

Withdrawal From the EU Would Not Damage Our Car Industry: True or False?

Ian Milne and Natalie Hamill

Summary

The purpose of this paper is to examine the likely impact of UK withdrawal from the EU on the UK car market and industry, including withdrawal from the EU Single Market and the EU Customs Union.

The automotive industry is an integral part of the UK's economy, employing over 700,000 people across the UK and accounting for over 10 per cent of total export volumes.

German, French, American and Japanese firms account for almost all of UK car imports, production, exports and consumption. There are no British volume car manufacturers. The UK is in heavy deficit on its trade in cars with the EU-26; however, it is in surplus with the world outside the EU. Although in volume terms the EU continues to import the majority of UK car exports, in value terms, UK car exports to outside the EU are worth more to the UK's economy.

The car industry is comprehensively globalised. There is chronic overcapacity in the EU where the Eurozone crisis is deepening. Production facilities are moving to emerging markets with prospects for growth and lower costs. (The UK is the thirteenth biggest car producer in the world; Iran is twelfth.)

Being a member of the EU, and thus part of the Single Market, is often perceived as one of the most attractive reasons for investing in the UK's automotive industry. However, this paper shows that there are other important reasons why the UK is so inviting to overseas investors.



Ian Milne has been the Director of the cross-party think tank Global Britain since 1999. He was the founder-editor (in 1993) of *The European Journal*, and the co-founder (in 1995) and first editor of *eurofacts*. He is the translator of *Europe's Road to War* by Paul-Marie Coûteaux and the author of numerous pamphlets, articles and book reviews, mainly about the relationship between the UK and the European Union. His most recent publications are *A Cost Too Far?* (Civitas, July 2004), an analysis of the net economic costs and benefits for the UK of EU membership; *Backing the Wrong Horse* (Centre for Policy Studies, December 2004), a review of the UK's global trading arrangements and options for the future; *Lost Illusions: British Foreign Policy* (The Bruges Group, December 2007), which assesses UK foreign policy since 1945 and suggests how it could become more effective; and *Time to Say No* (Civitas, October 2011) which examined alternatives to EU membership for the UK. He graduated in engineering from Cambridge University and in business administration from Cranfield. His business career was in industry and merchant banking in the UK, France and Belgium.

Table of Contents

Summary

Glossary/Abbreviations

UK Withdrawal from the EU: Legal/Constitutional and Economic Realities, p.02

The World Car Industry, p.04

What if, despite everything, the EU declined to enter into an FTA with the UK post-withdrawal?, p.06

Statistical Appendix:

Table A: Eurozone's Top Three Export Markets in 2011, p.07

Table B: Top Three Suppliers to the Eurozone in 2011, p.07

Table C: World Production of Cars in 2011, p.07

Table D: Imports of Cars into the UK in 2011: Analysis by Manufacturer, p.07

Table E: Exports of Cars from the UK in 2011: Analysis by Manufacturer, p.08

Table F: UK Domestic Car Market: Consumption in 2011 by Manufacturer, p.08

Table G: Imports of Cars into the UK in 2011: Analysis by Country of Origin, p.09

Table H: Exports of Cars from the UK in 2011: Analysis by Country of Destination, p.09

Table J: Goods Exports to EU/non-EU in 2010, p.10

Table K: 2011 UK Trade Balance in Cars: Analysis by Country, p.10

Table L: 2011 UK Trade Balance in Cars: Analysis by Manufacturer, p.11

Table M: UK Trade Balance in Goods: EU/non-EU/World, p.11

Methodology, p.12

On UK withdrawal, a Free Trade Agreement (FTA) with the EU would be highly likely. If a trade agreement failed to materialise, the UK would be outside the EU's Common External Tariff (CET) which would make it more costly to export cars to the EU (and vice versa). Even in this 'worst case scenario', there are enormous benefits to be gained for a country in control of its own trade negotiations. Indeed, if the UK were free of the burden of Single Market regulation and no longer having to apply the EU Common External Tariff to its goods imports, it could well attract more rather than less investment from global car groups than at present.

UK Withdrawal from the EU: Legal/Constitutional and Economic Realities

If the UK chose fully to withdraw from the EU, it could find itself outside the EU's Common External Tariff and subject to custom duties at Most Favoured Nation (MFN) rates. If this were the case, the UK would no longer be able to participate in the 'free movement of goods' and would have to pay duties on certain exports to this market (currently around ten per cent for cars). In the same way, the remaining EU member states would lose their duty free access to the UK market.

However, if we examine the current trend in EU trade relationships and their legal foundations, while noting the economic interdependence of UK and EU trade, it seems reasonable to expect that, if the UK left the EU, both parties would want to establish arrangements for bilateral free trade as soon as possible, in which case neither would have to face an increase in custom duties.

Legal/Constitutional

FTAs are encouraged by the Lisbon Treaty. While not set in stone, there are articles in the Lisbon Treaty which encourage the EU to practice 'free and fair trade' and to develop 'a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness'.¹

In fact, FTAs are increasingly sought out by the EU for its trading partners. At present, the EU has preferential trade agreements with 56 non-EU countries, is negotiating with another 77 non-EU countries and is contemplating opening negotiations with a further 9 non-EU countries. That makes 142 countries in total: around 80 per cent of all the non-EU countries in the world.²

Glossary/Abbreviations

Table A, Table B etc. Tables in the Statistical Appendix

BN 75, BN 76 etc. Global Britain Briefing Notes at www.globalbritain.org > Briefing Notes

TTSN Time To Say No: Alternatives to EU Membership, by Ian Milne, Civitas, 2011 www.civitas.org.uk

Ruth Lea: Britain and Europe: a new relationship, by Ruth Lea and Brian Binley MP, Global Vision, 2012, www.global-vision.net

Macro-Economic

In 2011 the UK continued to be the Eurozone's and EU-26's single biggest export customer worldwide, both for all credits on current account (goods, services, income and transfers) and for goods only. (*Table A*)

The biggest trade surplus of the Eurozone (and most probably EU-26) worldwide in 2011 was with the UK. The Eurozone and EU-26 have a massive continuing structural surplus on their trade with the UK, including in cars. (*Tables A and B, BN 75, Table 2*)

The EU's most influential member state, Germany, has a massive continuing structural surplus on its trade with the UK. In the five years 2007-2011, the cumulated German surplus on its trade with the UK was €108 billion. (*BN78*)

Most of the economies of the Eurozone are moving towards or are actually in recession, meaning redundancies, short-time working, lower tax revenues, worsening levels of deficit and debt, and social problems. The Eurozone's existential crisis may take years, even decades, to 'fix'.

The UK is the EU's second-biggest trading nation (after Germany, ahead of France). The EU-26, the Eurozone and Germany all desperately need a healthy, growing British economy with its chronic propensity to import far more than it exports. For the UK, exports of goods to non-EU countries have for the first time, in 2012, overtaken the export of goods to the EU-26. When comparing the growth and potential of markets such as Russia and China to the on-going stagnation of the Eurozone countries and the knock-on effect this has on the rest of the EU, it is not hard to see which markets the UK needs to prioritise.

Post-withdrawal, an EU-UK agreement on free trade is likely

Considering the EU's background in developing trade agreements, combined with the respective often integrated economic positions of the UK and EU, it seems reasonable to conclude that quickly establishing arrangements for bilateral free trade (including cars) on UK withdrawal would be mutually advantageous for both parties.

As to the form such arrangements would take, numerous models or templates exist, both intra- and extra-European, comprehensively documented at the WTO, and extensively written about elsewhere. (*TTSN/ Ruth Lea*)

Post-withdrawal, would car groups pull out of manufacturing in the UK?

The two main French car makers, Renault and PSA (Peugeot-Citroën), are already reducing their production in France, to the dismay of the French government. Renault (of whose global production only 27 per cent is in France) has just opened a sizeable brand-new plant in Tangier, Morocco. This North African country is not, of course, a member of the EU. PSA (in which General Motors has recently taken a minority shareholding) is negotiating the closure of its Aulnay-sous-Bois plant near Paris, as well as laying-off employees at its other plants in France, and focusing its activities on producing low-cost models outside France – most probably outside the EU altogether – for both mature and emerging markets.

In Germany, the decision by General Motors to de-localise production of its new Astra model to Poland and the UK (at Ellesmere Port) has raised eyebrows, though massive de-localisation of production outside Germany is precisely what VW and the other German-owned groups have been doing for decades. General Motors is well aware that UK membership of the EU cannot be counted on indefinitely.

These French and German examples reflect Europe's chronic production over-capacity and illustrate the long-term global trend to site production in low-cost economies (inside and outside the EU) where market potential far exceeds that of mature markets such as those of the original EU member states.

However, the UK's car industry is in a different position to the car industries of other Western European countries. According to LMC Automotive's 'September 2012 West European Car Sales' data, UK car sales are bucking the region's trend and looking much more promising than the rest of Western Europe; September 2012 was the twelfth consecutive month of declining car sales for this region, with the UK as the only country in West Europe with growing sales, up 8.2 per cent on September 2011 figures.³

There are very few 'British' manufacturers that persist in the UK and those that do (such as Morgan) tend to cater for niche markets. The vast majority of the UK's industry is owned by overseas companies. These companies are investing heavily in plant sites and R&D across the UK; 2011 alone saw more than £4 billion worth of investments announced. These overseas investors have breathed life into an industry that was struggling, bringing new models and processes to the table.

As a result, the UK's car industry has adapted and modernised in a way that Germany and France did not need to until recently, and as a consequence the UK's

automobile sector finds itself weathering the Eurozone crisis better than other EU countries and with a stronger foothold in growing, non-EU markets – some foreign car manufacturers (e.g. Jaguar Land Rover) have even announced plans for site expansion in the UK.

Foreign investment is therefore extremely important to the UK's car industry. To assume that leaving the EU would automatically lead to a reduction in such investment is questionable – many of these foreign companies are already significantly invested in car production in the UK. For example, the Japanese firms Nissan, Toyota and Honda have been investing in their UK factories since the 1980-90s, and their exports from the UK are doing well, both Toyota and Honda have recently announced further investments for their UK plants. Single Market membership might be inviting; however, these companies have laid solid foundations for continued and expanding production.

Industry expertise in the UK is world renowned and is not related to UK membership of the Single Market. In 2012, the chief executive of the Society of Motor Manufacturers and Traders (SMMT), Paul Everitt, outlined engineering expertise, workforce flexibility and the UK's motoring heritage as key factors that make the UK an important location for the global automotive industry.⁴

Given these domestic trends, whether or not a country belongs to the EU (which accounts for only five per cent of global population and around 20 per cent of global GDP) is unlikely to be the key determinant in global car groups' decisions on where to site production. If the UK were outside but trading freely with the EU (see above), free of the burden of Single Market regulation, and no longer having to apply the EU Common External Tariff to its imports of all categories of goods, it could well attract more rather than less investment from global car groups than at present.

The World Car Industry

By 1930, the 'globalisation' of this industry, founded in the nineteenth century, was already under way (e.g. Ford and GM in Germany and the UK). Today, car manufacturing is a mature, fully-global industry with heavily-integrated inter-continental supply chains, R&D, manufacturing, exports and imports.

Although customs duties on industrial products worldwide are in low single-figure percentages and tending to zero, the EU 'Common External Tariff' applied to car imports from outside the EU *in the absence of bi- or multi-lateral arrangements for free*

trade is still exceptionally high: ten per cent. Without a trade agreement in place, this in theory would be the level of duty levied on UK car exports to the EU after withdrawing from the Union. However, as reasoned above, it is highly likely that the UK and the EU would conclude a bilateral trade agreement that removed tariffs on cars, especially given the inter-connected supply chain of this industry.

In 2011 the UK was the thirteenth biggest producer of cars in the world, with 2.2 per cent of world output. Germany, with a production of almost six million, and a global share of almost ten per cent, was the third biggest global producer, after China and Japan, and the biggest in the EU. France and Spain both produced more cars than the UK. So did Brazil, Russia, Mexico and Iran. (Table C)

The UK Car Industry in 2011

Basic Data: UK Car Industry in 2011					
Symbol	Description	Quantities	Quantities Rounded	Values £ bn	Average Value per Car
I	Imports	1,862,582	1.9 million	21.4	£11,467
P	Production	2,429,500	2.4 million	38.3	£15,784
E	Exports	1,153,973	1.2 million	19.1	£16,541
C	Consumption	3,138,109	3.1 million	40.6	£12,943

N.B. To provide consistent comparisons between the categories included in this table, data have been collated from the 'Prodcom' series, produced by Office for National Statistics for Eurostat. For further information, please see the methodology below.

See Tables D, E and F below for analyses of imports, exports and consumption using data from the SMMT

UK Car Industry 2011: Average Car Values				
	Intra EU		Extra EU	
	Exports	Imports	Exports	Imports
Value £000's	8,532,005	19,319,715	10,556,039	2,037,659
Volume (number of units)	661,043	1,654,511	492,930	208,071
£ per number of units	12,907	11,677	21,415	9,793

2011: an atypical year?

In 2011, British consumption, production and imports were significantly **lower** than the annual averages for the nine years 2002-2010 inclusive. Consumption in 2003 was a third higher than in 2011. Production in 2004 was almost a quarter higher than in 2011. Imports in 2003 were over a fifth higher than in 2011.

On the other hand, exports in 2011 were only one per cent lower than the average for the previous nine years, and almost 50 per cent higher than in 2009.

It is probably fair to characterise the UK market as ‘mature’, with, at best, modest domestic growth. In the foreseeable future, increases in output from UK plants are likely to come from growth in UK exports to countries outside the EU.

***EU supplies bulk of UK car imports,
but absorbs less than 60 per cent
of UK car exports***

In 2011, 84 per cent of UK imports of cars were from EU-26 countries – primarily Germany. (Table G)

The UK exported 57 per cent of cars to EU-26, Germany being the biggest importer (Tables E and H). 43 per cent of UK exports went to countries *outside* the EU; Russia, the USA and China being the main importers. In terms of value, in 2010, UK exports of cars *outside* the EU were already worth more – £9.5 billion – than UK Exports to EU-26 – £7.8 billion. (Table J)

***UK imports ‘cheap’ cars,
exports ‘expensive’ cars***

In 2011, the average value of each car imported into the UK was £11,467 while the average value of each car exported from the UK was £16,541. To say that the UK car manufacturing industry – almost entirely foreign-owned – ‘imports cheap cars and exports expensive cars’ is no doubt an over-simplification; but to the extent that it is true, the UK consumer thereby gets cheaper motoring, while the UK-based manufacturers enjoy high margins – hopefully encouraging them to keep production in the UK. It is also worth noting that the average value of a car shipped to the EU is £12,907, whereas the average value of a car shipped outside the EU is £21,415.

Ownership

None of the volume car firms which account for almost all of British car imports, exports, production and consumption are British. The only majority British-owned and British-based manufacturers, making ‘speciality’ cars in low volumes, are Aston Martin and Morgan, with a combined production in 2011 of around 5,000 units.

***Balances (surpluses/deficits) on trade
in cars with the UK***

EU-26 countries as a whole exported 799,000 **more** cars to the UK in 2011 than they imported from the UK. EU-26 exports of cars to the UK were 2.3 **times** as big as in the reverse direction. (Table K)

But, in UK trade with the rest of the world (outside the EU), UK car exports significantly exceeded imports, with the **UK surplus** approaching 200,000 units. (Table K)

German groups (principally VW, BMW and Mercedes) were the UK market leaders in 2011 with a combined share of almost a third of the UK domestic market (‘consumption’). The VW Group alone (mainly VW and Audi) had a 19 per cent share. US groups were next with a combined share of 26 per cent, followed by the Japanese with 10 per cent. (Table F)

Germany exported almost half a million (474,000) **more** cars to the UK in 2011 than she imported from the UK, exporting 3.7 **times** as many cars to the UK than she imported from the UK. (Table K)

The VW Group alone exported 374,000 cars from Germany to the UK in 2011; there were none in the reverse direction. (Table L)

The second biggest German automotive group in terms of German-UK trade in cars, BMW, was a **net exporter** from the UK to Germany in 2011. BMW’s British plants produce Minis and Rolls Royces: 156,000 were exported to Germany, while BMW’s German plants supplied 130,000 cars to the UK. (Table L)

US groups were heavy net importers of cars into the UK in 2011: almost half a million imported, 116,000 exported. Imports and exports of Japanese cars into and out of the UK were almost in balance: 114,000 imported versus 108,000 exported. Korean firms exported 117,000 cars to the UK in 2011; none went in the reverse direction. (Table L)

The Franco-Japanese group, Renault/Nissan, owns the Sunderland plant which is the UK’s biggest producer of cars: almost half a million in 2011. Of these, 406,000 were exported. Like BMW, Renault/Nissan was a **net exporter** of cars from the UK in 2011, importing into the UK only 90,000 cars in that year, resulting in a balance in favour of the UK of 316,000 cars. (Table L)

What if, despite everything, the EU declined to enter into an FTA with the UK post-withdrawal?

What would be the consequences for cars?

Such a decision on the part of the EU – Commission, Parliament, European Court of Justice, umpteen advisory committees – could not and would not be taken without the wholehearted support of its most powerful member state, Germany.

Germany's flourishing car industry is perhaps *the* emblematic symbol of German post-war recovery. Any decision by a German government to seriously damage its own car industry is practically unthinkable, but however improbable, let us assume for the sake of this "What if?" exercise, that that is what the German trade federations, the manufacturers themselves, the Chancellery, the Bundestag, the Bundesrat, the regional Länder and, most probably, the German Constitutional Court would all decide to do.

Let us imagine the 'phone call' from the German Chancellor to Martin Winterkorn, CEO of the Volkswagen Group in Wolfsburg, Europe's biggest car maker, announcing the EU decision:-

Chancellor: *'Good morning Herr Winterkorn. I have some bad news for you, and for your employees. Now that the UK is outside the EU, and there's no UK-EU FTA in place, despite the British offer to scrap duties altogether, the EU and therefore Germany will charge ten per cent customs duty on car imports from the UK, and the UK will charge ten per cent customs duty on UK car imports from the EU and therefore from Germany. So, from tomorrow, all of your exports to the UK (374,000 in 2011, including lots of high-end Audis) will henceforth be ten per cent more expensive. What's more, the UK being outside the EU has abolished its duties on car imports from China, Japan, Korea and from all other non-EU countries. It's a pity you've spent 60 years making VW a market leader with a 19 per cent share of the highly-profitable UK market, but that's life. Sorry about all this but that's EU politics for you.....Tschüss!'*

Next, the Chancellor puts in a call to Norbert Reithofer, CEO of BMW in Munich.

Chancellor: *'Good morning Herr Reithofer. I have some bad news for you, and for your employees. Now that the UK is outside the EU, and there's no UK-EU FTA in place, despite the British offer to scrap duties altogether, the EU and therefore Germany will charge ten per cent customs duty on car imports from the UK, and the UK will charge ten per cent customs duty on UK car imports from the EU and therefore from Germany. So, from tomorrow, all of your exports from Bavaria to the UK (130,000 high-end BMWs in 2011) will be ten per cent more expensive, no doubt giving Jaguar cars produced in England quite a lift. Oh, and just to make your day, all those high-margin Minis you produce in Oxford for export to the EU (156,000 in 2011) will also have to bear the ten per cent EU duty, making them significantly less competitive in Germany, France and elsewhere in the EU. As for your Rolls Royces, even wealthy EU buyers might jib at paying the upwards of £10,000 extra that the ten per cent duty will cause. Sorry about the triple whammy, but that's EU politics for you.....Tschüss!'*

The preceding imaginary – and utterly improbable – scenario, indicates that as far as the UK car industry is concerned, even in the absence of arrangements for free trade between the UK and the EU, there is very little downside, and plenty of upside, to being *outside* the EU. As noted above, the value of UK car exports to countries *outside* the EU already exceeds the value of UK car exports *to* the EU. The UK, as a substantial net importer, with no significant British-owned manufacturers, could optimise its citizens' economic welfare by abolishing customs duties on imports from all non-EU countries, and focus the country's export energies on the 95 per cent of global population and the (soon to be) 85 per cent of global GDP which lie *outside* Continental EU.

Statistical Appendix

Table A:
Eurozone's Top Three Export Markets in 2011:
€ bns

	All Credits ¹	of which Goods
UK	446	232
USA	376	199
China	150	116

1: Goods, Services, Income, Transfers

Source: Table 2, page S63, ECB Monthly Bulletin, June 2012, www.ecb.int

Table B:
Top Three Suppliers of Imports to Eurozone in 2011:
€ bns

	All Debits ¹	of which Goods
UK	387	186
USA	375	142
China	more than 223	210

1: Goods, Services, Income, Transfers

Source: Table 2, page S63, ECB Monthly Bulletin, June 2012, www.ecb.int

Table C:
World Production of Cars in 2011:
Units

Rank	Country	Quantity '000
1	China	14,485
2	Japan	7,159
3	Germany	5,872
4	Korea	4,222
5	India	3,054
6	USA	2,966
7	Brazil	2,535
8	France	1,931
9	Spain	1,819
10	Russia	1,738
11	Mexico	1,657
12	Iran	1,413
13	UK	1,343
	Others	9,735
	Total: World	59,929

Source: www.oica.net/category/production-statistics/

Table D:
Imports of Cars into the UK in 2011:
Analysis by Manufacturer:
Units

Rank	Firm	Quantity '000	Percentage	
1	VW Group ¹	374	22	EU
2	Ford	265	16	
3	GM ²	230	14	
4	PSA ³	163	10	EU
5	BMW ⁴	130	8	EU
6	Renault/Nissan ⁵	90	5	EU
7	Mercedes-Benz	82	5	EU
8	Hyundai	63	4	
9	Toyota ⁶	62	4	
10	Fiat Group ⁷	59	3	EU
11	Kia	54	3	
12	Volvo ⁸	33	2	EU
13	Mazda	31	2	
14	Suzuki	20	1	
15	Mitsubishi	10	1	
14	Honda	7	-	
15	Porsche ⁸	6	-	EU
16	Smart ⁸	5	-	EU
17	Saab ⁸	4	-	EU
18	Subaru	3	-	
	Others	2	-	
	Total	1693	100	
of which:	<i>EU-headquartered</i>	946	56	
	<i>US</i>	494	29	
	<i>Japan</i>	133	8	
	<i>Korea</i>	117	7	
	<i>Others</i>	2	-	

Source: SMMT 2011 domestic vehicle registrations

Notes:

1. VW Group includes Volkswagen, Audi, Skoda, Seat, Bentley
2. GM = General Motors: includes Vauxhall and Chevrolet
3. PSA = Peugeot SA: includes Peugeot and Citroën
4. BMW includes Mini and Rolls Royce
5. Renault/Nissan includes these two *marques*. In this study control is assumed to be with Renault, and country of origin to be France, even though Nissan is a major Japanese manufacturer.
6. Toyota includes Lexus
7. Fiat Group includes Alfa Romeo, Jeep, Chrysler, Ferrari, Maserati
8. Volvo, Porsche, Smart and Saab manufacture in EU countries, respectively Sweden, Germany, France and the Netherlands. Ownership is Chinese (Volvo), German, [VW and others] (Porsche), (Smart).

Table E:
Exports of Cars from the UK in 2011:
Analysis by Manufacturer:
Units

Rank	Manufacturer	Quantity to EU '000	Percentage to EU	Quantity to non-EU '000	Percentage to non-EU	Total to World	Percentage to World
1	Renault/Nissan ¹	260	42	146	31	406	37
2	Land Rover ²	45	7	148	32	193	18
3	BMW ³	82	13	77	17	159	15
4	GM	116	19	8	2	125	11
5	Toyota	82	13	26	6	108	10
6	Honda	29	5	24	5	53	5
7	Jaguar ²	9	1	27	6	36	3
	Other mfrs	3	-	8	2	11	1
	Totals	626	100	464	100	1091	100

1: Renault/Nissan includes these two marques. In this study control is assumed to be with Renault, and country of origin to be France, even though Nissan is a major Japanese manufacturer

2: Land Rover and Jaguar both owned by Tata

3: BMW exports from the UK consist of Minis plus Rolls Royce cars

Source: SMMT Export by Manufacturer, trading area and country of destination 2011

Table F:
UK Domestic Car Market: Consumption¹ in 2011 by
Manufacturer:
Units

Rank	Manufacturer	Quantity '000	Percentage	
1	VW Group	375	19	EU
2	Ford	266	14	
3	GM	247	13	
4	BMW	167	9	EU
5	Renault/Nissan	165	8	EU
6	PSA	163	8	EU
7	Mercedes	82	4	EU
8	Toyota	82	4	
9	Hyundai	63	3	
10	Fiat	59	3	EU
11	Kia	54	3	
12	Jaguar/Land Rover (Tata)	51	3	
13	Honda	51	3	
14	Volvo	33	2	EU
15	Mazda	31	2	
16	Suzuki	20	1	
17	Mitsubishi	10	1	
18	Porsche	6	-	EU
19	Smart	5	-	EU
20	Saab	4	-	EU
21	Subaru	3	-	
22	Aston Martin	1	-	
23	Perodua	1	-	
24	Others	1	-	
	Total	1941	100	
of which	<i>EU-26 (excl. UK)</i>	<i>1038</i>	<i>53</i>	
	<i>US groups</i>	<i>511</i>	<i>26</i>	
	<i>Japanese groups</i>	<i>197</i>	<i>10</i>	
	<i>Korean groups</i>	<i>116</i>	<i>6</i>	
	<i>Others</i>	<i>80</i>	<i>4</i>	
	<i>German Groups</i>	<i>625</i>	<i>32</i>	EU

Source: SMMT, 2011

Notes:

1. 'Consumption' = new registrations in UK

See also footnotes to Table D above

Table J:
Goods Exports to EU/Non-EU in 2010:
£bns

Commodity	To EU	To non-EU	Total to World
Oil	21.5	9.8	31.3
Electrical Machinery	14.9	10.9	25.8
Mechanical Machinery	11.3	21.5	32.8
Pharma	11.3	11.1	22.4
Cars	7.8	9.5	17.3
Organic Chemicals	4.5	4.4	8.9
Aircraft	3.9	5.0	8.9
Mineral Manufactures	3.4	3.5	6.9
Iron and Steel	3.2	1.9	5.1
Toilet and Cleansing Prep.	2.3	1.5	3.8
Clothing	2.7	0.9	3.6
Vehicles excl. cars	2.6	1.3	3.9
Non-ferrous metals excl. silver	2.6	3.1	5.7
Misc. Metal Manufactures	2.6	2.0	4.6
Beverages	2.6	3.1	5.7
Inorganic Chemicals	1.9	1.6	3.5
Textile Fabrics	1.7	1.2	2.9
Paper and Board	1.6	1.2	2.8
Cereals	1.5	0.5	2.0
Metal Ores and Scrap	1.5	2.7	4.2
<i>Sub-total: 20 categories above</i>	<i>105.4</i>	<i>96.7</i>	<i>202.1</i>
Other categories	36.8	26.8	63.6
TOTAL EXPORTS	142.2¹	123.5¹	265.7¹

1. These figures correspond to The Pink Book 2011's figures for total goods exports in calendar 2010

Table K:
2011 UK Trade Balance in Cars (Imports into UK minus Exports from UK) Analysis by Country:
Units

How to read this table: Column 1 lists the countries *from which* cars (in Column 2) are imported *into* the UK. Column 3 shows the number of cars exported *from* the UK and their destinations (Column 1). Column 4 shows the "balances": Column 2 minus Column 3. The plus sign, +, indicates that the balance is in favour of the country exporting to the UK. The minus sign, (), indicates that the balance is in favour of the UK: for example, that the UK exports *to* Italy 77 thousand *more* cars than she imports *from* Italy.

Column 1	Column 2	Column 3	Column 4
Country	Imports into UK, '000 units	Exports from UK '000 units	Balances, '000 units
Germany	651	177	+ 474
Spain	192	54	+ 138
France	167	100	+ 67
Czech R.	113	5	+ 108
Poland	93	23	+ 70
Belgium	77	23	+ 54
Slovakia	38	1	+ 37
Italy	23	100	(77)
Sweden	18	13	+ 5
Hungary	17	4	+ 13
Austria	16	16	-
Portugal	13	14	(1)
Other EU	7	(96)	(89)
Total EU-26	1425	626	+ 799
Non-EU	268	464	(196)
WORLD	1693	1091	+ 603

Source: SMMT, 2011

**Table L:
2011 UK Trade Balance in Cars (Imports into the UK
minus Exports from the UK) Analysis by Manufacturer:
Units**

How to read this table: Column 2 lists manufacturers with their country of origin (Column 1). Column 3 gives their exports *to* the UK; Column 4 their exports *from* the UK. Column 3 minus Column 4 gives “Balances”. The plus sign, +, indicates that the balance is in favour of the firm exporting *to* the UK. The minus sign, (), indicates that the balance is in favour of the UK-based firm exporting *from* the UK.

Column 1	Column 2	Column 3	Column 4	Column 5
Country	Manufacturer	Imports into UK, '000 units	Exports from UK, '000 units	Balances '000
Germany	VW Group	374	zero	+ 374
USA	Ford	265	zero	+ 265
USA	GM	230	116	+ 113
France	PSA	163	zero	+ 163
Germany	BMW	130	156	(26)
France/Japan	Renault/Nissan	90	406	(316)
Germany	Mercedes	82	-	+ 82
Korea	Hyundai	63	-	+ 63
Japan	Toyota	62	108	(46)
Italy	Fiat Group	59	-	+ 59
Korea	Kia	54	-	+ 54
China/Sweden	Volvo	33	-	+ 33
Japan	Mazda	31	-	+ 31
Japan	Suzuki	20	-	+ 20
India	Jaguar/ Land Rover	-	229	(229)
Others	Others	37	76	(39)
TOTALS		1693	1091	+ 603
<i>of which</i>	German firms	585	156	+ 430
	French firms	254	406	(152)
	Italian firm	59	-	+ 59
Big EU:	D + F + I firms above	898	562	+ 336
	US firms	494	116	+ 378
	Japanese firms	114	108	+ 5
	Korean firms	117	-	+ 117

Source: SMMT, 2011

**Table M:
UK Trade Balance in Goods
Surpluses + and Deficits (): EU/Non-EU/World
£bn**

Commodity	With EU	With non-EU	With World	Rank
Electrical Machinery	(12.5)	(12.7)	(25.2)	1
Clothing	(0.7)	(10.5)	(11.2)	2
Vehicles Excl. cars	(4.6)	(0.7)	(5.3)	3
Oil	+ 13.3	(18.0)	(4.7)	4
Non-Ferrous Metals excl. silver	(0.5)	(4.0)	(4.5)	5
Aircraft	+ 2.6	(6.7)	(4.1)	6
Paper and Board	(3.0)	(0.1)	(3.1)	7
Cars	(10.5)	+ 7.8	(2.7)	8
Misc. Metals Manufactures	(1.0)	(1.3)	(2.3)	9
Textile Fabrics	(0.4)	(1.0)	(1.4)	10
Top Ten Deficits above with the World	(17.3)	(47.2)	(64.5)	
Pharma	+ 1.6	+ 5.6	+ 7.2	
Mechanical Machinery	(3.4)	+ 7.5	+ 4.1	
Beverages	(0.7)	+ 1.8	+ 1.1	
Metal Ores and Scrap	+ 1.5	(0.4)	+ 1.1	
Inorganic Chemicals	+ 0.5	-	+ 0.5	
Cereals	(0.4)	+ 0.5	+ 0.1	
Top Six Surpluses above with the World	(0.9)	+ 15.0	+ 14.1	
Other goods categories	(25.7)	(22.5)	(48.2)	
TOTAL SURPLUSES/ DEFICITS	(43.9)¹	(54.7)¹	(98.6)¹	

1. These figures correspond to The Pink Book 2011's figures for total surpluses and deficits in calendar 2010

Sources of Data

Table G2: UK's Top 30 Export and Import Commodities in 2010 by SITC (R3) Division, page 70, April 2011 issue, published 14.6.11 by the Office for National Statistics, www.statistics.gov.uk

Table G2 does not break down exports and imports as between EU-26 and non-EU countries. But two Written Questions, HL 296 and HL 298, lodged by Lord Pearson of Rannoch in the House of Lords, elicited a Written Answer on 23rd May 2012 from Lord Wallace of Saltaire which provided the EU/non-EU breakdown.

Because of differing ONS commodity definitions on the export side and the import side, and subsequent revisions, the values of individual flows of commodities reported in the Written Answer and summarised in Tables A, B and C above do not exactly match those set out in the ONS's Table G2; but they are close.

The Pink Book 2011 was published by the Office for National Statistics on 23rd November 2011: www.statistics.gov.uk > Economy > Balance of Payments.

Global Britain Briefing Note No 75, "92% of the UK Trade deficit in the last five years was with EU-26", summarises the *Pink Book* geographical breakdown of exports, imports and surpluses and deficits in calendar year 2010, at www.globalbritain.org > Briefing Notes.

Methodology

This study is a snapshot of one year only: 2011. The main measure used is that of 'quantities of cars' ('units') produced, traded and consumed in 2011. A secondary measure is that of the overall value in sterling of cars imported into and exported from the UK.

In looking at 'quantities of cars', a small inexpensive car is counted as one unit; so is a 'luxury' car costing ten or twenty times as much. (Most of the big manufacturers produce models across the range from 'inexpensive' to 'luxury', though in different proportions.) Very occasionally, when the geographical breakdowns of exports provided by a manufacturer to the SMMT are not precise enough, we have made minor compensatory adjustments. One or two of the manufacturers may also include 'small vans' in their data on 'cars'. Specialised racing cars, and commercial vehicles such as buses, coaches, trucks and fire engines, have been excluded from this study.

Sources for production, consumption, import and export comparison

To provide consistent comparisons between categories, data have been collated from the 'Prodcum' series, produced by Office for National Statistics for Eurostat. They will not match exactly with other sources, such as the Society of Motor Manufacturers and Traders, because of differences in classification. The limits of a 'car' could be anywhere between a golf buggy and although mainstream cases will be obvious there are differences around the edges of the definition.

The following categories have been included out of the ProdCom classification. They can be summarized as petrol, diesel and electric/hybrid cars.

29102100 (CN 87032110 + 87032210) – Motor vehicles with a spark-ignition internal combustion engine not exceeding 1500cc EXCLUDING: – those for carrying 10 or more people

29102230 (CN 87032319 + 87032410) – Motor vehicles with a spark ignition internal combustion engine greater than 1500cc EXCLUDING: – goods vehicles – motor caravans – those for carrying 10 or more people

29102310 (CN 87033110) – Motor vehicles with a diesel or semi-diesel engine not exceeding 1500cc EXCLUDING: – those for carrying 10 or more people

29102330 (CN 87033219) – Motor vehicles with a diesel or semi-diesel engine greater than 1500cc but not exceeding 2500cc EXCLUDING: – motor caravans – those for carrying 10 or more people – goods vehicles

29102340 (CN 87033319) – Motor vehicles with a diesel or semi-diesel engine greater than 2500cc EXCLUDING: – motor caravans – those for carrying 10 or more people – goods vehicles

29102400 (CN 870390) – Other vehicles for carrying people n.e.c INCLUDING: – vehicles with an electric motor EXCLUDING: – snowmobiles, golf cars and similar vehicles – vehicles for carrying 10 or more people – with internal combustion engines

Data on numbers of cars ('units') is from the prime British automotive trade federation, the Society of Motor Manufacturers and Traders (SMMT). Data is analysed on imports, production, exports and consumption of cars; on the ownership and nationality of main groups; on trade in cars to and from EU-26 countries (EU countries less the UK) and the rest of the world ('RoW'); on customs duties ('tariffs') and other distortions to trade.

Notes

- 1 The Treaty of Lisbon, Articles 3 and 8, available online at: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2007:306:SOM:EN:HTML>
- 2 The European Commission, Map of Bilateral and Regional Trade Agreements, June 2012, available online: http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149622.jpg
- 3 LMC Automotive, 'European Monthly Sales Report, September 2012' <http://lmc-auto.com/public-data/> (need to register to access data)
- 4 Paul Everitt, 'Good News: Britain Engineering Makes UK an Automotive Hotspot', The Telegraph, 06/08/2012 <http://www.telegraph.co.uk/finance/good-news/9457077/Good-News-Britain-Engineering-expertise-makes-UK-an-automotive-hotspot.html> [08/12/2012]

CIVITAS is an independent social policy think tank. It has no links to any political party and its research programme receives no state funding.

The aim of CIVITAS is to deepen public understanding of the legal, institutional and moral framework that makes a free and democratic society possible.

Our object is to revive civil society, that network of voluntary social institutions, charities, mutual aid organisations and other collective bodies that lie between

the individual and the state. We believe that in social affairs the alternatives to government are not exhausted by commercial services alone.

We have established a reputation for work on social issues that transcends party boundaries. Our authors examine, analyse and report on views about the best way forward on particular issues. The object is to raise the quality of informed debate. For further information about CIVITAS and how you

could become a member, please email us at info@civitas.org.uk or call +44 (0)20 7799 6677.

CIVITAS: Institute for the Study of Civil Society
55 Tuffon Street
London SW1P 3QL
Phone: +44 (0)20 7799 6677
Fax: +44 (0)20 7799 6688
Email: info@civitas.org.uk
Charity No. 1085494