



## BUSINESS FOR NEW EUROPE

### EVIDENCE FOR REVIEW OF THE BALANCE OF COMPETENCES – FREE MOVEMENT OF GOODS

05/08/2013

#### Establishing a Single Market for Goods

- Since January 1993, controls on the movement of goods within the **internal market** have been abolished and the European Union has become a single market **without internal frontiers** for the movement of goods
- The UK government estimate that the single **market** has **added** between **2-6%** to British **GDP** since 1992 that is equivalent to income **gains** for British households of between **£31bn** and **£92bn** every year<sup>1</sup>
- The free movement of goods is defined and protected by **Articles 34-36** of the **Treaty** on the Functioning of the European Union

#### The Single Market

- With 500 million people generating over **£11 trillion** in economic activity, the EU single market is **the largest and most successful** common market in the world<sup>2</sup>
- **Goods** are the **primary** point of trade in the single market – accounting for **75%** of intra EU trade<sup>3</sup>
- Trade between the EU and UK is persistently **increasing**. British trade with the EU has **grown** at an average rate of **4.39%** between 2004-2011<sup>4</sup>

#### UK Exports in Goods

- In 2011 the EU accounted for **54%** of the UK's goods exports<sup>5</sup>
- Comparatively, emerging economies like China (5.5%), India (3.4%) and Russia (3%) accounted for far less<sup>6</sup>
- In fact, 8 of the top 10 destinations for UK exports (2011) were in the EU (Top 10 – largest first: U.S.A, Germany, France, Netherlands, Republic of Ireland, Belgium, Italy, Spain, China, Sweden)<sup>7</sup>

<sup>1</sup> BIS Economics Paper 11: The Economic Consequences of the UK completing the Single Market Feb 2011

<sup>2</sup> Eurostat GDP and Population measures 2012

<sup>3</sup> EU Commission: Free Movement of Goods Publication (2010)

<sup>4</sup> HMRC Summary of Import and Export Trade with EU and Non-EU Countries - Annual 2004 - 2011

<sup>5</sup> HMRC Summary of Import and Export Trade with EU and Non-EU Countries - Annual 2004 - 2011

<sup>6</sup> HMRC Summary of Import and Export Trade with EU and Non-EU Countries - Annual 2004 - 2011

<sup>7</sup> HMRC Summary of Import and Export Trade with EU and Non-EU Countries - Annual 2004 - 2011

- Goods exports to the EU were worth **£150bn** to the UK economy in 2012<sup>8</sup>
- UK exports to the EU have been steadily **growing** at an average rate of **4.46%** annually from 2004-2011
- Although falling slightly in 2012, they are once again in growth – increasing by 3.4% in March (compared to February) this year (2013)<sup>9</sup>
- UK exports of goods and services to the 12 new member states were worth over 11.6bn in 2009, almost three times the 4.5bn of exports since ten years earlier<sup>10</sup>

### British Business and the Single Market

- Of the UK firms that export outside of the UK – 74% operate in other EU markets<sup>11</sup>
- Pharmaceutical exports in 2012 were worth £21bn to the UK economy, 50% of which went to the EU, creating £10.5bn for UK firms<sup>12</sup>
- 98% of fresh milk and cream exports, worth £248m went to other EU countries in 2012. If these exports were suddenly subject to tariffs of 55%<sup>13</sup> that external companies are, it would have a significant effect on UK agriculture<sup>14</sup>
- 76% of the UK's food exports went to other EU Member States in 2012<sup>15</sup>
- In 2012, 50% of total products in UK's 5 largest export industries were sold within the single market<sup>16</sup>
- Over 300,000 UK companies operate in the single market. According to House of Lords European Union Committee 2011, 78% of business leaders believe the single market is helpful for their business<sup>17</sup>

<sup>8</sup> [HMRC UK trade info: Overseas Trade Stats 2012 released Feb 2013 \(available online\)](#)

<sup>9</sup> [HMRC UK Trade Info – Total monthly trade with EU \(released 14 May '13\)](#)

<sup>10</sup> [BIS Economics Paper 11: The Economic Consequences of the UK completing the Single Market Feb 2011](#)

<sup>11</sup> [BIS Economics Paper No. 17: UK trade performance across markets and sectors, February 2012](#)

<sup>12</sup> [HMRC UKTradeinfo Non-EU exports 2012 & HMRC UKTradeinfo EU Exports 2013](#) accessed 17.05.13

<sup>13</sup> [The Economist December 8th 2012](#)

<sup>14</sup> [UK Food & Drink Export Performance 2012](#)

<sup>15</sup> [UK Food & Drink Export Performance - Full Year 2012, Food and Drink Federation, 2013](#)

<sup>16</sup> [HMRC UKTradeinfo Non-EU exports 2012 and HMRC UKTradeinfo EU Exports 2013](#) accessed 17.05.13

<sup>17</sup> [House of Lords European Union Committee, Re-Launching the Single Market 2011](#)

### Top 5 UK Exports 2012<sup>18</sup>

Product	EU Exports 2012	Non-EU Exports 2012	% to EU
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	30,851,586	10,990,822	73.7%
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	15,025,901	27,538,648	35.3%
Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	12,530,292	17,637,073	41.5%
Pharmaceutical products	10,426,149	10,571,560	49.6%
Electrical machinery and equipment; sound equip, television image,sound recorders	9,882,798	9,861,061	50%

<sup>18</sup> [HMRC UKTradeinfo Non-EU exports 2012 and HMRC UKTradeinfo EU Exports 2013](#)

## Imports

- In 2011 trade with the EU accounted for **51%** of UK goods imports with 8 of the top 10 import partners coming from within the single market<sup>19</sup>
- UK/EU imports grew at an average rate of 4.32% annually between 2004-2011<sup>20</sup>
- Import in goods from EU in 2012 were worth 206bn<sup>21</sup>
- Excluding domestic produce, 80% of the UK's **food supply** comes from other EU Member States<sup>22</sup>

## Case Study: UK Car Industry and the single market

- The UK exported 1,275,764 cars and commercial vehicles in 2012, 51% of which went to the EU<sup>23</sup>
- There are around 720,000 people employed in the UK automotive industry, with 140,000 people directly employed in manufacturing<sup>24</sup>
- The automotive industry is the UK's largest sector in terms of exports by value and generated £27bn of revenue for the UK in 2011<sup>25</sup>
- In the absence of a free trade deal, UK companies could face the following tariffs while selling into the EU (Japan is used in this example): Cars - 10% import tariff<sup>26</sup> and some lorries - 22% import tariff<sup>27</sup>

## Examples of the levels of tariffs which may apply if Britain were to leave the EU

(from the European Commission DG Trade Import Tariffs calculator - <http://madb.europa.eu/madb/euTariffs.htm> )

### Tariffs

#### Motor Cars 10%

Exporting Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars - Of a cylinder capacity exceeding 1 000 cm<sup>3</sup> but not exceeding 1 500 cm<sup>3</sup> from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Import prohibition	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Supplementary unit	/p/st (other)			<a href="#">R2658/87</a>
ERGA OMNES	Entry into free circulation (restriction)	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Third country duty	10 % (av)			<a href="#">R2658/87</a>

<sup>19</sup> [HMRC Summary of Import and Export Trade with EU and Non-EU Countries - Annual 2004 - 2011](#)

<sup>20</sup> [HMRC Summary of Import and Export Trade with EU and Non-EU Countries - Annual 2004 - 2011](#)

<sup>21</sup> [HMRC UK Trade Info 2013 \(available online\)](#)

<sup>22</sup> [Food and Drink Federation, UK Food and Drink Export Performance, March 2012](#)

<sup>23</sup> [Motor Industry Facts 2013, Society of Motor Manufacturers and Traders](#)

<sup>24</sup> [Motor Industry Fact 2013, Society of Motor Manufacturers and Traders](#)

<sup>25</sup> [Motor Industry Facts 2013, Society of Motor Manufacturers and Traders](#)

<sup>26</sup> [European Automobile Manufacturers' Association](#)

<sup>27</sup> [Motor Industry Facts 2013, Society of Motor Manufacturers and Traders](#)

### Gas 0% and Coal (separate check) 0%

Exporting Petroleum gases and other gaseous hydrocarbons - Liquefied from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Supplementary unit	/TJ (other)			<a href="#">R2658/87</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>
ERGA OMNES	Third country duty	0 % (free)			<a href="#">R2658/87</a>

Footnote

### Nuclear reactors 5.7% (3.7% parts thereof) Steam or generating boilers 2.7%

Exporting Nuclear reactors; fuel elements (cartridges), non-irradiated, for nuclear reactors; machinery and apparatus for isotopic separation - Nuclear reactors from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Third country duty	5.7 % (av)			<a href="#">R2261/98</a>

### Sound Equipment like microphones 4.5%

Exporting Microphones and stands therefor; loudspeakers, whether or not mounted in their enclosures; headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers; audio-frequency electric amplifiers; electric sound amplifier sets - Loudspeakers, whether or not mounted in their enclosures from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Non preferential duty under end use	0 % (free)	<a href="#">Conditions</a>	EU001	<a href="#">R1549/06</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>
ERGA OMNES	Third country duty	4.5 % (av)			<a href="#">R1719/05</a>
ERGA OMNES	Third country duty	4.5 % (av)			<a href="#">R1719/05</a>

### Pharmaceuticals, tend to be 0% across range

Exporting Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of two or more constituents which have been mixed together for therapeutic or prophylactic uses, not put up in measured doses or in forms or packings for retail sale - Containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Third country duty	0 % (free)			<a href="#">R2031/01</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>

### **Exporting Hand Tools, Spades, shovels, rakes, hedge sheers etc. 1.7%**

Exporting Hand tools, the following: spades, shovels, mattocks, picks, hoes, forks and rakes; axes, billhooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry - Spades and shovels from Japan

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Supplementary unit	/p/st (other)			<a href="#">R2261/98</a>
ERGA OMNES	Third country duty	1.7 % (av)			<a href="#">R2261/98</a>

Source [DG Taxation and Customs Union](#) [Taric](#) (latest update on 22/05/2013)

#### **Search again**

Exporting country:  
Japan

Product code (minimum 6 digits):  
820110 [Find code](#)

[Search](#)

### **Screwdrivers 3.7%, there is a conditional suspension if it's in relation to aircraft (I gather). Suspensions exist from time to time on products.**

Exporting Hand tools (including glaziers' diamonds), not elsewhere specified or included; blowlamps; vices, clamps and the like, other than accessories for and parts of machine tools; anvils; portable forges; hand- or pedal-operated grinding wheels with frameworks - Screwdrivers from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Third country duty	3.7 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>

### **Kitchen appliances 1.7%**

Exporting Knives and cutting blades, for machines or for mechanical appliances - For kitchen appliances or for machines used by the food industry from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Third country duty	1.7 % (av)			<a href="#">R2261/98</a>

### **Camping Equipment 0%**

Exporting Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof - Seats other than garden seats or camping equipment, convertible into beds from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Third country duty	0 % (free)			<a href="#">R2261/98</a>

Source [DG Taxation and Customs Union](#) [Taric](#) (latest update on 22/05/2013)

### Wooden furniture for use in Kitchen 2.7%

Exporting Other furniture and parts thereof - Wooden furniture of a kind used in the kitchen from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Third country duty	2.7 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Third country duty	2.7 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Third country duty	2.7 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Third country duty	2.7 % (av)			<a href="#">R2261/98</a>

Source [DG Taxation and Customs Union](#)  [Taric](#)  (latest update on 22/05/2013)

### Paints and varnishes 6.5%

Exporting Paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers, dispersed or dissolved in a non-aqueous medium; solutions as defined in note 4 to this chapter - Based on acrylic or vinyl polymers from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Import prohibition	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Third country duty	6.5 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>
ERGA OMNES	Autonomous tariff suspension	0 % (free)			<a href="#">R1344/11</a>
ERGA OMNES	Entry into free circulation (restriction)	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Import prohibition	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Autonomous tariff suspension	0 % (free)			<a href="#">R1344/11</a>
ERGA OMNES	Entry into free circulation (restriction)	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Import prohibition	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Entry into free circulation (restriction)	(other)			<a href="#">R1005/09</a>
ERGA OMNES	Third country duty	6.5 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Third country duty	6.5 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>
ERGA OMNES	Airworthiness tariff suspension	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>
ERGA OMNES	Airworthiness tariff	0 % (free)	<a href="#">Conditions</a>	CD333	<a href="#">R1147/02</a>

### Paint Brushes 3.7%

Exporting Brooms, brushes (including brushes constituting parts of machines, appliances or vehicles), hand-operated mechanical floor sweepers, not motorised, mops and feather dusters; prepared knots and tufts for broom or brush making; paint pads and rollers; squeegees (other than roller squeegees) - Artists' brushes, writing brushes and similar brushes for the application of cosmetics from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Import control - CITES	(other)	<a href="#">Conditions</a>	CD370	<a href="#">R1158/12</a>
ERGA OMNES	Third country duty	3.7 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Third country duty	3.7 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Supplementary unit	/p/st (other)			<a href="#">R2658/87</a>
ERGA OMNES	Import control - CITES	(other)	<a href="#">Conditions</a>	CD370	<a href="#">R1158/12</a>
ERGA OMNES	Supplementary unit	/p/st (other)			<a href="#">R2658/87</a>

Footnotes

## **Fertiliser 6.5%**

Exporting Mineral or chemical fertilisers, nitrogenous - Ammonium nitrate, whether or not in aqueous solution from Canada

Origin	Measure type	Tariff	Conditions	Footnote	EU Law
ERGA OMNES	Supplementary unit	/kg N (other)			<a href="#">R2658/87</a>
ERGA OMNES	Supplementary unit	/kg N (other)			<a href="#">R2658/87</a>
ERGA OMNES	Third country duty	6.5 % (av)			<a href="#">R2261/98</a>
ERGA OMNES	Third country duty	6.5 % (av)			<a href="#">R2261/98</a>

Source [DG Taxation and Customs Union](#) [Taric](#) (latest update on 23/05/2013)

## **Conclusion**

- The world is becoming one of economic regions based around free trade areas. Being part of the largest and most successful single market has clear productivity and growth benefits for the UK, as demonstrated by the consistent growth in trade within the single market
- The single market accounts for 54% of UK exports and 51% of imports. Any break with the single market would undermine half of the UK's established trade
- UK firms and sectors, relatively large (automotive) to relatively small (dairy) rely on external trading relationships within the single market for their current business models
- The trading relationship in goods is so deeply interconnected that any uncertainty, disruption, or potential tariff could cause damage to UK businesses
- Trade with emerging economies will grow larger, in relative terms, in the coming decade. It would be pertinent to copper fasten established trade relationships while connecting with emerging economies, getting the best deal by being a member of the most powerful single market in the world