obstacles of the kind sometimes mentioned to explain the poor performance of UK exporters in new markets. Hence, the fact that a number of them have nevertheless increased their exports to the Single Market more rapidly than the UK suggests that the disadvantages of being an outsider may have been exaggerated.

At the end of the day, whatever countries might, for one reason or another, be removed from the table, its message would remain exactly the same: in terms of growth the Single Market does not appear to have been a success story for UK exports, and the data does not provide any hint of where an insider advantage might be found.

Eleven of the countries in the table are starred to indicate that they enjoy trading advantages with the EU by virtue of Free Trade Agreements (FTAs) that they have negotiated with the EU, which came into force either before or at some point during the Single Market.[1] Their exports to the EU may of course have benefited from these agreements, but these agreements cannot be the insider advantages that those defending UK membership of the EU have in mind. If they were, they would not provide much of an argument for continued membership, since a country could enjoy them without being a member, and without 'sitting at the table', 'helping to make the rules' etc. The export performance of these countries can hardly help us to understand what the UK's insider advantages might be, or help to explain why the UK exports to the EU should have grown at such a slow pace.

Might the high gross value of UK exports provide part of the explanation? Perhaps UK exports grew rapidly in the past, (and we have reason to believe this was the case), when they were climbing towards their present high value and, having reached it, decelerated as the EU became a mature market for UK exports? Growth of any phenomenon, whether company sales or living organisms, would display the same characteristic.[2] UK exports might therefore be just one more instance of the same natural and inevitable process.

One must treat this argument with some caution. It is the standard defence of market leaders that are failing to respond to new competitors, and it seems an odd

coincidence that the growth curve for UK exports flattens out at the very moment that new opportunities for trade were supposed to be opened up by the advent of the Single Market. As it happens, two competitors, the US and China, have been closing in fast on the UK in recent years, so perhaps, in a few years’ time, we will be able to see whether their growth also declines naturally and inevitably.

In the meantime, if we try to discover whether there is such a natural growth curve which flattens out when exports reach a high value, we have first to decide whether high value should be measured in total or per capita. At first glance, the latter seems the more appropriate of the two. But in per capita value, UK exports to other members of the Single Market, of $387 per month in 2011, are not particularly high. They are comfortably exceeded by, among others, those of Norway ($541) and Singapore ($447). The per capita value per month of Switzerland’s exports to the EU 11 ($1,505 in 2011) is four times higher than that of UK exports. This suggests either that the UK has a way to go before the flattening out should be expected to occur, or that every country has its own export growth curve, shaped by its own comparative advantages.

We may next try to discover whether the growth rates of any of the other founder members of the Single Market show a similar tendency, proceeding as we did with the UK by treating each of them in turn as an outsider, exporting to the other 11. These economies are, for the most part, as advanced as the UK, and have been trading with each other as long as the UK has been trading with them. They might therefore be considered a fairer assessment of UK export performance than the exporters from around the world given in Table 1.

The results are presented in Table 2 (overleaf), with growth in the total value of goods exports and their actual value in 2011 on the left hand side, and the per capita growth and value in 2011 on the right. In this league table, the UK, with growth of total value of 81 per cent over the 19 years, ends up in joint ninth place with Germany, both of them below the weighted mean growth of the 12 countries which is 92. In total value, it is in third place, and some way behind Germany and France. In per capita growth it is in ninth place, and again below the weighted mean, which is 75. In per capita value it is again in ninth place, but at US$(2011)387 per month is some way below the weighted mean of the 12 countries of $527.

The argument that the low growth rate of UK exports is only to be expected, given their high total value, does not receive much support from this data. Eight countries are clustered closely around the mean rate of growth, while the total value of their exports varies widely. German exports have a much greater total value than those

Table 2
Growth in the value of exports of goods of the 12 original members of the Single Market to each other, listed in order of their growth in total monthly value over the 19 years 1993–2011

Percentage growth in total value per month In US$(1993)	Total value per month In 2011 in US$bn(2011)		Percentage growth in per capita value per month In US$(1993)	Per capita value per month In 2011 in US$(2011)
133	15.5	Spain	98	336
107	3.9	Ireland	65	865
101	20.9	Netherlands	85	1250
98	2.0	Luxembourg	55	3911
95	20.6	Belgium	78	1863
88	19.6	Italy	76	325
93	36.9	France	70	583
82	4.5	Portugal	70	421
81	42.8	Germany	79	524
81	23.9	UK	69	387
79	3.8	Denmark	67	681
39	2.3	Greece	31	210
92	26.5	weighted mean	75	527

Note: Luxembourg figures should be treated with extreme caution, since its returns are, as usual, incomplete. However, in the interests of providing a complete set of figures, its exports to ten countries 1993–1998 and the Netherlands 1993–1999, to the UK 1993–2000, were taken from the *imports* of the Belgium-Luxembourg Economic Union database. Its missing 2011 exports to Denmark were estimated as six per cent of the total reported joint figure for Belgium & Luxembourg.
OECD annual figure for the value of goods export is an average of the 12 monthly values.
Source: www.oecd-ilibrary.org.OECD database *Monthly Statistics of International Trade* doi:10.1787/data-02279

of the UK, as do those of France, but they have not grown at a slower rate, as the argument suggests they should. There is in fact no inverse correlation between growth and value, $r = 0.089$.

On the per capita side, there are countries that have both higher rates of growth and far higher value, notably Belgium and the Netherlands, whose figures do not, according to the OECD, include re-exports, the so-called Rotterdam effect.[3] Ireland is another notable contrast with the UK, growing at almost the same rate, but with exports more than double the per capita value in 2011 of those of the UK. They all add weight to the Swiss example mentioned above, and suggest that the UK still has some way to go until it runs up against any natural and inevitable ceiling of export growth. Again, there is no correlation between growth and per capita value amongst all 12, $r = -0.11$.

Perhaps the more interesting result of this calculation, however, is that the growth in the total value of the exports of all 12 countries, with a weighted mean as we noted of 92 per cent over the 19 years, is rather low compared with that of non-member exporters shown in Table 1. All 11 of the other founder member countries, if they had been separated as outsiders like the UK, would therefore have been clustered near the UK, and towards the bottom end of any extended top exporters table.

This might lead one to think that advanced economies, exporting to markets in which they have been long-established, will, regardless of their value, tend to have rather low growth rates in a world context. However, as we have already seen in Table 1, exports from a number of non-member countries that are equally advanced as the EU 12, and have also been long established in these markets, have managed grow much more rapidly than the EU mean of 92 per cent. Exports from Norway and Switzerland to the EU 11 grew by 114 per cent, that is to say, by a greater amount than 11 of the 12 Single Market member countries to each other. Exports of the United States grew by 126 per cent, of Canada by 142 per cent, of New Zealand by 147 per cent, and of Australia by 243 per cent.

These four English-speaking countries, it must be remembered, have not only been suffering the supposed disadvantages of being outsiders who have taken no part in the setting of the Single Market rules, but are also at considerable distances from the Single Market, and therefore to varying degrees have to surmount the well-documented discouraging effect of distance on trade relations. One of the most popular theories of international trade, the gravity model, suggests that the flow of trade between two countries is proportional to their income, and inversely proportional to the distance between them. Having collected a vast amount of evidence to support the latter point, Ghemawat summarized the importance of distance in the phrase: 'Other things being equal, doubling the geographic distance between countries halves the trade between them.' [4]

Odd as it may sound, the Single Market therefore has been a low growth area for its own members, but a much better one for non-members. This curious, counter-intuitive conclusion does not quite fit the rhetoric often used to defend the Single Market, which claimed that trade and exports would intensify amongst its own members, at the expense of those left outside, a view that the present UK prime minister seems to share and which may account for his reluctance to contemplate leaving the EU. If growth of exports be taken as a measure of the intensification of trade relationships, and it is hard to think of a better one, this intensification of trade amongst members has not happened. If only, one is tempted to add, UK exports to

the Single Market had a grown at the same rate as some of these disadvantaged outsiders.

More importantly, in the present context, these figures fail to give the least hint or glimpse of any insider advantages or outsider disadvantages, nor even a clue as to where we might look for them. If anything, they suggest the exact opposite: insider disadvantages and outsider advantages. The only two countries that might suggest the disadvantages of being outside ‘the world’s largest market’ are Japan and Taiwan, but then one is bound to wonder whether other factors might explain their poor performance, since their near neighbour Korea was able to surmount these disadvantages for many years before it signed a trade agreement with the EU in 2010, which came into force in 2011.

5. A backwards glance at the Common Market

Another way to assess the UK export performance under the Single Market is by looking back, and comparing it with what we might loosely call the Common Market decades, that is the years following UK entry in 1973 until 1992, the year before the launch of the Single Market. The high value of UK exports to the Single Market might lead one to think, as mentioned above, that the UK might, or must, have enjoyed a higher rate of growth at some point in the past. The 50-year view with which we began in Figure 1 suggested this higher rate of growth might have got under way before the UK entered the EU. Nonetheless, the comparison with the years of EU membership before the Single Market was initiated is useful, as it may tell us whether UK performance under the Single Market was above or below earlier UK experience with these same EU member countries. Obviously, if export growth under the Single Market was significantly above earlier UK experience, we might have stumbled upon the insider advantage of taking part in the setting of its rules.

There is a problem when making such an historical comparison, since the number of member countries increased from nine in 1973 to 12 in 1992 (Greece having joined in 1981 and Portugal and Spain in 1986) and, though a common practice, it is obviously misleading to measure growth in countries’ exports while the number of countries included in the count is increasing. The number of EU countries will therefore be held constant by backdating the membership of the three later entrants as if they had been members of the EU since 1973, and measuring the growth of UK and other exports to the same 11 founding members of the Single Market.

Table 3 (below) presents a list of the 35 fastest-growing exporters to the same EU 11 over the two Common Market decades, without any minimum level of exports for inclusion in the list.

It shows that UK exports grew at a markedly faster rate prior to the Single Market. Over the 20 Common Market years it increased by 171 per cent, putting it in 16th place overall in the Top 35, compared with 81 per cent increase and 28th place over the 19 years of the Single Market. Moreover, unlike the Single Market decades, virtually all of those above the UK on the list were either emerging exporting countries or oil producers. If these were eliminated, the UK would have been very near the top of the list, with Japan ahead, and only Singapore, China & Hong Kong, and possibly Turkey, as contenders for second place, depending on which of them we wish to exclude as start-up exporters.

However, far more important than the final, ‘corrected’ ranking of the UK is the fact

Table 3
Top 35 fastest-growing exporters of goods to 11 founding members of the Single Market over the 'Common Market' years 1973–1992

		% growth in US$(1973)	Exports per month in 1973 US$m(1973)	Exports per month in 1992 US$m(1992)
1	Korea	1219	14	584
2	Saudi Arabia	670	28	691
3	United Arab Emirates	590	14	311
4	Taiwan	494	29	551
5	Thailand	431	19	318
6	Bahrain	454	3	45
7	Singapore	393	30	465
8	China & Hong Kong	385	82	1262
9	Qatar	334	3	36
10	Indonesia	256	32	364
11	Japan	212	193	1902
12	Pakistan	203	15	141
13	Turkey	204	77	741
14	Mexico	199	57	540
15	Egypt	188	36	327
16	UK	171	1071	9177
17	Kuwait	149	17	131
18	India	136	40	298
19	Morocco	125	51	363
20	Chile	113	20	131
21	Israel	102	68	432
22	Vietnam	96	5	28
23	Australia	95	78	483
24	US	92	1006	6108
25	Nigeria	89	42	249
26	Argentina	89	45	858
27	Switzerland	87	643	3806
28	Canada	82	118	679
29	Iceland	75	10	57
30	New Zealand	62	14	71
31	Norway	51	182	873
32	Kenya	14	8	28
33	South Africa	−2	129	397
34	Bangladesh	−8	10	28
35	Brazil	−15	126	339

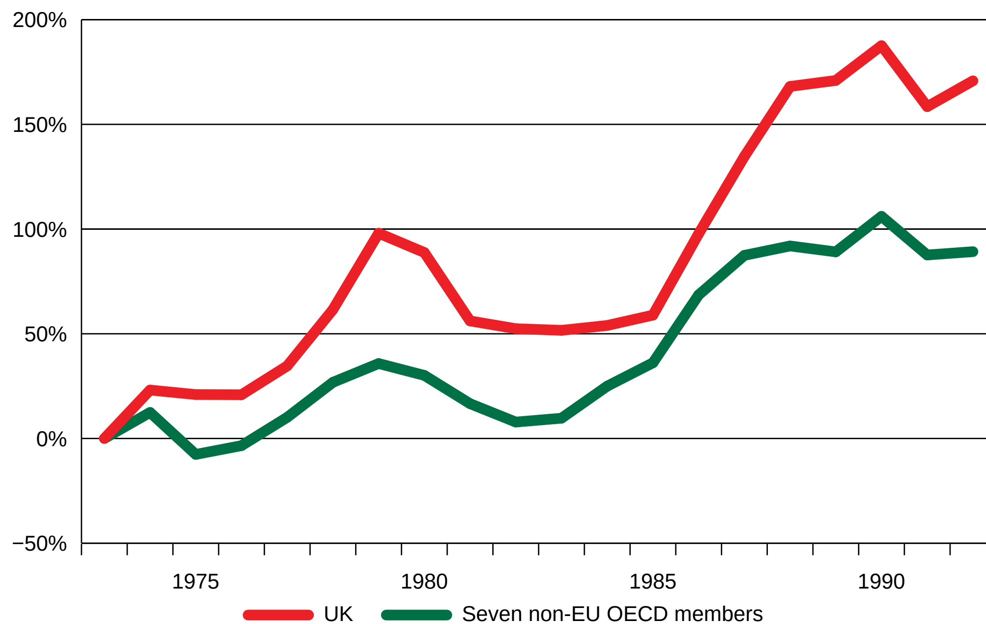
Source: www.oecd-ilibrary.org. OECD database Monthly Statistics of International Trade doi:10.1787/data-02279

that the growth of UK exports in these decades exceeded that of the US and several other countries that were reasonably well-established in the global trading networks at the time. In 1973 the average monthly value of UK exports edged ahead of those of the US at $1,006m per month for the first time since 1966, and continued to grow at a faster pace till 1992, when at $9,170m their value was just over 50 per cent higher than the $6,108m value of US exports. It thereby demonstrated, incidentally, that the country with the highest monthly average value need not invariably have a low rate of growth. UK exports also grew more rapidly over these years than those of Australia, Argentina, Canada, Switzerland, Norway, Switzerland and South Africa, all of which were well-established exporters of the day.

The performance of UK exports over these Common Market decades, therefore, contrasts sharply with their performance over the first 19 years of the Single Market, but in the wrong direction for those who wish to argue that the UK has enjoyed, or is enjoying, insider advantages in the Single Market. During the Common Market years, UK exports grew faster than those of the US and the other seven countries, while under the Single Market the exports of every single one of them grew faster than those of the UK. The United States is an especially illuminating example of the difference between the two eras. Over the 20 years of the Common Market, UK exports had, as just mentioned, grown faster than American exports and by 1992 were 50 per cent higher in value. That was, however, their high point relative to US exports, and they have never reached it since. Instead, the differential has declined, fairly steadily throughout the 19 years of the Single Market, and in 2011, for the first time since 1972, the value of US exports of goods to the EU 11 exceeded the value of UK exports. There cannot, therefore, be much doubt that the growth of UK exports has declined under the Single Market, and that it has failed, thus far, to live up to its promise.

The contrast between the two eras is illustrated in the figures 3 & 4 below. Figure 3 compares the growth in the total value of UK exports of goods to the countries that were to become EU 11 with that of a slightly different sub-set of countries, seven founder or long-standing members of OECD (Australia, Canada, Iceland, Japan, Norway, Switzerland and the United States) whose trade with EU countries was therefore well-established, and well-documented, before the UK entered the EU. Over all the Common Market years, as may be clearly seen, UK exports to the EU grew at a decidedly more rapid rate than those of these seven OECD countries, and by the end of the two decades had grown 75 per cent more than theirs in gross value.

Figure 3
Growth in total value of goods exports to 11 founding members of the Single Market over the Common Market years 1973–1992: UK compared with seven long-standing OECD members in US$(1973)



Source: Monthly Statistics on International Trade, Dataset: trade in value by partner countries, www.oecd-ilibrary.org. The seven non-EU OECD members are Australia, Canada, Iceland, Japan, Norway, Switzerland and the United States.

Over these years, therefore, it is possible to imagine that the UK might have enjoyed some kind of insider advantage. Indeed, this is a perfect textbook example of the kind of clue or *prima facie* evidence we have been searching for. But what kind of advantage was it? The directives and regulations which have 'harmonised' the member countries under the Single Market were barely under way, and indeed the entire EC institutional apparatus surrounded by lobbyists/stakeholders and its culture of comitology were still rudimentary. Apart from the much advertised bracing effects of competition within the Common Market, one possible explanation is strong economic growth in France, Germany and Italy. However, it is then not clear why the UK should have benefited from this growth more than the other OECD countries. We are therefore obliged to mention the other plausible explanation, the one distinctive characteristic of the EEC over all those years, its rather high common external tariff. Perhaps this tariff restricted the growth of the exports of the seven OECD members, to the advantage of the UK, which, as an EU member, was not subject to it?

Until such time as the impact of that tariff has been definitively measured, we can only speculate. However, having raised the issue of tariffs over the Common Market

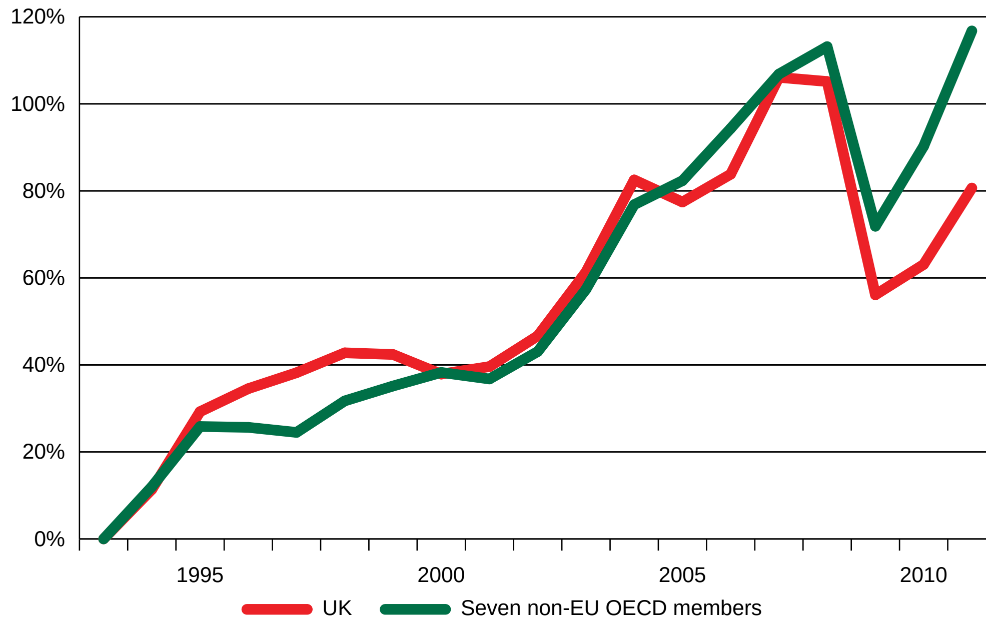
years leads one to consider the possibility that those who today extol the insider advantages of EU membership might be referring to tariff protection offered by the EU, though they could hardly say so openly without embarrassment. It seems unlikely. Tariffs are, certainly, insider advantages, but EU tariffs on non-agricultural products have been falling steadily for many years. According to the UNCTAD, the EU weighted average tariff on manufactured products fell from 4.42 per cent in 1988 to 2.67 per cent in 2010.[1] Since many non-members avoid them altogether, they can hardly amount to prized insider advantages.[2]

Non-tariff barriers (NTBs) might, more plausibly, be considered as such since these have sometimes been estimated to be the equivalent of as much as 20 per cent of an external tariff. Member countries have not, however, been remarkably effective at eliminating NTBs amongst themselves, so the idea that they collude to maintain them against outsiders, and the UK must remain a member of the EU to enjoy these NTB insider advantages, seems rather far-fetched. Until we are told exactly what the insider advantages that count for so much actually are, we can only speculate, so we will return to the facts.

The growth in value of UK exports over the 20 Common Market years shown in Figure 3 may be compared with their growth over 19 years of the Single Market which is shown in Figure 4, alongside the same seven OECD non-EU countries. Over the first 12 years, from 1993 to 2004, the value of UK exports grew at a slightly faster rate, though with nothing like the same lead as it had enjoyed during the Common Market years. Then, in 2005, the UK slipped behind their rate of growth, and in 2009 dropped markedly behind, so that by the end of 19 years, in 2011, the exports of the seven OECD countries had grown 35 per cent more than the UK's.

The putative insider advantage therefore seems to have disappeared altogether. Once again, we can only rescue the claim if we take the view that, without the insider advantage, the growth of UK exports would have fallen still further behind these other OECD countries. However, that is only plausible if we have evidence explaining why it is reasonable to expect that to have happened, just after the exciting opportunities by 'the world's largest Single Market' were opened to UK exporters and over the years when the Single Market was being 'widened' and 'deepened'.

Figure 4
Growth in total value of goods exports to the EU 11 UK compared with seven long-standing OECD members 1993–2011



Source: Monthly Statistics on International Trade, Dataset: trade in value by partner countries, www.oecd-ilibrary.org. The seven non-EU OECD members are Australia, Canada, Iceland, Japan, Norway, Switzerland and the United States

The UK was not, one must add, entirely alone in experiencing a significant decline of fortunes after the Common Market became the Single Market. One of the seven OECD countries, Japan, kept the UK company, and indeed suffered an even greater reversal, having been the only advanced economy whose exports to the EU grew faster than those of the UK in the decades 1973–1992, and the only developed country to have grown slower than the UK in the two decades 1993–2011. While the UK fell from 16th to 28th place over these latter decades, Japan fell from 12th to 30th.

Japan's decline over this period has, of course, been widely noticed and discussed, but the UK's has not, as the Single Market has usually been seen as rescuing the UK from earlier decades of decline. The British political elite has been much too busy celebrating the merits of the Single Market, making unsubstantiated claims about the insider advantages that the UK enjoys as a member of it, and warning everyone of the fearful consequences of losing them. This has left little space for politicians or the media to notice and discuss the UK's decline within the Single Market.

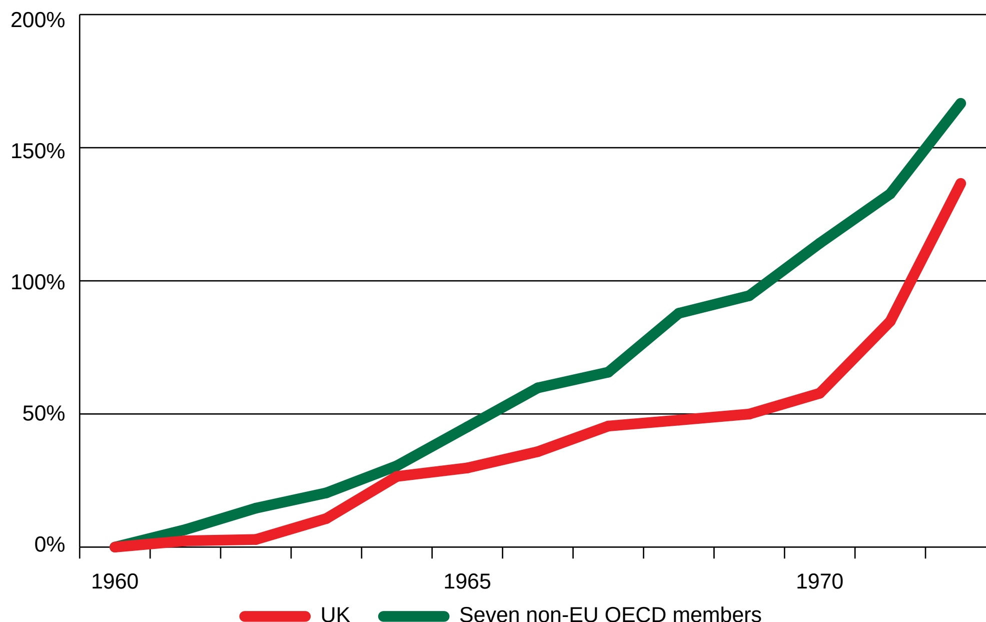
If it is true, to quote the Prime Minister again, that 'our participation in the Single Market, and our ability to help set its rules, is the principal reason for our membership of the EU', then plainly there are strong political reasons why the failure of the Single

Market, from the UK's point of view, should *not* be examined and discussed.[3] It cannot be allowed to be anything other than a resounding success. Hence, one is now more likely, *mirabile dictu*, to learn of its failings from Brussels than from London.[4]

6. And further back, to the pre-entry years

Having taken one step backwards, it is difficult to resist taking another, to examine UK export growth in the pre-entry years and to see just when the UK's rapid export growth may have begun. The OECD data allows us to go back to 1960. Figure 5 shows the growth of UK exports to the countries that were to become the EU 11 over the 13 years prior to the UK's accession in 1973. They are again presented alongside the same seven OECD countries as in Figures 3 & 4.

Figure 5
Growth in total value of UK goods exports to the future EU 11 compared with seven long-standing OECD members 1960–1972 in US$(1960)



The seven non-EU OECD members are Australia, Canada, Iceland, Japan, Norway, Switzerland and the United States
Source: Monthly Statistics on International Trade, Dataset: trade in value by partner countries, www.oecd-ilibrary.org.

Apart from 1964, the UK failed over the decade 1960–1970 to keep pace with the seven OECD countries, even though four of them could not benefit from close proximity to the EU 11. Up to 1970, therefore, these figures fit the conventional narrative of the era with the UK as 'the sick man of Europe'. However, from that year on, UK exports started to grow at a faster rate, and to close on the growth of those of the other OECD countries. The UK overtook the others in 1975.[1]

The conventional narrative seems to have missed this sudden surge. Most right-thinking people at the time, and most of the press, seem to have shared a deep pessimism about the prospects of the UK economy and, largely for that reason,

favoured the efforts to join the Common Market, even though a steep upward trajectory in exports was under way.[2] As we have seen in Figure 3 above, this upward trajectory continued right through the two Common Market decades, with UK exports growing at a much faster rate than those of the OECD countries. The slowdown only begins with the Single Market, in the most recent years of which the OECD countries once more grew at a faster rate.

Neither of these historical comparisons, therefore, casts a particularly favourable light on the Single Market. Growth in the value of goods exports, in real terms, over the 13 years 1960–1972 came to 137 per cent; over 20 years of the Common Market to 171 per cent; and over 19 years of the Single Market to 81 per cent.[3]

7. Are services any different?

All the preceding tables refer only to the export of goods, but these now constitute only two-thirds of all UK exports, so it would be helpful to conduct the same kind of analysis for the export of services, especially as the UK enjoys greater comparative advantages for the export of services than for goods.[1]

This is not possible. Reliable data about services exports to partner countries covers a much shorter period and, though it has a wider coverage, it is also more erratic. It begins in 1999, which means that we cannot cover all 19 years of the Single Market.[2] And no backward glance to earlier decades is possible, though since we must begin in 1999, the three 1995 entrants to the EU will cause no distraction and may therefore be included in the calculations. Moreover, since the data on services exports of the 2004 and 2007 entrants are, for some reason, rather better than those of goods exports, the figures for those countries may also be included. We will therefore have a larger number of EU countries, but over fewer years.

Other difficulties arise because, after 1999, entries of exports from particular countries to particular EU countries are haphazardly missing. Thus, to make comparable calculations, we are obliged to use *imports to* the EU from these countries. One might imagine, on first acquaintance with this data, that these are pretty much the same as *exports from* these countries, that the exports country Y reports to country X will be much the same as the imports country X reports from country Y, or that they are reconciled by statistical agencies. But they are not the same, the OECD does not reconcile the difference, and the difference between them is not marginal. They therefore provide a sharp reminder that any data depends on the method used to collect it, and the time of collection and reporting. This might not matter too much if we could use the same *imports to* figures for every single country, but we cannot. For some unknown reason, there are no individual entries for the UK, or for other EU member countries, in the OECD database files of *imports to* the EU for the years 1999–2003. They resume in 2004 which means that, for the UK alone, over the years 1999–2003, we have to use the data of the UK *exports from* file.

To see whether with this makes a significant difference when measuring exports over time, two calculations of growth are given in Table 4 (below): in column 3 over the twelve years 1999–2010 with UK growth alone calculated from exports to the EU 11, and in column 4 over the seven years 2004–2010 when, as just mentioned, figures for imports from all the EU member countries, including the UK, were recorded by OECD. Column 4 is therefore intended to serve as a check on the calculations in

column 3. It allows us to see whether column 4's calculations, which include *exports to* only in the case of the UK, might have give a misleading impression of UK export performance.

Table 4
Growth in services exports of 27 countries to the EU 14–26 1999–2010

		% growth 1999–2010: measured in US$(1999)	% growth 2004–2010: measured in US$(1999)	Annual value in 2010 in US$bn(2010)
1	India	286	121	8.4
2	China & Hong Kong	250	86	25.3
3	Russia	256	66	16.2
4	Nigeria	189	87	2.0
5	Turkey	175	25	16.6
6	Egypt	148	44	7.8
7	New Zealand	141	42	0.9
8	Singapore	131	64	9.9
9	Korea	123	29	5.4
10	Israel	115	39	3.4
11	Thailand	112	54	6.0
12	Brazil	110	53	6.3
13	Switzerland	100	43	55.3
14	Mexico	95	9	3.4
15	Philippines	94	56	1.5
16	Taiwan	90	41	3.5
17	Australia	90	26	1.4
18	Argentina	82	64	2.4
19	Morocco	76	32	5.2
20	Norway	66	0.9	10.3
21	Canada	65	31	8.1
22	UK	53	14	97.6
23	South Africa	53	13	4.2
24	Japan	52	22	13.6
25	US	29	19	126.0
26	Malaysia	22	53	2.7

Note: Figures are calculated from files of imports by the EU 15 1999–2003 & by the EU 27 2004–2010, with imports by the UK subtracted from all, hence EU 14 and 26. OECD includes Bulgaria and Romania among the 26 from 2004, even though they did not actually join until 2007 (personal communication from OECD). Missing figures for the years 1999–2000 for Korea, Israel, Egypt, Singapore, Nigeria, S Africa, Taiwan, Malaysia, Thailand, Hong Kong and the Philippines were estimated by assuming they were the same percentage of world service imports as the mean of the three following years. The same method was used to estimate missing figures for Nigeria in 2001 and Malaysia in 2003. Missing figures for Norway and Switzerland for 1999 were estimated by assuming that they were lower than 2000 by the same proportion as 2000 was below 2001.
UK exports alone are taken from UK services exports files. Following OECD, exports to Bulgaria and Romania were included in EU 26 from 2004.
Source: www.oecd-ilibrary.org. OECD database 'Trade in Services by partner country' doi: 10.1787/data-00274

The results, given in Table 4, indicate that they did not. The UK ends up in 22nd place in growth over 12 years, and had we ranked the growth over the seven years, would have been in 23rd place. Although the countries with slower growth than the UK are not identical over the two periods, this is not a cause for serious concern. Since countries' growth fluctuates year on year, growth over a period may well vary according to the start and end dates.

Table 4 covers all 26 countries for which reasonably complete data of services exports exist, though for a good number of them, for some years, it was necessary to estimate by means indicated in the note. To qualify for inclusion in the table, exports in 2010 had to exceed $1bn per annum.[3]

The overall result is not remarkably different from that of growth of export of goods. The UK was 28th of 35 in the growth of exports of goods, and 22nd of 26 in the export of services to the EU. As with the fastest-growing goods exporters table, the results are given without any editing out of newly-emergent exporters, though given the annual value of their services exports in the far right-hand column, most of those above the UK might be deemed as such. Once again, therefore, the UK's final rank might be debated and corrected, though with equally little impact on the conclusions that we may draw from these results.

The main fact is that the value of services exports from 21 non-member countries to members of the Single Market has grown at a faster rate than that of the UK, even though these non-member countries have no insider advantages in their trade with the EU, and some of them at least may well have had to surmount the obstacles of newcomers to world trade and of distance from the Single Market.

The growth and the value of Norway's and Switzerland's exports deserve particular attention because the Director-General of the CBI recently decided to repeat the insider advantages argument. Norway, he told readers of *The Times*, had 'no clout over EU decision-making because it has no seat at the table' while 'Switzerland still has no agreement to ensure access to the European market in services – a major part of the UK economy'.[4] Nothing, therefore, is to be learned or expected from either country, according to the Director-General of the CBI, who went on to call for the UK's relationship with the EU to be assessed 'using hard facts and objective analysis, not emotion or hollow rhetoric'.

If one refers to the OECD's hard facts, it is strange to discover that, despite its 'lack of clout over EU decision-making', the total value of Norway's services exports to the EU has grown 13 per cent more than those of the UK over the years 1999–2010, and

despite Switzerland having no agreement 'to ensure access to the European market in services', the total value of its services exports has grown nearly twice as much as the UK's over the 12 years we can measure. The total value of the two countries' services exports, $10.3bn and $55.3bn respectively in 2010, might seem modest by comparison with the $97.6bn of the UK, but per capita they are both much larger than the UK's. In 2010, the UK's exports were $1,591 per capita, while Norway's were $2,073, Switzerland's were $7,060 (well over four times the value of UK's).

Not having 'a seat at the table' and not having 'access to the European market in services' begin to look like decided advantages. If the UK's services exports to the EU had been as successful as those of Norway in 2010, they would have amounted to $127.2bn, and if as successful as those of Switzerland to $433.1bn; rather more, in other words, than the $97.6bn they actually reached. These two countries, one must conclude, are not good prospects for identifying the disadvantages of not taking part in the rule-making of the Single Market.

There are four slower-growing countries, but two of these are within one percentage point of UK growth, so not much is to be inferred from them, which leaves just the US and Malaysia. The latter's services exports are diminutive, so, when looking for countries whose performance might put us on the track of the UK's insider advantages, the United States looks like our best prospect. The total value of its services exports to the EU 14–26 exceeded that of UK exports by a considerable margin, but its slower growth might perhaps indicate that it suffered from an outsider's disadvantages, while, correspondingly, the UK's slightly better performance might indicate that it has benefited from insider advantages.

8. Do UK exporters need an insider advantage?

Another way of assessing the performance of UK exports to the EU under the Single Market is to compare their rate of growth with that of UK exports to non-member countries over the same period. Markets for UK exports are, of course, influenced by a great many factors that are not included in this search. However, a comparison of the rate of growth of exports to members and non-members might still be illuminating. If, for instance, the rate of growth to fellow members were faster than that of exports to non-member countries, it would be consistent with the claim that the UK enjoyed an insider advantage when exporting to fellow members of the Single Market, and provide some reassurance that we are on the right track.

The 33 fastest-growing markets for UK exports of goods over the 19 years of the Single Market are listed in Table 5. It shows that UK exports to the EU 11 were not faster than those to non-member countries. Far from it. UK exports to 25 non-member countries have grown at a faster rate, frequently very much faster. And these results have not been seriously affected by the on-going eurocrisis. If we set the clock back to 2008 and calculate the growth of UK exports only to that date, the EU only moves up two places. Growth of exports to the Single Market was slow throughout its sixteen pre-crisis years.

Since we are comparing the value of exports to 11 countries with those of single countries, the value of exports to the EU exceeds that of all the others. And if we adopt the habit of some EU partisans, including prime ministers, and conflate growth of exports to a fixed number of countries with growth to all EU countries as it expanded in 2004 and 2007, and therefore add the exports to the nine later entrants for which we have data, growth increases slightly to 112 per cent. This puts the EU in 24th place, just behind Brazil, and the mean monthly value in 2011 rises to $28bn. Individually, it must also be said, some of the EU 11 were among the highest value markets for UK exports. However, whatever way we present the evidence, it can only reproduce, from another angle, the Single Market profile with which we have become familiar. The EU is a high value market for UK exports, but a slow-growing one.

This data is, however, interesting for another reason. Anyone looking at the earlier tables will almost certainly have wondered whether UK exports to the Single Market have grown at a slow rate simply because UK exporters have not adapted nimbly or intelligently enough to take advantage of the opportunities presented by the Single Market. One may infer that those who claim that the UK must continue to depend

Table 5
Top 33 fastest-growing markets for UK exports of goods over the life of the Single Market 1993–2011

		% growth in 19 years measured in US$(1993)	Mean monthly value in $m (2011)
1	Qatar	16141	638
2	Vietnam	5043	222
3	Nigeria	1268	746
4	Turkey*	651	815
5	Bangladesh	628	199
6	Mexico*	545	180
7	Russia	508	974
8	China & Hong Kong	492	4021
9	Algeria*	446	199
10	Canada	428	1582
11	Kuwait	368	196
12	United Arab Emirates	413	252
13	Sri Lanka	286	107
14	India	269	784
15	Norway*	255	3601
16	Columbia	244	117
17	Egypt*	190	106
18	Argentina	186	79
19	Israel*	171	291
20	Australia	159	652
21	Thailand	121	332
22	Bahrain	113	218
23	Brazil	112	373
24	South Africa*	100	389
25	Korea*	92	414
26	EU11	81	23897
27	Pakistan	80	114
28	Switzerland*	66	933
29	Singapore	62	511
30	Taiwan	41	445
31	US	36	4664
32	Indonesia	27	174
33	New Zealand	22	101

* Denotes countries with which the EU has preferential trade relations.
Sources: www.oecd-ilibrary.org. OECD database Monthly Statistics of International Trade doi:10.1787/data-02279; Trade Policy Review EU, Table 2.2 page 32, Active free-trade agreements signed by the EU Dec 2012, www.wto.org

on an insider advantage provided by participation in the rule-making of the Single Market have already made up their minds about this and accepted that UK export performance will remain weak for the foreseeable future. Why else would they insist that UK exporters could not cope very well without this insider advantage? Why would they insist that the UK should at all costs cling on to it, and warn of serious consequences for jobs in export-oriented industries if it failed to do so?

The higher rate of growth of UK exports to 25 non-member countries suggests that UK exporters may not be quite as ineffective as their performance in the Single Market indicates, nor as much in need of an insider advantage as the Prime Minister and others think. Without it, they seem to have performed reasonably well. No doubt, not well enough. The UK trade in goods account has been in deficit in every year since 1980–82.[1] But trade policy and trade analysis is, above all else, about comparative advantage. The interest of these figures is therefore in the superior growth of UK exports in world markets compared with the EU's Single Market.

Moreover, this superior growth in world markets has been secured without all the various costs that the UK has incurred in the hope, apparently, of propping up its poor export performance in the Single Market. The direct cost to the UK taxpayer of the annual EU subscription might properly be seen as a subsidy to UK exporters to the EU, since their trade costs are lowered in return for the taxpayers' payment. No wonder, perhaps, that some of the large exporters are cheerleaders for the Single Market. They themselves may also, of course, pay direct costs in the form of EU regulations, but these costs are borne by all UK firms, whether or not they export to the EU, and hence do not affect the exporters' competitive position.[2] There are also opportunity costs of membership, because the UK, as a member of the EU, has to wait on the cumbersome and slow EU negotiating procedures, requiring the consent of all 28 countries, before trade agreements with fast-growing markets can be negotiated and put into force.

As an independent country, the UK might well have concluded free trade agreements long before the EU was able to do so. Iceland and Switzerland have already concluded agreements with China.[3] The EU has not even begun to negotiate. Its trade negotiations with India began in 2007, but have still not been concluded.[4] Mr Blair forgot to mention that the 'heft' he values so much comes at a price, possibly the high price of lengthy, even interminable delays to secure agreements which do not match the priorities, or the revealed comparative advantages, of UK exporters. However, we may best discuss these costs after we have completed the picture of the UK's fastest-growing markets.

Table 6
Top 20 fastest-growing markets for UK exports of services 1999–2010

Rank		% growth 1999–2010 In $1999	Total annual value in 2010 In $b
1	Iceland	256	0.2
2	Taiwan	231	1.7
3	India	189	3.1
4	Colombia	180	0.3
5	Switzerland	161	13.2
6	Australia	124	7.6
7	Morocco	114	0.2
8	China & Hong Kong	107	6.3
9	Turkey	104	1.7
10	Korea	99	1.7
11	Brazil	63	1.3
12	Thailand	61	0.7
13	EU 14	53	91.4
14	Norway	51	3.6
15	Egypt	46	0.8
16	Canada	44	4.3
17	Mexico*	40	0.6
18	Indonesia	39	0.5
19	US	34	49.7
20	Malaysia	31	1.1

* Denotes country with which the EU has preferential trade relations including services.
The missing entry for exports to Australia in 2003 was estimated by taking the mid-point between 2002–2004
Sources: www.oecd-ilibrary.org. OECD database 'Trade in Services by partner country' doi: 10.1787/data-00274; Trade Policy Review EU, Table 2.2 page 32, Active free-trade agreements signed by the EU Dec 2012, www.wto.org

Table 6 shows the fastest-growing markets for UK services exports, though, for reasons mentioned above, only for the years 1999–2010, and only for exports to 20 countries. Mexico is starred to indicate the EU had an FTA in services in force from 2001.

Overall, it does not differ greatly from the export of goods, though since the EU was 13th of the top 20 fastest-growing markets for UK services over these years, and only 26th of the 33 fastest-growing markets for the export of goods, it appears that UK exports of services to the EU have been growing at a relatively faster rate than those of goods. The main feature of the two tables is, however, the same: the EU is a high-value market but a slow-growing one. With a total value of $91.4bn, UK services exports to the EU 14 in 2010 constituted 37 per cent of the value of

all services exports. Six of the top ten individual markets by value in 2010 were EU members, with those to Germany worth $15.3bn *per annum*, to the Netherlands $14.6bn, to France $12.6bn, to Ireland $12.1bn and to Spain $7.5bn.

If we again follow the common, rather misleading practice of measuring growth in all EU countries as it expanded in 2004 and 2007 from 14 to 26 other members, then UK exports to the EU would have grown by 63 per cent and risen to 12th place, again marginally behind Brazil, with the EU share of services exports rising to just over 39 per cent and their total value to $97.5bn.

In the search for clues about insider advantages, the exports to the US are once again of particular interest. The US is, by some distance, the largest single market for UK services, and yet growth to that market is slower than exports to the EU. It therefore repeats the pattern observed in the export of goods, where the US was also the largest single market, and again grew slower than the EU. To understand this difference, and the contribution that insider advantages may have made to it, is far beyond the scope of the present analysis, but we may note that it is consistent with the claim that the UK has enjoyed 'insider advantages' when trading with the EU which it does not enjoy when exporting to the US. It may therefore be a clue as to where we might look for insider advantages, not a strong one, because it is a solitary example, and one is bound to wonder why the absence of insider advantages helps to explain poor performance of service exports to the US but does not appear to be a handicap when exporting to Switzerland, Australia or China and Hong Kong. However, since we have few clues about where the insider advantages might be found, we should not let slip any that do appear, however unpromising they may seem.

9. A country with neither heft nor clout

In a recent policy document, the CBI referred repeatedly to what it called the 'clout' of the EU. It warned of the perils of the UK taking 'the Swiss option (which) would mean the UK negotiating global trade deals without the clout of the EU behind it'.[1] Clout, we may assume, is much the same as Mr. Blair's heft, and since this is the only insider advantage that has been identified by name, albeit rather vaguely, it deserves some attention.

Mr Blair spoke as if heft was an unalloyed benefit, while the CBI, to its credit, admitted that 'the value of the EU's clout in trade negotiations is partially offset by the cumbersome nature of negotiating as part of a bloc of 28 countries rather than as a single nation'. It then went on to give 'some downsides' of 'allowing the EU to conduct trade negotiations on behalf of the UK'.

First, there is the simple fact that, as one of 28 EU states, the UK cannot guarantee that its priorities will always be represented in trade talks and cannot fully dictate which markets are prioritised for FTA negotiation. Some argue that the UK could have been more nimble in negotiating its own trade deals – with the US or Commonwealth countries, for example. Moreover, the number of places to influence the negotiation process has resulted in competing national interests and defensive positions being pushed by sectoral lobby groups in some EU states, slowing down some FTA negotiations and reducing the scope for reaching agreement on contentious issues such as agriculture. For example, this has been a feature of recent negotiations involving both Canada and Mercosur. This is not helped by the institutional procedures involved in negotiating FTAs that can lengthen the process and present stumbling blocks to completion, including the need to square off interests in both the Council and the Parliament.[2]

However, after mentioning these downsides, it decided, by some instant process which it did not pause to document or explain, that these disadvantages were all outweighed by the benefits of the EU's 'clout'. Coming so soon after its Director-General's call for the UK's relationship with the EU to be assessed 'using hard facts and objective analysis', this sleight of hand was rather less creditable, since there are ways in which the benefits of clout in trade negotiations may be assessed. One is by examining the experience of a country that has neither heft nor clout – Switzerland.

Switzerland has long had a pro-active strategy of negotiating trade agreements according to two main criteria set by its Federal Council. These are the economic importance of the possible partner country and the disadvantage its exporters might suffer relative to its main competitors in that market.[3]

Table 7 (below) lists the 26 Swiss agreements that the WTO records as currently in force, alongside the 25 of the EU, giving the dates they came into force. Both sides have a number of negotiations under way, a few of which have been signed, but for clarity's sake we list only those currently in force.

There are several points worth noting in this table. The first is that 13 of the 26 Swiss FTAs came into force before the EU agreement and three came into force in the same year. All 16 are highlighted in red, with the three in the same year starred. This leaves 10 in black, which followed those of the EU. The Swiss have, in other words, been rather quicker than the EU in negotiating and activating FTAs.

The second point to note is that the Swiss have six agreements in force for which there are no EU counterparts: with Singapore, the Southern Africa Customs Union, Japan, Canada, Ukraine, China and Hong Kong. Correspondingly, the EU has five agreements in force for which there are no Swiss equivalents: with Syria, San Marino, Algeria, Central America and Andorra. Without citing evidence for the moment, it seems fairly safe to say that the Swiss, without the clout of the EU behind them, have been able to conclude agreements with rather more important trading countries.

Mr Blair and the CBI seem to share a rather distinctive view of trade negotiations, as if countries might be pushed or browbeaten by the EU into speedily concluding FTAs favourable to the EU. The CBI argued that 'the quality of a deal depends on the balance of power between the parties'. Since the UK has less power or clout than the EU, it would by itself be unable to negotiate 'deep and ambitious' FTAs:

It is difficult to envisage how a country the size of the UK could succeed in breaking down the required regulatory barriers to trade with a major country in its own separate trade negotiation… At the very least, the UK would find itself in a long queue to sign deals with major economies on similar terms to those being signed by larger blocs such as the EU. It is likely that FTAs with the UK would take second place to agreements with the EU in the priorities of third countries.[4]

Lord Mandelson, the former EU Trade Commissioner, recently presented a similar argument to the British Chambers of Commerce's 2014 annual conference. He predicted that countries like India would 'just laugh in our faces' and 'walk away' from negotiations if the UK chose not to operate as 'a bloc with 500 million people behind us'. Britain would, he thought, be left 'whistling in the wind' in its free trade negotiations if it were no longer part of the European Union.[5]

Plainly, neither the CBI nor Lord Mandelson examined the WTO evidence. If they had, they would not have found it in the least difficult to envisage how a country the

Table 7
Switzerland compared with the EU: Free trade agreements in force in goods & services as reported to the WTO December 2012 and retrieved from its listings in December 2013.

Dates in red indicate that Swiss agreement preceded or was in the same years as EU agreement.

'**s**' indicates agreement includes services with /date if later than goods

Year Swiss Agreement in force	Partner Country	Year EU Agreement in force
nil	Syria	1977
1992	Turkey	1996
1993s	Israel	2000
1995	Faeroe Islands	1997
1999s	Palestinian Authority	1997
1999s	Morocco	2000
2001s	Mexico	2000s
2002s*	Croatia	2002/5s
2002s*	Jordan	2002
2002	Macedonia	2001/4s
2003s	Singapore	nil
nil	San Marino	2002
2004s	Chile	2003/5s
2006s	Korea	2011
2006s	Tunisia	1998
2007s	Lebanon	2003
2008	South Africa	2000
2007s	Egypt	2004
2008s	SACU*	nil
2009	Japan	nil
2009s	Canada	nil
2010s	Albania	2006/9s
2010*	Serbia	2010
nil	Algeria	2005
2011s	Columbia	2013
2012s	Peru	2013
nil	CACM**	2013
2012s	Ukraine	nil
2012s	China & Hong Kong	nil
2012s	Montenegro	2008/10s
nil	Andorra	1991

*SACU, the Southern Africa Customs Union, consists of Botswana, Swaziland, Namibia, Lesotho and South Africa.
** CACM, the Central American Common Market, consists of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
The EC also concluded agreements with members' overseas countries & territories in 1971. The WTO describes its agreements with Cariforum in 2008, with Papua New Guinea & Fiji in 2009, and with the Eastern and Southern African states in 2012 as: 'Dates of provisional application. Not yet entered in force'. Cariforum consists of the 15 Caribbean Community states, along with the Dominican Republic, but Guyana and Haiti declined to sign the Economic Partnership Agreement with the EU.
Source: www.wto.org Trade Policy Reviews EU & Switzerland

size of the UK could succeed ‘in breaking down the required regulatory barriers to trade with a major country in its own separate trade negotiation’, since they would have seen that Switzerland, with a GDP one quarter the size of that of the UK, has frequently concluded agreements before those of the EU, without apparently finding itself in ‘a long queue’ or taking ‘second place’ to ‘larger blocs’, or anyone ‘laughing in their faces’.

The WTO evidence would, moreover, have given them still further proof that heft or clout is not quite the all-important factor in trade negotiations they imagine. The US has, I suppose, as much or more heft or clout than any country in the world, so if the CBI’s fearful fantasy had any basis in reality, it would presumably have a very large number of FTAs. It doesn’t. It currently has just 20, rather fewer than the 26 of the Swiss, and their FTAs, like those of the EU, do not include some of the larger trading nations.[6] When one looks at their agreements, there is little sign that heft or clout played a major part in securing them. Their agreement with Israel preceded that of Switzerland by eight years, and that with NAFTA partner Mexico by seven, and with Jordan by one, but their agreement with Chile was in the same year as the Swiss, while that with Singapore came a year later, and that with Korea, where one might suspect that heft played a part, came six years after the Swiss agreement. If there was a queue to sign FTAs, the United States does not appear to have been at the head of it.

The United States is, of course, the one glaring omission from the list of Swiss agreements, despite it being a very important trading partner for the Swiss. Since the EU has recently announced the start of negotiations for a free trade agreement with the US, might this be a case where the EU is a step ahead of the Swiss? No! It is not. The Swiss negotiations for an FTA with the US began in 2005, some eight years before those of the EU, and they were terminated in 2006 on one key issue. The small, heavily subsidized, but politically well-organized agricultural interest in Switzerland would not contemplate free trade in agricultural products, and the US would not contemplate an FTA without them. As very much a second best, the two countries concluded a Trade and Investment Co-operation Forum Agreement.[7]

The third point to note about the Swiss agreements in force in 2012 is that 20 of the 26 include services, whereas only six of the 25 EU agreements do so. It is no surprise, of course, that Switzerland, a country with a large service sector, should place such importance on securing agreements on services as well as goods, but it is surprising, given the emphasis British governments over many years have put on extending the Single Market in services, that the EU should have concluded so

few. Presumably, since free trade in services between EU member countries is far from complete, negotiating agreement with other countries is not the easiest task, inherently far more difficult than negotiating goods agreements and at times, one suspects, insurmountably so.

It is also surprising that, after repeatedly expressing its concern that the Single Market in services be extended and deepened, the CBI did not rate this 20 to 6 disparity in the number of FTAs covering services a powerful consideration on behalf of independently-negotiated FTAs. It did not even think it worth mentioning, and pressed on regardless to argue that the EU can negotiate agreements which would be quite beyond the UK were it to negotiate independently like the Swiss. Its explanation is that:

The nature of the modern FTA, the quality of the FTA that UK industry requires to properly realise global business opportunities, and the size of market the UK offers to potential trading partners all indicate that the UK would struggle to match the deals it can achieve and the market access it can attain if it attempted to strike out alone with trade negotiations.[8]

The idea that the UK alone would be a small, inadequate, vulnerable country, quite unable to cope in a fiercely competitive world, has long been a standard theme in the EU supporters' repertoire. It reappears frequently in making the case for the EU and the Single Market, and at the time of the referendum in 1975 was a view that much of the country, or at least of its media, seemed to share. Why the CBI has chosen to repeat it in the context of negotiating FTAs is puzzling. What evidence do they have that leads them to believe that the UK alone 'would struggle to match' the quality of EU deals?

In the nature of things, one would expect an entirely UK negotiating team to have a rather better understanding of the priorities and needs of British industry, and better command of their special requirements, than the multinational appointees of the European Commission. After all, UK representatives of all kinds in Brussels, including the CBI, must at times struggle to make themselves heard and understood by EC negotiators, if only because representatives of 27 other nations are, at the same time, trying to do exactly the same thing. And one imagines that a single nation team would not be distracted by multiple priorities, and that the feedback during their negotiations would be more continuous, precise and intelligible than the multi-national, and multi-sectoral inputs that accompany EU negotiations.[9]

Over many years the UK has, all by itself, negotiated Investment Promotion and

Protection Agreements (IPPAs), more generally known as Bilateral Investment Treaties (BITs), which are often seen as the preliminary to full-blown FTAs. Currently, the UK has 94 IPPAs in force, though the negotiation of new or revised ones has lapsed of late since responsibility for them has been passed to the EU, which is progressively incorporating them into its future FTAs.[10] It almost certain that, when these 94 IPPAs were being negotiated, the CBI was consulted frequently. Hence its current strong preference for multinational appointees of the European Commission to defend British interests in the negotiation of future IPPAs, along with future FTAs, naturally raises the question of whether the CBI has found some of these 94 FCO-negotiated IPPAs inadequate. Maybe this is why they decided that the UK on its own lacked clout, or perhaps FCO negotiators were out-smarted by partner countries, and therefore signed badly-framed agreements that have worked to the disadvantage of CBI members.[11] If the CBI has any evidence of this kind, it should have been mentioned. Their argument would then hang together rather better than it does. As it stands, we have to accept on faith the idea that multinational teams appointed by the European Commission would always do a better job for UK exporters than teams appointed by the FCO.

On the specific issue of the 'quality' of the 'modern' FTAs that it requires, the CBI is still more reticent. Not only does it decline to give any evidence of pre-modern FTAs that have, somewhere or sometime, fallen short of its quality standards, but it has also declined even to identify the criteria by which it rates the quality of EU FTAs.[12] This makes it rather difficult to evaluate their argument. Until the CBI conducts a clause-by-clause, tariff-line-by-tariff-line, analysis of FTAs to show that the clout of the EU has enabled it to negotiate agreements of greater quality or depth than those of Switzerland (a task that it is well within its capabilities, and one that it should surely should have conducted long since on its members' behalf), we are reasonably entitled to take the inclusion of services as an initial measure of an FTA's quality and depth. By this simple measure, the EU FTAs are inferior to those of the Swiss, and the clout of the EU has been a handicap and a cost, not an insider advantage.

There is, however, a second, more persuasive and compelling way in which the quality of FTAs may be measured, and that is by examining their results. They are intended to increase UK exports, along with those of other members. Have they done so?

10. Measuring the benefits of the EU's trade agreements

This is a simple question, but fiendishly difficult to answer, since the impact of the FTA has to be distinguished from the many other factors that may affect trade flows. However, the Swiss State Secretariat for Economic Affairs (SECO) made a start in 2009. On the back of an academic study which had suggested that, on average, FTAs doubled members' bilateral trade after 10–15 years, it sought to discover whether, and how far, Swiss experience thus far corroborated this finding.[1] It found that whereas between 1988 and 2008 Swiss worldwide exports increased annually by 5.7 per cent, exports to countries with whom they had concluded agreements at least four years previously had increased by 10.5 per cent annually. Perhaps a still more interesting finding of its study was that, while trade was increasing, the share of the top five Swiss export industries in those markets with which agreements had come into force declined. This suggested, they argued, that the FTAs had helped other Swiss firms and industries to increase their exports to those foreign markets, and hence to diversify the Swiss export effort. [2]

For many years the EC seems to have been content to make predictions about the gains for the EU as a whole that would, it thought, follow their FTAs, just as it routinely does with other policies, and allow these predictions, over time, to morph into established facts, from which individual member countries were free to scale down the supposed collective gains in exports and jobs to fit their own dimensions and circumstances. This is, as Table 2 above suggests, a rather dangerous practice. In any event, for a long time, there were no follow-up studies of FTAs, even though the EC has, since 1999, been conducting *ex ante* 'sustainability impact assessments' of proposed FTAs which focused on the environmental consequences of the proposed agreement in the partner country.[3] The breakthrough came in 2010 when the EC decided it should 'step up a gear in embedding impact assessments and evaluations in trade policy making', and 'carry out *ex post* evaluation (of existing EU trade agreements) on a more systematic basis'. This more systematic basis meant that they would henceforth be evaluated not only for their environmental effects, but also to see if they met their primary purpose of increasing trade.[4]

There have been two assessments for the EC thus far. The first, in 2011, compared the impact of EU agreements in force with six countries and sought to isolate the impact of the FTAs by two approaches, one relying on the gravity model and the other on a so called 'matched pairs' approach, leaving the reader to decide between them.[5] The second assessment, in 2012, is a much more detailed, sectoral, tariff-

line-by-tariff-line analysis of the EU FTA with Chile which came into force in 2003.[6] It was therefore able to measure the impact of tariff reductions on each sector, as and when they were phased in, rather than taking an aggregate trade flows from the formal starting date of the agreement.

There are, however, certain common methodological characteristics between the two studies. Both make use of the gravity equation, though because the Chile study thought 'the accuracy of the gravity model's predictions is limited', it preferred to use its own 'transformed gravity equation'.[7] Both make use of extensive comparisons with other trading countries, attempting to reproduce the logic of a controlled experiment by matching the FTA partner, as far as possible, with other trading countries and hopefully leaving the FTA whose impact is to be assessed as the sole differentiating factor. Both use general equilibrium models of the partner economy so that they can trace the knock-on effects across the economy, though the authors of the Chile study constructed their own model of the Chilean economy which included the elasticity of substitution of EU imports, by sector, with those from other countries. It could thereby measure the impact of Chile's contemporaneous FTAs with other countries on its FTA with the EU.

Both studies required comprehensive data series of numerous variables, since a trustworthy gravity equation requires that every variable and eventuality that has significantly affected trade between countries over time can be identified and measured, and a trustworthy controlled experiment requires numerous other comparable trading countries, similar to the subject country except that they are without the FTA being analysed. Both, therefore, often had to be resourceful in finding such data or devising acceptable substitutes. And both were, of course, handicapped by the limited number of post-agreement years available to observe the FTAs' impact.

Perhaps the most significant result of these studies was that they agreed that the extent of post-agreement trade was not, as far as they could tell, a good indicator of the effectiveness of the FTA.[8] For instance, the six-nation study decided that the impact of the EU FTAs with South Africa and Mexico was statistically insignificant, despite high post-agreement growth of EU exports to both countries.[9] Similarly, though EU exports to Chile recorded only modest post-agreement growth, both the gravity approach of the six-nation study and the transformed gravity approach of the Chile-only study agreed that the EU FTA with Chile had a strong positive impact on EU exports, though their estimates of the amount of growth differed. The six-nation study estimated that the FTA had increased EU exports by 148 per cent (though its

alternative 'matched pairs' approach estimated that it had 'an insignificant negative effect that was trivially different from zero') while the Chile study reckoned it was between 40 per cent and 60 per cent.[10] Despite these differences, they could agree that the FTA with Chile had been effective, and that, without it, EU exports would have grown much less than they actually did, and that the EU share of Chilean imports from 2003 to 2008 would have fallen still further than they actually did, from 23 per cent to 16 per cent according to the IMF.[11]

In the present context, the main conclusion to be drawn from both studies is that these are still early, exploratory days of attempts to isolate the impact of FTAs.[12] Hence simple descriptive statistics, evidence about what has actually happened to UK exports after the FTAs that the EU concluded on its behalf have come into force, have a role to play, both in analysis and policy. They may be only the first step in trying to assess what the impact of these agreements might have been, but they are nonetheless an essential one. Why the UK government, or the CBI for that matter, has been unwilling to take this first step is puzzling. European Commission studies invariably amalgamate all the countries of the EU, with their several currencies, languages, GDPs, RCAs and growth rates into a single trading unit. The resulting statistical artefact is of limited relevance when trying to determine what the impact of the EU FTAs might have been on UK exports. Hence, the government and the CBI can have not the least idea of how effective or ineffective EU FTAs may have been for UK exporters, and seemingly they have no wish to find out. Ignorance, it seems, is bliss, and evidently no reason to hold back confident claims about the benefits of EU FTAs.

In any event, these two pioneering European Commission studies provide a salutary preface to the presentation of the pre- and post-agreement exports of the UK. They remind us that FTAs do not mark an overnight transition from high to nil tariffs, but normally phase in reductions, over shorter or longer periods of time, which are differentiated by sector and leave some tariffs or quotas altogether unaffected. They should, more accurately, be called freer rather than free trade agreements. Also, of course, they hammer home the point that post-agreement exports, whatever they may be, tell us nothing about the impact of an FTA until we have agreed a way in which its impact can be distinguished from the multiplicity of factors that affect trade-flows.

The evidence about UK exports presented in Table 8 refers to the 15 countries with which the EU has an FTA which had been in force for at least five years prior to 2012, and for which the OECD publishes adequate data. It shows the annual rate of growth

Table 8
The impact of the EU's Free Trade Agreements on UK exports: a preliminary measure

Real growth of UK exports of goods pre- and post- an EEC/EU agreement with 15 countries, 1960-2012, calculated in US$(1960) from data of imports from the UK by the 15 countries

			Before agreement		After agreement	
Partner country	Date of FTA	Years Before & After compared	Total growth %	Compound Annual Growth Rate %	Total growth %	Compound Annual Growth Rate %
Syria	1977	17	4	0.2	**312**	**9**
Turkey	1996	17	386	9.75	368	9.5
Tunisia	1998	15	168	7	**286**	**9**
Mexico	2000	13	58	4	29	2
Israel	2000	13	48	3	**57**	**4**
Morocco	2000	13	368	13	−21	−2
South Africa	2000	13	144	7	30	2
Macedonia	2001	8	−66	−13	**−19**	**−3**
Croatia	2002	9	129	10	105	8
Jordan	2002	11	90	6	58	4
Chile	2003	10	46	4	−3	−0.3
Lebanon	2003	10	24	2	**122**	**8**
Egypt	2004	9	75	6	44	4
Algeria	2005	8	391	22	284	18
Albania	2006	7	86	9	−16	−3

Korea, Peru, Columbia and others were omitted since their agreements were too recent to observe their effects. San Marino, Andorra and the Faeroe Islands were also omitted because the data was incomplete.
Sources: www.wto.org Trade Policy Review EU; OECDiLibrary stats (2013), "Trade in value by partner countries", Monthly Statistics of International Trade (database) doi: 10.1787/data-00279-en

of UK exports of goods to these 15 countries over an equal number of years before and after the agreement came into force, covering as many years as the date of the agreement and/or the availability of the data will allow, since the impact of such agreements may take many years to be felt. The number of years in each case is shown in column 2. The total growth of UK exports over the years before and after the agreement is shown (in columns 4 & 6), though since this figure depends on start and end dates, and there are considerable annual fluctuations, the compound annual growth rates (CAGR) over each period (columns 5 & 7) may be the more helpful measure, and are therefore tinted. Since the OECD data for UK exports to several of these countries is inadequate for all the years included, the fuller data of imports from the UK was used throughout on the grounds of consistency. Growth is measured in US$(1960) and is therefore real growth.

In the five of these 15 countries that are highlighted in red, both the total growth and the CAGR of UK exports increased after an EU FTA came into force. In the remaining ten countries both the total growth and the CAGR fell over the post-agreement years. The total value of exports, in 2012, to the five countries where growth has increased did not make up for their small number. It was $0.4bn per month, which is just short of 20 per cent of the total exports of $2.2bn per month to the 15 countries in that year, except for Egypt where 2011 was the latest year available.

On the face of things, these EU FTAs do not seem to have helped UK exporters very much. However, to get an initial indication of how typical or remarkable these results may be, we have conducted a similar analysis, according to exactly the same rules, with 14 Swiss FTAs, before and after they came into force. As in the UK analysis, the duration of the before and after periods is as long as the date of the particular agreement and/or the availability of the data permit. Also as in the UK case, adequate export data over the years being compared is available only for a minority of countries included, so we again have to use *imports from* data for all 14 countries in the interests of consistency. The results are presented in Table 9.

The striking difference from the UK analysis is the number of entries highlighted in red in column 7, which indicates those countries where the annual average rate of growth of Swiss exports increased after the agreement came into force. There are nine of them among the 14 countries, and the same nine also record an increase in total growth over the post agreement years. This is in sharp contrast with the UK where, as we have just seen, the average annual rate of UK export growth increased in only five of the 15 countries with which the EU had negotiated an FTA.

A second contrast with the UK results is that the post-agreement increases in Swiss exports appear to be rather larger than those of the UK. Overall, they do not quite match the *average* annual doubling reported by SECO, but then the figures in Table 9 differ from those of SECO study, in that they cover longer periods of time, include the economic crisis 2008–9, the subsequent skyrocketing Swiss franc and other disturbing events in some Swiss export markets. Nevertheless, since Swiss exports have more than doubled their average annual rate of growth in seven of the 14 countries after their agreements came into force, these results do not contradict the SECO findings. By contrast, the UK managed to double its rate of growth to only two small export markets, Syria and Lebanon, after EU FTAs.

Odds ratios provide another way of showing that the Swiss agreements are more likely to be followed by growth. The odds of them doing so are 9:5, while the odds

Table 9

The impact of the Switzerland’s Free Trade Agreements on Swiss exports: a preliminary measure

Real growth of Swiss exports of goods pre- and post-agreements with 14 countries, 1971-2012, calculated in US$(1960) from data of imports from Switzerland by the 14 countries

			Before agreement		After agreement	
Partner country	Date of FTA	Years Before & After compared	Total growth %	Compound Annual Growth Rate %	Total growth %	Compound Annual Growth Rate %
Turkey	1992	21	149	4	**348**	**7**
Israel	1993	20	56	2	25	1
Morocco	1999	14	164	7	**282**	**10**
Mexico	2001	12	143	8	**521**	**16**
Croatia	2002	9	−29	−4	**181**	**12**
Jordan	2002	11	47	4	**1336**	**27**
Macedonia	2002	9	−6	−1	**72**	**6**
Singapore	2003	10	−10	−1	**211**	**12**
Chile	2004	9	−42	−6	**42**	**4**
Tunisia	2006	7	47	6	**407**	**26**
Korea	2006	7	89	10	21	3
Lebanon	2007	6	152	17	59	8
Egypt	2007	6	85	11	80	10
South Africa	2008	5	87	13	33	6

Sources: www.wto.org Trade Policy Review EU; OECDiLibrary stats (2013), “Trade in value by partner countries”, Monthly Statistics of International Trade (database) doi: 10.1787/data-00279-en

of UK agreements following suit are 5:10, giving a decisive ratio of 18:5 in favour of the Swiss agreements. One can also see the difference in magnitude of the Swiss post-agreement growth by simply adding together, in US$(1960), the total value of all exports by the two countries pre- and post- their agreements. The total value of all Swiss post-agreement exports to all 14 of their partner countries was 67 per cent greater than their total value over the pre-agreement years, while the total post-agreement value of UK exports to its 15 partner countries was just 14 per cent greater.

One may finally note that the high post-agreement growth rates of Swiss exports have continued over reasonable periods of time, over 14 years in the case of Morocco, 11 for Jordan, ten for Singapore, nine for Chile, Croatia and Macedonia. They appear, in other words, to be mark a step-change in Swiss exports rather than a short-term response to some newly-negotiated concessions in the FTA.

What are we to make of these findings? They cannot tell us, we have already agreed, to what degree FTAs might have been responsible for any increase or decline in the growth of UK or Swiss exports. Perhaps their greatest value is the strong case they make for continuous monitoring and analysis of the impact of EU FTAs, which would allow us to distinguish their impact from other factors affecting export growth. However, pending such analyses, these figures provide *prima facie* evidence that Swiss FTAs have been more successful than their EU counterparts have been for UK exporters. Until we identify the other factors that might explain the sharp contrast between the post-agreement export performance of the two countries, we have to give these results considerable credence, especially as no other evidence of any kind has been collected by HMG, by the CBI or by anyone else.

They complete, one may observe, a fairly consistent picture on the impact of the EU's heft and clout in trade negotiations. We have already discovered that they do not ensure speedier FTAs, do not take the EU to the front of the queue with larger trading countries, do not help to extend their coverage to include services, and we have now found that, in most cases, ten out of 15, the CAGR of UK exports has actually declined after they came into force. It therefore seems highly unlikely that either heft or clout have improved the 'quality' of EU FTAs, or that they have much bearing on the successful outcome of trade negotiations. It is therefore hard to believe that they constitute a vital insider advantage for UK exporters.

Correspondingly, the Swiss evidence strongly suggests that independently negotiated FTAs may have considerable merits. The Swiss have been able to conclude FTAs more speedily than the EU, with more important trading countries, more often including services, and can reasonably point to the subsequent rate of growth of their exports as evidence that they have been able to negotiate effective agreements. The CBI may perhaps have some other standard of judging the quality of FTAs, but most of its members who export goods would, I suspect, for the moment at least, accept post-agreement export growth as the bottom line. With nine of their 14 agreements followed by an increase in exports, they would, it seems reasonable to suggest, rate the Swiss FTAs as being of rather higher quality than the EU-FTAs have been for the UK, with a score of five out of 15. And would the service industry members of the CBI accept their leader's claims that EU FTAs are of high quality? The EU score on their behalf is six out of 25, while the Swiss score for the inclusion of their industries is 20 out of 26. Are they expected to believe, without any further evidence, that the six the EU has negotiated are of such quality that they compensate for the 19 agreements from which they have been altogether excluded?[13]

Together, the discrediting of the heft and clout of the EU, and the vindication of independently negotiated agreements, raise doubts about the basic principle of the trade policy of the EU and the Single Market, i.e. that one set of negotiators can simultaneously accommodate and effectively promote the trade interests of 28 countries, each with their distinctive comparative advantages. That doubt must be especially strong in the case of FTAs in services.[14] The record thus far suggests that, in placing their hopes on the EC negotiating effective FTAs in services, British prime ministers are expecting the impossible.

11. On the opportunity costs of EU solidarity

The crux of the CBI argument in favour of outsourcing negotiations on trade with non-member countries from the FCO to the European Commission is that the (unmeasured) benefits and costs of doing so outweigh the (unmeasured) benefits and costs of negotiating as an individual country. In the previous two sections, we have sought to identify and measure the benefits for UK exporters of being insiders, and able to take advantage vicariously of the EU's heft and clout when negotiating FTAs. We will now try to complete the picture by adding a word about their costs.

Since they are opportunity costs which are invisible and therefore painless to those who pay them, they are extremely difficult to measure, and usually ignored in debates about membership of the EU and the Single Market, since there is no one to draw attention to them. The CBI has not, as far as I know, ever pointed out to its members what they might have gained if EU FTAs had included coverage of countries, and of services, to the same extent as those of the Swiss FTAs. However, a more striking illustration of the neglect of this issue is Tim Congdon's attempt to measure the costs to the UK of EU membership. As a spokesman for UKIP, he had reason to count every single cost, but he does not mention those incurred when a country delegates its trade negotiations to the European Commission.[1]

One day, prior to a referendum on membership perhaps, a UK government will decide to conduct a cost/benefit analysis of UK membership of the EU with the same rigour, openness and impartiality as the 'five tests' assessments which Gordon Brown set in train to evaluate the advantages and disadvantages of joining the euro. In the meantime, we will simply draw attention to the points at which these costs arise, try to get some idea of their scale, and, if at all possible, suggest how some of them might be measured, on the grounds that it is better that there be known unknowns in a debate rather than forgotten ones.

A country negotiating trade agreements on its own behalf sets its own priorities about the partner countries with which it wishes to have an agreement in the light of its own comparative advantages. The evidence presented suggests the Swiss have done this rather well, but, as an EU member, the UK has had to give way to priorities decided by the European Commission. We cannot know how the Commission's priorities have differed over the years from those of the UK government.

The EU FTAs in force suggest a slight bias towards Mediterranean and francophone countries. It seems improbable that the UK, left to itself, would have placed Syria, Morocco, Mexico, Algeria and Tunisia ahead of Japan, with which, as the prime

destination of Japanese FDI in Europe, it has close trading ties, or ahead of Singapore, Canada and other Commonwealth countries. In particular, it seems hard to believe that, if the UK had set its own priorities, negotiations with the US would have waited until 2013. The UK would probably have been at least as enthusiastic as the Swiss, and they, as we saw, made a start eight years earlier.

A rough measure of the difference between EU negotiated FTAs and those that might have been negotiated independently by the UK can be obtained if we imagine for a moment that the UK had never joined the EU and had negotiated FTAs independently at the same rate as the Swiss. They would today not have access, under FTA auspices, to ten markets covered by five EU agreements (with Syria, Algeria, the six members of the Central American Common Market, San Marino and Andorra) since Switzerland has no agreements with these countries. In their place they would have access to ten markets with which Switzerland has concluded agreements while the EU has not (Singapore, Japan, Canada, China and Hong Kong, Ukraine and the four members of the Southern Africa Customs Union).

Table 10 shows that the UK, having exchanged one set of FTAs for another, would have gained FTA access to ten far larger markets, and at the same time a great deal more FTA coverage for its service industries, since nine of the Swiss-only agreements include them, while none of the EU-only agreements that the UK would have to abandon in the exchange do so.

Table 10
FTAs in force in the EU in 2012
but not in Switzerland & vice versa
by market size in 2012

EU only	GDP(PPP)$b	CH only	GDP(PPP)$b
Syria	122	Singapore*	328.3
Algeria	327.7	Japan	4487
Costa Rica	62	Canada*	1484
Panama	63	Ukraine*	338
Honduras	33	China*	12471
El Salvador	45	Hong Kong*	372
Guatemala	77	Botswana*	34
Nicaragua	24.39	Lesotho*	4.0
Andorra	3.163	Swaziland*	6.5
San Marino	1.371	Namibia*	16.9
Total	$758.624b	Total	$19541.7b

* indicates the agreement included services
Source: http://data.worldbank.org/indicator/ accessed via http://en.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP)

We can, however, go further and count the costs and benefits of the exchange in dollar terms. The aggregate 2012 GDP, in purchasing parity terms, of the five markets in which UK exporters would have lost FTA assistance by not being a member of the EU was $758.624bn, while the aggregate GDP (PPP) of the six countries to which they would have gained FTA access by negotiating by themselves in the Swiss manner was $19,541.7bn. In other words, they would have gained FTA access to ten markets more than 25 times larger than the ten they lost. The figures are given in Table 10. China is, of course, much the largest part of this gain. Without China, the figure falls to $7,070bn, but the gain is still more than nine times the loss.

To return to the world as it is, with the UK a member of the EU, we must, of course, put the figures the other way around. By allowing the EU to negotiate FTAs on the UK's behalf, UK exporters have gained free trade access to markets with a GDP of $758.624bn, but have lost markets they might have had, if they had negotiated FTAs independently as effectively as the Swiss, with a GDP of $19,541.7bn, and the FTA coverage would, moreover, have included services in nine of these ten markets.

Another way in which the costs of these different priorities might be estimated is to accept Switzerland simply as a marker of the time or date when an agreement might have been concluded had the UK been negotiating on its own behalf, and then count the cost of the years waiting for the EU agreement.[2] If we do this, then we may begin to count the costs with the four years before the EU concluded its agreement with Turkey, the seven years before the agreement with Israel, and five years of delay before the agreement with Korea, and so on, measuring the additional growth attributable to the FTA, if there was any, after the EU agreement actually came into force, to estimate what might have been achieved had the UK been negotiating on its own behalf at the earlier date.

If we were willing to wait a while, we might do the same with the countries with which the EU has yet to negotiate or finalise an agreement. Hence there is already ten years' delay waiting for an agreement with Singapore to come into force, five years with Canada and Japan, and the wait for an agreement with China and Hong Kong is now entering its second year, while that with the US is now entering its ninth.

At the end, after offsetting the costs of these lost years against extra growth of UK exports in the six countries where the EU agreements preceded those of the Swiss, we might arrive at a total of 'the lost years of freer trade' with the 14 countries where the EU agreement followed the Swiss, which might reasonably be attributed to membership of the EU.

To these lost years of freer trade, however, must be added the lost years of freer trade in services with the 15 countries with which the Swiss already have FTAs covering service industries in force and the EU has been unable to reach any agreement. For a service-oriented country like the UK, the costs of these lost years of freer trade in service industries to these 15 countries, including Korea, Canada and China, are potentially very large indeed, and, of course, still mounting.

A grand total of the lost years of freer trade in goods and services would not, of course, include any estimate of the differences in the substance of the agreements that might be reached when a country negotiates for itself. Old hands in Brussels often observe that the EU is all about compromise, and individual member countries must inevitably compromise and sacrifice their own interests to enable EU trade negotiators to proceed.[3] These compromises or sacrifices are not merely gestures of goodwill and community spirit, though diplomats may care to present them in that manner. For the exporters involved, they are also costs, even though they are seldom aware that they will be paying them. They might perhaps be best described as solidarity costs, and they are quite distinct from the compromises that a country must accept to secure the signature of the other party to the agreement.

Switzerland does not in fact avoid them altogether, since some of its FTAs are negotiated under the auspices of EFTA, though the solidarity costs this entails are, one guesses, minimal compared with those required of EU members, since they only involve reconciling the interests of three other members: Iceland, Liechtenstein and Norway.[4] However, the critical difference between a free trade area and a single market is that member countries of a free trade area do not surrender their freedom of action with respect to trade policy and negotiations with other countries. The Swiss negotiations with the US did not involve Norway and Iceland, and the agreement that followed the failed talks did not mention them. NAFTA members have, likewise, proceeded independently with respect to agreements with the EU. Mexico has had an agreement in force since 2000. Canada has recently reached agreement on the ‘key elements’ of a Comprehensive Economic and Trade Agreement (CETA).[5] The Transatlantic Trade and Investment Partnership (TTIP) negotiations which have just begun are therefore with the US alone.

The UK, by contrast, has surrendered its freedom of action in trade negotiations to a supra-national entity, the EC, which must somehow reconcile the priorities and interests of 28 countries. This is only possible with compromise piled on compromise even before negotiations with the other side begin − indeed to enable them to begin. These compromises may become known, one by one, to affected insiders and

lobbyists, but they seldom attract public attention, and, numerous as they must be, are therefore immeasurable. By chance, one that preceded the opening of the TTIP negotiations between the US and the EU did attract media and public attention and may serve as an illustration of an unknown number of others, not because it is typical − it certainly isn’t − but because it illustrates the distinctive psycho-political dynamics of negotiations of FTA negotiations which are a sub-plot of a greater project.

For several months in the spring and early summer of 2013, it was uncertain whether these TTIP negotiations would go ahead at all, because France threatened to veto them unless ‘cultural industries’ such as television, movies and online and audio-visual entertainments were altogether excluded. However, on 15 June, EU officials suddenly announced that the French demand had finally been met. In her press conference after this breakthrough, the French Trade Minister, Nicole Bricq, graciously added: ‘I am not talking about victory, because I don’t want to. In negotiations we’re not alone. I’m all about European solidarity.’[6] She could, of course, afford to be gracious since the solidarity costs in this instance would be paid by industries in those countries who had conceded to the French demand and whose television, movie and online entertainment industries might have gained had these things been included in the future agreement with the US.

Those countries were not identified, and understandably their representatives did not hold a press conference to explain why they conceded to French demands, and to explain or apologise to the sectors or industries directly affected that in the interests of EU solidarity the opportunities that freer trade with the US might have opened for them would not now be available after all. Since the UK has higher value exports to the US in television, movies and online entertainment than any other member, and the world trade in media goods and services is largely conducted in English, the chances are that the costs in this instance will fall primarily on UK media companies of all kinds. The French Trade Minister plainly knew which countries were most affected, since they had evidently sought to avoid these costs behind the scenes. After her comment on European solidarity, she went on to say: ‘The only thing I regret is that, sometimes, I’ve been under the impression that some parties were negotiating directly with the United States.’[7] The parties to which she referred were not otherwise identified, and the costs they will eventually pay are never likely to be known.

No doubt, before these talks are brought to a successful conclusion, there will be more smaller concessions in the cause of solidarity, and the probability is that most of them will be towards less free trade, since vital national interests are more likely

to be served by defending existing firms and industries rather than by the prospect of creating new ones. If the final briefings, tariff line by tariff line, given to the EU negotiators by the EU representatives of the member countries before the talks began, could be compared with their reviews of the agreement as a whole, tariff line by tariff line, which they must present to their governments who must finally consent to it, it might perhaps be possible to identify which industries and which countries will pay the solidarity costs, though only after some years of observing the effects of the agreement in practice. This is, however, not likely to be done, since it is not in the interest of the Commission or any member government to do it.

FTAs of an independent country, like Switzerland or the US, are entered with a specific, stated intent, and their results may be measured and debated as a routine, if occasionally contentious, issue of public policy. For the EU, FTAs are very much more. They are part of a larger project that transcends the gains or losses to particular member countries: the building of a united Europe. They therefore have a political dynamic that is absent from single country FTAs, which insulates them from normal forms of accountability. Given the impenetrable confusion of the priorities and aspirations of 28 countries, identifying winners and losers is in any case a stupendously difficult task, but it is also vaguely ‘anti-European’ to try to do so, which may explain why the EC never attempts the task. Losses to any one country are therefore overlooked and forgotten, since they might generate animosities among member countries or undermine support for the greater project among their electorates. If by chance a loss, or potential loss, comes to light, as in the case of the exclusion of ‘cultural industries’ from the TTIP negotiations, then it may instantly be converted into a gain, as a contribution to the solidarity of Europe.[8] The French Minister of Trade instinctively understood this and invited the representatives of the countries affected to consider their loss as a gain for European solidarity.

To sum up: this attempt to measure the costs of the EU’s heft and clout found some, such as the size of lost markets and the lost years of freer trade, that might, in principle, be estimated or measured, and suggested that these were on a scale that could not be lightly brushed aside in any thorough cost/benefit analysis. However, the solidarity costs which accompany them seem destined to remain unknown. Hence, with benefits that turned out, in the preceding section, to be illusory, and costs that, when they can be measured, look as if they might be very large indeed, the heft and clout of the EU appear to be serious disadvantages for the UK rather than valuable insider advantages.

12. UK exports to new member states

In the course of this search we have focused on founder members of the Single Market and only incidentally referred to the new entrants of 1995, 2004 or 2007. The reason for putting the 1995 entrants on one side was to avoid the misleading practice of measuring growth in the Single Market while the number of economies included within it has been increasing. An additional reason for ignoring the 2004 and 2007 entrants was that historical data about them is often incomplete and beyond acceptable estimates.

However, the UK government report *Twenty Years On: The UK and the Future of the Single Market*, published in 2012, has fewer reservations about referring to these countries. It points to 'the positive effect on the UK's trade with the new Member States', and on three occasions tells us that UK exports 'to the EU 12 have doubled since 2004', EU 12 in this context meaning the 12 who have joined since 2004.[1] Since it nowhere else points to any significant improvement in UK exports to the other member countries that might reasonably be attributed to membership of the Single Market, this particular claim necessarily becomes the featured attraction of the report. HMG, we must assume, wants the reader to see it as one of the major benefits of the Single Market for the UK.

Unusually for a research report (and this one is published jointly with the Centre for Economic Policy Research), it gives no citation saying where the evidence for the doubling of exports to the EU 12 is to be found. Nor does it distinguish between goods and services, or tell us whether the growth is real or nominal, or give us any dates over which the doubling has occurred, or say which new member countries it has in mind – a relevant consideration when trying to examine the claim since this EU 12 have joined at different dates since 2004.

However, not wishing to let any claimed benefit of the Single Market slip by unnoticed, we will try to evaluate it in our usual manner, by comparing the growth of UK exports to the new members of the Single Market with the exports to them of non-members who enjoyed none of the insider advantages of the UK. Unfortunately, this can only be done satisfactorily with reference to three of the 2004 entrants − the Czech Republic, Hungary and Poland − since they are the only three for which OECD publishes a full set of data of the goods exported to them by OECD members and other countries over the years 2004–2012. HMG may, of course, have had access to other evidence but, as noted, did not mention any.

Table 11 presents the results, with the growth in the annualised average monthly

Table 11
Percentage growth in the value of the export of goods of 25 countries to the Czech Republic, Hungary & Poland, 2004–2012

in current value US$

1	Korea	482
2	South Africa	468
3	India	403
4	Mexico	399
5	China	332
6	Singapore	331
7	Russia	308
8	Hong Kong	302
9	Brazil	299
10	Malaysia	275
11	Israel	269
12	New Zealand	259
13	Australia	252
14	Vietnam	249
15	Canada	242
16	Turkey	229
17	Ukraine	201
18	Indonesia	197
19	Switzerland	167
20	Japan	157
21	Taiwan	151
22	UK	143
23	Norway	141
24	US	96
25	Iceland	44

Source: OECD iLibrary, Trade in value by partner countries, Monthly Statistics of International Trade (database) doi: 10.1787/data-00279-en

value of UK exports of goods, measured in current value dollars, to the three 2004 entrants over the years from 2004 to 2012, placed in an ordinal ranking of growth in the value of the exports over these years with 24 non-member countries.

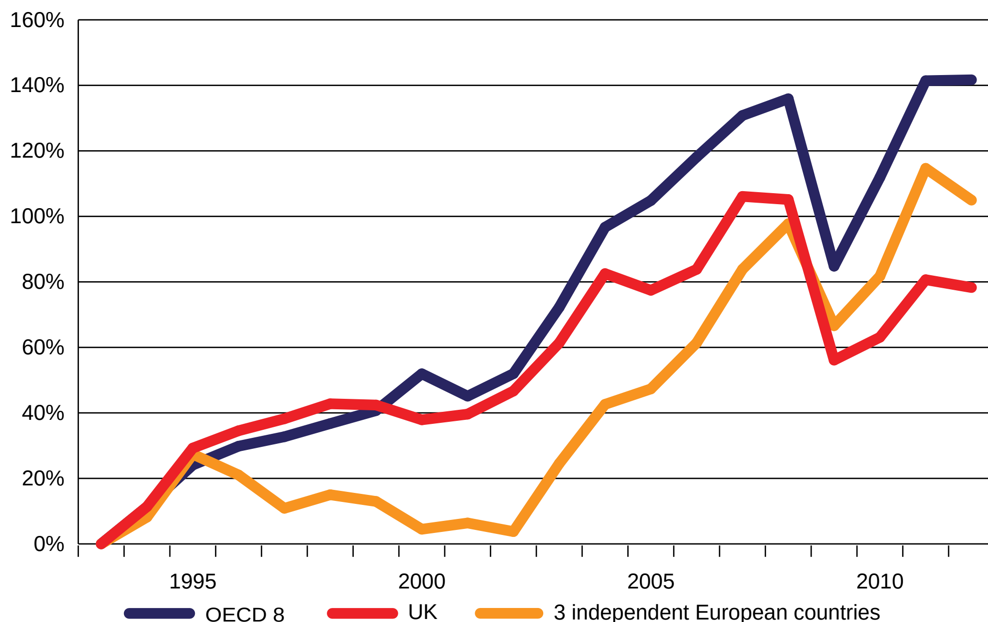
Sure enough, as HMG claimed, the UK has doubled the value of its exports to these new members since 2004, in current value dollars at least. In real terms, when measured in US$2004, it did not quite manage to do so. Growth was 99.47 per cent, but there is no reason to quibble. In a comparative setting, it makes little difference anyway. Doubling of exports may impress the uninitiated, casual reader or voter,

and was presumably intended by HMG to do so, but by comparison with 24 non-members, it can be seen to be a miserable performance, and certainly not something that HMG should feature as a significant benefit of the UK being a member of the Single Market. Like the rest of the evidence examined in this search, therefore, it gives no indication or clue that the UK has reaped any particular insider advantages from its membership of the EU.

13. A final look at the UK versus 11 outsiders

This search began with a simple overview of UK exports of goods versus other OECD countries, and we will end with one for the Single Market. Figure 6 compares the rate of growth in the total value of UK exports of goods to the 11 other founder members of the Single Market with the total value of the exports of 11 members of the OECD who are not members of the EU and have therefore taken no part in its rule-making. Eight are non-European OECD countries for which full data is available, and other three are the OECD countries in Europe that remain independent.

Figure 6
UK compared with 11 disadvantaged 'outsiders', 1993-2012. Growth in total value of exports of goods to 11 founder members of the Single Market in US$(1993)



The OECD eight are Australia, Canada, Japan, Korea, Mexico, New Zealand, Turkey, and the United States.
The three independent European countries are Iceland, Norway and Switzerland.
Source: www.oecd-ilibrary.org. OECD database *Monthly Statistics of International Trade* doi:10.1787/data-02279

If we first consider UK exports relative to those of the eight other OECD countries scattered around the world, it may be seen that, over the first six years of the Single Market, UK exports of goods to the other 11 founding members of the Single Market kept pace with theirs, indeed grew slightly faster. However, from 1999 on those eight OECD countries, propelled disproportionately no doubt by the exports of Korea and Turkey, began to grow at a faster rate and continued to do so until 2012 by which time they had grown, in real terms, 64 per cent more than those of the UK.

Over the first decade of the Single Market, the performance of UK exports looks more impressive by comparison with that of the three independent European countries. Indeed, had this search terminated in 2002, we might well have taken the widening gap in export growth over the preceding years as a clue that the UK was enjoying an insider advantage in exporting to the other members of the Single Market. The declining growth of these countries over the years 1993–2002 may have been the result of protracted bi-lateral negotiations with the EU of their largest member, Switzerland, a number of which dealt with tariffs, NTBs and trade facilitation issues.[1] As it happens, it was in the year they came in force, 2002, that, as we can see, the gap in the rate of growth of exports between the UK and these independent countries started to close quite rapidly. Following the economic crisis of 2008, the rate of growth of their exports moved ahead of those of the UK, and it continued to do so until 2012, by which year their exports had grown by 27 per cent more than those of the UK.

Once again, this evidence suggests that outsiders have exported to members of the Single Market rather more successfully than the UK. At the same time, Britain’s political and business leaders have been telling the British people of the insider advantages that the UK enjoys as member of it. Where, one must again ask, should we begin to look for those advantages, and for the disadvantages of not belonging to it?

14 Twenty-one findings of this search

This search has described and reported evidence about UK exports, primarily in the hope of finding where best to look for the insider advantages of membership of the Single Market. Since it has not found any strong clues, it must be deemed to have failed in this respect. However, it has along the way reviewed a considerable body of evidence about UK export performance in the Single Market, compared with that of both member and non-member countries. Although all of this evidence has been taken from the readily available and widely-used databases of the OECD, a number of the findings that emerge from it are surprising, perhaps because the evidence has been presented in a less common comparative format. In any event, they have not hitherto been noticed or commented upon in discussion of the Single Market. Twenty-one of the more important findings are summarised here.

1. The proportion of UK goods exports to 14 current EU members can be measured as a proportion of the exports to the 22 OECD countries for which we have data since 1960. While the proportion increased markedly in the years before UK entry to the EEC from 50 per cent in 1960 to 62 per cent in 1972, it fluctuated around that level through the two decades of the Common Market (1973–1992) and the two decades of the Single Market (1993–2012), with a high point of 70 per cent in 1986. In 2012 it was once again 62 per cent. By this measure, membership of both the EU and the Single Market has had no discernible impact on UK exports of goods to other member countries (p.12).

2. The proportion of services exports can only be measured in a similar manner since 1999. In that year, the proportion of exports to 33 OECD countries going to 14 EU countries was 49 per cent. In 2011 it was 48 per cent. Like goods exports therefore, EU countries appear to have had a relatively stable share of UK exports to OECD countries (pp.14–15).

3. By contrast, using these same measures, and over these same years, the proportion of UK goods exports going to the three remaining independent countries in Europe has doubled from 5.1 per cent in 1973 to 10.7 per cent in 2012, and of UK services exports has more than trebled from 6.1 per cent in 1999 to 20.2 per cent in 2012. In short, while the share of UK exports to fellow EU members has been virtually stable, the share going to non-members in Europe has risen steadily, leading one to suspect that both insider advantages and outsider disadvantages are imaginary (pp.12–15).

4. If the UK is treated as an outsider exporting to the 11 other members of the Single Market alongside non-members, it ranks 28th in a list of the top 35

fastest-growing exporters to it, though the aggregate value of its exports to these 11 countries exceeded those of the 27 non-member countries above it (p.17).

5. When the other 11 founder members of the Single Market are treated in the same way, as outsiders exporting to the others, the exports of goods of eight of them have grown faster than those of the UK in total value and seven in per capita terms. By both measures, the UK is some way below the EU 12 mean, even though the total value of its exports to other members is the third largest of the 12. The Single Market has not been a success for the UK in terms of export growth relative to its EU partners (pp.19–20).

6. The growth of exports of goods of all 12 founder members of the Single Market to each other has also been low when compared with the exports of non-members to them. The Single Market has therefore been a low growth market for all of its own members, but a high growth market for many non-members (pp.17, 20).

7. The rate of growth of UK goods exports to the other 11 founder members over the life of the Single Market contrasts sharply with their rate of growth to these same countries during the Common Market decades 1973–1992. The UK finished the Common Market decades in 16th place of the top 35 fastest-growing exporters, with its exports growing more than the US and seven other advanced OECD economies. In the Single Market decades, by contrast, the growth of the exports of all of these advanced economies, including two of the three non-EU members in Europe, has overtaken those of the UK. Over the life of the Single Market, exports of the UK to other founder members of the Single Market have therefore declined relative to those of these OECD countries (pp.23–25).

8. Japan is the only other major industrial country with a similar experience. Its exports to the EU grew even faster than those of the UK during the Common Market decades, and even slower under the 19 years of the Single Market (p.28).

9. UK services exports to other members of the Single Market have grown at a slow rate (53 per cent over 12 years) similar to that of the export of goods (81 per cent over 19 years). The UK ranks as the 22nd fastest-growing services exporter to the Single Market, with the services exports of 21 non-member countries having grown at a faster rate (p.33).

10. Although the services exports of these non-member countries are of much lower gross value than those of the UK, the per capita value of those of Switzerland in 2010 ($7,060) were more than four times higher than those of the UK ($1,591), and those of Norway ($2,073) some 30 per cent higher (pp.34–35).

11. UK exports of goods to non-EU countries have grown at a much faster pace than those to other founder members of the Single Market. In the table of the top 33 fastest-growing markets for UK good exports, the 11 other founder members of the Single Market are in 26th place, though the total value of exports to them exceeded that of all the individual non-member countries ranked above them (p.37).

12. The EU 14 finished in 13th place in the table of the top 20 fastest-growing markets for the exports of UK services, though again with a much higher value than the individual countries ranked above them (p.39).*

13. There is no evidence to suggest that the 'heft' or 'clout' of the EU has helped secure more FTAs than those that might have been secured by independent negotiations. There were 25 EU FTAs in force in 2012 while the Swiss had independently negotiated 26, 13 of which came into force before those of the EU, and three in the same year (p.43).

14. There is also no evidence to suggest that the 'heft' or 'clout' of the EU has helped secure better FTAs. Twenty of the Swiss FTAs include services, while only six of the EU FTAs do so. Moreover, the six Swiss FTAs for which there was no EU counterpart include larger trading countries, like Japan, China and Hong Kong and Canada, with an aggregate GDP(PPP) of $19,541bn while the five EU FTAs for which there is no Swiss counterpart are smaller trading countries, with an aggregate GDP(PPP) of $759bn (pp.43, 56–57).

15. The EC began to examine the effectiveness of its FTAs in 2011 and has thus far completed one full-scale study, of the FTA with Chile. This does not consider its impact on individual member countries. The UK government has never sought to measure the impact on UK exports of any of the FTAs negotiated on its behalf by the European Commission over the past 40 years. Nor as far as is known, has anyone else. Hence comments by ministers, ex-ministers and ex-EU trade commissioners, business leaders and others on their merits can only be wishful thinking (pp.47–49).

* Since exports of services data is available only from 1999, there is no reason to limit the evidence to the 11 other founder members of the Single Market, and hence the three 1995 entrants, Austria, Finland and Sweden, are included in these calculations.

16. A preliminary measure of the impact of EU FTAs on UK exports is provided by comparing the total growth and the compound annual average growth rate of UK exports to 15 countries before and after they came into force. Post-agreement, both total growth and CAGR increased in five of the partner countries, and declined in the other ten (p.50).

17. Although no conclusions can be drawn about the contribution of the EU's FTAs to these outcomes without analysis of the other factors which influenced UK exports over the periods compared (pp.47–49), a preliminary assessment of their effectiveness may be made by comparing them with the outcomes of 14 Swiss FTAs. Whereas UK exports increased in five of the 15 countries with which the EU had negotiated FTAs, Swiss exports increased in nine of the 14 countries with which it had independently negotiated FTAs. Moreover, the post-agreement increases in the rate of growth of Swiss exports to these nine countries were consistently and significantly higher than the post-agreement increases of UK exports to the five countries where there was an increase. In seven cases, Swiss exports doubled, and in six of them more than doubled. The UK has only two such cases (pp.50–52).

18. Since there is no evidence that the EU has been able to secure more FTAs than the Swiss, or more quickly, or of higher quality, or with better outcomes, this evidence raises doubts about the basic principle of EU trade policy, that the trade interests of individual countries are best promoted collectively rather than individually (pp.53–54).

19. Some of the costs of surrendering the right of negotiating FTAs to the EU might be estimated by counting the size of the markets they do not cover by comparison with those covered by Swiss FTAs, and by the lost years of freer trade in goods and services resulting from the delays in concluding EU FTAs with countries with which Switzerland has already concluded agreements. However, these are opportunity costs, invisible and painless to those who pay them, therefore unnoticed and unmeasured by any observer, and likely to remain so in the interests of EU solidarity (pp.55–60).

20. The UK government recently claimed that one of 'the positive effects' of the Single Market is 'the doubling of UK exports to new member countries'. There is adequate data on the growth of UK goods exports to only three of the post–2004 EU entrants: the Czech Republic, Romania and Bulgaria. While UK exports to these three new member countries had doubled, in real terms,

between 2004 and 2012, this is a slower rate of growth than the exports to these same countries of 21 non-EU member countries (pp.61–63).

21. A final overview showed that over the 19 years of the Single Market, the exports of goods of eight OECD countries to the 11 other founder members have grown 64 per cent more than those of the UK, and the exports of the three independent European countries have grown 27 per cent more (pp.64–65).

Conclusion

In all the evidence reviewed, the only point at which one might have reason to believe that the UK might have enjoyed some kind of insider advantage which helped its exports does not refer to the Single Market at all, but to the two Common Market decades preceding it. UK exports to EU countries then grew at a consistently faster pace than those of other major OECD countries.

In the attempt to identify occasions and countries, over the life of the Single Market, that might possibly lead one to suspect that the UK has enjoyed an insider advantage, one may first identify those advanced countries whose exports of both goods and services to the EU grew less than those of the UK. There is just one case: Japan. And a similar filter to identify those countries to which UK exports of both goods and services have grown slower than those to the EU, and might therefore also give rise to the suspicion that insider advantages were helping UK exports to the EU, also yields just one case: the United States.

The very fact that only one country, rather than a set, falls in each category makes one doubt that the UK enjoyed some distinctive, generic advantage over outsiders in either context. Why would the UK's insider advantage when exporting to the EU only stand out clearly when compared with Japan's exports to the EU? Why would the growth of UK exports to the EU look as though they might enjoy an insider advantage only when compared with its exports to the United States? To eliminate other plausible answers to these questions, and to demonstrate that insider advantages were a factor in these two cases, would require research far beyond the scope of the present paper. A subsequent, more thorough search for insider advantages might perhaps consider them, though only as long shots.

Apart from these two remote possibilities, the evidence presented above contradicts again and again those who wish to claim that the UK has enjoyed an insider advantages in the Single Market. The growth of UK exports to other founder members was low when compared with UK exports prior to its launch, low when compared with the exports of goods of 27 non-members to the other founder members of the Single Market, and low when compared with the exports of services of 21 non-members to the other founder members. It was also low when compared with UK exports of goods and services to non-member countries. There was therefore no *prima facie* evidence that the UK enjoyed any insider advantage, and therefore no obvious place to look for it.

To accept the idea that, despite the absence of *prima facie* evidence of insider

advantages, UK exporters have nonetheless benefited from them, obliges one to accept some scarcely credible, counter-factual propositions. One would, for example, have to accept that, had the UK not enjoyed insider advantages, the goods exports to the EU of still more than the 27 non-member countries listed in Table 1 would have grown faster than those of the UK, and the services exports to the EU of still more than 21 non-member countries listed in Table 4 would have grown faster than those of the UK over the life of the Single Market. Likewise, the EU would not have been the 26th fastest growing market for UK exports, but the 27th or 30th or some still lower ranking. Is this possible? Could the Single Market really have been quite such an unpromising market for the growth of UK exports? Could it really have been still more of a failure than the figures above suggest?

It is similarly hard to accept the idea that there are disadvantages to non-membership, since the exports of goods and services to the EU of so many 'voiceless' and 'powerless' nations, both developed and less developed, who had never been 'at the table' or even 'in the overflow room', have grown faster than those of the UK. Indeed, this has been such a common occurrence that any researcher simply following the evidence is bound to wonder whether the main research question might not be better turned the other way around, and instead of studying the disadvantages of non-membership it would be rather easier to analyse those of membership.

Chief among them would be the right to negotiate trade agreements independently, since the only evidence we have suggests that the costs to UK exporters of surrendering that right, in lost opportunities of freer trade, have been terrifyingly large, perhaps more than all the other costs put together. It is just as well for those who favour EU membership that successive UK governments have agreed that these costs should never be measured, estimated or even mentioned. If they are anything near those suggested by the Swiss comparison, it is difficult to believe that the UK would still be a member of the EU.

Insider advantages will only rate inclusion in any serious assessment of the economic case for EU membership when those who make claims about them identify and document specific advantages for UK exports.* Until they do so, we may reasonably conclude that they cannot form a sensible basis of public policy decisions and do not contribute to an intelligent debate about the merits of EU membership. That debate has to recognise that, thus far, the Single Market has not enabled UK exports

* As ex-EC trade commissioners, a rather special responsibility would appear to fall on Lord Brittan, Lord Mandelson and Baroness Ashton in this respect, unless their oath of loyalty to the EU should prevent them speaking freely on this subject.

of goods or services to other members to grow at a faster rate than those of non-member exporters, nor at a faster rate than UK exports to non-member markets. It has been an era of decline for UK exporters, relative to both non-members in the same market, and to UK exports to other markets.

To present it as a success, in the manner of the UK Department of Business, Innovation & Skills' recent portrayal of the doubling of exports to new member countries, or to claim it is a prized achievement, or a 'privilege', or 'a vital national interest' that must be defended at all costs, only sounds vaguely plausible if UK exporters are never compared with those of other member or non-member countries, and if their performance in the Single Market is never compared with their performance before it existed, or with their performance in other markets. Once such comparisons begin to be made, these claims are seen to be empty rhetoric, and those who repeat them may be seen to have been misleading themselves and others about the merits of the Single Market. Unfortunately, constant repetition of them over recent years has already done immense harm, since they have discouraged close investigation, measurement and analysis of the UK experience within the Single Market. We have, therefore, still not begun to understand what has gone wrong and how it might be fixed.

Notes

1. A 39-year-old argument

1 http://www.harvard-digital.co.uk/euro/pamphlet.htm

2 'One Nation in Europe', Ed Miliband's speech at the CBI Annual Conference, 19 November 2012, The Labour Party:
www.labour.org.uk/one-nation-in-europe

3 The other two were 'we would lose our global leadership role', and 'we would lose the opportunity for co-operation and added strength.' Tony Blair, 'Europe, Britain and Business – Beyond the Crisis' at the Business for New Europe event at Chatham House 28th November 2012.
http://www.bnegroup.org/events/view/event-summary-europe-britain-and-business-beyond-the-crisis.-a-speech-by-th/

4 For the full text of the Prime Minister's speech about his plans for a referendum on British membership of the European Union, see:
https://www.gov.uk/government/speeches/eu-speech-at-bloomberg
The speech was trailed in his earlier remarks to Parliamentary Press Gallery. 'We will be governed 'by fax' from Brussels if UK quits EU, David Cameron says', Daily Telegraph, 10 December 2012.

5 Peter Mandelson 'David Cameron must not cave in to the UKIP threat', Daily Telegraph,16 May 2013

6 'dictated', is the word he actually used in his speech. Conventionally, the terms of trade refers to the ratio between import and export prices, and is primarily determined by the rate of exchange.

7 https://www.gov.uk/government/speeches/eu-speech-at-bloomberg

2. How can we identify insider advantages?

1 It took him a couple of hours, and it is doubtful whether any outsider could have followed it. Sir Jon Cunliffe**,** UK Permanent Representative to the EU, Minutes of Evidence HC 109-I *House of Commons Oral Evidence taken before the European Scrutiny Committee*, Wed 8 May 2013.
http://www.publications.parliament.uk/pa/cm201314/cmselect/cmeuleg/c109-i/c10901.htm

2 'As of 1 October 2012, 1,420 directives and 1,769 regulations were in force to ensure the functioning of the Single Market.' p.9, *Internal Market Scoreboard*. European Union, 2013.

3 pp.82–94, Europe Economics, *Optimal Integration in the Single Market: A Synoptic Review,* A Europe Economics report for BIS, April 2013.

4 Like all good caricatures, the phrase 'government by fax' distorts and exaggerates for political effect. It was coined in 2001 by the then Prime Minister of Norway Jens Stoltenberg, in an attempt to persuade reluctant Norwegians to support membership of the EU. As a member of EFTA, the Norwegian PM has no need to sit by a fax machine in Oslo receiving diktats from Brussels, since Norway negotiates directly with EU representatives and has the right of reservation, i.e. to opt out of EU legislation if it wishes, a right which it is currently exercising with regard to the third postal directive. Norway maintains a 60-strong representative presence in Brussels, participates in, and contributes financially to, a large number of EU agencies which are treaty-bound to respect the Norwegian and other EFTA representatives' points of view. Since many of these agencies, and EC committees on which Norway is represented, work by consensus, representatives from member countries often do not vote either, and even when they do, no one is told how they voted. It will therefore be difficult to discover whether Norway is heard less respectfully, or hard done by, when compared with the representatives of the 28 member states. An informed response to Stoltenberg's caricature, largely written by the Norwegian staff in Brussels, is in the EFTA Bulletin Decision Shaping in the European Economic Area 1–2009. It is worth adding that, as Richard North has shown, much EU legislation merely gives legal effect to the 'quasi-legislation' of numerous global standard-setting bodies dealing with such matters as financial reporting, testing of medicines, environmental protection and climate change, air navigation, fisheries, motor vehicle safety standards, and handling hazardous chemicals. While Norway retains full voting membership in these bodies, EU member countries do not, their place having been taken by a European Commission appointee, and it is EU members who may sit by their fax machines waiting to hear the results. For details see Richard North, The Norway Option: rejoining the EEA as an alternative to membership of the European Union, London, 2013. While it is easy to see why Norwegian political leaders like Stoltenberg, might feel miffed by being excluded from the big EU occasions, it is difficult to believe the Norwegian people feel deprived or disadvantaged in any respect. More than half of Norway's contribution to the EU is through the entirely voluntary 'Norway grants', and it is difficult to understand why these should continue if there was a widespread discontent among the Norwegian people about their relationship with the EU.

5 Q.454, Professor Simon Hix, *Uncorrected Transcript of Oral Evidence*, to be published as HC 109-ii, taken before the European Scrutiny Committee in the House Of Commons 12 June 2013.

6 Public Radio International, 22 May 2013: http://www.pri.org/stories/2013-05-22/spaniards-outraged-new-strict-eu-regulations-olive-oil

7 COPA-COGENA voiced its 'serious regret' about the reversal of a measure that 'has been discussed for over a year and was supported by 15 Member States and passed

through all the correct legal procedures.’ Press release 23rd May 2013, Committee of Professional Agricultural Organizations in the EU:
http://www.copa-cogeca.be

8 The Norwegians did at least have their fax copy. On 25th May 2013, there was no reference to the press statement on the website newsroom and Europa Press Releases Rapid:
http://europa.eu/newsroom/press-releases/index_en.htm
http://europa.eu/rapid/search-result.htm

9 See for instance UNCTAD’s table ‘Value growth rates of merchandise exports and imports, annual, 1950–2012’. These are, however, given in nominal dollar values, and in real terms an actual decline is no doubt more frequent. The last occasion during which UK’s exports actually declined, both in nominal and real terms, was in the early 1980s.
http://unctadstat.unctad.org

3. A view of the half-century 1960–2012

1 Although over these 13 years, the EU share of UK goods exports declined rather more sharply from 66.5% to 61.0%

2 Indeed, in written evidence to the House of Lords Select Committee on the European Union in October 2010, the Department for Business, Innovation and Skills claimed that it had increased, and that the UK, along with other EU countries, ‘trade twice as much with each other as they would do in the absence of the single market programme.’ No citation was given to support this astonishing claim, and no members of the committee questioned Ed Davey, the Minister responsible for making it, about the evidence to support it. I recently asked BIS for that evidence, and intend to review it in a separate publication. House of Lords Select Committee on the European Union, (Sub-Committee B) Inquiry into Re-launching the Single Market, Oral and associated written evidence, Department for Business, Innovation and Skills, p.110, written evidence (EUSM 7) 14 October 2010:
http://www.parliament.uk/documents/lords-committees/eu-sub-com-b/singlemarketinquiry/singlemarketwo.pdf
http://www.parliament.uk/documents/lords-committees/eu-sub-com-b/singlemarketinquiry/singlemarketwe221010.pdf

4. The top 35 fastest-growing exporters to the EU

1 The agreements with Norway and Switzerland came into force in 1973, that with Turkey from 1996, those with Mexico, South Africa and Israel from 2000, that with Egypt from 2004, with Algeria from 2005, and with Korea in 2011. They are discussed further below.

2 Amazon.com in the UK is a case in point. The annual growth of its UK sales revenue has declined from 31% in 2011, to 22% in 2012 and 14% in 2013. One commentator

observed, after identifying faster growing rivals, that '… mathematically, arithmetically, it gets harder to keep growing at double digit rates.' Amazon, however, declined to comment. p.41, Business Evening Standard, 3rd February 2014.

3 I was so doubtful on this point, that I asked for, and received, written confirmation from OECD.

4 He was seeking to counter what he called 'globaloney', exaggerated notions of the extent of global trade, and to argue that we are only at the very beginning of it. On the specific point mentioned, he referred to 'hundreds of attempts by economists to estimate "gravity models"-models that predict international flows based on the gravitational pull created by the masses of two economies, offset by the geographical distance between them (along with other impediments), suggest that, other things being equal, doubling the geographic distance between countries halves the trade between them.' Unfortunately, he did not distinguish between goods and services in this respect. Pankaj Ghemawat with Steven A. Altman DHL Global Connectedness Index of 2011:
http://www.dhl.com/content/dam/flash/g0/gci/download/DHL_GlobalConnectednessIndex.pdf

5. A backwards glance at the Common Market

1 The United Nations Conference on Trade and Development (UNCTAD) Trade Analysis Information System (TRAINS) via the World Integrated Trade Solution at:
https://wits.worldbank.org/
The World Bank itself put the simple average EU tariff on manufactured goods, which is usually lower than the weighted average, in 2011 at 1.4%. 'Tariff Rate, applied, simple mean, manufactured products' available via World Development Indicators: Tariff barriers:
http://wdi.worldbank.org/table/6.6

2 Except perhaps to Sir John Major. In a speech in February 2013, he argued that, if the UK left the EU, cars made in the UK would face a 10% tariff and a 5% tariff on components when exported to the EU. He predicted that foreign-owned companies would then migrate to the EU. Sir John Major, *The Referendum on Europe: Opportunity or Threat?,* Chatham House 14th February 2013:
http://www.johnmajor.co.uk/page4364.html

3 David Cameron EU speech at Bloomberg 23rd January 2013:
https://www.gov.uk/government/speeches/eu-speech-at-bloomberg

4 In a 2007 research paper of the Directorate-General For Economic and Financial Affairs of the European Commission, for instance, one can find the following observations: 'Initial expectations that the Internal Market would be a launching pad for a more dynamic, innovative and competitive economy at world level have not been met… the Internal Market seems to have lost its attractiveness for foreign investors… the EU25 continues to reveal a comparative disadvantage in high tech sectors including ICT… most EU countries lag

behind the top performers like the US and Japan in terms of innovation… intra-EU trade flows of goods to GDP seems to have lost momentum since 2000… This period of slowdown in trade integration coincided with the introduction of the single currency.' pp.1, 11, 29–30 N° 271 January 2007, *Steps towards a deeper economic integration: the Internal Market in the 21st century: A contribution to the Single Market Review* by Fabienne Ilzkovitz et al: http://ec.europa.eu/economy_finance/publications/publication784_en.pdf

6. And further back, to the pre-entry years

1 This was the era of 'Japan as No.1'. It led the growth of these OECD countries, growing by 328% over the period. Without Japan, the UK would have finished within a percentage point of the six remaining OECD countries.

2 The deeply pessimistic mood in the media of the day is nicely caught by a detailed study of one journal that opposed membership of the EEC. Thomas Teodorczuk, 'Ultimate Vindication: The Spectator and Europe 1966–79'. Bruges Group Papers (43). 2009.

3 If, by the way, instead of back-dating the EU entry of Greece, Spain and Portugal, we had opted to hold the number of EU countries constant by only tracking the other countries that actually were members in 1973, the contrast between the three eras in the growth of UK exports presented here would not have been different. The real growth of UK exports to the other eight over the years 1960–1972 would have been 136% (instead of 137%), from 1973–1992 would have been 172% (instead of 171%), and from 1993–2011 would have been 79% (instead of 81%).

7. Are services any different?

1 This is demonstrated in the analyses of the UK's revealed comparative advantage by sector pp.33–38 Department for Business, Information & Skills, Economics Paper No. 8, *UK trade performance: Patterns in UK and global trade growth*, London, 2010: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32114/10-803-uk-trade-performance-growth-patterns.pdf

2 UNCTAD provides data for services exports from a much earlier date (1980) but does not identify the partner country, i.e. say where the exports went.

3 Following the OECD's convention, data for services exports are presented *per annum*, by contrast with 'annualised monthly averages' for goods.

4 John Cridland, 'In or out, Britain has to play by Europe's rules', *The Times*, 4 July 2013. This article seems to have been a trailer for the publication of the CBI's extended consideration of the UK's relationship with the EU: *Our Global Future: The business vision for a reformed EU*, Confederation of British Industry, London, 2013. This continues on the theme of the severe limitations of Swiss agreements with the EU on services, pp.144–145, *ibid.*

8. Do UK exporters need an insider advantage?

1 Balance of Payments (MEI): Balance on goods, OECD.StatExtracts: http://stats.oecd.org/index.aspx?datasetcode=MEI_BOP

2 The argument put forward by the CBI therefore makes perfect economic sense from its point of view: the payments made by the UK taxpayer to the EU are reasonable and entirely acceptable, whereas the regulatory costs of the EU paid directly by their members are not. See *Our Global Future, CBI, op.cit*.

3 'Iceland and China Enter a Free Trade Agreement', *New York Times*, April 15, 2013. 'China, Switzerland Complete Trade Talks', *Wall Street Journal* May 24, 2013.

4 *Times of India*, 16 April 2013 http://timesofindia.indiatimes.com/business/india-business/India-EU-open-new-round-of-trade-negotiations-on-FTA/articleshow/19566574.cms

9. A country with neither heft nor clout

1 p.16, *Our Global Future*, CBI, *op.cit*.

2 pp. 76–77,*ibid.*

3 The other criteria are, third, the willingness of the partner countries to enter into negotiations and, fourth, compatibility with Swiss foreign policy objectives. p.5 State Secretariat for Economic Affairs (SECO) by Marianne Abt, *The Economic Relevance of Free Trade Agreements with Partners outside the EU*, Berne, 2009: http://www.seco.admin.ch/themen/00513/00515/01330/index.html?lang=en

4 pp.77, 145 *Our Global Future*, CBI, *op.cit.*

5 *Huffington Post UK,* 2 April 2014

6 see www.wto.org Trade Policy Review: United States

7 Trade and Investment Cooperation Forum Agreement, www.ustr.gov For a brief account of its work see *An Overview of Switzerland's Economic Role in the United States–Switzerland: Trade and Investment Cooperation Forum*: http://www.ustr.gov/sites/default/files/US-Switzerland%20TIFA.pdf

8 p.77, *Our Global Future*, CBI, *op.cit*.

9 Details of the stakeholder feedback meetings of the present TTIP negotiations are at *Outreach – Update on the Transatlantic Trade and Investment Partnership (TTIP) – Third Negotiation Round*: http://trade.ec.europa.eu/civilsoc/meetdetails.cfm?meet=11421
Over 300 lobbyists attended the November meeting, and some 130 are registered for the mid-January meeting, including one from the CBI. They have two hours both to hear reports from the negotiators and to ask questions.

10 The DTI's Website for Europe & World Trade lists the 94 IPPAs still in force:

http://webarchive.nationalarchives.gov.uk/+/http://www.dti.gov.uk/ewt/investment.htm
http://www.dti.gov.uk/ewt/investment.htm
The transition arrangements are explained in 'Regulation (Eu) No 1219/2012 of The European Parliament and of The Council of 12 December 2012 establishing transitional arrangements for bilateral investment agreements between Member States and third countries', *Official Journal of the European Union:*
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:351:0040:0046:EN:PDF

11 At one point, the CBI argues that having delegated the negotiation of FTAs to the EC, Britain is no longer able to negotiate them since '… it would take time for the UK to first regrow the capability to negotiate FTAs' and there would be 'a period of dislocation –perhaps for many years', p.155, *Our Global Future*, *op.cit*

12 The only speck of evidence that might relate to the quality of any FTAs is a reference to a KPMG report which suggested that the Swiss-China FTA might be asymmetrical in some respects i.e. more access opportunities for Chinese products in Switzerland than *vice versa*. p.145, CBI*, Our Global Future*, *op.cit.* It is difficult to know what to make of this remark. Symmetrical FTAs are, for obvious reasons, rare. As on other occasions, this CBI document is puzzling. It proudly proclaims endorsements from 16 chief executives and chairmen of leading British and foreign multinationals companies, from a 'challenge team' of academics and researchers from six leading universities and think tanks, and was advised by a leading multinational consultancy, McKinsey. Are we to assume that none of them ever asked for evidence that the EU FTAs were of high quality? Would they have accepted this argument, without any evidence, if it had been put to them by any of their managers, staff or students?

10. Measuring the benefits of the EU's trade agreements

1 Baier, Scott L., Bergstrand, Jeffrey H., 2009, 'Estimating the effects of free trade agreements on international trade flows using matching econometrics', *Journal of International Economics*, Vol. 77(1), pp. 63–76.

2 State Secretariat for Economic Affairs (SECO) *op. cit.,* en 32*,* pp.4–8.

3 For further information and copies of 18 final reports:
http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/
Currently one is being undertaken for the TTIP negotiations.

4 http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf

5 Copenhagen Economics, 'Ex-Post Assessment of Six EU Free Trade Agreements: An econometric assessment of their impact on trade', prepared for the European Commission, DG Trade, February 2011:
http://trade.ec.europa.eu/doclib/docs/2011/may/tradoc_147905.pdf

6 Itaqa Sarl, 'Evaluation of the economic impact of the Trade Pillar of the EU-Chile

Association Agreement: Final report for the European Commission', Directorate General for Trade, March 2012:
http://trade.ec.europa.eu/doclib/docs/2012/august/tradoc_149881.pdf
Two of the key methodological appendices of this study, those to Chapters 2 & 3, are missing from the web version of the report, and I have not been able to consult them. Despite the earlier six-nation study, this refers to itself, and is referred to elsewhere by the EC, as 'the first wide-ranging, ex-post assessment of a specific bilateral trade agreement carried out at the request of the European Commission', p.29, *op.cit*. It may be the first 'wide-ranging', and 'specific' assessment, but it is not the first assessment. The EC may perhaps have considered the earlier six-nation assessment comparison a pilot.

7 p.99*, ibid*.

8 As the authors of the six-nation study put it: 'The evolution of bilateral trade between the partners in itself is not a good indicator of the success of a FTA'. *Copenhagen Economics*, *op.cit* ., p.6. Given EC's preference for predictions of future gains from its FTAs, it might be that, in another context, the most important result of the Chile study was '… that the trade impacts it could measure differed substantially from those predicted in the ex-ante EC study of Chile'. pp.84–86, Itaqa, *op.cit*.

9 pp.9–15, 63–66, Copenhagen Economics, op.cit.

10 pp. 63–64, *ibid;* p.62,Itaqa, *op.cit.*

11 pp. 58–63, *Copenhagen Economics*; p.53, 62, Itaqa, *op.cit*

12 A third study is on the way. The Invitation to tender related to a contract to carry out an evaluation of the implementation of the EU-Mexico Free Trade Agreement closed on the 30 September 2013:
http://trade.ec.europa.eu/doclib/docs/2013/august/tradoc_151698.pdf

13 As it happens, in the one specific comparison made between the investment protection clauses of the EU FTA with Chile and earlier independently-negotiated agreements, the Itaqa researchers decided that: 'EU investors would actually be less protected than investors from other countries that have signed agreements with Chile to regulate investments…' p.112, Itaqa, *op.cit, supra* fn 53

14 The manufactured and agricultural exports of the 28 member countries are more interchangeable, more easily placed in standardized WTO categories than their services and hence can be more readily discussed in trade negotiations. Services frequently involve professional personnel, whose corporate institutions and interrelationships are highly distinctive to each member country. Indeed, to large extent they define the national character of member countries, and are the product of unique relationships between the state, practitioners and educational institutions that have been created and evolved over centuries in each of them, and which their current members are usually prepared to defend. FTAs

in services are therefore only likely to be successfully negotiated when the professional institutions of the 28 member countries have been 'harmonized' to a far greater degree than they currently are. A negotiation between two countries is, by contrast, likely to be a much simpler matter, which is, one guesses, why Switzerland has managed to incorporate services in so many of its FTAs. However, there is, as far as I know, no detailed comparative analysis of the content of the service element of Swiss FTAs versus those of the EC.

11. On the opportunity costs of EU solidarity

1 Tim Congdon, *How much does the European Union cost Britain?* UK Independence Party, London, 2012:
http://www.timcongdon4ukip.com/docs/UKIP%20Cost%20of%20the%20EU.pdf

2 Given the armlock that Swiss agricultural interests have on their trade negotiators, the likelihood is that the UK would have entered more negotiations, and concluded them, more rapidly than the Swiss.

3 In his appearance before the Commons European Scrutiny Committee mentioned above, the UK Permanent Representative to the EU described the process of negotiation that precedes EU legislation. 'There are many individual elements of legislation that we would not have put in but when we look at the overall proposal, the judgment is that the overall compromise − I am afraid it is virtually always a compromise because that is the nature of the European Union − is one we can accept, except in the cases where Ministers say "No, vote against" and we vote against.' Oral Evidence, Sir Jon Cunliffe, European Scrutiny Committee, Minutes of Evidence, HC 109-I House of Commons 8 May 2013. Trade negotiations are presumably similar:
http://www.publications.parliament.uk/pa/cm201314/cmselect/cmeuleg/c109-i/c10901.htm

4 *de facto* only two, since Switzerland negotiates on behalf of Liechtenstein, and its agreements apply to both. Unfortunately, one cannot use Norway as a second example of the opportunities open to a nation that negotiates FTAs on its own behalf because it has declined to do so. Rather than vigorously defend its own interests in the manner of the Swiss, it has preferred to follow the EU as much as possible, and maintain a level-playing field with EU members, in the hope perhaps that it will be ready for immediate EU membership when the electorate changes its mind in a future referendum.

5 Though 'technical discussions will have to be completed so as to finalise the legal text of the agreement'. See:
http://europa.eu/rapid/press-release_IP-13-972_en.htm

6 'France Lifts Block on EU-US Trade Negotiations' Euronews 15 June 2013:
http://www.euronews.com/2013/06/15/france-lifts-block-on-eu-us-trade-negotiations/

7 *ibid.*

8 It seems unlikely that it will be discussed, or even mentioned, again. Accountability has, one might say, been suppressed in the interests of solidarity

12. UK exports to new member states

1 pp.2,10, 19, Twenty Years On, op.cit

13. A final look at the UK versus 11 outsiders

1 Seven of these bilateral agreements are summarized at: http://www.vorarlberg.at/english/vorarlberg-english/regions_europe/europe/eu-switzerland_sevenbilat.htm