Has the UK enjoyed an 'insider advantage' in the single market?
A search in the OECD database 1960-2011.

An old, familiar argument

One of the most frequently-repeated arguments of those who hope the UK will remain a member of the EU is that, as a member, it enjoys an insider advantage in determining the rules of the single market. The great benefits accrued by this insider advantage are usually contrasted with the severe disadvantages of those outside 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 also face the tariff barriers protecting the EU.

The government pamphlet making the case for a Yes vote in the 1975 referendum. Put the argument in these words

> 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 …. 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]

In November 2012, the leader of the Labour Party, Ed Miliband started a round of speeches by members of the UK's political elite making the case for UK to remain a member of the EU, in very similar words. In the peroration of his contribution, to a conference of the CBI, he invited his audience to sympathize 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.'

Two weeks later, at the end of November, in a speech at Chatham House, organized 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.'[2]

On December 10th 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, 23rd 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

[1] http://www.harvard-digital.co.uk/euro/pamphlet.htm
[2] 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

participation in the single market, and our ability to help set its rules, is the principal reason for our membership of the EU.' [3]

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 called 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.'[4]

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.[5] 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 of where the UK's insider advantage was of little consequence, when the UK was not voiceless but was nonetheless powerless. Apparently, therefore being an insider also has disadvantages. His example referred 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.'[6]

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, since like all commissioners he had sworn before the European Court to act 'in the general interest of the Union' rather than the UK, he may be among the least informed and least reliable witnesses to 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

[3] Full text of the Prime Minister's speech about his plans for a referendum on British membership of the European Union, *The Guardian*, 23 January 2013. The speech was trailed in 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.
[4] Peter Mandelson 'David Cameron must not cave in to the UKIP threat', *Daily Telegraph*,16 May 2013
[5] '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.
[6] *The Guardian, op.cit.*

insider, and helping to set the single market rules, remain unidentified. In this report, we will try to identify them.

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 by making alliances, by force of argument and weight of evidence, persistent 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.[7] They are at best opaque, and parts are of course confidential and completely hidden, so it seems doubtful whether any researcher could identify responsibility any of the more than three thousand EC directives and regulations that together form the single market, and let alone determine what their advantages might have been.[8] Until Messrs Miliband, Blair, Cameron and Mandelson give examples of what was in their minds, we do not even have a lead as to where we might begin.

Maybe the best evidence will 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 when the EU opens negotiations with the United States about an Atlantic free trade area. American and other negotiators might then 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 it being possible to hold any commissioner, official, or party or country, or group of countries, or indeed anyone in particular, to account. In practice, one wonders if Norway's 'government by fax' is so distinctive. Every country in EU seems to be governed in much the same way, not knowing what their representatives said or did or how 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 is 'very strongly supportive of the European Union' put it: 'It is not clear who is responsible for what. It is not

[7] 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

[8] '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.

clear what coalitions governed on what issues, what the majority was on what issues, or who were the winners and losers.'[9]

The recent regulation on how restaurants within the EU may serve olive oil provides an instructive example. Suddenly, 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.'[10]

Who instigated or devised this particular ruling, its precise legal status, 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 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 Europe-wide media ridicule, the regulation was revoked. 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 presumably passed through the EC approved decision-making processes? What part did the European Parliament play either in the original decision or in its reversal? No one knows, and the British and everyone else seem no better informed than the Norwegians.[11]

The direct route of assessing insider advantages by tracking debates, discussions through to actual benefits for UK exports 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 single market was, as it still is, to increase trade between member countries and that means exports. Growth of exports as such is nothing to write home about, since it is well-nigh ubiquitous and

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[9] 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.

[10] http://www.pri.org/ 22nd May 2013

[11] The Norwegians might perhaps have been better informed, since they 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 One of the lobbies involved, COPA-COGENA, did however surface to voice 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

continuous, as may be seen from UNCTAD's records of export growth in 237 countries since 1950.[12] Absence of growth is a rather rare and notable event. Hence the insider advantage must primarily be sought in an increase in the rate of growth of UK exports over the life of the single market.

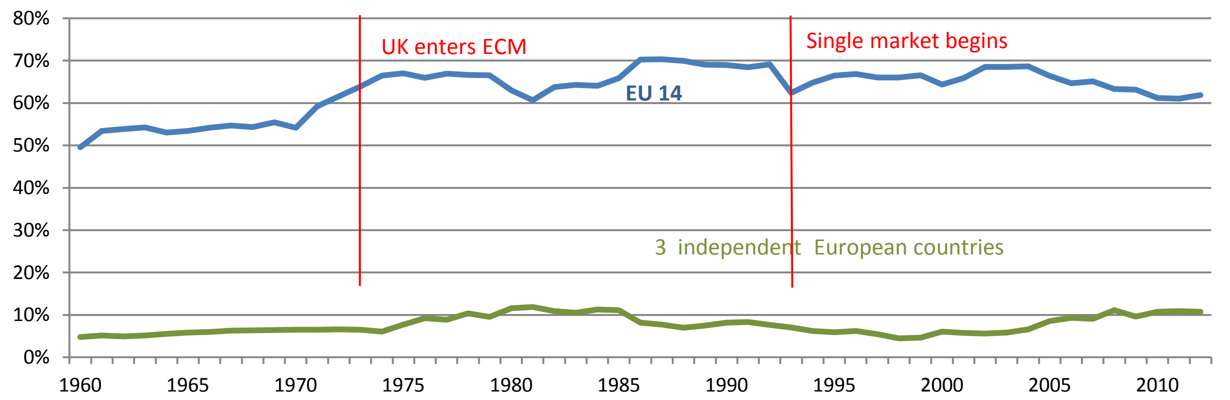
As far as I am aware, this is the first attempt to identify insider advantages by searching historical and cross-national export data, so it must be considered an exploratory investigation, a search for clues worthy of closer scrutiny and analysis at some later date.[13] It will make use of evidence 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.

A view of the half-century 1960-2011

Perhaps we may best begin by examining UK exports to the members of the EU, over a very long time span, and 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 2011, 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. Percentage of UK exports of goods to 22 OECD countries
14 present EU member countries versus
3 independent European countries 1960-2012



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

[12] See for instance UNCTAD's table 'Value growth rates of merchandise exports and imports, annual, 1950-2012'. These are however are given in nominal dollar values, and in real terms it is obviously less rare. The UK's exports last actually declined in nominal terms in the early 1980s.http://unctadstat.unctad.org

[13] In an appendix I comment on some of the other sources of evidence from the EC and the UK government.

What it shows is that the proportion of goods going to the future EU member countries grew rather sharply, by 12%, over the twelve years before the UK entered the Common Market, from 49.6% in 1960 to 61.6% 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 2%, from 63.9% in 1973, the year of entry, to 61.9% in 2012. And over the life of the single market, the proportion of UK exports going to these 14 EU members has fallen by 0.5 %, from 62.4% to 61.9%.

The overall impression that can be taken from this graph is, surely, that for all the insider advantages the UK has enjoyed, EU and single market membership has changed nothing. Year by year, the proportion has, as the graph shows, fluctuated a little, near 60% in 1981, and touching 70% in 1986-87, and the downwards slide since 2004 looks ominous, 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 green line plotting the proportion of the exports of the three independent countries only makes matters worse. It also fluctuates, but overall it differs from the picture of continuity and slight decline of exports to the present members of the EU. Exports to these three countries have increased during all three periods, before the UK joined, from 5.1% to 6.5%, over the common market years from 6.0 to 7.6%, and most of all under the single market, from 7.0% to 10.7%. Over the half century, therefore, the proportion going to the non-EU members has more than doubled, and the single market years have been rather good years for UK exports to them, even though they are not fellow members of it and had no part in determining its rules. By themselves, these figures suggest that enjoyed advantages trading with outsiders rather than 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 exports to the EU countries increased from \$9.2b to \$25.9b per month, an increase of 180%, while those to the three independent European countries from \$1.0b to \$4.5b per month, an increase of 331%.

These are puzzling and counter-intuitive findings. For all 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. Correspondingly, it would be reasonable to expect that the proportion of UK exports going to countries which enjoy no insider advantages, would correspondingly 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 these calculations.

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 2%, 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.

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 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.

The results are given in Table 1 in the form of a league table of the top 35 fastest-growing exporters to the eleven 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 eleven founder members of the single market at a faster rate than the UK. Once gain 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 enjoyed insider

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(2011)$b
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	NZ	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	80	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 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 eleven 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 manufacture goods'. 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 and 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 be 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 whatever from such a shorter, more select, list.

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. Some of them were, one imagines, doubly disadvantaged, and not only without the insider advantages of the UK, but also facing additional obstacles as relative newcomers to world trade. The fact that many of them have nevertheless increased their exports to the single market more rapidly than the UK suggests that the disadvantages of being an outsider 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 the UK exports, and the table does not provide any clue about an insider advantages.

Does the gross value of UK exports? Their present high value might suggest that they grew rapidly in the past while climbing up there, and that as the EU is now a more mature market for UK exports, and their rate of growth is bound to be lower than that of newer exporters. Growth of any phenomenon, whether company sales or living organisms would display the same characteristic. UK exports are just one more example of the same natural and inevitable process.

One must treat this argument with some caution. It is the standard argument of market leaders that are failing to respond to with new competitors, and it seems an odd coincidence that the growth curve for UK exports happens flatten out just at the moment when new opportunities for trade were supposed to opened up by the advent of the single market. As it happens, two competitors, the U.S and China, have been closing fast on the UK in recent years, so perhaps we will be able to see, in a few years time, whether their growth also declines.

In the meantime, if we try to discover whether there is such a 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 $383 *per capita* per month in 2011, are not particularly high. They are comfortably exceeded by, among others, those of Norway ($541) and Singapore ($447) and the *per capita* value per month of Switzerland's exports to the EU 11 ($1505 in 2011) is four times higher than that of UK exports. This suggests either that the UK has a way to go before the expected 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, and therefore might 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, 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.

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 value over the 19 years 1993-2011

% Growth in total value pm in US(1993)$	Total value pm in 2011 in US(2011)$b		% Growth *per capita value pm* in US(1993)$	*Per capita* pm value in 2011 in US(2011)$
133	15.5	Spain	98	336
107	3.9	Ireland	65	865
101	20.9	Netherlands	85	1255
98	2.0	Luxembourg	55	3911
95	20.6	Belgium	81	1889
88	19.6	Italy	76	325
87	32.5	France	70	512
82	4.5	Portugal	70	421
81	42.8	Germany	79	524
80	23.9	UK	66	383
79	3.8	Denmark	67	681
39	2.3	Greece	29	207

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 6% of the total reported joint figure for Belgium & Luxembourg. Missing entries of the populations of Belgium & Greece in 2011 were taken to be same as 2010.
www.oecd-ilibrary.org.OECD database *Monthly Statistics of International Trade* doi:10.1787/data-02279

In this league table, the UK, with growth of total value of 80% over the 19 years, ends up in tenth place, and below the weighted mean of the 12 countries which is 92. In the total value, it is in third place, behind Germany and France.

In *per capita* growth it is also in tenth place, and again below the weighted mean, which is 75. In *per capita* value it is in ninth place, but at US(2011)$383 per month is some way below the weighted mean of the 12 countries of $514.

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 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 which 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.[14] Ireland is another notable contrast with the UK, growing an 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 run 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% over the 19 years, is rather low compared with that of non-member exporters reported in Table 1. All eleven of the other founder member countries, if they had been separated out like the UK, would therefore have been clustered near the UK 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, we have already seen in Table 1, that 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%. Exports from Norway and Switzerland to the EU 11 grew by 114%, that is to say, by a greater amount than eleven of the twelve single market member countries to each other. Exports of the United States grew by 126%, of Canada by 142%, of New Zealand by 147%, and Australia by 243%.

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 of course 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 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,

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

Ghemawat summarized the importance of distance in the phrase 'other things being equal, doubling the geographic distance between countries halves the trade between them.' [15]

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. 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 has not happened. If only, one is tempted to add, the UK exports to the single market had a grown at the same rate as 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, many years before it signed a trade agreement with the EU in 2010.

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.[16] 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 fifty-year view with which we began in Figure 1 suggested this 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 it was significantly below it, we might have identified the insider advantage of taking part in the setting of the rules of the single market.

[15] 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

[16] Loosely, because the single market was, of course, adumbrated in the Single European Act of 1986, though not launched until 1993.

Table 3 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 growth of UK exports grew at a markedly faster rate prior to the single market. Over the 20 common market years it increased by 192%, putting it in 15th place overall in the Top 35 compared to 80% increase and 27th 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 that the growth of UK exports in these decades exceeded that of the U.S. 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 of $994m per month was slightly lower than the $1006m of American exports. In 1974, it surpassed them, and then continued to grow at a faster pace till 1992, when at $9170m their value was nearly 50% higher than the $6108m value of US exports, incidentally demonstrating 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 may be considered as already established exporters of the day.

Table 3. Top 35 fastest growing exporters to the common market 1973-1992

		% growth in US(1973)$	Exports per month in 1973 US(1973)$m	Exports per month in 1992 US(1992)$m
1	Korea	1219	14	584
2	Saudi Arabia	670	28	691
3	UAE	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 +HK	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	UK	192	994	9170
16	Egypt	188	36	327
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	Switzerld	87	643	3806
28	Canada	82	118	679
29	Iceland	75	10	57
30	NZ	62	14	71
31	Norway	51	182	873
32	Kenya	14	8	28
33	S 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

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 U.S. 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. There cannot be much doubt therefore 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.

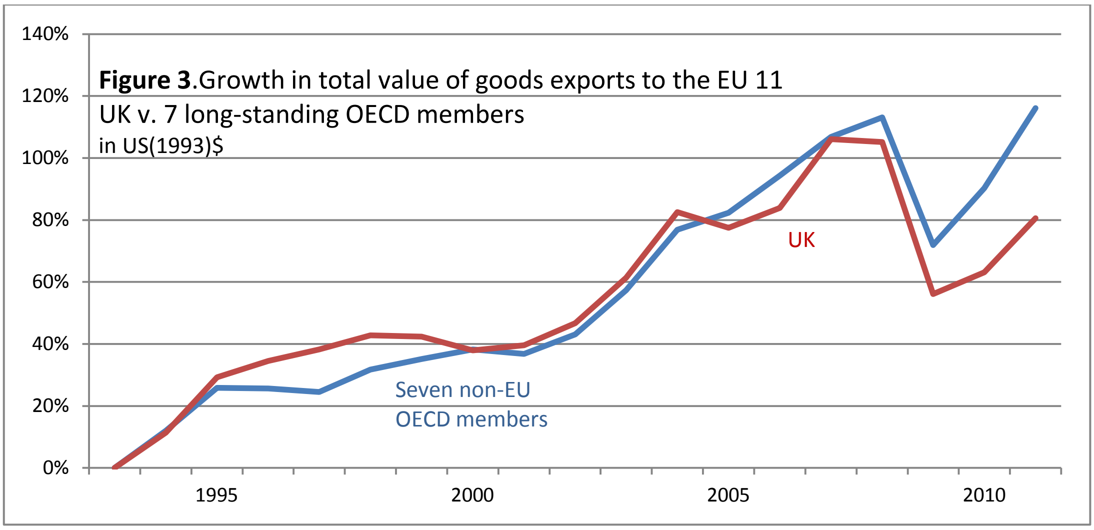
The contrast between the two eras is illustrated in the graphs below. Figure 2 compares the growth in the total value of UK exports of goods to the EU 11 with that of a slightly different subset of countries, seven founder or long-standing members of OECD - Australia, Canada, Iceland, Japan, Norway, 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 almost twice as much.

Source: *Monthly Statistics on International Trade, Dataset: trade in value by partner countries,* www.oecd-ilibrary.org.

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 we have been searching for. But what kind of advantage was it? The directives and regulations which have 'harmonized' 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. The one distinctive characteristic of the EU over those years was the rather high the 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 measured, we can only wonder. This might be somewhat embarrassing to those who defend today's insider advantages. Tariffs are, to be sure, insider advantages, but they would not, I imagine, wish to suggest that the rule-making to which the UK contributes, and provides today's insider advantages are akin to a tariff barrier. But what exactly are they? Without further assistance from those who stoutly defend them, we are in the dark.

The growth in value of UK exports over the 19 years of the single market is shown in Figure 3 alongside the same seven OECD, non-EU countries. Over the first twelve years, from 1993 to 2004, growth in 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% more than the UK's. The insider advantage seems to have disappeared altogether, just as the single market was being widened and deepened. 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, but that is only plausible if we have evidence explaining why it is reasonable to expect that to have happened just when we were being promised the exciting opportunities being opened up by 'the world's largest single market'.



www.oecd-ilibrary.org.

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, 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 15th to 27th place over these latter decades, Japan fell from 12th to 30th.

Japan's decline has, of course, been widely noticed and discussed, but the UK's has not. It has in fact never been examined or even mentioned, since 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.

Are services any different?

The preceding tables refer only to the export of goods, but these now constitute only two thirds of all UK exports, so it is of some interest 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.[17]

This is a much more difficult task. Reliable data about services exports covers a shorter period, but with wider, albeit more erratic, coverage. It begins in 1999, which means that we cannot cover all 19 years of the single market. No backward glance to earlier decades is therefore 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, and the OECD does not reconcile the differences, and the difference between them is not marginal. They therefore provide a sharp reminder that any data depends on the method of collection. 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 deal with this problem two calculations of growth are given in the chart; 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 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, allowing us to see whether its calculations, which include *exports to* only in the case of the UK, might have give a misleading impression of UK export performance.

[17] This is demonstrated in the analyses of the UK's revealed comparative advantage by sector pp.33-38 Department 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

The results, given in Table 4, indicate that they did not. The UK ends up in 23rd place in growth over 12 years, and 24th over the seven years, although the countries with slower growth are not identical over the two periods. That 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 27 countries for which reasonably complete data of services exports exist, though for some of them, for some years, it was necessary to estimate by means indicated in the note.

The overall result is not remarkably different from that of growth of export of goods. The UK is 28th of 35 in the growth of exports of goods, and 23rd of 27 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 might draw from these results.

The main fact is that the value of services exports from 23 non-member countries to members of the single market have grown at a faster rate than those of the UK, even though they 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 newly-entering world trade, and of distance from the single market.

Table 4. Growth in services exports of 28 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(2010)$b
1	China	441	112	17.8
2	India	286	121	8.4
	China + HK	261	82	29.8
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	NZ	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	Hong Kong	100	36	8.3
14	Switzerland	100	43	18.3
15	Mexico	95	9	3.4
16	Philippines	94	56	1.5
17	Korea	91	16	7.7
18	Taiwan	90	41	3.5
19	Australia	90	26	4.5
20	Argentina	82	64	2.4
21	Morocco	76	32	5.2
22	Norway	66	0.9	14.4
23	Canada	65	31	8.1
24	**UK**	**53**	**14**	**91.4**
25	South Africa	53	13	4.2
26	Japan	52	22	13.6
27	U.S.	29	19	126.0
28	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 the exception of UK growth 1999-2010 which was calculated from UK services exports. Missing figures for the years 1999-2000 for Korea, Israel, Egypt, Singapore, Nigeria, S Africa, Taiwan, Malaysia, Thailand and the Philippines were estimated by assuming they were the same percentage of world 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.

Source: www.oecd-ilibrary.org. OECD database 'Trade in Services by partner country' doi: 10.1787/data-00274

There are items on the table which deserve special attention. The first are the growth and the value of Norway's and Switzerland's exports, largely because the Director-General of the CBI recently decided it was time to repeat the insider advantages argument, lest we had by chance forgotten it. Norway, he observed, 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.' [18]

Given these disadvantages, it is strange to discover that, despite Norway's 'lack of clout over EU decision-making' the total value of Norway's services exports to the EU have grown more than those of the UK, and despite Switzerland having no agreement 'to ensure access to the European market in services', the total value of its services exports have grown nearly twice as much as the UK's over the twelve years we can measure. And while the total value of their exports, $14.4b and $18.3b in 2010 respectively, might seem small by comparison with the $91.4b of the UK, *per capita* they are both much larger than the UK's. In 2010, the UK's exports were a modest $1480 *per capita,* while Switzerland's were $2339, and Norway's were $2907, almost twice the value of UK's. If the UK's services exports to the EU were as successful as those of Switzerland they would have amounted to $144b, and if as successful as those of Norway, to $180b. The Director-General of the CBI was calling for the UK's relationship with the EU to be assessed 'using hard facts and objective analysis, not emotion or hollow rhetoric.' Quite. We are doing our best.

These two countries would not appear to be good prospects for identifying the disadvantages of taking no part in the rule-making of the single market. It is, however, just possible that the United States might. Although the total value of the services exports of the United States to the EU 14 exceeded that of UK exports by a considerable margin, their slower growth is consistent at least with the argument the UK is benefiting from its insider advantage when trading with the EU. We will take up this point in a moment.

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 reassurance that we are on the right track.

[18] John Cridland 'In or out, Britain has to play by Europe's rules', *The Times*, 4 July 2013.

The 33 fastest-growing markets for UK exports of goods over the 19 years of the single market are shown in Table 5. It shows that the slow rate of growth to EU 11 was not replicated in other markets. Far from it. Exports to 26 non-member countries have grown at a faster rate than those to the EU 11, 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 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 the earlier sixteen years.

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 + HK	492	4021
9	Algeria	446	199
10	Canada	428	1582
11	Kuwait	368	196
12	UA 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	S Africa	100	389
25	Korea	92	414
26	Pakistan	80	114
27	EU11	80	23897
28	Switzerland	66	933
29	Singapore	62	511
30	Taiwan	41	445
31	US	36	4664
32	Indonesia	27	174
33	NZ	22	101

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

The value of exports to the EU exceeds that of all of the others, necessarily so, since we are comparing the value of exports to eleven countries with those of single countries. If we add, with some misgivings, the exports to the nine later entrants for which we have data, the mean monthly value in 2011 rises to $28b, and the growth increases to 112%, putting the EU in 24th place, just behind Brazil.[19]

Overall, this data only repeats, from another angle, the single market profile with which we have become familiar. It is a high value market for UK exports, but also a slow growing one. The data is, however, interesting for another reason. Anyone looking at the preceding 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 enough, 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 depend on an insider advantage provided by the EU membership, and 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?

[19] With misgivings because this is to adopt, out of courtesy, a bad habit of EU partisans, including some Prime Ministers, which is to confuse growth of exports to a given, fixed number of countries with growth in the number of countries.

The higher rate of growth of UK exports to 26 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.[20] But trade policy and trade analysis is, above all else, about comparative advantage. The interest of these figures is therefore in the superior performance of UK exports in world markets compared with the EU's single market.

Moreover, one must remember, that this poorer performance in the single market has been secured at very considerable additional cost, meaning not only the cost to the UK taxpayer of the annual subscription, and the costs of imposing EU regulations borne by all UK firms whether exporting to the EU or not, but also of the opportunities lost by having to wait on the cumbersome and slow EU procedures, requiring the agreement of all 27, or now 28, countries to conclude trade agreements with fast-growing markets like China. Both Iceland and Switzerland have already concluded such agreements.[21]

Table 6 extends the comparison to UK exports of services. It 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.

Overall, it shows that, as a market for the export of UK services, the EU is much the same as for exports of UK goods: of high total value but slow growth. In terms of growth, the EU 14 finished 13th in the top 20 fastest-growing market for UK services over these years. If, again with misgivings, we include all EU countries as it expanded in 2004 and 2007 from 14 to 26 other members, UK exports to the EU would have grown by 63%, and risen to 11th place, again marginally behind Brazil.

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 &HK	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

The missing entry for exports to Australia in 2003 was estimated by taking the mid-point between 2002-2004

www.oecd-ilibrary.org. OECD database 'Trade in Services by partner country' doi: 10.1787/data-00274

In terms of value the EU 14 are out on their own with UK exports to them valued at $91.4b which is 37% of the value of all UK services exports in that year. If we again include all EU member

[20] Balance of Payments (MEI):Balance on goods www. stats.oecd.org/ OECD.stat

[21] '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.

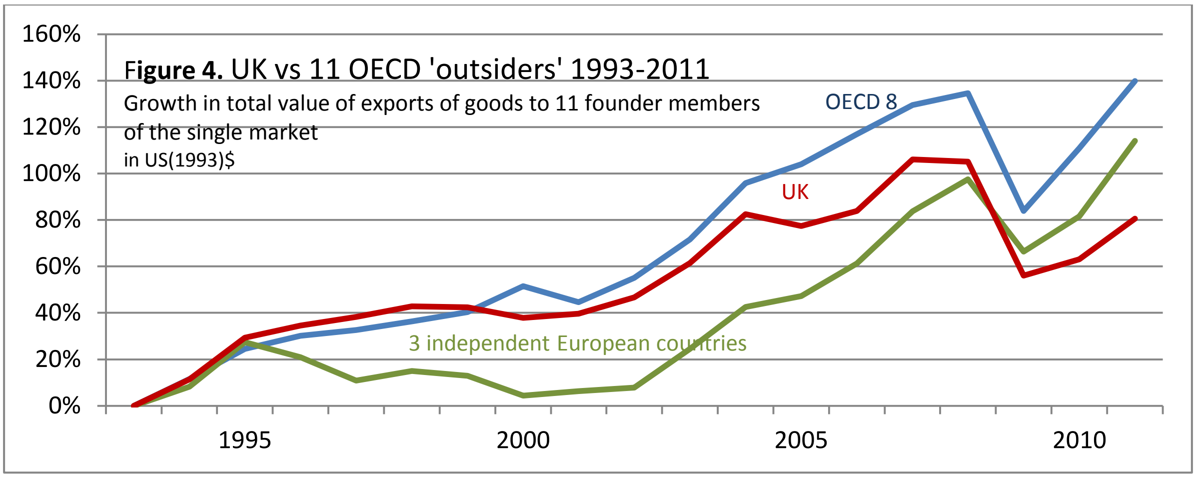
countries, as the numbers within it increased from 14 to 26 other members, the growth rate increases to 63%, total value to $97.5b, and the proportion rises to just over 39%.

To a degree of course, this reflects the fact that we are comparing UK services exports 14 (or sometimes 26) countries with 19 individual countries. However, if we were to treat the 14 EU countries as individual countries, they are still high value markets. Six of the top ten individual markets, in terms of the value of UK exports in 2010, are EU countries, with those to Germany worth $15.3b *per annum*, to the Netherlands $14.6b, to France $12.6b, to Ireland $12.1b and to Spain $7.5b.

In the search for clues about insider advantages, the exports to the U.S. are once again of particular interest. The U.S. 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 beyond the scope of the present search, but we may note that it is consistent with the claim that the UK has enjoyed 'insider advantages' when trading with the EU pattern which it does not enjoy when exporting to the U.S. It may therefore be a clue as to where we might look for insider advantages, not a strong one perhaps, because one is bound to ask why the absence of insider advantages helps to explain poor performance of service exports to the U.S. but does not appear to be a handicap when exporting to Switzerland, or Australia or China and Hong Kong.

The UK versus eleven OECD outsiders

This search began with a simple diorama of UK exports of goods versus other OECD countries, and we will end with one. Figure 4 compares the rate of growth in the total value of UK exports to the 11 other founder members of the single market with the total value of the exports of eleven members of the OECD, who are not members of the EU and therefore took no part in its rule-making. These eleven OECD members are divided into two groups: three are the independent European countries who are not members of the EU, and the remaining eight are all the other OECD members from around the world for which full data is available. Their growth traced in Figure 4 refers to the weighted mean of both groups.



The OECD eight are Australia, Canada, Japan, Korea, Mexico, New Zealand, Turkey, United States. The three Independent European countries are Iceland, Norway and Switzerland.

It shows that, over 19 years of the single market, the growth of UK exports of goods to the other eleven founding members of the single market has increased more slowly than those of eight other OECD countries scattered around the world. By 2011 their exports to EU 11 had grown 60% more than those of the UK. By contrast, growth in the value of UK exports grew faster than that of the three independent European countries from 1996 to 2008, though I hesitate to accept this as a short-run insider advantage since it disappeared in 2008, and by 2011 had recorded 35% more growth. This figure, like virtually all of the preceding figures and tables, it leaves one wondering where the advantages of membership, and the disadvantages of non-membership might best be found.

Conclusions

This search has, it need hardly be said, only scratched the surface of a complex and difficult subject, but it is worth recapping some of the findings since UK trade has not hitherto been examined from this perspective.

1. The proportion of UK exports going to the 14 current EU members of the 22 OECD countries for which we have data since 1960, has remained virtually constant since the UK entered the EU in 1973, and throughout the life of the single market. By this measure, membership of both the EU and the single market have had no impact on UK exports whatever. p.6

2. By this same measure, the proportion of UK exports to non-EU members in Europe has steadily risen, inviting one to think that both the insider advantages and outsider disadvantages are imaginary. p.6

3. 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 the EU, though the aggregate value its exports to these 11 countries exceed those of the 27 non-member countries above it. p.8

~~4.~~ When the other 11 founder members of the single market are treated in the same way, the exports of nine of them have grown faster than those of the UK in both total value and *per capita* terms. By both measures, the UK is some way below the EU 12 mean, 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 story for the UK in terms of export growth. p.10

5. The growth of exports of all 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.6,10

6. The rate of growth of UK goods exports to other eleven founder members under the single market contrasts sharply with their rate of growth to these same countries during the common market decades 1973-1992. It finished those decades in 15th place of the top 35 fastest-growing exporters, with its exports growing more than the U.S. and seven other advanced OECD economies. In the single market decades, the growth of the exports of all of these advanced economies, along with two of the three non-EU members in Europe have overtaken those of the UK. pp.13-15

7. Japan is the only other major industrial country with a similar experience. Its exports to the EU grew faster than those of the UK during the common market decades, and slower under the 19 years of the single market.p.15

8. UK services exports to other members of the single market have grown at a slow rate (53% over 12 years) similar to that of the export of goods (80% over 19 years). The UK ranks as the 24th fastest growing services exporter to the single market, with the services exports of 23 non-member countries having grown at a faster rate. p.17

9. Although the services exports of these non-member countries are of much lower total value than those of the UK, the *per capita* value of those of Switzerland are more than half as much again (58%) as those of the UK, and those of Norway nearly double the value of those of the UK (96%). p.18

10. UK exports 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 27th place, though the total value of exports to them exceeded that of all the individual non-member countries ranked above them.p.18

11. 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.20

12. Over the 19 years of the single market, the exports of goods of eight OECD countries to the eleven other founder members of the single have grown 60% more than those of the UK, and the exports of the three independent European countries have grown 35% more.

In the light of the above evidence it is difficult to know where to look to find insider advantages or outsider disadvantages. The only evidence that might support the claim that the UK has enjoyed an insider advantage which has 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 OECD countries.

An initial filter to identify those countries whose exports, of both goods and services to the EU, grew less than those of the UK over the life of the single market, and therefore might give rise to the suspicion that the UK has enjoyed an insider advantage over them, yielded 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 yielded just one case - the United States.

The very fact that 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 to Japan's exports to the EU? Why would it that the growth of UK exports to the EU look as though they might enjoy an insider advantage only when compared to its exports to the United States? In any event, to demonstrate that insider advantages was a factor in these two cases would require further research, beyond the scope of the present inquiry, to eliminate other plausible explanations.

Much the greater part of this evidence, however, contradicts those who wish to claim that the UK has enjoyed an insider advantages. Since the growth of UK exports to other founder members of the single market was low when compared either with UK exports prior to its launch, with the exports of most other founder members, and with the exports of 27 non-members to the EU 11, there was no obvious place to look for any possible insider advantage for the UK. And since the exports of 27 many non-members grew more rapidly than those of the UK, it was correspondingly difficult to know where to look for the disadvantages they may have suffered by not taking part in the rule-making of the single market.

We must therefore wait for those who make claims about the UK's insider advantages identify and document them. Until they do, we may reasonably suspect that both are figments of their imaginations, created to lend support a policy which, on other grounds, they prefer. Figments of politicians' imaginations are not a sensible basis of public policy. END

Michael Burrage
Comments, criticisms questions welcome
michaelburrage@telefonica.net
michaelburrage101@gmail.com