

UK Economy

“Dispelling the Myths”

- *Every day we read stories in the newspapers about companies going bankrupt because they can't access finance.*
- *Every day there are programmes on television about factories closing down because they can't get export credit. Every day there are interviews on the radio with small firms that are driven to the brink because customers are tightening their belts.*
- *If you based your sole understanding of the UK economy on what you read and hear at the moment, you could be feeling depressed. However, you'd also be very ill-informed.*

But, there are a succinct set of facts about the UK economy and UK Public Limited Companies, which contradict with those myths:

Historical Background & the Importance of Trade

The industrial revolution began in the UK. It centred on the production of textiles resulting in the creation of the first factory. Transport innovation in the guise of the steam engine then meant that textiles could be distributed all around the UK and - when supply outstripped domestic demand - exported. In the 19th century Britain was the 'workshop of the world'; - UK finished goods were produced so efficiently; they could out-manufacture almost any other market.

Britain's economy has always had its foundations in trade, a natural consequence of being an island, having a strong naval tradition and global linkages. Centuries ago, Canary Wharf, now an iconic image representing the heart of international finance, was a series of ports, bringing in produce from all over the world; cotton and spices from East India and fruit from the Canary Islands. The UK economy remains highly globalised and ranks as the 4th most open economy in the world, and its future is dependent on remaining open.

Danger of Protectionism

In times of economic hardship it is tempting for countries to put up barriers to trade, artificially protecting domestic industry from the harshness of international competition. This approach could not be more dangerous for the UK. The economy's

ongoing success relies on remaining open when no country in the world can be fully self-sufficient.

Imposing tariffs on other countries' goods and services only creates artificial distortions in the global economy, which result in poverty and inequality. It is also not in the best interests of UK economy, which has benefited so much from its ability to export and attract foreign investment. Trade is essential to the prosperity of the world economy and remains one of the main avenues open to increase productivity and growth. Remember that the protectionism that followed the 1929 Wall Street Crash ensured the protracted nature of the Great Depression.

Dispelling the Myths – Killer facts about the UK economy

There are many who continue to downplay the UK, saying that the UK “has no industry”; they could not be more wrong...

- In fact, the UK is the world's 6th largest manufacturer and manufacturing accounts for more than half of its exports. UK actually manufactures more than France does and UK's manufacturing is high-tech, high-skill and high-end.
- Take the example of the Airbus A380 – the largest, most advanced and environmentally friendly commercial aircraft ever made – which is more than one third produced in the UK: the wings and the engine.
- Yes manufacturing has declined during the downturn in the UK but it is declining globally and UK manufacturing from January 2008 to January 2009, fell less than in Germany, Japan and France.
- And prior to the credit crunch, manufacturing was two and half times higher in real terms than it was in 1950. UK manufacturing has been growing for the past half century, not declining.
- UK has a highly diversified economy founded on a wide spectrum of industries. 75% of the Fortune 500 companies have offices in London.
- According to the Economist Intelligent Unit, the UK will continue to have the strongest business environment of all major European economies up to 2012.
- The World Bank ranked the UK 6th globally for ease of doing business.
- Between 1997 and 2007, UK GDP expanded by around 33%. This compares with around 12% in Japan, 17% in Germany, 26% in France, and 32% in the US.
- The world's economies look up to the UK for its advance engineering; low carbon solutions; creative industries; life sciences; services industries; energy; research & development; Information & Communications Technology; defence & security; and inward investment.

The strength of the UK Trade & Investment Proposition

- UK Trade & Investment (UKTI) is the Government organisation that supports both companies in the UK trading internationally and overseas enterprises seeking to locate in the UK.
- UKTI builds the capacity of UK exporters by offering strategic advice, political support in overseas markets, introductions to key contacts, help overcoming market barriers and raising companies' profiles overseas through a whole array of events.
- Research by UKTI shows that companies who export are about 11% more likely to survive. UKTI has a window of opportunity with a weaker pound, which makes UK's exports even better value for money. This is a chance to set up new export markets for domestic companies who have only looked domestically in the past. And it's a great opportunity for existing exporters to consider a more diverse set of markets, including emerging markets.
- Estimates by UK businesses of the value of additional profit attributable to help provided by UKTI totalled some £3bn during 2007-08 or £16 additional profit for every £1 spent on delivering UKTI trade services.
- For international businesses currently outside the UK or firms who have chosen to locate in the UK, UKTI is an investment multiplier working with them at all stages of their decision cycle. UKTI's global network of 2,300 employees in 99 countries ensures investing companies receive the guidance, support and help they need. In UKTI, they have a partner who has worked with thousands of companies over the years and has an unsurpassed level of knowledge and expertise.

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