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THE EUROPEAN JOURNAL

THE JOURNAL OF THE EUROPEAN FOUNDATION



Lord Blake
The Conservatives' Duty on Europe
&
Rodney Leach, Dr John C. Hulsman and Maciej Giertych

ALSO: WHY E-COMMERCE MAKES EMU REDUNDANT

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Renegotiation: Real Negotiation, or …

On the 13th of March, the title of *The Daily Telegraph*'s leader was, at long last, simply "Renegotiate". The popular press is finally beginning to champion the only sensible option on Europe – making the choice, as *The Telegraph* put it, between

"… accepting a single currency, a common legal system, an EU police force and so on; or negotiat[ing] a new relationship with our European allies whereby, within the constant nexus of a free market, we are able to retrieve control over our own affairs."

We must indeed renegotiate almost every aspect of our relationship with the European Union – legitimately, under Article 48 of the Treaty on European Union. At the same time, we must preserve and reform the Single Market. At a minimum, renegotiation is required in the following areas.

EMU: Commentators on European affairs often ignore or overlook the fact that the UK's opt-out from EMU applies only to stage three of the project: the Single Currency. The opt-out does not cover stages one and two, however: the economic rules accompanying the new currency. As Dr Brian Burkitt, Senior Lecturer in Economics at the University of Bradford, pointed out in the December *Journal*, we remain party to the spending caps set out within the Maastricht Treaty including the absurdly titled Growth and Stability Pact. To regain control of our finances we must exchange our pusillanimous opt-out for a clearly worded withdrawal from the whole EMU project.

Whether we want more or less government expenditure, we must have control over the purse strings. The point is democracy.

It is disappointing that we are hearing a series of equivocating statements on EMU. *I* say "never" to the Single Currency. Of special concern is the new but unofficial claim that if the Conservative Party wins the next General Election there would be no referendum on EMU. The party has not ruled out the Single Currency, but clings to a variant of the discredited wait-and-see policy. Yet, to rule out a referendum while we wait and see would deprive the electorate of its democratic right to have their say, leaving EMU entrenched as an option under Maastricht. This is undemocratic, dangerous, and wrong. It is not so much a question of 'being too clever by half', but a question of not being half clever enough.

Schengen: Commentators on Europe often make the same mistake regarding Schengen as they do over EMU: assuming that our opt-out from the project exempts us from it entirely. Just as with EMU, our opt-out from Schengen does no such thing. The Amsterdam Treaty talks about 'when' rather 'if' the UK will adopt Schengen, as well as requiring all new members of the Union to join the project. The Commission is now pushing ahead with the harmonisation of immigration policy in ways that threaten to all but foist Schengen upon us despite our opt-out.

With Schengen as with EMU, we do not want palliative opt-outs but thoroughgoing renegotiation – making clear that we wish in perpetuity to retain control of our borders.

Whether we want tougher immigration controls or not, we must have control over our own borders. The point is democracy.

Agricultural Policy: Comprising over 50% of the Community Budget, the Common Agricultural Policy has been a disaster for UK farmers. Compared to those of continental Europe, the average UK farm is large and efficient and so receives less in subsidy under the CAP. Thus, not only does the beleaguered UK farmer have to cope with the strong pound, the beef ban, and the toughest regulatory requirements in Europe, but also the fact that his competitor's prices are distorted by subsidies. This price distortion feeds a more general economic distortion as consumers' purchasing decisions reward not the genuinely efficient producers so much as the subsidised ones. The outcome is a less efficient farming sector and more expensive food for the UK and Europe as a whole.

Whether we want more or less farming subsidies, we must have control over our own agricultural policy. The point is democracy.

Contributions: As reported in the E-F Research Unit Briefing (page 8), UK contributions to the Union are out of all proportion to our relative wealth. Despite our not being among the richest members of the Union per head of population, we contribute an amount second only to Germany – and this despite a £2 billion a year rebate that France, Germany, and the Commission all want abolished. In seeking to scrap our rebate, they themselves seek renegotiation – so why shouldn't we?

In addition, the European Union currently takes 90% of all duty collected by HM Customs and Excise. Because we transact over 50% of our trade with non-EU countries, we collect far more in duty than any other state in the Union – almost all of it flowing into a Community Budget that the European Court of Auditors have refused to ratify for the fourth year in a row (see December's *Journal*, p.13).

Whether we want higher or lower Customs Duty, we must have control over how it is spent. The point is democracy.

A European policy based upon opt-outs is deeply unsatisfactory. Opt-outs are at best a temporary and at worst a meaningless foundation to policy on Europe. Indeed, in 1997 the European Commission described EMU, with all of its opt-outs and economic rigidities, as "the most highly developed form of flexibility yet devised". Enough said.

Just as big a mistake as a European policy based upon opt-outs is one based upon 'flexibility'. Whether founded upon the Amsterdam definition or the Party's own inchoate definition (both of which William Hague referred to in his speech at Cracow), it is a mistake to confuse flexibility for a doctrine allowing genuine diversity in Europe. Both versions allow so-called flexibility only within the binding legal framework of the entire *acquis communautaire*. If there were proper renegotiation of the Treaties so that the EU was composed of freely co-operating nation states, 'flexibility' would take on a wholly different and understandable meaning.

For all of these reasons we must stay true to Tory tradition and take the courageous option: renegotiating the Treaty on European Union rather than retreating under the guise of 'flexibility' or, as it is known in the Amsterdam Treaty, 'enhanced co-operation'.

As Lewis Carroll put it in *Alice Through the Looking Glass*:
"When I use a word," Humpty Dumpty said in a rather scornful tone, "it means just what I choose it to mean – neither more nor less."

"The question is," said Alice, "whether you *can* make words mean so many different things."

"The question is," said Humpty Dumpty, "which is to be Master – that's all."

Bill Cash, March 2000

For a more detailed account of the dangers of flexibility, please refer to the insert in this edition: 'Flexibility: the slightly longer route to a megastate'. –Ed

Out of the Mouths

by Christopher Arkell

The European Commission has just published its 'five year plan', "Shaping the New Europe: Strategic Objectives 2000 – 2005" [Brussels, 9.2.2000; COM(2000)154 final]. This document is described as a "communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions". Since it is relatively short (12 pages) no page references are given for the following quotations. They can be found very easily by anyone keen to check their accuracy and context.

It is, in effect, the equivalent of the Queen's Speech, except that President Prodi, the person giving it, is no mere figurehead; nor does he intend to leave the implementation of his programme to anything so inefficient and 'traditional' as an elected government. What he says, he and his Commission will do; and he is no doubt congratulating himself that he has no Loyal Opposition, disruptive back-benchers, and awkward upper-housemen to wreck his plans for us and our 300 million fellow EU-'citizens'.

Instead he has his Council, his European Parliament, and his Committees; what he calls the "unique and innovative structures that transcend traditional international co-operation" which the EU's Treaties have put in place. These are now to form the Commission's various public faces, and they will be brought, if Prodi has anything to do with it, very close indeed to the Euro-citizens whom the Commission "exists to serve". In other words, the Commission and its men are about to busy themselves in those corners of our lives where even national governments have feared to poke.

European Commission documents have a special quality in them to which no amount of paraphrasing can do justice. Recently, they seem to have become remarkably Blairite in language and tone. For example, like a New Labour Tone-Clone Prodi speaks of "disenfranchisement" from the "global economy". Commission civil servants have been overheard referring to 'stakeholders' when discussing the Climate Change taxes implementing the 1996 Integrated Pollution Prevention and Control Directive. The Blairising of Commission-speak is the counterpart to the EU-ising of Britain's Lib-Labbery. Though the results are ugly, they will be quoted at length. After all, we may well be living with their effects very soon.

Prodi's over-riding aim is "a new kind of global governance to manage the global economy and environment". This will demonstrate that "the Europe we want [is] the Europe which can show genuine leadership on the world stage". Though Prodi nowhere says as much, the implication behind every assertion of EU power is the elevation of the EU to joint super-power status with the USA. Indeed, the USA is the yardstick by which the EU is to judge its prowess, just as the Soviet Union used to measure the size of its phenomena against those of capitalist Yankeedom. "Our growth performance compares favourably with the United States over the long term. Nevertheless, in recent years United States' growth and employment rates have outstripped those of the Union."

> … the Blairites of all parties in the UK still pretend in public that Prodi doesn't know the meaning of the word 'superstate' …

'Europe' – Prodi nearly always uses this word when he means the EU – will lead the world because its "model of integration, working successfully on a continental scale, is a quarry from which ideas for global governance can and should be drawn." He thereby puts the damned Yankees on notice that Anglo-Saxon-American traditions will not be housing too many world-wide institutions in the future. And at the heart of the EU – where John Major pretended he found the UK? – "The Commission has a pivotal role to play. It is Europe's executive arm, the initiator of ideas and proposals and guardian of the Treaties. The Commission has always been the driving force for European integration."

Prodi's recipe for success has a peculiar flavour to it. Rather like a mid-Victorian workhouse overseer setting out the coming week's tasks to its inmates, he tells us that "the Commission will work in close partnership with the other European institutions and through a careful division of labour with the Member States". The snubbing of the national governments and the subordination of their autonomy to their share of "a careful division of labour" is chillingly incontrovertible. Though the Blairites of all parties in the UK still pretend in public that Prodi doesn't know the meaning of the word 'superstate', there is scarcely a paragraph in Prodi's sermon that does not preach it. "Enlargement must be seen as a factor driving deeper integration rather than a parallel process alongside but detached from it."

Under the heading "Promoting new forms of European governance", Prodi unwittingly exposes the lying drivel of such federasts as Ethical Cook and (Ethnical) Vaz. "The complex challenges ahead call for new forms of European governance. This is not the sole responsibility of European Union institutions. Governments and Parliaments, regional and local authorities are an integral part of European governance. They all have a responsibility in shaping, implementing and presenting policy". The implications are clear. The EU's Great Helmsman cannot do it all alone. He needs lots and lots of little helpers, called in Britain (for example) New Labour ministers, to do his bidding for him. Not the least of their tasks will be propaganda ('presenting policy'), or as our Tone might put it, "Education, education, education!"

Prodi's example of EU governance at its best is nothing if not challenging – the Common Agricultural Policy, "largely implemented by national agencies". As he points out, the national aspect is virtually a sham; "in fact, there is hardly any sector of social and economic activity not affected by European Union policy and legislation, and where authorities in the Member States are not part and parcel of European governance." The CAP is right 'at the heart' of Prodi's New EU. "It is necessary to develop and strengthen the European Model of agriculture in order to increase the competitiveness of this sector, secure its sustainability and promote vital rural areas." This is Prodi at his Soviet best – if something is manifestly corrupt, inefficient, stupid and demoralising, and is demonstrated to be so over decades, reinforce it and tell the world

what a success it always has been and always will be. Anyway, as he says himself: the primary aim is "the establishment of a mechanism for collective governance".

In addition to the CAP, Prodi promises to concentrate his energies on "the core functions". These are "policy conception, political initiative, enforcing Community law, monitoring social and economic developments, stimulation, negotiation and where necessary legislating." The next Inter-Governmental Conference will be the centre of a huge 'stimulation' programme "particularly in view of enlargement". Slipping away from these rather suggestive metaphors, Prodi demands that the forthcoming IGC "must also avoid any dilution of past achievements". William Hague, please note!

After 'stimulating' us all with his IGC, Prodi turns his beak towards the outside world, where "the European Union must provide [itself] with the means to assert itself with a single voice in the world." This is familiar territory to any New-Brit Blairite. One man, one vote (Tone on the London mayoralty); one super-state, one voice (Solana, the somewhat Gilbertian Lord Heeiigh Commissionaarrr for Being Beastly to the Yanks). The immediate target is the UN trough. "The Union is not yet fully represented in international financial institutions or United Nations agencies. This anomaly needs to be corrected." You bet it does – to the great benefit, no doubt, of the bank accounts and air-miles statements of Prodi's finest.

From "global actor" to village policeman – Prodi's EU will be everywhere. "The Commission will shortly present an initiative on how to strengthen civil society's voice in the process of policy shaping and implementation to ensure a proper representation of the [EU's] social and economic diversity at EU level." Roughly translated, this means that the EU will replace all existing institutions in the Member States with itself; one state, one voice, one system – or as a previous advocate of European unity put it earlier this century, 'Ein Volk, ein Reich, ein Fuehrer'.

The new EU will need 'resources'. "Energy will be an essential factor for [the EU's] competitiveness and economic development. The Commission will launch a debate on energy and particularly the issues of sources of supply which continue to have strategic importance." Britain's oil? Scotland's? Sorry, Mr Dewar and Mr Salmond – it's the Commission's. With oil, Prodi' Commissioners can travel around, doing good in those many European trouble-spots traditionally done good to by Western Europeans. "We must take advantage of the new treaty provisions [in the Amsterdam Treaty of 1998] and develop a genuine common foreign policy we must develop our civilian and military capabilities in a common defence and security policy. The Commission intends to play a full role as a political contributor in this process and not just provide technical support. This requires … [amongst other things] the creation of a Rapid Reaction Fund for non-military crises."

This is an interesting proposal. Prodi intends to put away a stash of funds to pay for a mercenary security force, answerable exclusively to the Commission, in case he encounters 'non-military' resistance to his 'governance' from pockets of Euro-plebs. Yet what is there to resist? He is offering the speedy completion of an "area of freedom, security and justice" in which he will grant all of us docile enough not to be beaten up by his mercenaries a "European Charter of Fundamental Rights" – excluding trial by jury, habeas corpus, innocence until proved guilty and the rule against double jeopardy, of course.

Life in the 'area', or 'zone' as Tarkovsky might have called it, will be enlivened by "a new economic dynamism". Labour, product and capital markets will be "reformed by a rigorous application of competition rules and by further progress in the co-ordination of tax policy." For the UK this means higher taxes, and subsidies to the Continent's competitor industries but not to UK-based operations like Rover. As a good European, Prodi cannot help but acknowledge his debt to one of Britain's few 'good Europeans' of international stature – Robert Maxwell. His Commission will "make pensions safe and sustainable through a combination of employment-generating reforms, increasing the revenue base, and reviewing retirement systems." Again, a translation for UK residents is necessary. Pension rules are likely to be Euro-harmonised, in effect transferring the surpluses on UK private pension funds to pay for the catastrophic deficits on public and private sector pension funds on the Continent. Brown, our own stalwart protector of Maxwell's little help-yourselfers on New Labour's government benches (Lord Donoghue, Helen Liddell, Geoffrey Robinson) pulled the same trick in his first budget, when he diverted 20% of the income of Britain's private pension funds to pay for his 'jobs for the boys' programme. And it worked. Apart from Robinson, all his boys and girls have kept their jobs in Blair's government.

Of course, Mr Prodi's pensions, like Maxwell's will need a little assistance from the euro-public's purse. "Increasing the revenue base" suggests a Euro-pension tax or contribution, which will be so manipulated as to provide the unlucky contributor no more than a nominal pension, paid in 'wooden' euros when he has ended his working life contributing to Prodi's new model CAP fund and other administocratical wheezes. However, it seems even that retirement day may be postponed – "reviewing retirement systems" is suspiciously akin to the Blairite determination to 'review' the age at which the UK old age pension can be drawn In the UK that age will almost certainly be increased. "The five years of the Prodi Commission will be a period of great change. Europe will become more closely integrated." This is Prodi's straightforward conclusion to his instructions to the lieutenants in the EU. There are many in Continental capitals who will leap enthusiastically to his ranks; ready to do as much marching ahead, catching of buses, boarding of trains, forging of things here and there as is necessary "to give shape and force to the New Europe". There are, notoriously, enough people in those same capitals always ready to give "Force" to as many New Europes as there are podium-stompers to dream of them.

Sadly, we in Britain are no longer governed by our own laws, but by a set of characters in search of a pay-off. Blair, Brown, Mandelson, Cook, and all the minor figures that nest in them, like matrushka dolls, can't wait to junk the UK into Prodi's Euro-trash. Good Marxists as they each were, they remember Lenin's comment about the rubbish bin of history. That is the future they have in mind for their fellow country-men. Blair's Britain – Prodi's 'Europe' – a New Wasteland. Time to shore up some fragments.

Christopher Arkell is Editor of London Miscellany *and an accountant specialising in tax.*

The Conservatives' Duty on Europe

by Lord Blake



The government says that Britain will only join the euro if five economic criteria are met. The gist of them is the convergence of the British economy with some sort of ill-defined European level instead of the American economy which tends to be the pattern it currently follows. The Chancellor agrees that euro convergence is not at present above the horizon. The government will decide when the sun has risen. To vary the metaphor, how long is a piece of string? Brown and Blair will agree on the length when they can put it to a referendum they are sure of winning.

In fact the euro is not only an economic question. On that aspect opinion, financial, commercial and academic, is deeply divided. But, far more important is the political side of the question. Tony Blair has said that he saw no 'constitutional' difficulty. His vision must be remarkably myopic. National identity is a constitutional question if ever there is one. And on this there is no doubt where the continental Europhiles stand, heavily reinforced by corrupt 'slush' funds. The euro is the first item on the agenda of an essentially political programme. The creation of a federal European superstate analogous to the United States of America.

The apostles of the euro, Craxi, Kohl and Mitterrand, never concealed their objective. Nor did Jacques Delors who infuriated Margaret Thatcher by predicting that 80 per cent of all the decisions which mattered in the European Union would soon be taken in Brussels. And the new Chairman of the Commission backed by Tony Blair is in no doubt where he stands. Signor Prodi is an out-and-out federalist. Why disbelieve these repeated declarations? But why agree with them? Why embark on a voyage which would leave Britain in the same relation to Brussels as Texas to Washington?

In 1975 when the British voted in the referendum in favour of staying in the EEC, they were not voting for membership of Euroland. They were voting for a free trade Europe of nation states. Perhaps they did not look closely enough at the small print about 'ever closer union'. There is no excuse 25 years later for blinding ourselves to the objective of those who in Brussels, Rome, Paris and Berlin are pressing Britain to abandon the pound. Countries adopting a common currency have seldom retained political sovereignty. A good example was the separate kingdoms, principalities and duchies which after 1871 became the federal empire of the Kaiser's Germany.

It is sometimes argued that the pre-1914 gold sovereign was a *de facto* common currency which did not bring an end of the nation states. So why worry about the euro? There is a crucial difference. The countries which accepted the gold sovereign could change their minds and pull out whenever they wished. But there is no such option in the case of the euro. Those who join it are irrevocably locked into the exchange rate at which they join. Britain would be no more able to pull out of the euro than California out of the dollar. Euroland levels of interest and taxation would inevitably prevail, and the power to change national economic policy would soon dwindle. And this of course is just what the supporters of 'closer union' want.

The concept of a Euroland modelled on the USA is deeply flawed. The thirteen states which came together had only been independent for a few years. English was their language, and English common and constitutional law their inheritance. Even with all these assets the Union only survived after one of the most bloody and brutal civil wars in history. The European situation is totally different. The countries of the European Union have long histories of independent existence as nation states. The Napoleonic conquests left in some of them

a limited degree of institutional similarity. But French has not become the *lingua franca*. Ironically, if there ever is one it will probably be English, though for reasons that have nothing to do with closer union. And England was never conquered by Napoleon – or Hitler.

The two major political parties are ambivalent. The Liberal Democrats are not. They are clear and wrong. They are believers in Euroland and to hell with the pound. Labour, whether New or Old, is torn by doubts. Committed to a referendum on the euro which even the most slippery prime minister since Lloyd George cannot avoid, Blair is bound to put it to the vote. Bound, that is to say, if he really wishes to join. But what does he really wish, apart from winning the next election? The euro is not a vote-winner. Opinion polls can be an unreliable guide. But if they mean anything at all the supporters of the euro have a mountain to climb.

The Conservatives seem no less ambivalent. The policy of 'wait and see' is futile – a feeble effort to appease yesterday's men like Heseltine, Clark and (Chris) Patten. There is nothing to wait for, except fulfilment of Gordon Brown's economic criteria. The critical issue is not economic, it is political. There is no need to wait and see what the Europhiles' purpose is. A federal superstate is their avowed aim. The Conservatives should declare categorically here and now that they repudiate the whole concept and that British sovereignty should never be imperilled for short term economic advantages even if there are any – which is very doubtful.

"I have always considered that the Tory party was the national party of England", Disraeli, perhaps a bit tactlessly, said to an Edinburgh audience in 1872. Churchill and Margaret Thatcher will always be remembered as exemplars. People knew where they stood. One must hope that William Hague will proclaim the same message clearly and unambiguously.

There is a great gap in history, tradition and attitude between Britain and the fourteen EU countries. To admit this is not to be xenophobic but to face facts, and to recognise that British sovereignty cannot exist in a federal Europe. We can co-operate with a free trade Europe, if it is genuinely one of free trade. But this may mean renegotiating the Treaty on European Union.

Confidence in the euro is at the moment ebbing. It may be that Blair and Brown will shoot Hague's fox by putting the referendum indefinitely on hold. It would be a shrewd political move, and Hague would be wise to have other strings to his bow. But he ought to welcome any sign of Labour coolness towards the euro even if it harms his electoral prospects. The nation is more important than the party.

Lord Blake is author of The Conservative Party from Peel to Major *published by Heinemann and available in all good bookshops.*

€ EUROWATCH

It has been unfortunate for the euro that it was launched into an exceptional period of sustained and high growth by the US economy. In the fourth quarter of 1999, GDP grew at an amazing 6.9% compared with 2.2% for the euro-11 countries. The outlook for the Eurozone economies is nevertheless encouraging. GDP is forecast to grow by 3.2% in 2000 while inflation is forecast to remain below the target 2%, despite higher energy prices and import costs. European equities have recently experienced a strong revival indicating market optimism on Europe's longer term economic prospects.

None of this, however, has proved sufficient to reverse the euro's steady downward slide against the dollar. Large capital outflows from the Eurozone continue to undermine the single currency. Over the course of 1999, a total €147 of direct foreign investment has flowed out of Europe. Indirect capital flows, those relating to shares and investments, have been far greater. Recently, Japanese institutions have been closing out their euro positions in order to realise capital losses for their financial year end on March 31st. The massive inflow of over €100 billion as a result of the Vodaphone/Mannesmann merger earlier this year partly offset this but there is the prospect of a further €80 billion outflow if Deutsche TeleKom succeeds in its bid for either US West or Qwest. The size of these mergers is so great that they have a direct effect on currency values.

All of this makes it difficult for the ECB to know how to respond. It is charged with the responsibility only of maintaining monetary and inflation rate targets but, for the first time, Europe's Central Bank is showing signs of concern over the euro's weakness. The Bank's base rate increase in November from 2.5% back to its original 3% was justified on the grounds that M3 was growing too strongly but the further rise to 3.25% in February was viewed as an attempt to support the euro. The ECB officially has no targets for the exchange rate but the fact that the increase was implemented a week after the euro had fallen below parity with the dollar suggests that this was a reaction to the currency's weakness. It would be difficult to define a target given that the euro is an artificial currency created at an arbitrary rate. In the six months before its introduction, the Deutschmark had risen quite strongly in the anticipation that the euro would be a strong currency. Its subsequent weakness may be, in part, due to a correction of DM having been overbought. There is no doubt, though, that a rate above parity with the dollar is a psychological target.

Sterling too has been weak against the dollar. Only the yen has been stronger but mainly because of technical reasons to do with Japanese institutions repatriating funds ahead of their financial year end. Yet the euro has fallen even against sterling.

The euro seems to be in a no-win situation. All economic news seems to favour the dollar. Strong US growth gives a boost to the stock market and strengthens the dollar. The prospect of the Fed raising interest rates to check overheating in the economy also strengthens the dollar. In contrast, a rise in euro interest rates is viewed as threatening the growth of the Eurozone economy. In any case, interest rate differentials will continue to favour the dollar over the euro.

The booming high tech sector is largely responsible for driving along the rest of the US economy and the momentum is so strong that it may continue to power it for the rest of this year. Europe has a long way to catch up.

Lynette Swift

A Priority for Agriculture

by Allan Lloyd

Speaking to a group of angry Herefordshire farmers in February 1998, Ben Gill, now President of the National Farmers' Union, talked proudly of his frequent trips to Brussels to see Mrs Bonino or Herr Fischler or some other potentate. At the end of the meeting I suggested that, given the mounting crisis in farming, perhaps it would be better to renounce the Common Agricultural Policy altogether and reclaim control of our own agriculture. Startled by such heresy he turned and fixed me with a surprisingly cold stare: "That is not an option."

But the need to question our involvement with the CAP has been around ever since Britain joined the Common Market. At that time smart farming opinion felt that ours would be the role model for the whole Community. "We really believed", one farmer told me recently, "that because our deficiency payment scheme was so much better it would replace continental subsidy support in a couple of years. Then we could have moved towards a free market while we had the chance." Not so, of course. What that wise farmer did not know, and the British people have still not properly been told, was that we had no say in the matter. The Common Agricultural Policy, like all the foundation stones of European integration, was wholly non-negotiable. We had joined the club, and club rules were inviolate.

When considering the CAP it helps to understand its origins. The policy was conceived as a political instrument to 'buy off' the influence of small farmers in Europe who were unable to compete with efficient, world class producers such as our own. The idea was to use production subsidy to raise the farmers' living standards to an acceptable level. This was particularly important to France, whose large peasant farmer caste still wields a significant vote. As the power of European integration lies in the Franco-German axis, this was not difficult to bring about, and Germany also benefited politically from the effect of the Policy on the Bavarian smallholder. The fact that he tends (enterprising chap) to go to Munich during the day to make BMWs doesn't diminish his enthusiasm for support.

However, it was with the arrival of the 'Club Med' countries that the CAP really hotted up. Their relaxed views on public conduct and the distribution of public money, so natural to themselves, are the antithesis of Anglo-Saxon probity. Where a broad river of subsidy flows there is plenty of room for the pleasure-craft of fraud. Here was a milch cow that didn't actually involve having to milk any cows. The apocryphal stories are money: the vast tonnage of Spanish apricots whose only beneficiaries were the local dealers of Caterpillar bulldozers; the acreage of Italian durum wheat that exceeded the land mass of Italy; the olive groves that existed only in the imagination of the Mafia. Probably bizarrest of all is the huge quantity of Greek tobacco fit only to go up in smoke in bonfires rather than Bensons, while the EU seeks to impose the most draconian rules anywhere in the free world to reduce tobacco consumption. Needless to say, the British taxpayer has been a remarkably generous contributor to all these enterprises.

> The effect of the CAP on Britain has been chaotic rather than corrupt

The effect of the CAP on Britain has been chaotic rather than corrupt. Production subsidy has passed into our language as a fantasy landscape. Vast mountains of butter, beef and grain towered over shimmering lakes of milk and wine. In reality our landscape is glorious and varied. Generations of farming stock have handed down priceless knowledge and understanding of how best to use their own land for sustainable food production. This natural balance was distorted by the corrosive influence of payment for centrally chosen crops rather than support for the crops best suited (by land use and market) to the area. The resulting overproduction of the chosen subsidised crops (creating the mountains) led to the high point of CAP madness in this country – paying farmers to grow weeds. Apart from the demoralising effect on the farmers themselves (farmers want to produce food – that's why they're farmers), the setaside scheme probably did more than anything else to poison the image of farming in the mind of the urban majority.

British agriculture has been taken on a rollercoaster ride by the subsidy/setaside gluttony of recent times. Input costs shot up to grab a share of the money sloshing around and have hovered vulture-like over beleaguered farmers as commodity prices crashed. The CAP has done nothing to insulate our farmers from stark reality; both food and energy are plentiful and cheap on the world market. Regulated, restricted and demoralised, our farmers are not allowed to compete.

The belief that we can rely on cheap imports and let our agriculture wither is a critically flawed analysis. It makes very dangerous assumptions about world markets that ignore all historical evidence; only fools claim to predict the future with certainty. And shutting down agriculture is not like closing a factory; for all the scaremongering over the evils of agribusiness, farmers really are the custodians of the countryside. Large swathes of derelict land would create public uproar in no time.

The country needs and deserves a thriving agriculture, which maintains the landscape, produces quality food that consumers want and keeps intact the vital resource of people and land in harmony, capable of maximising production in time of want. We are powerless to achieve this under present circumstances, as Agriculture Minister Nick Brown admitted recently in a particularly humiliating television interview. Our agriculture is not so much a nationalised industry as a supranationalised one, controlled from beyond our shores. The need to regain that control and rebuild the confidence of our farmers has never been greater.

The CAP has beguiled and deceived those farmers, alienated them from their own countrymen and cost the British taxpayer untold billions of pounds, most of which didn't go to our farmers anyway. It has utterly failed us.

No. Ben, you're right; getting out is not an option. It's a must.

Allan Lloyd is a landowner and businessman.

RESEARCH ROUNDUP

Research Note: Contributions

The United Kingdom's financial contributions to the European Union can be measured in a number of different ways.† Contribution figures published by the Office for National Statistics' (ONS) *Pink Book* represent the higher end of such measures (£10.8 billion gross and £5.5 billion net for 1998). HM Treasury figures reprinted in last month's *Journal* represent the lower end (£8.7 billion gross and £4.1 billion net for 1998).

It is important to understand that these are not competing but different sets of figures. Treasury figures account only, as their annotation makes clear, for public sector receipts and contributions (the EU pays approximately 90% of receipts, at least initially, to the public sector). ONS figures, on the other hand, approximate UK contributions to and receipts from the EU *in toto*.

The ONS figures include payments by and to organisations outside of the public sector as well as showing other items that do not appear in the Community Budget, such as the European Development Fund. Thus, where bodies such as the Meat Marketing Board receive EU subventions, the funding does not appear in Treasury figures but does appear in those of the ONS.

In addition, the *Pink Book* classifies the UK abatement a credit, whilst the Treasury includes it under gross contributions – thereby reducing the gross contribution (after abatement) figure.

Both the ONS and the Treasury figures should be handled with care. UK contributions to the EU fluctuate greatly year-on-year and so only multiple-year-average figures can be interpreted intelligibly. In addition, because ONS figures are for UK–EU receipts and contributions *in toto*, they contain many transactions pertaining to past and future financial years and therefore do not correlate with the Community Budget of any particular year. For figures that do correlate in this way, one must await the publication of those issued by the European Court of Auditors several months after the Community Budget is released.

Noteworthy is that, whether one uses the Treasury or ONS figures, UK contributions to the EU do not reflect our relative gross domestic product per head. Despite being one of the poorest countries in the Union, our net contributions are second only to Germany's – even after a £2 billion per year rebate that the Commission, in common with France and Germany, wish to scrap. This anomaly has a number of causes, to do both with UK contributions to and receipts from the Union.

Regarding contributions, the UK collects a disproportionately large amount of Customs Duty owing to its comparatively large volume of trade with non-EU states. (The average non-EU trade of the euro-11 is just 13%, compared to 50% for the UK.) 90% of Customs Duty goes directly to the Community Budget – only 10% of it is held back to cover collection costs. For complex reasons, the structure of the UK Value Added Tax base also causes us to pay a disproportionately large amount.

It is in terms of receipts from the European Union that the UK does particularly badly, however. In particular, the UK receives comparatively little from the Common Agricultural Policy (comprising over 50% of the Community Budget) owing chiefly to its comparatively small and efficient farming sector.

† There are five principal measures of UK contributions to the EU: the White Paper *European Community Finance*, published in June; the Financial Statement and Budget Report (FSBR), published in March; the Chancellor's Department (HM Treasury) Report, also published in March; the European Court of Auditors' Report, published in November; and the Office for National Statistics' *Pink Book*, published in September.

Farming Payback

14 of the EU's 15 Member States have been ordered to return a total of £165 million in 'misallocated' EU grants to the farming sector. France must make the largest single repayment, £65 million, followed by Italy who must repay £50 million. The UK Government must repay £13 million.

Europe's Constitution

The Constitutional Affairs Committee of the European Parliament has voted in favour of the proposed Fundamental Charter of Rights being made justiciable before the European Court of Justice (ECJ). The Committee called for the Charter to become "the central element of a process giving the European Union a constitution."

The UK Government is opposed to the Fundamental Charter of Rights being placed under the jurisdiction of the ECJ, objecting that this would be to remove civil rights considerations from British courts.

Andrew Duff, a Liberal Democrat MEP and one of the two *rapporteurs* on the Charter, warned that "if Britain keeps opposing this, it's going to end up being in a minority of one." The Foreign Secretary, Robin Cook, had intended to limit the Charter to a declaratory statement of ideals rather than a legally actionable set of rights.

Germany is leading the campaign for a Charter-as-constitution, the German Foreign Minister having described anything else as "mere words". Both the Commission and the EU's Portuguese presidency back Germany's position and are seeking to have a legally actionable version of the Charter placed upon the Inter-Governmental Conference agenda.

Business Confidence & Growth

Dun & Bradstreet's latest quarterly survey of world business confidence – the percentage of businesspeople expecting higher sales in the next quarter – has risen for the fourth quarter in a row. The margin between 'business optimists' and 'business pessimists' is at its highest for two years, optimists now outnumbering pessimists by 50%.

In Europe, the biggest rise in optimism was amongst French businesspeople, just 23% of whom where optimists in the second quarter of 1999 compared to 59% in the first quarter of 2000. The second most optimistic businesspeople in Europe are the Dutch, 57% of whom expect higher sales in the next quarter. The UK is below both the world and European averages for business confidence, just 47% of UK businesspeople expecting higher sales.

Like Dun & Bradstreet's survey, the latest Gross Domestic Product growth figures for the past three months dispel myths of a stagnating economy on the Continent. Belgium recorded 5% growth, the Netherlands 4.9%, and France 4.2%. The average rate of growth amongst euro-11 countries was 3.9%, compared with 3.3% in the UK.

Nato v. Paris

Confidential talks between Nato officials and representatives of the European Union's 'defence identity' have resulted in proposals to allow American military officials to sit upon EU military committees. The proposals also call for American military

officials to be allocated permanent offices in EU buildings.

Brokered in part by the head of the Western European Union, Javier Solana, the proposals have angered Paris. French officials equate allowing the Americans access to the EU's fledgling military committees with handing them over to Nato, frustrating Paris' desire for an independent European defence identity. The American military officials to whom the proposals refer are based at 'Shape', Nato's operations centre.

The backing Solana has received from the Portuguese, who currently hold the EU Presidency, has further angered Paris.

In.comtax

European Union proposals have been drafted to impose Value Added Tax on certain goods and services delivered *via* the Internet. The proposals focus upon so-called virtual goods such as music and software which at present can be 'down-loaded' from the Internet tax-free.

The new proposals modify those developed by Germany in 1998. The German proposals would have required a binding multilateral agreement to enforce – an agreement undermined by the defection of any one state. The German proposals would also have required either that consumers disclose their Internet purchases to the tax authorities, or that the tax authorities are set the task of vetting e-mails and/or Internet sites for commercial transactions.

The revised EU proposals require purchasers to pay VAT at the rate current in the seller's country. The incentive to companies trading over the Internet to locate in states with low VAT rates will add to pressure for further European tax harmonisation.

The proposals find a parallel in those drafted by governors of states in the United States. As both the recipients and setters of sales tax, US state governments and their governors have a particular interest in making sure it is paid in full. Efforts by governors to extend sales tax to Internet transactions have fallen foul of a Federal Government moratorium on Internet taxation, however – a moratorium many congressmen wish to make permanent.

Poll Data

A poll conducted by BMRB International found that 45% of its 1,000 respondents agreed with the proposition that the UK should "enter a free market agreement with Europe and trade freely with all Commonwealth countries, but leave the European Union".

24% of respondents agreed with the counter-proposition that the UK should remain within the EU and join the Single Currency, thus giving up the pound. Just 16% supported the proposition that the UK should "leave the EU completely". 61% of respondents (71% of those who expressed an opinion) indicated that they would rather that the UK leave the EU than join the Single Currency.

The Gallup poll reported by *The Daily Telegraph* on the 13th March showed that 75% of the 1018 respondents suveyed between the 1st and 7th of March thought the euro was a failure compared with 16% who thougt it a success (8% did not know).

www.britain-in-europe.org

The European Foundation is proud to announce the launch of "www.britain-in-europe.org": an Internet site devoted to correcting the Britain in Europe group's "out of Europe: out of work" claim.

In their (*re-re*)launch last month – described erroneously on Radio 4's *Today* programme as "the biggest push for Europe since 1975" – Britain in Europe put out the slogan "cut off from Europe: 3 million jobs face the axe." Also last week, the National Institute of Social and Economic Research (NISER) stated that Britain in Europe's use of their research to reach this figure had been "absurd" and that it had been "misunderstood".

In the words of the NISER, "[our] report does not state, and it is untrue, that millions of jobs would be put in jeopardy by withdrawal. Although a large number of jobs are now connected to EU exports and the income which they generate, it is not the case that many of these would be lost permanently if Britain was to leave the EU."

"As the experience of the 1960s indicates, there is no reason why being outside the EU should necessarily involve mass unemployment. Even if there were initial job losses, higher unemployment would put downward pressure on wages and prices so that those losing their jobs could price themselves back into work."

To publicise Britain in Europe's mis-representation of the NISER's report, and to allay fears that British jobs "face the axe", the European Foundation has purchased the Internet address "www.britain-in-europe.org" and devoted it to correcting these mistruths.



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Turning a Blind Eye

by Christopher Gill, MP

On Trafalgar Day in 1998 the Labour Member of Parliament for Rotherham drew attention to a report which had appeared in that day's Yorkshire Post stating that "the Governor of the Bank of England, Eddie George, said that Northern job cuts may be necessary." "I suppose", he said, "that unemployment in the North was an acceptable price to pay for curbing inflation in the South." On the strength of that remark the Member for Rotherham, a staunch European integrationist, went on to call for the Governor's resignation.

Later that day the Labour Member for South Shields raised the matter of the Governor's remarks at Question Time. In response the Prime Minister said that Eddie George was "simply saying that we had to set interest rate policy for the whole of an economy, not merely any one region – that we could not, in other words, differentiate interest rates in different parts of the economy."

The background to Eddie George's reported comments is that in a meeting with regional journalists in the Northeast he had been manoeuvred into a position where he felt obliged to point out that, much as lower interest rates might well be welcome in some regions of the UK, in other regions they would simply prove to be inflationary.

What is so fascinating about those exchanges is that each of the Members of Parliament involved is a protagonist of the single currency and readers of this column will be well aware that the inevitable consequence of single currency is a single rate of interest throughout Euroland and, far from there not being differential interest rates *within* countries, there cannot in fact be differential rates even *between* countries. This seems to be a point of detail that the likes of Denis MacShane, Dr David Clark, Tony Blair and others conveniently overlook.

Another aspect of single currency that gives rise to a structural surplus in hypocrisy is the sheer humbug that is talked about the rate at which the UK could enter the single currency, always assuming that, in the final analysis, it wanted to turn its back on 700 years of Parliamentary democracy and become merely a province of Brussels.

Indeed there appears to be a widespread belief, particularly amongst agriculturists, that if Britain was to join the single currency it would be able to do so at a rate to suit itself. This is simply not the case. The rate at which the UK would be allowed to join the single currency would be as set out in Article 109L(5) of the Treaty on European Union (Maastricht) which states:

"the Council shall, acting with the unanimity of Member States without a derogation [i.e. the member countries of the single currency] and the Member State concerned [in this case, the UK], on a proposal from the Commission and after consulting the ECB, adopt the rate at which the ECU [now the euro] shall be substituted for the currency of the Member State concerned, and take the other measures necessary for the introduction of the ECU [now the euro] as the single currency in the Member State concerned."

That this is so is confirmed to me in a letter from the Governor of the Bank of England dated 20th October 1998, in a PQ answered on 21st October 1998 and in a letter from Lord Simon of Highbury, in his then capacity as Minister for Trade and Competitiveness in Europe, dated 25th April 1998.

More recently, in response to a query from one of my constituents, the Economic Secretary to the Treasury has confirmed that *"the decision on the exchange rate at which the UK would join the single currency would be taken at the time of entry, in conjunction with other participating Member States. Article 123 [ex Article 1091(5)] of the Treaty sets out the procedure by which a decision would be taken."*

It is therefore beyond doubt that the possibility of setting a rate at which to enter single currency to suit our own national interest has never existed and that those who say otherwise delude both themselves and the people they represent.

In a joint Communiqué on the 'Determination of the Irrevocable Conversion Rates for the Euro' dated 2nd May 1998, the Council of the European Union stated, *inter alia,* that:

"For currencies participating in the euro area, the current ERM bilateral central rates will be used in calculating the final official ECU exchange rates which will be adopted by the Council as the irrevocable conversion rates for the euro on the first day of Stage Three."

Any notion that the UK has the option of selecting an arbitrary rate is therefore quite absurd. Furthermore, common sense alone tells us that the other Member States acting either jointly or severally are not likely to agree to a rate which gives Great Britain and Northern Ireland an in-built competitive advantage.

Another fact of life that the European integrationists seem to find inconvenient is that, far from being strong (or weak for that matter), the pound sterling has for some time now been a remarkable stable currency. In this regard it helps to get things into perspective by recognising that the current rate of exchange *vis-à-vis* the dollar is within cents of the $1.66 to the pound appertaining in November 1996. In other words, against the world's major currency, the pound has neither strengthened nor weakened for a significant number of years.

Far from having strengthened the pound has simply maintained its parity against the dollar whilst those countries now in Euroland have caused their currencies to weaken quite dramatically as a consequence of destabilising their economies in pursuit of Convergence. Other features of their determination to adopt fixed exchange rates are all too apparent – high unemployment, economic stagnation and the low interest rate necessary to counteract these unfortunate consequences.

In short, the myopia of the integrationists knows no bounds. They support Economic and Monetary Union but would apparently like differential interest rates, even within individual Member States. They claim that joining the single currency would solve so many of our perceived problems but are blind to the fact that this would not be on our own terms, and they endlessly harp on about the strength of sterling when it is all too plain to see that the root cause of their complaint is really the weakness of continental currencies.

Perhaps the time has come when they should consider putting their integrationist telescope to the other eye or at least stop looking through it from the wrong end.

Christopher Gill is Conservative Member of Parliament for Ludlow.

Advertisement

Why E-Commerce Makes EMU Redundant

by John Spellman

The e-economy is rapidly changing the way businesses trade and how they organise themselves. As we turn the decade, most chief executives of large organisations are concerned with shareholder value, globalisation and e-business and it seems that they, not to mention a whole new plethora of smaller businesses, are building a new unified 'e' world economy.

This has often been described as a 'new industrial revolution', though a better parallel with history would relate it with the financial revolution of the 1690s. This period saw the development of liberal capital, global trading (initially based on the Empire), new services like marine insurance, innovative new tools like bills of exchange and the development of the financial press. The financial revolution had a profound effect on the British economy and laid the foundation for the world economy we understand today. It was predominantly a services based revolution as is today's e-commerce/computer revolution.

The dynamic effects that electronic systems are making in business are now beginning to be widely understood across the business spectrum. Not all the implications of the change to business practices have been extrapolated particularly in the regulatory and political sphere. The e-economy unlike EMU is less an event and more a state of mind. This may explain the scarcity of e-commerce arguments permeating the debate on the single currency, however the arguments are dramatic and far reaching.

It is argued here that the rapid, spontaneous and un-orchestrated development of e-commerce negates the need for European economies to implement EMU in order to take advantage of the single market. The advantages are already being delivered by the common trading platform of the world wide web and new (and not so new) technological advances in networking and enterprise systems which are delivering many of the benefits advocated by the pro-EMU lobby. The critical difference is that the e-economy delivers these benefits without the need for federal political systems and the consequent loss of sovereignty of nation states.

The chief characteristic of the e-economy is its international reach with English as the prevailing language. In contrast the EMU project relates only to the EU area. Though this is still the substantive sphere of trade among the EU countries it is being slowly superseded by the new reach and markets afforded to the electronically enabled. Indeed the very nature of the 'commodities' of the future are intangible services which are not limited by delivery considerations, allowing business to be as easily conducted between Europe and New Zealand as within Europe.

The single currency provides a number of benefits (at a price) but looks distinctly parochial as it relates to a narrow stretch of the world economy. The EMU as a mechanism for engineering an effective single market seems more appropriate to the Europe of the 1950s than the early 21st century where, with the ongoing computer revolution, such overhauls are simply not required to gain the advantages promoted.

The future of business is e-business. If there is a political contribution for this new economics it comes in the shape of legal regulation, tax agreements, liberal systems and open access to world markets to fully manifest the benefits it promises. These are required on a global basis, a focus on one corner of the world is highly distracting and hinders thought solutions for this global need. It does not require the absolving of the ability of small states to govern their own affairs.

However, rather than increasing competitiveness and the ability of economies to adapt to this new opportunity, the current methods of business on the continent and the EMU project in itself threatens to retard the adoption of the core EMU countries to the new global e-economy. For the EU members, the advantage lays with those countries that remain outside of EMU.

Advantages promoted for the implementation of the single currency in the UK:

Price transparency – the ability to better compare prices of similar products and services in different EU countries.

Exchange rate movements – removes the distorting effect of exchange rate movements on contractual price setting – ie. difficulties of pricing between purchasers and suppliers at a given moment without knowing the prevailing price; complications with currency movements between billing date and payment received date.

Accelerates inter EU trade – by making cross border trade simpler and more efficient.

Impact of e-commerce developments as they affect the above:

1) **Price transparency** – new accounting systems (being implemented across European businesses) have a multi-currency option which allows billing to be immediately converted into any number of local currencies. Thus a purchaser of cardboard packaging in the UK can immediately view the price of six different suppliers of cardboard packing across the EU in his local currency. Easily linked to information streams like FOREX, the information can be updated to receive the latest exchange rate in a fraction of a second allowing for the display of real-time pricing. The viewer sees all prices in pounds and this provides clear transparency for comparing costs. In addition, a simple link to an insurance or financial institution hedging service can allow for an in-built hedging calculation to be input to the onscreen price. Again this is done at such speed that the viewer sees the results immediately. A calculated delivery price can also be attached to each unit price displayed. Thus within seconds of the request for pricing, the full cost of purchasing from the different suppliers is displayed on screen in one currency providing clear price transparency. It may be suggested that for a business to set up hedging services and pay premiums (albeit small) to cover for currency movements is an "additional burden" that our euro based competitors will not require. However, this is to ignore the international nature of e-commerce. The use of the internet allows search engines to search for products across the world and compare all prices beyond the EU, including built in hedging premiums for each currency and calculated delivery costs. Most businesses (including those within the EU) will have these systems installed to allow for maximum price comparisons globally particularly with suppliers in the USA and Asia. This will be an essential requirement for businesses who wish to remain competitive and will not be an overhead incurred as a result of remaining outside the euro.

2) **Exchange rate movements** – On-line invoicing electronically linked to clearing banks allows for immediate payment of goods and services. Businesses already trading and accounting over the internet provide a small discount for immediate on-line payments to compensate for the immediate transfer of funds compared to the old paper system of 30/60 day payment terms.

3) **Accelerates inter EU trade** – the real acceleration to inter EU trade is through e-commerce where the internet provides a kind of virtual supranational market place – a type of new single market. By using the common standard of the web, all business can market and trade internationally. The power of this new market goes beyond the confines of the EU area.

Other Aspects of e-commerce

1 Form of payment for consumers and businesses is through the universal acceptance of Visa, MasterCard, American Express etc. Thus a kind of single currency familiar and easy to use, with payment guarantees – mimicking in this sense the virtues of legal tender – is available and is the common use of exchange on the web. It could be said that a single international currency has developed without having incurred the loss of sovereignty of any nation state.

2 The economies of western countries are clearly service based and have been for some decades. As consumers now reach a stage (as in the USA) where hard goods are already acquired – washing machines, TVs, cars etc – and these hard goods only need replacing at longer and longer intervals – the bulk of disposable income is spent on services. The delivery of these services over the internet is the current next development of the service economy. The purchase of information, entertainment and a whole range of intangible items (ie. Software) is the backbone recent of e-commerce trade.

3 The intangibles are now getting even more intangible. Five years ago ordering CDs over the internet was a novelty. Now you can download music onto the new breed of recordable CD and MP3 machines, eliminating the need for the receipt of a hard CD. This development is part of what is being called ASP (application service provision), which among other new methods of purchasing intangibles, allow you to rent software over the internet rather than paying a one-off purchase price for lifetime ownership. The attractions for consumers are considerable, ie. allaying the fear that the software they are purchasing may rapidly go out of date. This development is most pronounced in the wholesale renting of large organisation systems like entire back-office accounting systems, marketing systems and databases etc. by big business.

4 Mobile technology is the next step in the rapid development of e-Business. Within a few years most systems within the UK will have mobile connectivity introducing all forms of advantages like – remote links into network systems, convergence of phones and emails, convergence of TV and web sites, etc

UK advantages over EU countries in the development of e-commerce.

1 International language is English and this is most evident on the web, providing the UK with a real early advantage. The USA is the most advanced 'e' economy in the world by several years. British businesses are taking advantage of the same language to assimilate business case studies, new software courses (from Cisco / Microsoft etc) in the US – completed in English often years before their conversion to other languages such as German and Italian – new developments from Silicon Valley are exposed to English speaking countries first. *All these advantages of language, as they pertain to e- commerce, are also visible in the Republic of Ireland*.

2 The UK (again due to the universality of it's language) has attracted a large number of young IT skilled workers from across the EU. A larger concentration of IT skilled workers now exist in the UK than any other EU country. Salaries tend to be higher in the UK for IT workers and the UK has a disproportionate amount ofpan-European IT project management work – due to the fact most of the global consultancies have based their EMEA (Europe, Middle East & Africa) headquarters in London. (*That said, the proportion of IT work undertaken and supplied by the domestic market of the various EU countries, is in every instance in the majority*.)

3 The UK has the most prolific internet start-up market within Europe. This is critically important in the development of the e-economy as the small start-ups provide the innovation and the dynamic cell that spurs larger businesses into investing into new 'e' systems. This knock on effect has been demonstrated both here and in the USA.

4 The start-up market in the UK has probably developed faster here than in other EU countries due to the wide and simple availability of venture capital. A concentration of financial skills, business models exported from the USA – *common language* – and concentration of consulting skills has provided the fertile conditions for growth.

5 To some degree a broadly favourable cultural approach to entrepreneurs in the UK has helped. But this is a qualified point, as a number of internet entrepreneurs are not from the mould of traditional entrepreneurs, a reasonable number come from non-aggressive commercial backgrounds ie. designers, music industry, IT specialists etc. Furthermore there is no particular evidence to suggest adverse responses to entrepreneurial internet start-ups in countries like Spain, Netherlands, Germany.

With a scarcity of IT skills in Europe the launch of EMU projects will starve the market of skills for developing e-commerce within business as salaries will be paid to lure qualified staff onto EMU enabling projects which is deadline dependent. One could imagine that the investment in EMU IT project work may encourage businesses to become 'e' enabled where previously they may have held such a development in low priority so providing an added spur to 'e' development. But it can be reasonably argued that this process would have taken place during the period of Y2K upgrading over the past four years.

On balance it is likely that the IT managerial distraction effect of investing in EMU will probably outweigh the advantages of spurring businesses to implement 'e' enabled systems. This EMU distraction effect on the development of e-commerce systems provides a potential competitive advantage to EU countries outside of EMU.

Affect of the EU on e-commerce

No discernible advantages from belonging to the EU has accrued to internet or 'e' enabling business. Indeed the impression is formed that the whole thing has taken off without the European Commission's awareness. It is debatable, even now, if they fully understand this rapid and all persuasive market development. Not much evidence is available to demonstrate interest from the commission or from the parliament.

One may suggest that some invisible underlying advantages of belonging to the EU have permeated and progressed the development of e-commerce. However this ignores the case of Norway which is one of the top three most advanced e-economies in Europe. Norway's 'e' lead stretches the rest of the EU including the UK by a wide margin and says more about the cultural affects on business development overriding the often, trumpeted effects, of the single market.

Sweden and Finland stand with Norway as the most 'e-enabled' societies in Europe. The high command and wide use of English in Scandinavia has undoubtedly contributed to their 'e' advancement for reasons outlined above. They are restricted only by the relatively small size of their domestic economies to make a larger impact on the world stage – but remarkably by fortune rather than design they have the concentration of specialism on mobile technology which is generating the next leap forward for e-commerce.

It should be noted that Norway is not necessarily in an 'e' advantageous position due to the windfall effects of North Sea oil as has been claimed in some quarters. A quick browse through recent OECD reports on Norway will illustrate statistically and by commentary that the non-oil economy has become increasingly competitive over the past decade. One consequence of oil money fostering the healthy condition of public finances has been for wide application of 'e' facilities in the public sector un-matched by any other public sector within Europe including neighbouring Sweden.

Unresolved concerns regarding the development of e-commerce

1 Practicalities of consumer e-commerce is limited to the difficulties of delivery. Buying a book in Hong Kong or South Africa at a low price is easy to do as the product can be easily shipped. Buying a single plank of wood from the same location for some DIY purpose is not so easy to initiate as the delivery costs would clearly wipe out any cost savings. For business to business, delivery is less of a concern.

2 The law is still a grey area. At present most consumers purchase over the internet in western countries where they have confidence in the right of redress if something goes wrong. This is an impediment to the development of e-commerce for non-western countries – as conversely with suppliers providing goods outside the west. A new code of practice type of 'GATT' for the internet needs to be devised addressing the legal uncertainties in order to make e-commerce truly global.

John Spellman is an e-commerce consultant.

Hague's Agenda for Europe: Why it is Right for Britain

by Nirj Deva, MEP

Antonio Fazio may not be a household name, but if the United Kingdom joined the euro, the Bank of Italy's Governor would have a greater say over the level of our interest rates than the Chancellor of the Exchequer. Mr Fazio is on the Governing Council of the European Central Bank, which sets interest rates; Gordon Brown is not.

Mr Fazio thinks of himself not just as a Central Bank Governor, but as one who can contribute to the political agenda of the European Union. In the foreword to a book released by the Bank of Italy, Fazio argues that euro-zone integration now requires "*a new institutional framework and a single economic policy … a real executive of a united Europe*". He also says that the European Parliament should assume "*the same legitimacy and the same powers as national parliaments*".

It worries me when democratically elected politicians argue for a politically united Europe, but when unelected Central Bank Governors who have responsibility for the setting of interest rates are given a platform to articulate and execute these opinions, it is democracy itself that is in trouble. We can defeat Tony Blair and Gordon Brown at the ballot box, we can host public debates, votes of no confidence in Parliament, question times, and so on, but if the Government have already taken the United Kingdom into the euro, what will be the point of this action? Tony Blair will then have as little responsibility over domestic economic policy as the hapless Nick Brown has over our suffering agriculture industry. The *real* power will have been transferred to people like Mr Fazio. Our protestations will be gestures, and nothing more.

There are some Conservative colleagues who wish privately that Labour had won the 1992 General Election and they speculate about the fun we all would have had watching Messrs Kinnock, Kaufman and Hattersley coping with the Exchange Rate crisis and the aftermath of recession. The theory goes that the Conservatives would be back in power now with a majority of 100 seats.

I am not so sure. If Labour had won a Commons majority in 1992, we could very well be in the single currency area by now. The economy would certainly be weaker and the policies of Margaret Thatcher would have been unravelled. That irreversible step towards European federalism would have been taken and Britain would have been weakened permanently, for her strength is derived from the democratic institutions that have served her people throughout the generations. Without control over economic and monetary policy no political party has a real agenda to put before the public. Joining the Euro would remove the central plank of policy-making from the political arena, leaving political parties to tinker at the edges over an agenda that will have already been transferred to institutions of the European Union. In that situation, we would have a better vision of our economic future from reading Mr Fazio's book.

It is not all good news, however, for those of us who are opposed to deeper European integration. Although there is an overwhelming majority against the single currency and a substantial number of people who want the UK to leave the European Union altogether, we have a Government that is practised in the art of the politics of stealth and manipulation. The single currency referendum will be won as much by good organisation as by good arguments. We must be alert, ready for the fight, and well prepared.

The euro has been a failure for those countries who are part of the zone and, despite the intention of the politicians, public opinion in Denmark is now beginning to turn against the single currency for the first time. It is time for Britain to

consider the new relationship we must have with our European partners if Britain is to become a permanent non-EMU member, following a resounding 'no' at the referendum. Fundamental renegotiation of the Treaties may well be necessary, but only as a first step towards complete renegotiation of our entire trading and international relationships. The full impact of our separation from the euro-zone needs to be properly assessed. Our manifesto should anticipate a 'no' victory and be tailored to meet the new circumstances following that referendum.

Had we been foolish enough to incorporate a non-exit clause when we joined the ERM, the subsequent fall out would have destroyed not only the Conservative Party, but the British economy as a whole. Conservatives do not want to take the UK into the single currency. The currency is wrong now, and it will be wrong at the next General Election.

There are massive battles ahead. We must ensure that Tony Blair is questioned vigorously and persistently on the issue of the Euro, and we must resist efforts to enact an EU fundamental rights charter that will – can only be – enforced by centralising powers in the hands of the EU's unaccountable judges. I fully support calls in Parliament for a Government White Paper on the future of the United Kingdom's relationship with the European Union and we must continue to press Robin Cook to publish one.

When I was elected to the European Parliament in June 1999, I vowed to represent British Conservative values in Europe, and not bring back to Britain the values of the European Union. Today's European values are driven by political, economic and social integration. The UK is strengthened through its diversity. William Hague has led the way in opposing further European integration, and it is only now that he is beginning to assume some of the credit for leading this campaign. He was right to make the European Union a central part of domestic politics, because there can be no more important domestic issue than tax policy, interest rate policy and the level of inflation.

… we must resist efforts to enact an EU fundamental rights charter …

I do not trust this Government and all its talk of representing the interests of the United Kingdom have been found wanting when it has come to action at the European level. Conservatives rightly talk about the reduced power of scrutiny and double talk that has taken over the political agenda since this Government came to power. But, we can still blame this Government when it all goes wrong, and we can still vote them out at a General Election. Members of Parliament still have the opportunity to question Ministers. These are fundamental tenets of our parliamentary democracy that are being threatened by the encroachment of EU laws, which castrates our Ministers' powers. These EU laws are dutifully enacted and obeyed by the British, but are thrown into the legislative dustbin by our European partners.

Membership of the euro would rule out the effective scrutiny of Ministers because they would no longer be accountable for actions taken or their consequences. "Nothing to do with me, guv", will be the rule, and never the exception. The Europeans have demonstrated themselves to be foolish amateurs in the art of democratic decision-making by not embarking fully on democratic reform that should have preceded any talk of currency union. The Council of Ministers meeting in private is just one of many examples.

Democracy may have been weakened by this Labour Government, but it is for eurosceptics to join together to demonstrate that democracy is still very much alive. When it comes to the referendum on the Euro, Britain will not be the poodle of Europe, but the proud bulldog that stands firm, proud and independent in the traditions that has served our country well throughout history.

Nirj Deva is a Conservative MEP in the South east.

… news in brief

Will Germany guard Poland's Eastern borders?

The Germans seem to find it difficult to abandon their old habit of bossing the Poles. On a two-day visit to Warsaw, the German Interior Minister – of all people – has told the Poles that they will have to impose visa requirements on Ukrainians if they ever join the EU. Mr. Schily was reacting to a statement by the Polish foreign minister, Bronislaw Geremek, that the Poles would rather not require their Ukrainian neighbours to obtain visas to visit Poland.

In this context, Mr Schily discussed with his Polish counterpart the possibility of establishing "German-Polish" co-operation over border controls. He said that the co-operation between Germany and Poland on their mutual border was successful and that Poland had "made progress" on policing its Eastern borders. But because Poland has 3,000 km of border, of which at least 1,200km are with Russia, Belarus and Ukraine, it is "obvious" that Poland cannot police its borders on its own without "Western help". [*Handelsblatt*, 7th March 2000]

Fewer asylum seekers in Germany

The number of people seeking asylum in Germany was 6,117 in February. This is 16.6% less than February 1999 and 7.6% less than in January 2000. Every third asylum seeker comes from Eastern or Central Europe, including Turkey and the European successor states of the Soviet Union. [*Handelsblatt*, 7th March 2000] In Britain, meanwhile, asylum figures continue to be at record highs, also around 6,000 per month.

Germans propose new candidate for IMF

The Germans have now suggested a new candidate for the post of president of the IMF following the successful American campaign against the initial candidate, Caio Koch-Weser. Mr Koch-Weser had worked for 25 years at the world bank and because he had not made much of an impression there, his candidature received only lukewarm support from the other 14 states. So another German has been rustled up – Horst Köhler, the current president of the European Bank for Reconstruction and Development. For some reason, the Europeans have acquiesced in the view that the 'European' candidate must be German. The French and German finance ministers have given a joint interview to underline their common approach to the appointment of a replacement for the previous French president, Michel Camdessus. Before becoming president of the EBRD, Köhler was a close associate of Helmut Kohland a state secretary in the Federal Finance Ministry. He was one of the main negotiators of the Maastricht treaty and an eloquent exponent of the geopolitical imperatives underlying Germany's drive for economic and monetary union. [*Le Monde*, 9th March 2000]

The Forthcoming EU Treaty

by Marc Glendening

In the film *Marathon Man* the sinister baddie Christian Zehl (played by Lawrence Olivier) kidnaps and tortures a young American he believes has valuable information using the 'skills' he acquired as a dentist. His victim begs him not to continue drilling the tooth he has been remorselessly tormenting. Zehl calmly replies that he will comply with the request … but only because the nerve is now dead. Instead, he will be continuing his sadistic work on a new, healthy tooth.

Having similarly caused Tony Blair a certain discomfort on the issue of the single currency, it is now time for political 'cosmopolitans' (those who look beyond the narrow boundaries of the EU and celebrate global political diversity) to start persecuting the government on a new front: the forthcoming treaty of Nice.

EU leaders, having come to the realisation that Tony Blair is a talk is cheap merchant who doesn't walk the Euro walk when the exigencies of domestic politics intervene, are reconciled to relegating Britain into the second division of integration. They will probably grant the government most of the opt-outs it will ask for. Tax harmonisation, however, may prove a derogation too far. The Germans can be entrusted to carry out a little dentistry of their own on Robin Cook if the UK stands firm on keeping the veto in this area.

However, the likelihood is that, even with some opt-outs, we will be faced with a treaty that will, if signed, effectively complete the process of creating a Pan-European state. The imperative must be to stop the treaty. The cosmopolitan movement (CM) has three key strategical tasks in this regard:

Winning the battle for the public's perception of reality.

New Labour wants to execute a 'passive revolution'. This is why it is presenting Nice as an uncontroversial measure designed to facilitate enlargement. The government's bubble of deceit will only be punctured if the Tories now, as a matter of urgency, prioritise this issue. This is why William Hague's 'keep the pound mobile' is a mistake: it is deflecting public attention away from the real immediate threat to Britain's continued existence.

Forcing Blair to hold a referendum.

Our next challenge is to ensure that this issue is not determined by Blair's legion of paged drones in Parliament. A sense of public outrage needs to be encouraged concerning the government's denial of our right to decide who governs Britain. Referenda have already been held on constitutional changes of far less importance. New Labour does not have an electoral mandate to make further irrevocable transfers of power. Our success in this respect will be determined by whether or not the Conservatives also adopt this populist demand. Blair's desire to deny the opposition a chink of electoral light may result in him conceding the referendum if sufficient public support can be generated for it. At the local level, the CM should target MPs in marginal seats and relentlessly pressure them to support 'the people's' right to choose.

This is why William Hague's 'keep the pound' mobile is a mistake: it is deflecting public attention away from the real immediate threat to Britain's continued existence.

Repositioning the case for national democracy.

We will be presented as 'wreckers of enlargement' by the government for seeking to derail the treaty. As a matter of urgency we must therefore challenge the assumption that expansion is a good thing within the context of the way in which the EU is currently configured. Our first line of attack should be to argue that a centralised single state of 27 highly diverse countries cannot possibly work. This potentially potent theme will chime with the common sense instincts of mostvoters. Our position should be that enlargement will become desirable only once a very significant decentralisation of power has taken place.

Our next 'macro' campaigning theme should be to argue that it is crazy to grant yet more powers to the corrupt and elitist EU. We must ruthlessly publicise the extent to which the Mafia has penetrated the Commission. This line gives us also the chance to re-cast the European issue in terms of the 'peoples of Europe versus the Euroklatura'. The 'brave British' against the 'fiendish continentals' is still too much how many EU-critics characterise the conflict. The CM must now portray itself as the *real* pro-European force. We want a continent in which ordinary Europeans can hold the governing class to account. Our allies from the continent should be put into the front line of our campaign here.

At a time of growing cynicism towards politicians, it would be a grave error for us to base our strategy on a defence of the UK government's right to govern us unrestrained. Too many EU-critics display a neo-Leninist 'vanguard' party mentality: they believe that there is a natural majority waiting to be politically ignited by patriotic leadership. The uncomfortable reality that must be faced is that a growing number of people no longer look to British political institutions and parties for personal salvation. This is why turnouts in elections are declining. This is why opinion polls show that only 20% – of the 60% plus who currently confirm they would vote 'No' to EMU – say that this opposition is unconditional. For the rest it is a matter of pragmatic calculation. We will only win if we first persuade most voters that rule from Brussels will end up being far more intrusive, corrupt, and remote than government from Westminster.

Our last big message should be to paint a positive, alternative vision of the future for Britain. The mood music of the EU to the effect that supranational government is the inevitable corollary of economic globalism must be drowned out. The electorate must be convinced that entrapping ourselves in a high taxing and heavy regulating EU state will undermine our capacity to take advantage of the opportunities presented by an ever more integrated world economy. E-commerce, ever faster transportation, the WTO, Europe's declining share of World GDP, the looming EU pensions crisis, are all reasons why Brussels is being rendered at

best an irrelevance, and at worst a liability. The CM can expropriate the discourse of modernity: we are not 'little Englanders' – Blair and his allies are 'little Europeans' living in a corporatist time-warp despite the Third Way rhetoric.

In an increasingly post-rational political age the cultural packaging of campaigns is as important as intellectual content. We desperately need to give the CM a make-over. We still appear more Marks and Spencers than Red or Dead. A new vocabulary and a style must be developed. We must reach beyond our natural constituency of support in the cultural war of position we are engaged in. Rather than relying primarily on political talking heads, the CM should therefore incorporate successful young entrepreneurs and personalities such as Stella McCartney, Johnny Vaughan, Piers Adam and Adam Afriyie into our campaign. People such as these will resonate far more with the electorate than the type of pinstriped, widely despised CBI fat cats *Britain in Europe* wheel out.

The stakes are very high for both sides. If the treaty is signed, we may have gone past the point of no return. However, Nice also offers cosmopolitan the chance to radically redefine itself and cause Blair sleepless nights. Let's get drilling.

Marc Glendening is campaign director of the Democracy Movement. He writes in a personal capacity.

BOOK REVIEW

A Diet of Brussels: The Changing Face of Europe

by Sir Leon Brittan, Little Brown, 288pp, £18.99

Reviewed by Rodney Leach

Written in the dire tones of the corporate memoir ("sadly, on this occasion I was unable to persuade my colleagues") Brittan's book is notable for its assumption that the only things that really matter in Europe are free trade and the ability to sit at the table as an equal with the USA.

He can barely conceive of an international dispute where the sympathies of a 'European citizen' would not lie with 'Europe', for the citizen of his imagining, although rejecting conventional patriotism as distastefully narrow-minded, is a European patriot. This same citizen cares little for national tradition, being "more concerned to take action against international crime" than to wish to retain "national law" (in our case, English common law). Yet unaccountably the voter is "alienated from the process". Like Nurse Ratchet, Brittan believes that the answer to alienation is not empowerment but rules and explanation. It must be dinned into the inmates that their wellbeing is the sole preoccupation of the staff: "we must be imaginative in highlighting those aspects of our policies which appeal." But, alas, ignorance vies with ingratitude: "even if we succeed … people will often not know that it is the EU which has brought these improvements about."

Brittan's opening chapter is a numbing description of the EU's institutions and treaties. Normally one would advise the reader to skip this, but that would be to miss the passage where it threatens to come alive – the mass resignation of Santer's Commission. We learn that there had been "an unacceptable level of fraud and mismanagement" in the Community, urgently requiring radical reform. But relax. There is little cause for criticism – the problems apparently arose because the obliging Commission took on more work than it could handle. The true culprits are the nation states. Thus Santer's chief failing, apart from rejecting Brittan's suggestion to appoint management consultants to advise on "procedures for handling expenditure", was tactical. His PR was poor and his conspiracy to fix the process of censure with Pauline Green, the leader of the Socialist group in the European Parliament, backfired fatally.

To be fair, Brittan handled his own Commission responsibilities impeccably. During the 1990s he built a reputation as a formidable competition Commissioner, Gatt negotiator and exponent of economic liberalism. These qualities induced the French to resent him with an intensity that owed as much to his manner as to their frequent policy clashes (where Brittan was usually in the right). Given his energy and tenacity he was the natural candidate to succeed Delors as President, but he did not command enough political support. Reading this book it is easy to see why. It must have been exhausting for his fellow mandarins to be constantly lectured on their intellectual shortcomings.

Brittan states the pro-euro argument better (and the pro-sterling argument worse) than is usually done and appeals to British Conservatives to be more Europe-friendly. He makes a convincing case that free markets, privatisation and the bankruptcy of socialism are potential common ground for Conservatives and Christian Democrats. Nor can one dispute that globalisation has blurred the once sharp outlines of the nation state. His blind spot is that he underestimates the human dimension – the importance of belonging. Within a nation state unpalatable political decisions are swallowed because that is the democratic compact. But Brittan's European citizen has no comparable safety valve. If it suits the Community to pursue policies at the cost of regional unemployment or engagement in an unpopular military action, there is no EU government to vote out; nor is the sense of common identity strong enough to reconcile the victims to sacrifices decreed for them behind closed doors.

Certain of the altruism of the Community, Brittan dismisses such obstacles to deeper integration as reflecting misguided notions of sovereignty. Like many Europeanists, he confuses sovereignty with power. Because we need military allies and do not inhabit a monetary vacuum, he concludes that most self-government is illusory. Until he understands why it is not, he will remain a splendid advocate of sound economic policy but will never know why he cannot touch the hearts of people.

Rodney Leach is Chairman of Business for Sterling.

The Dangers of Proportional Representation for Westminster

by John Tate

A pre-eminent quality of our Westminster democracy is the accountability of the Government to Parliament. This system, though imperfect, is based upon important principles: voters choose freely, in a secret ballot, their representatives who in Parliament have the authority to ask questions, debate issues, and cross-examine one another. With the executive fused to and, *ceteris paribus*, in control of a sovereign parliament, governments are responsible solely for the measures they introduce.

A more proportional electoral arrangement – that is, a more proportionate conversion of votes into seats – would undermine the Westminster system in the following respects.

Fragmented accountability

With a tendency to catalyse (though not 'produce') coalition government, strongly proportional electoral systems such as the Single Transferable Vote fragment the accountability central to the Westminster system. Parties in governing coalitions may, as in France's Fourth Republic, blame one another for their failures in government – leaving the electorate confused as to which party they must remove in order to remedy a given problem and/or to punish a given mistake.

Much has been made of the tendency of more proportional electoral systems to catalyse coalition government. (I do not here refer to 'proportional representation' for no such system exists. Rather, there are an array of formulae for converting votes into seats of which our own Single Member Plurality [SMP] or 'First-Past-the-Post' method is amongst the most, but not the most disproportionate.) The French political scientist Maurice Duverger overstated his case when he classified the tendency of more proportional electoral arrangements to accompany multi-party systems a 'law', but subsequent research by Arend Lijphart and Giovanni Sartori confirmed Duverger's observation as a probabilistic statement. Outright exceptions include India: possessed of a comparatively disproportional electoral arrangement yet multi-party politics (and, on occasion, coalition government); and Malta: possessed of a reasonably proportional electoral arrangement yet two-party politics.

The Jenkins Commission's report into electoral reform defended coalition government principally on the ground that the economic and social achievements of states such as post-war Germany seemed not to have suffered under its administration. Yet, whether or not Germany has been able to function effectively with coalition government does not speak to the questions of:

- whether coalition government may be more appropriate for Germany than for the UK given Germany's origins as a Grand Duchy, her defeat in two world wars, and other such historical peculiarities; and
- whether the negative effects of coalition government (e.g. regarding accountability and party brokerage) outweigh its perceived benefits.

Certainly, a more proportionate conversion of votes into seats can lower the 'barriers to entry' in the way of smaller parties; though just as important as the electoral arrangement in this regard is the geographic spread of a party's support – the so-called mechanical effect. The Labour Party emerged as a political force despite the disproportionate electoral arrangement because its support was concentrated in specific regions, allowing its initially low support to secure an early bridgehead in Parliament. The Liberal Democrats, with their support spread throughout the country, made much slower progress. (One must allow for the relative appeal of the parties' policies when juxtaposing their progress, of course, but the mechanical effect remains as I have described it.)

Commentators on electoral reform often ignore or overlook the further fact that constituency size is as important a variable as the electoral formula in determining proportionality. The smaller a country's constituencies, the less proportionate, *ceteris paribus*, will be its conversion of votes into seats (that is, the smaller the constituencies, the more residual or 'wasted' votes there will be overall).

There are four main ways in which to increase proportionality. One such way is to increase constituency size – an option for which there is ample scope in the UK given its surfeit of MPs. A second solution would, like the first, ameliorate rather than eradicate disproportionality, and concerns changing the electoral formula – the option with which the body of this essay is concerned. A third, often-complimentary solution is a 'reserve pool' or 'top-up list' of candidates elected in proportion to the number of residual votes. A fourth solution is to do as the Netherlands and Israel have done: create a single, national constituency. (Combining a highly proportional electoral formula, a reserve pool of candidates, a low electoral threshold, and a national constituency would allow for optimal proportionality.) There are also, though, many non-institutional factors that effect proportionality, such as the fluidity of the electorate – a point to which I shall return.

The principal problem associated with the third ('top-up') solution has to do with the fact of its creating two classes of MP: one elected by, and therefore answerable to and representative of particular constituencies, and the other 'parachuted in' to correct a discrepancy in the number of seats allotted to a party to which no constituency may given plurality support. The effect that the creation of a new class of MP would have upon the working dynamics of Parliament is unknown and was little explored by Jenkins. In addition, a party list of top-up candidates could increase the power of the party machine at the expense of the individual elector.

The fourth solution, the creation of a national constituency, would make for a greater degree of proportionality than any change in the electoral formula yet proposed. The principal cost of such a system would be its severing of the link between individual MPs and their constituencies. In a small and (at least since the 1970s) cohesive nation like the Netherlands, the lack of a constituency link may not be a great cause for concern. In a diverse population of over 56 million, the need for regional representation is much greater.

Whilst the Jenkins Commission did not recommend the national constituency idea (the terms of their enquiry excluded it), it did play down the constituency link by observing that it is only in the twentieth century that it has come to be considered

central to our political system. The Commission also pointed out that constituency boundaries in the UK were not drawn to reflect local identities and have, rather, been arrived at by a process of concerted gerrymandering over the centuries.

However accurate, neither of these observations constitutes a criticism of the principle of the constituency link *per se* – merely its present form. Through the introduction of constituency surgeries and rights of petition, the constituency link has become central to our system of government. The ingrained nature of the link helps to explain why small parties receive short shrift when they bemoan the fact that their sub-plurality support in a number of constituencies does not, in aggregate, translate into seats in Parliament. One's view of the fairness of this outcome turns on whether one takes a local or a national perspective. In the UK, there are sound historical and practical grounds for taking the former perspective.

The latter (national) perspective is, of course, well suited to many other countries. Divided polities such as Belgium and Northern Ireland have particularly strong reasons to adopt proportional electoral arrangements given that large sections of their respective populations vote on the basis of rigid group identities. In the absence of fluid coalitions amongst an electorate, the sustained victory of one party over another may be deemed majority dictatorship rather than democratic governance – precisely the dilemma of the last Stormont administration in Northern Ireland.

One could point to a similar situation in Scotland between 1979 and 1997, ruled as it was in that period by governments for which the clear majority of Scots did not vote. The correction of this anomaly took the form, rightly, of devolution rather than a more proportional electoral arrangement for Westminster, however. Tinkering with an electoral arrangement catering for *circa* 40 million voters merely to correct a deficiency effecting under 4 million of their number would have been unsatisfactory not least because, unlike Northern Ireland and Belgium, the UK electorate as a whole remains comparatively fluid or 'coalitionable' in its voting behaviour.

A plurality of Glasgoegians, for example, supported the Conservative Party right up until the late 1950s – Alec Douglas-Home even held election rallies at the shipyards there. The new-right Conservative governments of the 1980s recruited whole swathes of the working classes by selling them their council houses and shares in newly privatised companies.

Given the comparative fluidity of the UK electorate, two-party politics and a lack of coalition government has not suppressed the representation and reification of diverse opinions by successive governments. By metamorphosing and by 'stealing the clothes' of their competitors the two main parties, insulated in part by the electoral system, have addressed themselves to issues that under more proportional electoral arrangements may have fuelled the rise of smaller parties.

The fact that emerging issues and policies are co-opted into a (predominantly) two-party system rather than fuelling small parties has had a healthy, ameliorating effect upon UK politics, requiring new political movements and issue coalitions to be folded into more general, extnt agendas. It is often no coincidence that laws banning extremist parties accompany more proportional electoral systems. In Germany, for example, both far-right and (until very recently) communist parties were banned, whilst members of the Scientology movement remain barred from holding public office.†

Brokerage

Coalition government suffers from the added and well-known defect that smaller parties possess inflated influence where they are able to make or break a particular coalition – as was the Free Democratic Party during much of Germany's post-war history.

Further, the formation of governments under strongly proportional electoral arrangements is largely beyond the electorate's control. Whilst voters may determine the relative strength of parties, they do not determine the form of the governing coalition that those parties create. Following the first election under a form of more proportional representation (the Mixed Member Proportional system) in New Zealand, the elected parties took more than three weeks to form a government. One year after adopting the new system polls indicated that 82% of New Zealanders were dissatisfied with the coalition government elected using it – 60% favouring a return to the old, plurality system. Italy and Japan are among those nations dismantling more proportional systems to return to the plurality system.‡

Conclusion

The defects of a more proportional electoral system for Westminster pose a greater 'democratic deficit' than the current system's inexact conversion of votes into seats. The defects of coalition government include the potential to render the executive more opaque and therefore harder for the public to hold accountable, thereby challenging a central plank of the Westminster system.

† The banning of extremist parties is not necessarily undemocratic, however, for a democratic system can not without contradiction be open to those who do not accept the democratic method itself.

‡ A much-favoured 'compromise' form of electoral system, the Alternative Vote System (AVS), should be avoided if one's intention is to increase proportionality. Simulations of the past three UK General Elections indicate that AVS would produce a no more proportional and on occasion less proportional conversion of votes into seats than the present plurality method.

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… news in brief

CDU told to repay DM 41 million

The outrage over Haider may have something to do with the collapse of Christian Democrat parties across the continent. The meltdown of the German CDU has continued unabated. The president of the Bundestag, Wolfgang Thierse, who bears more than a passing physical resemblance to Karl Marx, has said that the CDU must repay DM 41 million to the state. This is the amount which the state paid the party next year as part of its official funding for political parties. Thierse considers that because the CDU in Hessen salted away some DM 18 million in Swiss bank accounts, the party as a whole has forfeited the right to money paid to the party by the state to complement donations. This is a huge amount of money, even though the CDU has a net wealth of at least three times that much. The General Secretary of the CDU, Angela Merkel, said that the party would immediately appeal against this penalty and has announced that she is taking Thierse to court. She claims that if this fine is imposed, then the CDU will be removed from the political scene altogether. [*Die Welt*, 16th February 2000]

The World Turned Rightside Up:
A New Trading Agenda For The Age Of Globalization

by Dr John C. Hulsman of the Heritage Foundation, Washington D.C.

A little over 220 years ago, General Lord Charles Cornwallis found himself in a spot of bother due to the ragtag Continental army under General George Washington. Besieged at sea by the French, and after the storming of one of his outer redoubts by Colonel Alexander Hamilton, Cornwallis realised that he was obliged to surrender his army of Grenadiers, the finest infantrymen in the world, to the upstart colonists. This was a fact that the noble-born Cornwallis simply could not face. Rather than endure the social humiliation of surrendering in person to Washington, the noble lord feigned illness to avoid the surrender ceremony altogether. Washington, the scion of one of Virginia's oldest families, was quick to recognise Cornwallis's slight: he sent his second-in-command, General Lincoln, to meet with Cornwallis's stand-in, General O'Hara. As the British troops marched by their American conquerors, the British military band, reflecting what must have been the utter disbelief of the British army, played the tune, "The World Turned Upside Down."

Since that encounter on the banks of the James, Anglo-American relations have (with the notable exception of the War of 1812) recovered from this nadir, especially during the 20th century. It is no exaggeration to say that, in Great Britain, America has no more proven or dependable an ally. History has underscored the commonalities of the relationship with ties built on a common language, history, and culture. It is hard to imagine another two powers having shared interests as compatible as the descendants of Lord Cornwallis and his worthy adversary.

Yet now this seemingly unshakeable relationship is being called into question, and a seminal decision regarding its future awaits Britain early in the new century. A referendum on Britain's entry into the euro-zone may occur as early as the next parliament. A 'Yes' vote would irrevocably merge British sovereignty into a larger European supranational construct. This is, quite simply, the last real chance for Britain to choose an alternate future path, one that recognises that its natural economic and political partner remains the United States and not the European Union.

The Case for Britain in Nafta

Such a shift has its origins firmly planted in modern-day realities. When asked in a November *Economist* poll who was the UK's most reliable ally in a crisis, 59 percent of those polled said the US, with only 16 percent paying Europe that compliment. People in the UK remain profoundly sceptical of Europe and the euro; this dissatisfaction will lead them, sooner or later, to cast about for a viable alternative to being swallowed by the EU. Thus, the notion of closer Anglo-American trade ties is destined to play well in the UK. This strategy is politically viable, especially for the Tories. There is no doubt that the people of the UK remain deeply sceptical about the euro in particular and the European experiment in general. A September 1999 survey by Solomon Smith Barney, Citibank, and MORI showed 58 percent of the population against euro membership and only 27 percent in favour. A December 1999 survey shows that support for the single currency has slumped to a record low of 17 percent. Nor is leaving the European Union beyond question. Another MORI poll of May 1999 indicated that 47 percent of those with a definite opinion wanted Britain to withdraw from the EU altogether.

My proposal is that, as an alternative to Prime Minister Blair's push for ever closer integration with Europe, the US should rally round a rival standard: Britain's entry into the North American Free Trade Agreement (NAFTA) as an Associate member. Such a plan requires the UK to shift its politico-economic focus from Europe and, instead, return its gaze to what is clearly the most successful partnership of the 20th century – the special relationship between the UK and the US. Broadening Nafta represents the kind of international institution we conservatives ought to favour: a coalition determined to genuinely maximise trade liberalisation throughout our member states.

The American Case for Nafta Enlargement

Beyond providing the British with a compelling political alternative to the EU, there are several general reasons why such an association makes sense from an American point of view. First, the US is already deeply enmeshed commercially with Britain; further trade liberalisation would result in immediate and significant benefits for the American economy. Over the last 10 years UK net direct investment in North America has been greater than double its investment in the EU. Direct net investment in the UK from the US and Canada has been 1.5 times the figure of total EU investment in Britain. In 1997 British direct investment in the US was $18.3 billion, greater than any other country's, and 30 percent of the total of all foreign direct investment in the US America invested more in Britain than anywhere else – $22.4 billion, or 20 percent of the total of all US foreign direct investment. Also, Sterling has tended to be more in line with the dollar than with the D-mark and the other European currencies. This greatly affects interest-rate harmonisation, leading to the inescapable conclusion that the American and British economies are more in sync with one another than either is with the economic powers on the Continent.

The changed nature of the post-Cold War era itself has made a significant US–UK economic link possible. Sharing borders, as the UK does with the Continent, does not necessarily translate into increased financial interactions compared with trade with a country far away, as it has done throughout history. This is the result of the telecommunications revolution that is such a salient characteristic of the age of globalisation. To some extent the Internet has epitomised this "death of distance." The centrality of a US–UK trade link would not have worked nearly so well in the age of the sailing ship, or even when the Treaty of Rome was signed in 1957. But globalisation has made such a link very possible as the above economic figures indicate.

Second, the US and the UK share a common politico-economic culture; this makes a trade combination between them far more likely to prove economically successful. In the era of globalisation, the world can best be assessed as divided into two camps, exhibiting markedly different strains of capitalism: Statists and Reaganite/Thatcherites, with advocates of the Third Way vainly trying to square the circle of

finding a coherent middle way between the two. Germany and France, with their reliance on a massive role for the state in their economies, lavish tax and benefits systems, structurally high unemployment and a greater tendency toward protectionism, are clearly statist in politico-economic culture. A most curious phenomenon is that all the major parties in both France and Germany share a common loyalty to the social-democratic model. This is not the case in the UK; Prime Minister Tony Blair has done little to overturn the effects of the Thatcher revolution relating to privatisation, deregulation, and a more market-oriented approach. It is simply a fact of life that continental Europe is largely statist and that this politico-economic orientation is increasingly incompatible with the Anglo–Saxon form of capitalism. Any historical look at the UK's long-evidenced frustrations with the EU illustrates the difficulties of unlike forms of capitalism banding together. The US and the UK exhibit an anti-statist, pro-free-trade, pro-markets politico-economic culture; sharing a common school of thought makes a trade combination infinitely more likely to be successful and is a strong argument in favour of the new Nafta combination.

An expanding, free-trade oriented Nafta would have a great competitive economic advantage over the EU due to this shared politico-economic culture. The English-speaking peoples' anti-statist cultural model, stressing the centrality of the rule of law, relatively lower tax rates, and less social spending, is the principal reason that, over the past 15 years, the US and Canada have created 2 million more new jobs than the EU countries. Dismally, the EU has run a net loss of private sector jobs in the 1990s. The EU has a more corporatist approach, wants a larger role for the state in the marketplace and, correspondingly, espouses a greater advocacy of protectionist doctrines to shield these inefficient practices. The Anglo-American economic culture exhibits a greater advocacy of free trade, a more dynamic economic environment, and a limited safety net. Such a grouping will inevitably fare better in the new era, driven as it is by markets and economic fundamentals. In terms of politico-economic culture in the age of globalisation (to say nothing of the advantage a common language bestows), a free trade area centred around an Anglo-American nexus is simply a better fit for both countries than any conceivable alternate economic arrangements.



Third, the grouping will also protect the US politically from whatever the outcome of the European experiment in supranationalism. I wish to make it clear that I am not against Europe; I am against a protectionist Euro-Federal grouping. We need to be as clear-eyed about this as the French and Germans are. They have no trouble reconciling the ambiguity that the US is both an ally and a rival of theirs; such are the complexities of the world. There is a danger for the US if the EU proves to be too successful in its attempts at centralisation. If it succeeds in becoming some sort of coherent federal structure, it may well try to sever the transatlantic link – as Henry Kissinger has suggested – even attempting to become a rival hegemon in the long term. This is fundamentally not in America's interests. There is little doubt that such a goal is the object of many European centralises. Georges-Marc Benamou, in *Le Dernier Mitterand*, has the elderly French President saying, "France does not know it, but we are at war with America. Yes, a permanent war, a vital war, a war without death. Yes, they are very hard the Americans, they are voracious, they want undivided power over the world." Likewise Gerhard Schröder, in a television interview on December 28, 1999, said "Whining about US dominance does not help, we have to act." He then went on to advocate that Europe act more like a single country if it wants to challenge US economic and political dominance. As the preponderant power in the world, it is precisely such a challenge, from however seemingly benign a source, that America must counter. Nor is there a genuine teleological argument here; there is no doubt that a major strain of Euro-federalism is anti-American in its thrust. We need to stop thinking that French rhetoric isn't serious, that it's just a cultural eccentricity. Rather, it reflects the honest beliefs of a people that have a very different political and economic agenda from ours. Britain will not play a decisive role in what becomes of the EU (as always, that will be left to Germany and France), but it can play a critical role in assuring that an American-led bloc will maintain its dominance by a wide margin over such an integrated statist rival.

The Way Ahead

The political way ahead for this revolutionary new trade nexus is straightforward. After campaigning for the euro option in the context of a referendum early in the life of the next parliament and losing, the Blair government will either fall or be gravely weakened, as it is so closely associated with entry into the euro-zone. Either with a desperately weakened Blair or, better yet, a Tory government flush with triumph after winning the referendum, Britain's entry into Nafta becomes the logical policy alternative. Britain, in line with the current Conservative position, should attempt to renegotiate the Treaty of Rome, allowing it opt-outs over all pieces of legislation relating to further losses of sovereignty and the ability to enter into negotiations to join Nafta as an Associate member. Unlike others who advocate a closer Anglo–American trade link, however, I believe such talks, while desirable from a British point of view, are bound to fail. As Geoffrey Martin, the European Commission's representative in London stated, "The Conservative Approach is detached from the real circumstances of the EU." He pointed out that the trend in the EU was to extend its remit; I take him at his word. The EU will go forward with an ever-closer union whatever Britain decides to do. It is precisely because of these differences over Europe that the UK is looking for an alternative to euro membership in the first place. In such a situation the UK may well find it necessary to leave the union.

If negotiations fail (as is likely), Britain should then re-enter the European Free Trade Area (EFTA), also joining the European Economic Area (EEA) along with Norway, Iceland, and Liechtenstein, which is the linking of the single markets of the EU and willing EFTA members, excepting

matters relating to the Common Agricultural Policy and fisheries. Such a link would preserve British sovereignty (a vital political concern), keep the UK in the Single Market, while allowing it to negotiate Associate Nafta status. EEA membership entails no transfer of legislative power from the parliaments of contracting parties to EEA institutions. Decisions by the EEA joint committee (composed of EU and EEA members) in principle need to be transposed into national legislation to be binding in each EFTA country. This would be the best-case scenario for the UK in the age of globalisation; remaining in the common market while joining an expanding, free trade-oriented Nafta would amount to having its cake and eating it too. However, if the other member states of the EU refuse to allow for such a variable-speed Europe, a fundamental choice must then be made. Britain should then withdraw from negotiations with Brussels and enter the Nafta free trade area as an Associate member.

Nafta countries are already engaging in preliminary talks with EFTA states about Associate member status, along with Chile. Such a revamped Nafta, re-christened andtransformed into a global Free Trade Association (FTA), will be founded around a genuine commitment to increasing free trade between its member states and at a global level. It will serve as a practical advertisement for the enduring global benefits of free trade; an example all the more important in the wake of the Seattle debacle. It could come to encompass such countries as New Zealand, Hong Kong, Bahrain, Ireland, Chile, Singapore, Israel, Denmark, Estonia, and the Czech Republic. The Free Trade Association will be an inclusive grouping, whose expanded membership should be based solely on a policy commitment by its member states to a genuinely liberal global trading order. This commitment will be characterised by a state meeting certain numerical targets (such as those used in the methodology employed in the Heritage Foundation's Index of Economic Freedom) regarding a country's openness relating to its trade policy, capital flows and investment, property rights, and low level of regulation. Members will thus select themselves based on their genuine commitment to a liberal trading order. The plan embraces a commitment to a state's sovereignty; its economic policies (and the choices they represent) will determine whether or not it qualifies for the grouping. However, given my firm belief in the economic superiority of the Anglo–American economic model, such an organisation will have a disproportionate number of English-speaking members, certainly in the short- and medium-term. However, the numerical target concept allows for self-selection, giving the whole project an inclusivity it would otherwise lack, while advancing our common desire to strengthen the ties that bind the English-speaking world together. The Free Trade Association's internal initiatives will include: freer movement of capital within the new grouping; establishing common accounting standards; setting uniform numerically driven very low rates of subsidy, as well as diminishing overt and hidden tariffs.

This new Anglo-American economic tie will simply build upon the older links that have made this relationship one of the most fruitful and enduring in history. This plan exemplifies conservatism at its Burkean best, proposing policies based on conditions that already exist, rather than as with the EU, trying to legislate sand castles into reality.

An indication of the vibrancy of the Anglo-American tie lies in its duration. As Winston Churchill – himself an Anglo–American creation – observed during the Battle of Britain, August 20, 1940: "The British Empire and the United States will have to be somewhat mixed up together in some of their affairs for mutual and general advantage. For my own part, looking out across the future, I do not view the process with any misgivings. I could not stop it if I wished; no one can stop it. Like the Mississippi it just keeps rolling along. Let it roll. Let it roll on full flood, inexorable, irresistible, benignant, to broader lands and better days." Let us heed this hallowed voice, preserving and enhancing this vital link, which has seen us through so much in the past and can be a source of so much in the future.

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… news in brief

Still a dump

Despite the fact that the Federal Republic of Germany pours yearly subsidies into East Germany which exceed the annual GDP of the Czech republic, the former Communist zone of Germany remains stubbornly resistant to economic growth. The March figures for the German economy show the West German economy growing while the East is contracting. The *Handelsblatt*'s "early indicator" which predicts growth rates stands at 2.9% for the West (up from 2.8%) while the East has fallen from 2.5% to 2.2%. Even the official statistics confirm this: in 1999 the East German economy, including Berlin, grew by a mere 0.9%. [*Handelsblatt*, 6th March 2000]

Euroland businesses "optimistic"

Despite the continuing problems in Eastern Germany, businessmen in the euro zone are said to be increasingly optimistic about their economic prospects. Optimism has apparently reached the level it was at before the crises in Russia, Brazil and Asia which began to influence Euroland in 1998. Exporters are of course especially optimistic as a result of the cheap euro, which is helping their cause. Apparently the Finns are particularly bullish at the moment. On the other hand, the only country whose budgetary situation has improved since the beginning of 2000 is Germany. [*Handelsblatt*, 7th March 2000]

Un bookerismo

The Italians will have to coin an Italian word for "Bookerism" because the kinds of bureaucratic absurdity documented weekly by Christopher Booker has arrived in the classic peninsula of the Mediterranean. Producers of fresh ravioli and tortellini have called upon the Italian industry minister to intervene to protect their products from European directives and national Italian regulations. For some reason, it has been decided to extend the regulations on industrial pasta to fresh pasta as well. These require that the water content of the pasta be no higher than 30%. "To give an idea of how inappropriate this regulation is," said an artisanal representative, "you should be aware that potato gnocchi are 60% water and that ricotta cheese, which is used to fill ravioli, as a water content of between 72% and 75%. By imposing this regulation, all the key dishes which make Italian cuisine so rich and inimitable – like gnocchi, tagliatelle and all fresh pasta products – will be killed off." The representative added that 61,000 artisanal jobs would be affected by the measure, which has no positive impact on health since fresh pasta is stored in the fridge anyway. [*Il Giornale*, 8th March 2000]

Chunnel Vision

The Raincoat Brigade

by Dr Lee Rotherham

Someone is watching me as I type this. Tap tap tap – quite literally. By the time this edition hits your doormats, dear reader, this article will already have been perused by America's National Security Agency, and planted in a file hopefully marked PRETTY HARMLESS rather than EXTERMINATE WITH EXTREME PREJUDICE. If your correspondent ends up in a tragic road accident involving a tanker of marmalade, it was no normal sticky end.

Such is the glorious paranoia that recently swept through the European Parliament. Everyone simply knows that this place is the real powerhouse of the continent (which is why if you simply type 'euro' on your computer here, the automatic electronic helper suggests you want to type European Parliament regardless of your true train of thought). So how natural, then, that the Americans want to follow every single message sent by MEPs to uncover the secret European project of world domination.

Now, the facts of the matter, as ascertained by the EP investigator charged with coming up with the report, are these. The USA, with the assistance of its closest allies, and in some cases apparently its enemies, spies on absolutely everybody. Machines straight out of *2001 A Space Odyssey* then decide what is essentially important reading matter and what is not, throwing away that e-mail from Bob asking when his laundry is going to be finished and keeping a record of that phone message from Ahmed about that kilo of plutonium he ordered. The really clever bit is determining if Bob is really Ahmed and his smelly socks actually refer to the detonator.

Because everyone is being monitored, albeit ruled out in the process, that means all sorts of interesting people are having their mail read. It suddenly dawned on one Italian newspaper that even the Pope's ethereal messages must be being intercepted. Sacrilege! Why, who next?

So MEPs feel all uptight that the EU is not the great country they so seek, and is having its posterior whipped by the real federal superpower. One has a sneaky suspicion that chagrin for this explains the recent bizarre goings on in the internal e-mail network. For instance, on the day a livid correspondence began between several thousand consoles on why they didn't want to be bombarded with messages about flats for rent being touted on the network, the system decided to crash. Your correspondent was subsequently locked out when choosing as his password Wellington's great victory over Napoleon, only to discover the house computer expert was French. In apparent compensation, he accessed some Portuguese MEP's personal files instead.

> … SOS Democracy makes a real difference, providing a focus for Eurosceptics of various colours to come together …

Intelligence is a precious commodity here. No, not that kind of intelligence. Well, yes, that kind too. But the key to success really is finding out what the dickens is going on. You don't need a spy computer to achieve this. You need an efficient underground network.

Those who work in the EP drown in information. Most of it is complete pap. It deals with some aspect of lobbying that seventeen people on the planet care about. But on rare occasions, deep down in that pipe of paperwork – the locals thoughtfully supply recycling bins which have to be emptied daily in every office – is a nugget. The trick is to get it to the right people.

For instance, the fact that at the Justice and Home Affairs Council on 3rd and 4th March, Corpus Juris officially came back on the agenda, along with proposals for a European Police College, a Eurojust network with expanded powers linked with Europol "with a mission of stimulating and co-ordinating investigations", regional prosecutors, a role in cybercrime (here we go again), a European Fraud Prosecutor, and more besides. That sort of detail could be sandwiched in a pile of paperwork between a briefing document on some humanitarian crisis in the Far East and a helpful background paper which runs by the name of *After Amsterdam: Sexual Orientation and the European Union, A Guide.*

This is where SOS Democracy comes in. It exists in the mould of an intergroup, or all-party body. Some examples of the genre are complete fruitcake material, such as the intergroup for those who appreciate the role of horses (no French cuisine jokes please). How would you respond to a telephone call inviting your support for the Intergroup Against Pain? "No, sorry, we in the Conservative Party are thoroughly in favour of pain at European level"? I think not. But SOS Democracy makes a real difference, providing a focus for Eurosceptics of various colours to come together and plan common action in areas where they are in common agreement. A real rainbow alliance.

This does not mean that they all wear the same uniforms and fight the same wars. The intergroup brings together MEPs from all political hues. That foolish *Independent* front page, all Millbank spin and no substance, which said that several Conservative MEPs had effectively jumped ship to link up with UKIP MEPs could just as easily have read "Tory MEPs defy Hague and Join Scandinavian Socialists". Or Gaullists. Or Greens. Not quite so catchy is it? The truth is that there are those who treasure the independence of their country and see with despair the slow leeching of democracy and the fetid rankness of corruption (apologies if you are presently eating dinner).

If these patriots do not all hail from the EPP, indeed as a majority they do not, does this not rather say something about where true friends of freedom are to be found?

Dr Lee Rotherham works in the European Parliament.

The European Union by Stealth: A Polish View

by Maciej Giertych

Having family in London I have tried to visit the UK once every two or three years. When passing through Heathrow passport control I have noticed that at some stage the separation of passengers into EEC and non-EEC members changed to EC and non-EC. I have been asking many people whether they noticed this and whether there was any public discussion about this change. There was none. Unnoticed and unprotested by the British electorate was the change of the European Economic Community into the European Community. Now it is the European Union (EU). This was introduced less secretly. There was public debate about accepting the Maastricht accords, and some measurable consent. But the change from an economic agreement into a political one was introduced by stealth.

During one of my visits I talked with a Conservative MP, Jonathan Aitken. He told me that British Eurosceptics would be interested in seeing Poland in the European Community, because that would make the Community more loose; it would reduce the hold of Brussels on member countries. He wanted Britain out of the Community and hoped that accepting Poland and other East European countries would make it easier for Britain to extricate itself.

I am a Polish Eurosceptic. I do not want to see Poland in the Community. But also I do not wish to see any other country in it, even if that would help Poland to stay out. Poland is often treated by western politicians as a tool serving some purpose unrelated to our interests. The whole procedure of preparing Poland for entry is a clear example of this attitude.

We are to accept all sorts of changes that are of benefit to current EU members and of harm to us, such as reducing agriculture below self-sufficiency, liquidating various industries that could be competitive or allowing dirt cheap sell-out of Polish state property to foreign buyers on the free market where there is little private Polish capital able to compete. Already almost all newspapers, most of the banks and practically all industry is in foreign hands, primarily German. Of course, papers owned by Germans will not allow the printing of anti-German articles. Items of strategic importance should never have been offered for sale to foreign investors. The EU demands also that our internal laws and regulations be adapted to EU norms, many of them ideologically quite unacceptable to us.

Poland has been in Europe for more than a millennium. We participate in the shaping of its destiny, in forming its cultural identity. We are part of Western Europe. Our links with Europe are primarily with Rome, with the Catholic countries, with France and also with the northern fringe countries. Perhaps it is natural that it is most difficult to be on good terms with the closest neighbours. But there is more to this than that. In fact we feel very strongly linked by tradition, way of life and values with Western Europe, much more so than with the Slavonic but Orthodox and generally totalitarian Eastern Europe and even more so than with the Germany of Mitteleuropa. We consider Germany more than European due to its cult of strength, its memories of cesaropapism (superiority of Caesar over the Pope), religious wars on the principle of *cuius regio eius religio* (whose reign his religion – now the "we are church" movement) and other manifestations of freedom in politics from religious and ethical constraints.

We want to continue to be part of Western Europe, and it is for this reason that joining the European Community of Union was for many a natural desire. However, very few people knew that the aim of the integration process was from the very start extremely un-European. Europe by tradition is a continent of independent states, each of which is the property of its nation. We are a family of nation states. Each has its own traditions, own way of life and own pride in its individual history and heritage. The idea of a federated Europe, along the model of the United States of America, is unattainable precisely because of the diverse traditions and the spirit of independence. The USA could form as a federation of several states because all of them were basically of the same tradition, White Anglo-Saxon Protestant (WASP). Further acquisitions such as French Louisiana, Spanish southern states or Russian Alaska were treated as colonies and pressed into submission by the dominant WASP influences. Immigrants of course had to submit to local customs if they wanted to settle. Yes, Europe could be united into one state, but only by force, only against the will of its different peoples. There have been such attempts in the past, all of them failures (Atilla, Napoleon, Hitler, Stalin) and most of them were inspired by antichristian ideologies.

Now another approach is attempted, through economic enticement and stealth. Jean Monnet, the 'father' of European union, who was starting with economic links, said: "This fusion will force nations to fuse their sovereignties into one European state" (*Business Week,* 14th October 1996). Leading European politicians knew this from the start, but they considered it prudent to conceal this from their electorates. Gradually yet imperceptibly the word 'Europe' is changing its meaning to include EU members only. We see such illogical sentences as: "European trade with Eastern Europe." What disagrees with EU policy becomes un-European. Examples can be multiplied.

Germany has a federal structure, akin to that of the USA. This is a model that is most acceptable to them and they would like to expand it to cover all of Europe, with no nation states but only with provinces, more or less equivalent in size and political clout to the current German Lands, and with a central European government over which Germany would have the greatest influence, being strongest economically, politically, financially, demographically and soon even militarily. In fact it is part of German policy dating very far back to federate Europe under its leadership.

German Emperors of the Holy Roman Empire wanted to unite Europe under their leadership. It was while resisting these attempts that Poland first emerged on the historical scene as an independent country. When in the year 1000 Emperor Otto III came to Poland on a friendly visit, he offered a crown to the Polish Prince Boleslaw the Great. This meant accepting Otto III as the kingmaker. Boleslaw refused, wanting Poland to remain independent of Germany. He waited another 25 years until finally the Pope gave him a crown, thereby recognising Poland as a kingdom independent of the Holy Roman Empire.

Later in history Germany split up into a multitude of statelets due to religious wars. Otto Bismarck federated Germany in 1871, beginning with a customs union but

gradually developing it into a political union dominated by Prussia. This method of unifying by stealth was found to be agreeable to them.

On 9th September 1914, when the Germans were just about to enter Paris (battle on the Marne), the German chancellor Bethmann-Hollweg presented the Kaiser with a list of conditions for a peace settlement. In it he wrote that the aim of German policy should be: "to assure security from the west and east for as long as possible. For this purpose France has to be weakened so that it could never again rise as a power, Russia has to be pushed away from the German frontiers and its rule over vassal non-Russian peoples has to be broken. […]

"A central European economic association has to be established through mutual customs agreements, including France, Belgium, Holland, Denmark, Austro-Hungary, Poland and possibly also Italy, Sweden and Norway. This association, while without a common constitutional overstructure and with the maintenance of external equality of its members, but in fact under German leadership, will lead to the establishment of economic domination (*wirtschafliche Vorherrschaft*) of Germany over Central Europe" (Frits Fischer 1959, *Deutsche Kriegsziele, Revolutionierung und Separatfrieden im Osten 1914–1918,* Historische Zeitschrift, Munchen 188: 249–310). Has anything changed in German aims?

One German rule from the Pyrenees to Poland and from Sicily to North Cap was achieved in 1941 – by force. Nobody liked this. Are we to like the EU version?

Not all Germans think this way. But they are all capable of accepting such a programme. When defeated in 1918, only 48 years after the unification of Germany, when traditions of independence of various statelets were still alive, there was an attempt to re-establish an independent Rhineland. Leader of that movement was none other than the mayor of Koln, Konrad Adenauer, the future Chancellor of Germany. Now he is considered one of the founding fathers of a united Europe.

> … very few people knew that the aim of the integration process was from the very start extremely un-European

I am perfectly aware that the pressure for a united Europe comes from world globalists, from people working behind the scenes towards a world government. European Union is only a stage in this process. Germany, with its ambitions of leadership, is only a tool in this programme. But stages are sometimes the only part realised. The worldwide programme may fail – just think of the difficulties involved in subjugating China, Japan, the Muslim world, etc. Europe is considered the easy first step. Yet it is a European tradition to resist attempts at subjugating the whole continent to one rule. The British "balance of power" policy, always against the strongest force on the continent, is part of that tradition. It is certainly part of Polish tradition to fight for and defend independence from any foreign influence. Just as we are not prepared to accept Russian, German or any other domination, so I am sure that is true of most European nations. European union will not work. Sooner or later it will disintegrate. European nations will not bear the straitjacket of a common currency, common army, common police, common laws, common everything. Divorces are usually traumatic – why then enter union if they are inevitable?

Europe reshaped the world by its readiness to lead it. I hope it will continue to do so, however not through enforced unification but by the promotion of its spirit of inventiveness, independence and diversity. I have no doubt that resistance to globalist trends, unmasking of the globalisation by stealth, will come from Europe, but first it has to curtail integrationist and domineering trends within it.

P*rofessor Maciej Giertych is chairman of the Polish National Party. This party was the largest in pre-World War II Poland, but has been decimated by German and Russian occupations, by communist persecutions and is now struggling to rebuild its potential in the alien socialist-liberal milieu of the current period. Prof. Giertych's father, Jedrzej Giertych. was one of the main leaders of the party before World War II and lived as an exile in London from 1945 until his death in 1992. Prof. Giertych studied at New College, Oxford, 1954–58, took a doctorate at Toronto University and returned to Poland in 1962 where he works at a scientific institution. His professional speciality is genetics of forest trees. He edits a small circulation private political magazine entitled* Opoka w Kraju (The Rock in our Country), *available in Polish at http://elect/iele.polsl.gliwice.pl/~owk/*

… news in brief

Montenegro wants to introduce the euro

The Yugoslav republic of Montenegro has said that it will introduce the euro as its own currency next year. According to the local newspaper, Pobjeda, ('Victory'), the introduction of the euro would strengthen the country's economic independence from Belgrade. The Montenegrin government last year introduced the Deutsche Mark as its parallel currency (with the Yugoslav dinar) and the euro is now only a logical further step. [*Handelsblatt*, 7th March 2000] However, when Estonia announced the same intention, it was rapped firmly on the knuckles by Romano Prodi who said the country had to join the EU first. Montenegro has a tiny population of some 350,000 and its principal economic activity is cigarette smuggling and other edifying pursuits.

Charles de Gaulle candidate for National Front

The grandson of the General, having announced that he was joining Jean-Marie le Pen's party and leaving the list he headed with Philippe de Villiers and Jimmy Goldsmith, is to stand as a candidate in the forthcoming municipal elections in Paris. [*Le Monde*, 9th March 2000]

Plucky little Liechtenstein

The Justice Minister of Liechtenstein has said that it is inconceivable that his country would ever sign the European Economic Area treaties, still less apply to join the EU. He was reacting to a statement by the German Finance Minister, Hans Eichel, who has implied that Liechtenstein was a den of money-launderers and tax evaders, a reputation which has been strengthened recently during the CDU financial scandals. Liechtenstein cropped up often in the various unfolding scandals as being a convenient place to park hidden funds. Heinz Frommelt, the Justice Minister, said that Liechtenstein was working on laws to make money laundering more difficult in his country, but he publicly reminded the German minister that Liechtenstein was a sovereign state which would run its own internal affairs. On no account would Liechtenstein co-operate with the tax authorities of a third country. Mr Frommelt added that the EU's treatment of Austria had changed public attitudes to European integration and that public support for joining the EEA was quite out of the question. [*Handelsblatt*, 7th March 2000]

What are the Benefits of EU Membership to the UK?

by Dr Brian Burkitt

When British political debate resumed after the millennium celebrations, the question of whether Britain should join the single currency dominated the agenda. A striking feature of the evolution of this debate is the change in the emphasis in arguments put forward by those supporting Britain's participation in closer EU integration. In 1973 Heath, Jenkins and their contemporaries stressed the positive advantages that could be secured through greater union (e.g. greater growth); their successors focus less upon the hope that integration may bring and more upon the fear of being left out of the process. Such fears divide into two categories.

(a) Political – Tony Blair's self-evident motivation for advocating UK membership is not based upon any economic cost/benefit analysis, but upon a belief that if Britain opts out of the EU's central integrationist project it cannot be a leader in Europe. Any country remaining outside the currency zone is perceived as 'losing influence'.

(b) Economic – Outside EMU, it is feared that the UK could be marginalised within the EU's decision making process. The consequences could be that it loses the benefits of the Single Market through political prejudice or discrimination.

These fears can be alleviated by pragmatic counter arguments. Politically, an opt-out Britain may become less powerful within Euroland, but it could increase its already extensive global influence (demonstrated by its overseas investment portfolio) in the Commonwealth, North America and South East Asia. Indeed, Sir John Coles, head of the Diplomatic Service until two years ago and a former Permanent Under-Secretary at the Foreign Office, recently argued that Britain would carry far greater clout across the globe if it retained a distinct currency and policies. Economically, it seems improbable that EU member states would interrupt the channels of trade with the UK, thereby infringing World Trade Organisation (WTO) rules, when they have enjoyed a continuous substantial trade surplus since Britain's accession to the Common Market in 1973.

However, the terror of exclusion from EU decision making that dominates the thoughts of those supporting UK entry to EMU raises a wider question; what, if any, advantages does UK membership confer upon Britain in the contemporary world?

The Single Market is the prime economic reason for UK participation in the EU; for Britain's political and business establishment, belief that the Single Market generates enormous benefits has become an unquestioned article of faith. However, such fashionable opinion becomes an 'Emperor Without Clothes' when subject to rigorous scrutiny.

In the relatively protectionist world of the 1960s and 1970s, significant benefits accrued from Common Market membership. Whilst the successive rounds of GATT reduced average tariffs on manufactured goods between developed countries from their immediate post-1945 level of over 40%, they remained above 20%. The attraction of free trade within the EEC, whose member economies grew above the industrial average before 1973 (but failed to do so subsequently), appeared considerable despite the political and economic burdens imposed by accession.

However, the UK would never join the EU now. The Uruguay Round of world trade negotiations from 1986 to 1994 reduced the average tariff on trade in industrial goods between developed countries to a mere 3.8%, scarcely a barrier for any exporter enjoying sizeable profit margins. In the new millennium, the developed world is closer to free trade than it has ever been. In addition to achieving unprecedented liberalisation of trade in industrial goods, the Uruguay Round created the WTO with its new dispute settlement procedures for tackling unfair trading practices.

For the UK serious question marks hang over the Single Market. Why have British exports to the EU been growing more slowly than to the rest of the world? Why did the UK incur a cumulative current account deficit of £64 billion with the EU between 1992 (the inception of the Single Market) and 1997, whilst achieving an aggregate surplus of £48 billion with the rest of the world over the same period?

Such trends imply that the benefits from the Single Market in the post-Uruguay world hardly compensation for the costs of EU membership. Outside the EU, the UK would determine its own trade policy as the world's fourth largest economy, whilst remaining a constructive participant in the WTO. Britain could re-establish its own import regime for such sensitive products as agriculture, art and drink; it would export beef free from bureaucratic constraint, whilst it will be able to negotiate free trade agreements with any country, or group of countries, it wished. The UK's relationship to the North Atlantic Free Trade Association (NAFTA) could be explored. Britain may follow the European Free Trade Association by commencing initial negotiations with Canada, with the intention of dealing with

Table One:
Leading Exporters to the EU Fourteen: Merchandise Exports (FOB)

Exporter	1992 US $ billion	1997 US $ billion	Annual % growth rate
UK	113.7	141.4	4.4
USA	84.9	104.4	4.2
Japan	54.8	52.0	-1.0
Switzerland	38.1	40.8	1.4
Norway	19.4	26.9	6.8
Russia	17.9	25.2	7.1
China PR, Hong Kong	16.1	21.2	5.7
China PR, Mainland	7.1	20.0	23.0
Czech & Slovak Republics	6.9	16.9	19.6
Poland	7.7	15.6	15.2
Singapore	8.2	13.3	10.2
Hungary	6.4	13.0	15.2
South Korea	8.0	11.2	7.0

FOB = Free on Board
Source: Directory of Trade Statistics Yearbook 1998, International Monetary Fund

Table Two
UK and US World Exports: Merchandise Exports (FOB)

	1992 US $ billion		1997 US $ billion		Annual % growth rate
UK exports					
To European fourteen	113.7	(59.8%)	141.1	(50.6%)	4.4
To rest of world	76.3	(40.2%)	137.7	(49.4%)	12.5
US exports					
To European fourteen	84.9	(19.0%)	104.4	(15.2%)	4.2
To rest of world	362.5	(81.0%)	583.2	(84.8%)	10.0

FOB = Free on Board

Source: Directory of Trade Statistics Yearbook 1998, International Monetary Fund

Mexico next and the USA last; alternatively, if the three NAFTA countries desired, multilateral bargaining could proceed.

The UK's political establishment will find such an alternative strategy difficult to embrace, partly because of its difficulty in casting off conventional, albeit out of date, modes of thought. Furthermore, it will re-iterate the well worn themes of the political benefits of 'pooling' British sovereignty within a larger grouping, however disparate the group and intangible the benefits, and the economic gains derived from the Single Market. Subsequent developments in the world economy indicate that such economic gains are over exaggerated. To demonstrate the point, a crucial question must be answered; have UK exports to the other fourteen EU members grown more rapidly as a result of the Single Market? The weight of evidence suggests a negative answer.

The ideal test would be to compare the growth of UK exports to the EU since the inauguration of the Single Market with what would have occurred if Britain had remained outside. Such a test is impossible, so that the best available substitute is to compare the rate of growth of UK exports tot he EU with that of outside countries. Table one illustrates that, of the thirteen countries whose merchandise exports to the EU exceeded ten billion dollars in 1997, nine enjoyed substantially faster export growth rates to the EU than did the UK. Only Japan and Switzerland experienced significantly slower ones.

Therefore being outside the Single Market does not constitute a barrier on all the available evidence.

A pertinent comparison is with the USA, the only other country where merchandise exports to the EU exceed US $100 billion. Table two provides a comprehensive analysis of UK and US merchandise export growth both to the EU and to the rest of the world.

Four points merit attention:
(i) the US export growth rate to the EU, without 'access' to the Single Market (4.2%), was barely less than the UK's (4.4%);
(ii) the UK and the US both experienced substantially lower export expansion to the EU than to the rest of the world;
(iii) the share of total exports going to the EU declined less for the US than for the UK;
(iv) after the completion of the Single Market, the direction of Britain's merchandise exports underwent a major shift away from the EU towards the rest of the world.

Thus the evidence does not support the establishment belief that the Single Market provides substantial benefits for the UK. The truth is that, with the significant exception of Japanese car producers, manufacturers enjoy access to the Single Market wherever they are located, as Tables One and Two clearly demonstrate.

The weight of evidence is clear; the assumption of the British governing class, articulated by Charles Kennedy in *The Times* on September 20th 1999 that "Britain gains so much from membership of the European Union it is hard to believe that anyone can still question that it is in our national interest", lacks any empirical basis. It carries little economic value in the contemporary, low tariff world, whilst the political 'benefits', all negative (what is lost outside), recently cited by Robin Cook, are subjective, non-quantifiable and open to counter argument. When the long established, well documented costs of EU membership are taken into account, the idea that Britain, if outside the EU in 1999, would now choose to join is ludicrously farfetched. Therefore our continued membership appears to be a triumph of hope over experience.

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… news in brief

France rejects jurisprudence of Strasbourg

Despite the vote on the ICT, France has refused to review the case of Abdelhamid Hakkar, a man convicted of murdering a policeman in 1989 and sentenced to life imprisonment. In 1997, the European Court of Human Rights found that France had not respected the rights of the defendant because he was convicted *in absentia* having been refused the lawyer of his choice. However, the French authorities refused to review the case, saying that there was no legal basis for doing so in French law, his case having been turned down on appeal. [*Le Monde*, 16th February 2000]

Prodi ready to give up?

Tongues are wagging ever more excitedly in Brussels at the disastrous presidency of Romano Prodi. People are even speculating that he might return to Rome. The press in many countries accuses him of a lack of leadership and of his imprudent tendency to make unexpected announcements which are then not followed through. The invitation he extended to Colonel Gaddaffi to visit Brussels was an example of his unpredictable behaviour, while his pet project of establishing a European food authority is now dead in the water. People are now saying in Brussels that he is getting ready to throw in the towel completely. It is therefore being speculated that he may even try to become the prime minister of Italy again. He has rapidly squandered the considerable political capital he enjoyed at the beginning of his presidency. One foreign minister has said anonymously, "There are some of us who criticise Prodi openly and some who prefer to keep quiet. But nobody defends him any more." But perhaps he is just the messenger whom everybody is lining up to shoot. After all, as the French foreign minister has admitted, the Franco-German couple is not what it used to be. Maybe it is the lack of political impetus behind the European construction which had caused the Commission to lose its sense of direction. [*Le Monde*, 23rd February 2000] Prodi's spokesman, Ricardo Franco Levi, has attacked *Le Monde's* speculations as fantasy. [*La Repubblica*, 23rd February 2000]

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The European Foundation

The *Great College Street Group* was formed in October 1992 in order to oppose the Maastricht Treaty. The group, consisting of academics, businessmen, lawyers and economists, provided comprehensive briefs in the campaign to win the arguments in Parliament and in the country. The European Foundation was created after the Maastricht debates. Its task has been to mount a vigorous and constructive campaign in the United Kingdom and throughout Europe for the reform of the EC as a community of independent sovereign states. The Foundation continues to establish links with other like-minded institutes across Europe.

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- liaison with trade associations and other professional bodies .affected by EC action and policy.

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