Conservative Candidates On Europe

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THE EUROPEAN JOURNAL

The Journal of the European Foundation



Lord Bell
Chairman, Conservative Keep the Pound Campaign
Saving the Pound and Winning the Election
&
Ruth Lea, Dr Gregory Slysz,
Howard Flight, MP, and Keith Marsden

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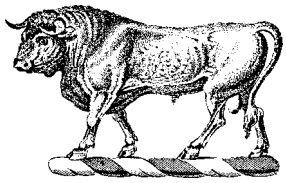
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Canute was right to try after all – you can turn the tide

Three cheers for the Danish people! Also, personally, for Jens-Peter Bonde, the leader of the Danish 'No' campaign for so long and of the Europe of Nations Group in the European Parliament – a member of the Advisory Board of the European Foundation for many years and contributor to the *European Journal.*

It is worth remembering that in 1992 the Danes voted 'No' to the Maastricht Treaty. What happened? John Major and his Government refused to veto the Treaty and the Danes were subjected to a second (and disgraceful) vote. At about the same time, I set up the MARC Referendum Campaign for a Petition to Parliament calling for a Referendum on the Maastricht Treaty – we got 500,000 signatures but John Major refused a Referendum.

How things would have been different had the first Danish vote been accepted or a Referendum held here in the United Kingdom! And not only for the Danes but also for Britain and for the whole of Europe. This is a critical matter, for by allowing the creation of European Government and the single currency, democracy in Europe was dealt a lethal blow. And of course the Maastricht Treaty (followed by Amsterdam and soon to be followed by the Nice Treaty in December) created the genesis of the European Foreign and Security Policy and Defence Policy, the borders, the asylum and immigration and the justice and home affairs framework, the groundwork for a new Constitution for Europe and a single state. Readers of the Journal since 1993 are familiar with all that has happened since, including the determination of the establishment and the elite to railroad the people of Europe and to refuse to give them the kind of debate which informed the Danes to make their historic verdict through their Referendum.

This was on political and constitutional grounds. The Danish Government's futile attempt to frighten their electorate, even with the massed ranks of all but one brave newspaper, the entire media on radio and television and big business, proves one thing – the ordinary voter could not be conned. The result, based on a profound dedication to retain the right to govern themselves and how to be governed, was a magnificent triumph for democracy. In the meantime, Tony Blair has twice refused to accede to my demand in the House of Commons for a White Paper on the political and constitutional issues. If only the Conservative Party would insist on this (and as advocated by the Daily Mail), we would put him and his Government in an impossible position – for the Government simply cannot produce a White Paper on the fundamental issues of European Government and win the argument, and not just on the single currency.

The arrogance of Messrs Blair, Cook Jospin, Joschka Fischer, Prodi et al defied belief – simply brushing aside the Danish vote as if it did not matter. Well, it does. Recent opinion polls in Sweden, Germany, the UK and many other countries, endorsed by the derisory turnout, for example, in the European Parliamentary elections in Holland, all point in one direction – the people of Europe may want the Single Market but they also want a reversal of European Government and the uncompetitive, over-regulated economic government which accompanies it. To do this requires a fundamental renegotiation of the European Treaties and 'never' to the single currency in the UK.

My recent pamphlet "Associated but not Absorbed" is about this renegotiation. Any member state can put forward amendments to the Treaties at an Intergovernmental Conference. The problem is that they are only one way – in the direction of more integration and now increasingly against the tide of popular opinion which wants less regulation and less European Government. I argue for a new order in Europe – the Associated European Area – which would generally accept the Single Market (as reformed) and political co-operation but not European Government. I propose that we need to bite the bullet and that Britain should take the lead, inviting European countries, who underneath it all feel the same way and who want to preserve their freedom and democracy, to come to a Conference (parallel to the Intergovernmental Conference at Nice in December) to join together, with applicant countries, and jointly to propose amendments to the European Treaties. Unravelling European Government and the acquis communautaire – which 'flexibility' does not do and which only looks forward to further Treaties. Incidentally, affirming the supremacy of Parliament is stating the obvious. What we need to do is to reverse those parts of the Treaties by which we are *already* 'run by Europe'. Without renegotiation, everything will just carry on or it will collapse, with dreadful and incalculable results for the British, European and (as the intervention to support the feeble euro shows) now the world economy – and our democracy. We need a new Balance of Interest in Europe – encircling a counterweight to the inner core, politically, economically and geographically extending its trade across the atlantic.

We apologised for the ERM – why not Maastricht? We do not want, any more than the applicant countries (who are being bullied into accepting the *acquis*) or the Danes, a German/French axis dominating Europe with majority voting in areas of government where those economically or politically dominated by that axis are effectively going to vote for them. All of this is part and parcel of the arguments for a free, open trading economy, a secure defence based on NATO and reaching out to NAFTA and the removal of socialist, anti-American, protectionist European policies. We need our own Referendum on the whole question of European union and a constructive alternative to the European Single State. For this democratic and historic challenge, the national and European interest, and the global interest, must prevail over narrow party interests as happened with the Corn Laws, Home Rule, Tariff Reform and Appeasement in the 1930s. Tony Blair's speech in Poland on October 6 claimed he was against an EU superstate and for the 'democratic nation state'. Why then does he not table amendments to the Treaty on European Union including Maastricht and Amsterdam to achieve his claimed objective as I argued in my letter to the *Daily Telegraph* on October 9.

All over Europe the élites and the establishment are being rejected by the ordinary voters in different ways. This is shown by the Danish vote, the rejection of Milosevic and the fuel protests in every country. The day will come quite soon when the voters will turn on the elite of the European Union. This is the challenge for the Conservative Party – a matter of principle.

Bill Cash, October 2000

NAFTA Membership: Beneficial and Feasible?

by Keith Marsden

The US International Trade Commission (USITC) has just published a study of the possible impact of UK membership of NAFTA. Initial press reviews have dismissed the proposal as a 'pet' idea of eurosceptics that most people consider 'crackpot'. They claim that the USITC pours cold water on the proposal. In my view, these conclusions are tendentious and misleading. A close reading of the report shows that the estimated effects are significant and worthwhile. And the authors admit that their findings may underestimate the gains. The analytical tool used by the USITC (a general equilibrium trade model) is static, and its assumptions unduly restrictive. The experience of Mexico has shown that membership of a dynamic trading area can stimulate changes that far exceed initial expectations. The proposal certainly merits further study, and has already won support from a wide range of respected businessmen, economists and politicians of varied persuasions.

The USITC study examines two scenarios. The first assumes that the UK joins NAFTA while keeping intact all essential features of its membership in the EU. In the second scenario the UK severs its relationship with the EU, and trade barriers are raised to the level of the EU's common external tariff. The model used to simulate the effects of these two policy environments consists of a global database on international trade, country and regional inter-industry relationships, and national income accounts. It embodies a set of parameters such as substitution, price and income elasticities, which, in the context of the model's equations, determine its behaviour.

Under scenario 1, the report estimates that UK exports to the US would grow by between 7 and 12 percent, and that US exports to the UK would jump by between 11 and 16 percent. These are substantial increases, and could yield further benefits that are not explored in the study. The net impact on the UK's GDP is estimated to be slight – an increase of just 0.1%. But this implies a real income growth of over $1 billion over a ten-year period, certainly not to be sniffed at. Returns to capital and labour would also rise, and the report says that tariff reductions may result in lower prices and increase the range of variety of products available to consumers. These effects should be welcomed, however small. And in the real world, the benefits are likely to be larger that USITC estimates, for the following reasons:

First, although precise details of its structure are not given, the USITC model seems to incorporate severe resource constraints that limit the UK's capacity to meet higher global demand for its products and services. Under scenario 1, the model predicts a sharp 'redirection' of its trade flows. Higher exports to NAFTA countries are offset by a fall in exports to the EU and the rest of the world. The next result is therefore only a small increase in total output. Similar changes in the pattern and level of US trade are shown, also with modest net effects. Yet under this scenario, the terms of their trade relations with non-NAFTA countries remain the same. It is therefore far from clear why the volume of trade between them would decline if the transactions stayed profitable to the parties concerned, and there were no changes in prices and tariff levels. In practice, it is more likely that NAFTA exporters would respond to increased global demand by drawing into production spare plant capacity, hiring unemployed workers, or raising productivity through new investment.

Second, the model doesn't take into account the impact of new trade and investment flows on economic structures, nor of technological changes that may alter the future growth pattern of economies.

Third, no attempt is made to quantify the effects of removing non-tariff barriers, although the report shows that these are numerous and substantial and their elimination is a NAFTA objective.

Fourth, the model assumes that one country's imports are not exported to another, even as raw material or component inputs to finished products that would satisfy existing rules of origin. In other words, it doesn't allow for a boost to exports to the rest of the world that would come from lower input costs.

Fifth, the USITC model is based on 1995 trade data and excludes goods and services that were not traded at that time, either because they faced high trading barriers (true of several trade classifications), or because the products or services did not exist in 1995. Thus the results omit the gains from new opportunities for trade in previously highly protected markets. And they ignore the rapid expansion of trade since 1995 in new high technology fields such as internet-based products and wireless communication.

Considering the limitations of the analytical tools used by USITC, it is therefore not surprising that the predicted effects are small, though still positive. In reality, closer association with more dynamic economies would boost the UK economy through a variety of mechanisms that have been excluded from the study. NAFTA economies have grown twice as fast as Euroland's over the last seven years (since Mexico's admission), and have created far more jobs. Brussels' bureaucracy and stultifying EU directives have dampened the benefits of more integrated markets in Europe. Although Euroland is currently enjoying a cyclical upturn, its trend GDP growth rate fell from 3.3% in the 1970s, to 2.4% in the 1980s and 1.8% in the 1990s. Its unemployment rate soared from an average of 4.2% during the 1970s to 10.5% in the last decade. 9.1% of its labour force is still without work, more than double NAFTA's rate.

If the potential economic benefits of NAFTA membership are attractive, are they feasible politically? Could the UK enjoy the best of both worlds by retaining access to EU markets on similar terms as at present? Some UK business leaders warn that NAFTA membership would change Britain's relationship to the EU in a way that could be extremely damaging, especially if it were obliged to renegotiate all its external trade relations. However, this is not the considered judgement of USITC. The report says:

"Many commentators believe that a variety of arrangements could be worked out. Outcomes range from a complete retention of free trade, labour, and capital mobility among the EU states (including the EU) to severing the UK's ties to the EU." And the authors give their own opinion: *"Perhaps the more probable outcome lies within the broad middle range, in the form of an attenuated attachment of the UK to the EU. Many such arrangements are enjoyed by the current non-EU members."*

Furthermore, the report shows that exclusion of Britain would not be in the best interests of the EU. In scenario 1, EU output

would drop by a mere $51 million. In scenario 2, which assumes UK withdrawal, the remaining members would suffer a decline in their GDP fourteen times greater. Their returns on labour, capital and natural resources would all fall. So if European leaders act rationally, the worst-case scenario seems improbable. A relationship with the EU similar to those secured by Norway and Switzerland should be achievable, especially with US support. This should certainly be forthcoming if the currentmembers of NAFTA agree in principle to UK accession in advance of detailed negotiations and good will is shown on all sides. It is highly unlikely that Britain would be kicked out of the EU and left alone to re-negotiate all its external trade relations from a weak bargaining position. This is simply a scare story put out by advocates of a United States of Europe. Commercial uncertainty could be minimized if all interested groups are brought into the discussions, and citizens are given the final word through national referenda (as in Switzerland).

A further possibility, urged by Senator Phil Gramm, Chairman of the US Senate's Banking Committee, would be a relaxation of trade restrictions between the North American economies and the EU as a whole. This would help to break down protectionist barriers, open up markets, spread prosperity, and eventually make regional trading blocs redundant. Revisions to EU Treaties might also allow some members to continue on the path to full political integration and, in return, grant others the flexibility to adopt their preferred external trade policies. Britain should actively pursue all such options, rather than bow to the inevitability of being swallowed up into a unitary European state run by continental leaders whose protectionist philosophies it does not share.

Keith Marsden is an economist based in Geneva and former World Bank Adviser. His recent publications include Towards a Treaty of Commerce: Euroland and NAFTA Compared *(Centre for Policy Studies, July 2000) and* Handicap, not Trump Card: The Franco-German Model Isn't Working *(Centre for Policy Studies, July 1999).*

EUROWATCH

Oil may prove a valuable test of the Eurozone as an Optimal Currency Area (OCA). Arguably the best economic tool for evaluating the viability of monetary union is the theory of OCAs. An OCA is an economic unit composed of regions affected symmetrically by disturbances and between which labour and other factors flow freely (R.A. Mundell 1961).

All members of EMU are experiencing the same external shock of sharply rising oil prices. They are likely, though, to feel the effect to differing degrees. Colder northern countries, dependent on energy for heating will be more affected than the Mediterranean regions. Countries with a larger manufacturing base will suffer more than those with light industries and larger service sectors. Costs, interest rates and unemployment will rise more in these areas.

The free flow of labour from regions of high to low unemployment can eliminate the problem and dispel the need for relative price adjustments between them. It is therefore optimal to dispense with one of the principal instruments – changes in the exchange rate – traditionally used to adjust relative prices and reap the benefits in terms of convenience and efficiency of a common currency

But what if labour mobility is not fluid? It is, at least, anecdotal that labour does not flow freely between European countries. So the adjustment must take place elsewhere in the real economy. Countries with higher unemployment as a result of higher energy costs will develop larger budget deficits and their asset values – securities and property – will fall. Capital will flow from these regions to those where unemployment is lower and asset values higher, thus exacerbating the problem. Within the EU there is now no price mechanism, either interest or exchange rate, to adjust relative costs and prices. The only remaining option is fiscal transfers from richer to poorer regions. At present, the EU is not set up to make such transfers as each country maintains autonomy over its tax and public expenditure programme.

The impact of these factors depends on the extent and duration of the oil price rise. All oil importing countries will be adversely affected and it could result in a worldwide recession. Oil prices are one of the main reasons that sterling has weakened in recent months as growth forecasts are downgraded. For the EU a current account surplus of $21bn in 1999 is now expected to turn into a deficit of similar magnitude for 2000.

Prospects for Asian economies are similarly undermined so there is no better refuge for capital than the world's most robust and self-sufficient economy, the USA. Until now, capital outflows from the Eurozone to the US have been the main cause of the Euro's long decline. So far this year, European businesses have made direct investment in the US totalling $200 bn and this is continuing at a rate of $20 bn a month, despite the dollar's strength. The danger is that this will now be augmented by speculative selling as foreign institutions tire of holding a depreciating euro and decide to cut their losses; though this is not yet reflected in the futures markets.

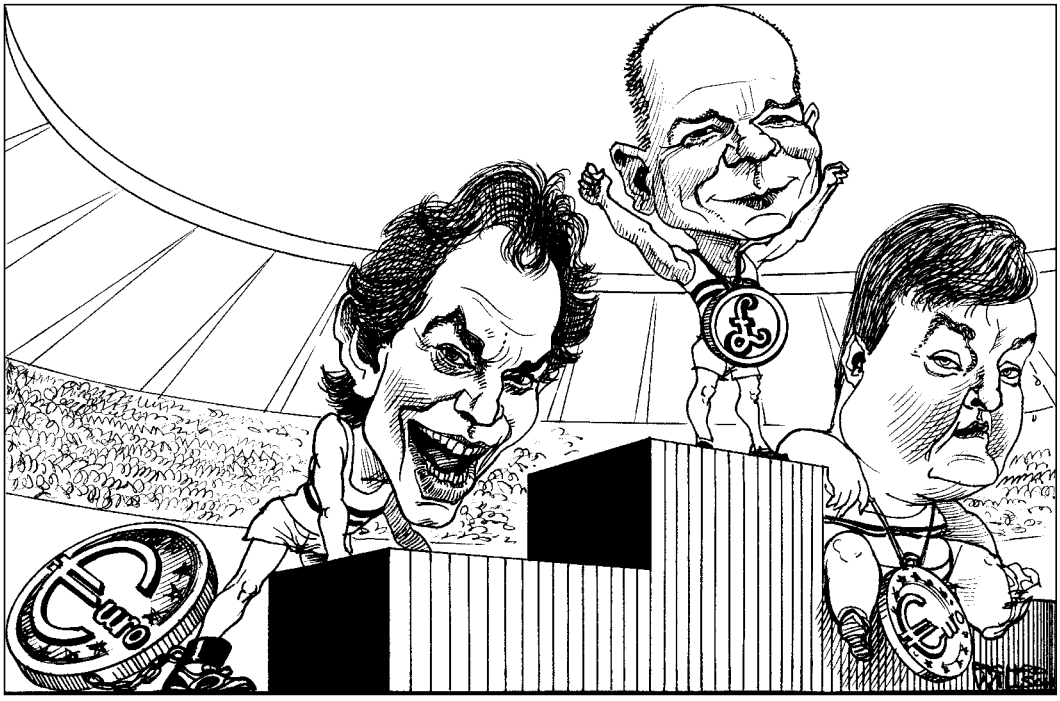
Concerted intervention by the ECB, the Bank of Japan and the US Federal Reserve Board came as a surprise to the currency markets. It was believed that the US would not want to do anything to undermine the dollar ahead of the presidential elections in November. This concern was overridden by fears that earnings of US corporations are now being affected by the weakness of the euro.

Intervention can only be effective in the short term by counter-acting speculative flows. It cannot outweigh the affect of long term capital flows or alter underlying economic fundamentals. The ECB has foreign exchange reserves of $40 bn and the 11 member states a further $260 bn. The Federal Reserve and Bank of Japan may have as much again to commit but in a foreign exchange market with a turnover of $1500 bn a day, intervention may well prove a waste of money.

Lynette Swift

Saving the Pound and Winning the Election

***Lord Bell** argues that any referendum will be on the euro – not our membership of the EU.*



It has been an eventful summer for the euro debate.

Ireland was left helpless as inflation shot above six per cent while its leaders considered the consequences of abandoning national control of monetary policy.

The president of NEC dismissed as nonsense the myth that the prospect of Britain keeping the pound meant that Japanese firms were ready to pack their bags and head for Belgium.

The euro hit yet another new low against the dollar despite an interest rate rise across euroland.

And as thousands of Britons piled gratefully onto trains and ferries to bring them home from the Continent after the French government had caved in to another short but effective season of union-inspired mayhem, a Foreign Office minister complained that British reluctance to hand control of our economy to such as these was the result of nothing more than the ranting of an unrepresentative press. (We have by no means heard the last of that sort of whining, of course).

The news would seem, therefore, to be in our favour. Every day seems to bring new ammunition for those who want to keep the pound.

Indeed, our campaign is going rather well. Huge interest was generated by the launch of the 'No' campaign, the alliance between Business for Sterling and New Europe, and its impressive adverts signed by 300 leading business people.

The Conservative Party's own Keep the Pound campaign goes from strength to strength. William Hague has travelled up and down the country to remind people that – almost unbelievably – his is the only major party that wants to retain Britain's economic independence. The party's 'Keep the Pound' website has won a reputation as a prime source of information and campaigning material. It has attracted pledges from well over 600,000 people to vote to keep the pound at the next election.

More to the point, we are winning the argument among the British people. The latest ICM poll, published at the beginning of September, puts support for Britain's entry into the euro at only 23 per cent – a massive 69 per cent want to keep the pound.

But there is to be no resting on laurels. The battle has scarcely begun. If we manage to keep public support for the pound at this level even after a Labour victory at the next election (a prospect which becomes less and less a foregone conclusion with every day that passes), my delight will be matched only by my amazement. Simply by maintaining this level of opposition to Britain's euro membership, we are defending the pound: not even a government prone to ideological derangement would call a referendum it expected to lose. But the government wants and intends to scrap the pound, and it has a few tricks up its sleeve yet.

We have had a glimpse of one of them. As the last parliamentary session staggered to a close, we were treated to the spectacle of ministers of the Crown engaging in an unseemly row with each other through the pages of the press. On one side, Cook, Mandelson and Byers warned that unless we join euroland by Christmas all our factories will move to Luxembourg. On the other side, the Iron Chancellor defended his territory with bloodcurdling ferocity. It is he, or as he puts it, "this Treasury", that will make the decisions subject to the five sacred economic tests, of which he alone is the guardian.

It is all beautifully scripted, of course, and quite a clever strategy. Gordon Brown says "no" now, and if you didn't know any better he would sound quite credible. The government's plan is that this will make it sound all the more credible when he announces that the tests have been passed and we can proceed safely into euroland.

It is absolutely vital that we don't allow the government to get away with this charade. The notion that Gordon Brown is the impartial defender of the national interest would be laughable were it not so dangerous.

As long ago as October 1997 the Chancellor told parliament: "We are the first British government to declare for the principle of monetary union." He went on: "There is no constitutional bar to British membership of EMU." And he said: "If a single currency works and is successful, Britain should join it."

This is the first of the government's tricks – to persuade us to trust the fox to look after the chickens. We must have nothing to do with this agenda. Every time a supporter of the pound says "Gordon Brown is absolutely right to stand up to these europhile nutters" he adds to the Chancellor's authority – and brings closer the day when his mortgage will be set in Germany. There is no government split over policy. The government's policy is to scrap the pound. Every time ministers pretend to argue about it, we must remind people that as far as Gordon Brown is concerned, scrapping the pound is not a matter of 'if' but 'when'.

The government has a second trick in store. They know that on the question of our currency, things are not going their way. Despite Labour's imposition of billions of pounds of extra taxes and red tape, the economy is doing well. The euro has turned out to be anything but strong and stable. The tide of events is in our favour, and support for the pound is growing. In a referendum on the pound versus the euro, they would lose. That is why our opponents will do everything in their power to make the referendum about something else entirely.

They gave a clue as to their intentions this time last year when Britain in Europe suddenly ceased to be "the campaign for Britain to join the single currency" and transmogrified overnight into the campaign "to ensure the British people reject the views of the anti-Europeans who would undermine Britain's position in the EU."

The government is preparing to present to the people a false choice: being "in Europe" and in the euro; or being out of Europe altogether. They will do everything they can to portray William Hague's campaign to keep the pound as a Trojan horse for EU withdrawal.

To make it work, this strategy relies on us. The false choice will only be credible if we make it credible. If we give any hint that the campaign to keep the pound is really a campaign to leave the EU altogether, we risk doing real – perhaps even fatal – damage to our campaign.

But we should not consider the government's dishonesty and opportunism to be a constraint. In this case, it is a helpful guide – it almost writes ourscript for us. A script that has been taken up with gusto by the Business for Sterling/New Europe campaign: Europe Yes. Euro No.

There will be those reading this who do not agree with the first clause of that message. I respect their view, of course. But I have to warn them about two things.

First, the message is one that reflects the true wishes of the British people – the position of "In Europe, not run by Europe" that was overwhelmingly endorsed at the ballot boxes in June 1999.

Second, because of that fact, if campaigners to keep the pound do not stick to this script, their worst nightmare could come true. By pushing the British people too far, they could lose the very thing they are fighting to preserve.

I know that people have different views on our membership of the EU. I am not asking people to lie about their view, or even to suppress it. But it is absolutely crucial that the two issues – the euro debate, and the EU membership debate – are kept separate. It is possible (indeed, I believe it is the correct policy) to make a success of our economy by being in Europe and keeping the pound. It is crucial that that remains the message of the keep the pound campaign. If you wish to campaign to leave the EU, by all means do so. But if you give the impression that keeping the pound goes hand in hand with rejecting the EU as a whole, I fear that you will live to regret it.

The government will find it very difficult to counter a positive campaign that focuses on the strength of an independent, outward-looking Britain. Both at the general election and any subsequent referendum, they would like nothing more than to be able to demonstrate that the campaign to keep the pound was a cover for a campaign to leave the EU altogether.

As things stand today, it is the government that has to do the convincing. They have to persuade a naturally sceptical (in every sense of the word) public to risk the economic success that they can see before their eyes, to ditch our national currency, and to hand control of our economy to unelected foreigners, all in order to join a group of shaky economies with a currency that they read every day is tumbling.

A tough job. But if we are not careful, the boot will be on the other foot. Today, it is the government that advocates a step into the unknown. If theyhave their way, they will argue that it is people who want to keep the pound, rather than themselves, who are calling for such a calamitous risk.

To make the campaign for national sovereignty and common sense appear to be the campaign to take a step into the unknown would be an act of woeful folly.

In years to come, those responsible for such a blunder would doubtless congratulate themselves for their intellectual purity as they wrote their cheques in euros.

Lord Bell is a Conservative Peer and formerly Head of Communications at Conservative Central Office.

… news in brief

Future boycotts to be legal

The European Commission has presented a proposal to the European Council for means by which to conduct future boycotts of countries, in the manner of the failed boycott against Austria. The EU recognises that the boycott of Austria was illegal under the EU treaties and so it decided to act bilaterally instead – a neat way of sidestepping the law when convenient. The suggestion now is that a warning and monitoring mechanism should be set up to deal with cases where "fundamental European values" are believed to be threatened. The proposal is that the procedure should be able to be started by two-thirds of the member states and that the state accused should have the right to a fair hearing. The Austrian Chancellor, Wolfgang Schüssel, always complained that his country had not been given a fair hearing during the boycott of his country and Austria, together with its former persecutor, Belgium is among those EU countries which support this new proposal. It is likely therefore to be included in the new Nice treaty. [*Die Welt*, 4th October 2000]

Why We're All Right Jacques

Despite the merchants of doom, the UK economy seems to be doing handsomely on the outside of Euroland, says the IoD's ***Ruth Lea***

There have been acres of newsprint recently on the difficulties businesses are facing because of the UK's current retention of the pound. In particular, there are reports that parts of manufacturing industry are suffering from the effects of the strong pound against the weak euro. (The pound, however, is not strong against the dollar.) We are all too aware of the difficulties faced by price sensitive sectors such as textiles and steel and it would be churlish to dismiss their problems as alarmist rhetoric. And we recognise that a weaker pound would help many manufacturers. But it is also clear that British business is, on the whole, coping well with the strong pound (as indeed Germany's exporters coped with the strong D-Mark and the Japanese with the strong yen). UK exports are picking up helped by the economic recovery in core Euroland and the still strong US market. And the economy is currently in its eighth consecutive year of growth.

There have also been acres of newsprint on the flight of inward investors. Andrew Fraser, chief executive of Invest UK, recently and hysterically warned of dramatically declining inward investment and "manufacturing meltdown" if we did not join the euro. And our man in Tokyo, Sir Stephen Gomersall, said that Japanese companies might close their factories in the UK. The leaked memos of these two gloom merchants were then followed by record inward investment data and wide publicity of a JETRO survey showing that one sixth of Japanese companies wanted the UK to join the euro, one sixth did not and the rest were indifferent. And these are companies which, when they invest in the UK, do so to trade through the single market.

Now from these comments it is clear that two main themes are emerging. Firstly, business's complaints about Britain's retention of the pound mainly seem to be complaints about the pound's strength against the euro, rather than about our non-membership of Euroland *per se*. Admittedly there have been some comments about the difficulties of planning ahead with a 'volatile' currency. (I prefer the word 'flexible'!) There is undoubtedly some truth in this argument – especially for multinationals – but note that these companies habitually cope with fluctuating exchange rates the world over. And, if my memory serves me right, there were few complaints from the business community about 'volatility' when the pound was very weak between the end of 1992 and the middle of 1996. And, secondly, in the 'battle for the pound' (which can only intensify after the next general election) truth is the first casualty of war.

… business's complaints about Britain's retention of the pound mainly seem to be complaints about the pound's strength against the euro, rather than about our non-membership of Euroland …

So the economy is growing, exports are resilient and inward investment is booming. Business is, on the whole, coping outside Euroland handsomely. Moreover, apart from the strong currency argument, there are few complaints that business is having difficulties with the 'uncertainty' arising from the government's 'indecisive' prepare and decide policy. On the contrary, we hear evidence (admittedly mainly anecdotal) that businesses are barely giving the UK's possible membership of the euro a second thought. Other matters are far more pressing. The e-commerce revolution, even though it won't change economic laws as we know them, will undoubtedly change the way business is conducted. The ever-flowing tide of employment rights legislation, whether conceived in Brussels or Whitehall, is another big issue for business as government pursues its social engineering programmes via the workplace. Businesses, especially small businesses, struggle to cope with this strangulating red tape. Such businesses are hardly giving preparations for British membership of the euro the time of day. (For firms which trade with Euroland they are – or will be – adjusting to the realities of the euro for their trading purposes. But this is a different matter.)

This state of affairs is all the more understandable when, for many of these enterprises, there are plenty of costs and few, if any, benefits. Let me quote two pieces of evidence on the prospective costs of conversion. Firstly, recent evidence to the Treasury Select Committee from the British Bankers' Association (BBA), the British Retail Consortium (BRC), the Automatic Vending Association (AVA) and the British Amusement and Catering Trades Association (BACTA) suggested that the cumulative costs of conversion for their members could be nearly £5 billion. And, secondly, a Lloyds-TSB survey estimated that the UK entry into EMU will cost UK SMEs £6 billion (about £2,000 each).

But, of course, the biggest cost of all for business if the UK joins the euro before the achievement of the Chancellor's "sustainable convergence" (and, therefore, have a hope of coping with the ECB's "one size fits all" monetary policy) would be the loss of economic stability. If the ECB's interest rate were too high for Britain the result would be recession – and Micawber-esque 'misery'. If the rate were too low then there would be inflation – and also 'misery'. Some would argue, therefore, that the government should try to engineer 'sustainable convergence' and, more specifically, push the UK business cycle into line with core Euroland. Given the huge problems of economic management and the tiresome nature of 'events, dear boy, events' – or, for economists, 'exogenous shocks' – this is simple not feasible. The government shouldn't even contemplate it.

All in all, the government's current position is the right one for business. For Britain to take the plunge before the achievement of 'sustainable convergence' would be damaging for the economy and damaging for business. And when will there be 'sustainable convergence'? My crystal ball says "not for the foreseeable future".

Ruth Lea is Head of Policy at the Institue of Directors.

Oil Prices – An example of divergent interests

by Andrew Lilico and Brian Bailey

Over the past couple of months Europe has been convulsed by protests over fuel prices and fuel taxation. In December 1998 the average price of Brent Crude was $9.81 per barrel. By September 2000 prices had reached $34.90 per barrel. This rapid increase in prices has made visible the high rate of fuel taxation in Europe, particularly in the UK, and it is tax rates that the protestors have most targeted for complaint.

In January 1999 unleaded petrol cost about 63p per litre in the UK. By June 2000 it was 84.1p per litre, and set to rise higher. Of that 84.1p, 48.8p was excise duty, 12.5p was VAT and the pre-tax price was 22.7p. The crude oil price is contributing about 18–19p of that 22.7p, and then there are some retail costs and profit. As recently as 1996 unleaded petrol prices in the UK were the third lowest in Europe (56p compared with 54p in Luxembourg and Greece), but by 1999 were the highest in the EU. UK diesel has been the most expensive in the EU since 1997.

The UK government's main response to the current crisis has been to call on OPEC to reduce world oil prices. It claims that the crisis has arisen because of the rise in oil prices and that concerted pressure ought to be brought to bear by the 'developed countries' for oil prices to fall. Similar statements have been made by other EU leaders. However, this is a case where UK interests are quite different from those of other EU leaders, and it is against our national interest to work with them in this matter.

Most EU countries are significant net importers of oil (see Table 1). Imported oil accounts for some 30–40% of French and German energy consumption, and for Greece is over 70%. The only countries in the EU which are not oil importers are the UK and Denmark (though UK net exports are ten times those of Denmark). UK net exports of oil are at a scale of more than 20% of domestic energy consumption, and net exports are more than total imports. The UK is a significant net exporter of oil and the oil industry provides over 18,000 jobs in the UK.

Since the UK is a net exporter of oil, because the UK is not in OPEC, and because UK oil reserves will be exhausted before those in the Middle East (current estimates are that the North Sea will last about another 15 years), it is in the UK's national interest that international oil prices be as high as possible. For our government to place pressure on OPEC to reduce world oil prices is not merely not the best response to the current crisis. It is economic illiteracy.

Table 1

Imports and Exports of Crude Oil, NGL, and refinery feedstocks 1999, 000 metric tons

	Imports	Exports	Net
Austria	8,473	49	8,424
Belgium	35,272	3,074	32,198
Denmark	5,976	11,028	-5,052
Finland	11,102		11,102
France	82,228	1,346	80,882
Germany	103,933	1,742	102,191
Greece	17,287	116	17,171
Ireland	2,848		2,848
Italy	87,891	288	87,603
Luxembourg			
Netherlands	59,102	306	58,796
Portugal	14,263		14,263
Spain	58,911		58,911
Sweden	19,691	438	19,253
UK	40,490	91,190	-50,700
Total EU	547,917	109,577	438,340

Source: IEA Statistics Oil, Gas & Electricity Quarterly Statistics, 2000 Q1

Do we ever hear the Russian government complaining about the high price of South African diamonds? Has the Columbian government ever complained about the high price of Brazilian coffee? When a country is a small net exporter of a good it is almost invariably in that country's interest that international prices be high, not low. In the case of the North Sea this is doubly true, because more North Sea oil will be commercially exploitable at $35 per barrel than is currently mined, but at $10 per barrel the North Sea would be closed down early. Thus at a higher oil price not only will our oil export surplus be worth more, but also there will be a higher exporter surplus by volume.

It is in the interests of France and Germany that international oil prices fall. As net importers they will gain from lower oil prices. It is probably also in Saudi Arabia's interest that oil prices fall. The largest miner of a resource optimises the return from that resource by selling at what is called the Hotelling price. The Hotelling price takes account of the fact that if current prices are too high then people will switch away from oil into alternative energy sources and alternative lower-energy lifestyles. Saudi Arabia wants to maximise its long-term return on its oil reserves, and so would prefer to have the oil price currently somewhere around $22–28 per barrel. Thus oil prices of rather more than $30 per barrel are probably just a little higher than optimal from the Saudi point of view, but not very much too high.

UK oil will run out long before Saudi oil, so the Hotelling constraint for the UK will bite at a much higher oil price than the $35 for our oil (which is higher quality and hence slightly higher priced anyway). Thus, for practical purposes, the UK wants the oil price to be as high as possible to maximise its return. The UK does, of course, trade in other goods with oil importing countries like France and Germany. Thus there is another constraint on how high we want the price, namely that it should not be so high as to drive our trading partners into recession and thus undermine our exports to them. An international Hotelling price will not do that. Thus we should have no complaints about current oil prices, and we should not be working with our EU partners to try to get oil prices down.

We are not a major oil producer, and cannot influence the world price through our own production. The UK, through the EU, will try to bring diplomatic pressure to bear to encourage an international cartel to artificially deflate world oil prices against the UK's national interest. It is hard to imagine anything further from a good UK economic policy.

Although the country as a whole might make a net gain from higher oil prices, there is the danger that the net gain is made up of a large gain to a small number of people (oil companies and their employees, and the Treasury through oil royalties) plus a smallloss to a large number of people (higher petrol prices). As an oil-exporting country the UK should be building support for higher international oil prices by spreading around the gains. One way to do this would be through the use of a price-stabilising fuel duty. This would be a tax on

fuel which fell automatically as oil prices rose, and vice versa. It would not require emergency budgets, and would be based on a lagged oil price, so as to give time for higher oil prices to turn into higher petrol prices.

Such a duty would smooth out some of the spikes in international oil prices, enabling businesses to plan with more certainty. For most markets price signals are important and useful, and government attempts to stabilise prices can be counter-productive (such as with the CAP). However, in the case of fuel prices our government has already chosen the price signal it wants, and with tax at over 70% price signals are highly distorted anyway. Fuel duties are supposedly set high to make petrol expensive to encourage people to use alternatives which do not produce greenhouse gases. Sudden rises or falls in oil prices will tend to undermine the government's chosen price-signal for fuel (making it too expensive or too cheap). In combination with spreading around our gains as an oil producer, this danger justifies price stabilisation. It would still be useful for prices to give a signal as to the *direction* of oil price movements, and so stabilisation should not be complete. As oil prices rise fuel prices should still rise so as to give the market signal of rising prices.

A price-stabilising fuel duty would not, for the UK, be able to be revenue-neutral. Petroleum royalties are not quite high enough to do that. Higher revenues in low-price years would be used to offset lower revenues in high-priced years. It is not unusual for Treasury revenues to vary with the economic cycle (though the Treasury, naturally enough, is rarely keen on its happening). It is less appropriate for such a duty to be used if the country is a net importer of oil, and so when the duty was introduced it might be attractive to have a sunset clause, removing the price-stabilisation after 15 years.

The government's stated reason for introducing the enormous increases in fuel duty from 1997 to 2000 were the reduction in CO_2 emissions to meet the Kyoto targets. Clearly calling for reduced oil prices from OPEC will have the opposite effect. Thus we can, perhaps, assume that environmental issues are not very important to the government in this area (or at least that the government is confused). However, should a government wish to raise fuel duty to create extra incentives not to use cars, there would, of course, be no problem in having this as a component of a price-stabilising fuel duty. The stabilisation would simply be provided around a rising trend.

One final issue worth noting here, is that there may be a hidden agenda. Partly because higher oil prices benefit the UK economy, the period of rising oil prices has been associated with a rise in the pound versus the euro. If oil prices were to fall significantly, as a net oil exporter the UK would tend to do worse and the pound might fall, while Euroland would do better and the euro might rise. This might produce a not-undesirable convergence from the pro-euro point of view, and may influence government thinking. However, what seems most likely is simply that the UK government does not understand that as a net oil exporter the UK has different interests from France and Germany, and unfortunately the UK government appears tobe being dragged down a Franco–German oil-importer line of placing international pressure on OPEC to reduce oil prices.

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… news in brief

Allegations of electoral fraud in Albania

While the West has accepted unquestioningly the Yugoslav opposition's allegations of electoral fraud in last Sunday's presidential and parliamentary elections, it is turning a strangely deaf ear to similar allegations made by the opposition in neighbouring Albania. The opposition leader and former president, Sali Berisha, has said, "I want to denounce severely the election farce that the state Mafia organized on 1st October. The Mafia clique in power aims to deepen the crisis." He has indicated that his party may not recognise the result of the elections. According to the official results, the Democratic Party lost control of most municipalities, while the governing Socialists claim 52% of the vote. Berisha claimed that as many as 800,000 voters could not vote because of irregularities on the lists but these and other claims have been rejected by international observers. Such organisations, indeed, have a long record of hostility to Berisha, whose violent removal from power in 1997 they tacitly approved, having criticised his own election in 1996. The OSCE, in particular, has rejected Mt Berisha's claims. [*Albanian Daily News*, 4th October 2000]

Albania joins the World Trade Organisation

Fact often seems stranger than fiction in the modern world. So it was that the World Trade Organisation announced on 8th September that Albania had become its 138th member. The General Director of the WTO, Mike Moore, said that the move would "foster peace, stability and development in South-Eastern Europe". [*WTO Press Release,* 8th September 2000] Neighbouring Croatia is also due to become a member shortly, but its admission is conditional on accepting trade in genetically modified organisms. [*Vjesnik*, 4th September 2000]

Completely paranoid

The US Department of State has issued a warning to all Americans in Italy, saying that they are liable to be the victims of attacks by Italians following the execution of Rocco Derek Barnabei in Virginia. The Italian government has reacted furiously to this suggestion, saying that Italy is a civilised country and that no Americans are in danger. It has described the warning as being in "extraordinarily bad taste" because "Italy is a country of great civility". "It's as if we warned Italians not to go to the States because there is the death penalty there," said an official in Rome. [*Il Giornale*, 16th September 2000]

EU decides who should win 'democratic' elections

EU foreign ministers have sent an unambiguous message to the Serbs telling them who to vote for in the presidential elections on 24th September. The ministers also announced their intention to despatch an observer mission to the Yugoslav elections on 24th September. Although they are certain to be rebuffed – the Serbs have said that they will not have observers from any aggressor countries – the EU's action is brazen even by its own standards. For in the very same communiqué, the EU ministers made absolutely clear that they want Vojislav Kostunica to win. The ministers said that they would lift sanctions only if this particular man wins. They do not allow for the Serbs to vote for any of the other three candidates for president (there are two nationalist candidates and Miloevi) and they make no statements about the proper conduct of the poll. The "observers", which the EU has called "Witnesses to Democracy", have evidently decided in advance who should win. In other words, Europe has made it clear once again – as if any proof was needed - that "democracy" in the EU lexicon means voting as you are told to. [*Die Welt*, 18th September 2000]

European Foundation Research Unit Briefing

Ships passing in the night

The economies of Euroland and Britain are akin to 'ships passing in the night', according to a new report released by the Institute of Directors. The apparent convergence between the UK and the major continental economies is highly misleading, according to IoD Chief Economist Graeme Leach, who points to the transient nature of the economic indicators cited by pro-euro pundits. Mr Leach draws on data issued by the Organisation for Economic Co-operation and Development (OECD) to demonstrate that the convergence of the output gap (the difference between the trend path of output and its current level) in the UK and Euroland is temporary and due to a divergence in monetary policy (higher interest rates and a weak euro). Mr Leach argues that sustainable economic convergence would only occur between the UK and Euroland if two conditions were met. First, structural unemployment rates (at which inflationary pressures begin to emerge) would need to approximate one another. Second, monetary policy transmission mechanisms (the way in which consumers and companies respond to interest rate changes) need to operate in a similar fashion. At present, the UK's structural unemployment rate and monetary policy transmission mechanism are both very different from those in Euroland. According to Mr Leach's excellent *The UK and Euroland – Ships passing in the night*, deeper European integration risks higher structural unemployment and lower economic growth for the UK.

Germans overwhelmingly reject the euro

Germany's political elite is increasingly out of touch with the views of its electorate, according to a groundbreaking study published on September 3. The Gesellschaft fur Sozialforschung und Statistische Aanlysen mbH (Forsa), the leading Berlin-based polling outfit, found that 63 per cent of Germans oppose abolishing the Mark. A mere 34 per cent of the population favours the adoption of the euro, while the remainder remains undecided. Revelations include the little-known fact that the majority of Christian Democrat (CDU) supporters oppose the euro, despite former Chancellor Helmut Kohl's unflagging enthusiasm for the whole European project. The study shows that residents of the former East Germany also remain implacably opposed to the single currency, the ever-shrinking euro doubtless reminding them only too well of communist Monopoly money. Pensioners and workers are against the euro, while Greens, Liberal party (FDP) supporters and young people tend to favour EMU. This poll, which was commissioned by the RTL television channel, has led German critics of the country's political system to question the legitimacy of leaders who refuse to listen to voters. German Eurosceptics have long argued that the centre-right condemns itself to long-term political decline in the absence of a dramatic reassessment of its policies on Europe.

Antitrust: the EU's new industrial policy?

Economic policies long since discredited in Britain are being reintroduced with a vengeance by the European Union. Under the guise of promoting markets, Mario Monti's "competition" authorities in Brussels are increasingly intervening to micromanage business decisions. The European Commission appears to believe that it has a greater ability to pick winners and to promote superior technologies than experts employed by private companies. Worse, the EU appears to be targeting US corporations such as Sprint, AOL and Time Warner, and vetoing a growing number of mergers and acquisitions. This flies in the face of both empirical evidence and sound economic theory, and will inevitably exacerbate tensions between the US and the EU. Take the planned three-way merger between Internet giant America Online, entertainment conglomerate Time Warner and Britain's EMI Group. AOL's proposed $138 billion purchase of Time Warner, as well as the simultaneous combination of Warner's and EMI's music businesses, have been put on ice following fierce lobbying by competitors large and small. The European consumer's group Bureau Europeen des Unions de Consommateurs began its submission to the European Commission by stating that "our job is to try and influence, in the consumer interest, the development of EU policy and to promote and defend the interests of all European consumers." Ironically, this usually admirable organisation may be serving corporate interests by campaigning against the merger and backing Mr Monti's interventionist shenanigans. Consumer groups fail to realise that the antitrust process in Brussels is being used by slick lobbyists to further the vested interests of their employers who fear the increased competition a merger would generate. As is typical with the EU, the interest of consumers doesn't even enter the equation.

A single currency will lead to a single state

The history of past currency unions holds lessons for the euro, according to a timely new book published by the Institute of Economic Affairs. Authors Michael Bordo and Lars Jonung argue that "successful monetary unification will most likely be associated with closer political co-operation and co-ordination among the members of EMU". *Lessons for EMU from the History of Monetary Unions* goes on to explain that "joining EMU should be regarded as a permanent step". A third lesson from history is that as long as EMU remains a multinational rather than a national monetary union (i.e. as long as nation-states are not entirely abolished), dissolution of the union would not have traumatic consequences. "A precondition for EMU to succeed and be stable in the future is that the members of EMU display forever a similar commitment to their common goal as did the advanced nations to the gold standard rule more than a century ago", say Messrs. Bordo and Jonung. The two economists also point out that "we should not expect a peripheral country […] to have a major influence on the decision-making process. The political economy of EMU will primarily be determined by the major powers among the members of the monetary union." Finally, they believe that "we should not expect EMU in the future to be identical to the EMU project that is presently designed."

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By Allister Heath

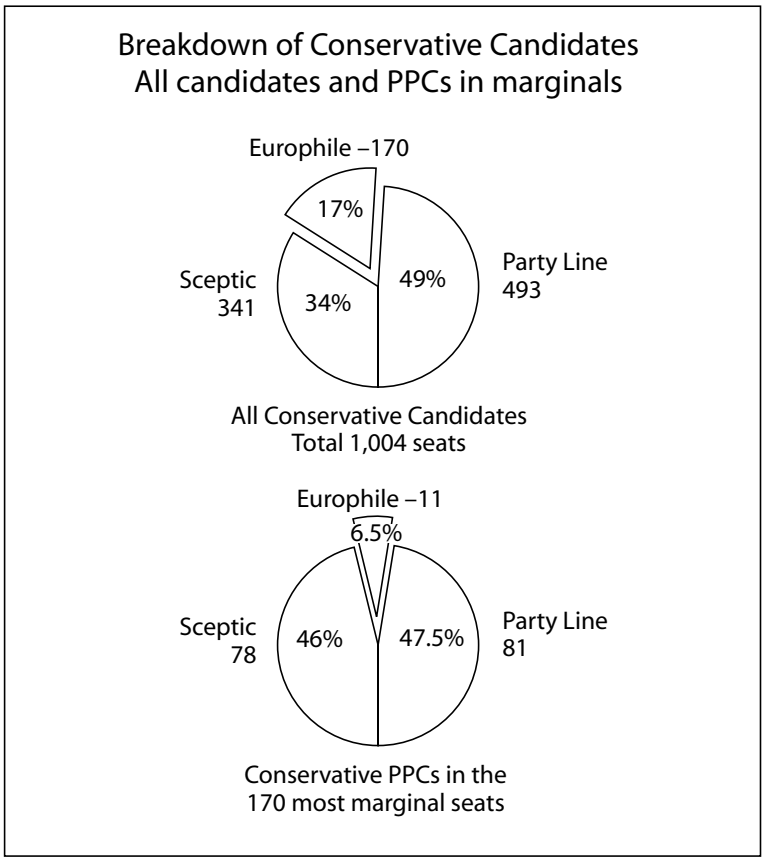
The new intake of Conservative Prospective Parliamentary Candidates is overwhelmingly opposed to the single currency, according to fascinating new data published on the internet by Eurorealist academic Sean Gabb. Many candidates now go much further in their opposition to integration than the official party position "in Europe, not run by Europe". According to Dr Gabb's "Candidlist", which reveals the views on the EU of would-be parliamentary candidates, many Conservatives in winnable seats oppose the euro on principle and wish to claw powers back from Brussels. Available at www.candidlist.demon.co.uk, Dr Gabb's listing demonstrates that this is in sharp contrast to Labour candidates, the vast majority of whom wholeheartedly support a European megastate.

Launched to coincide with last year's Conservative Party Conference, and recently extended to cover the Labour and Liberal Democrat parties, Candidlist has received a substantial amount of radio and newspaper coverage. Dr Gabb's aim is to provide an easily accessible guide for selection committees and the electorate at large. "Candidlist has had some impact; that much is undeniable. Some people even think Candidlist has had an important impact, with careers being destroyed and selection committees ruling out 'Europhile' candidates. But the truth is that I really don't know what the exact impact has been", he said. "On one or two occasions, I was contacted by local associations, the names of which I am unable to disclose, for advice on particular candidates." Dr Gabb believes that "those candidates who refused to disclose that they are Europhiles suffered just as much as those who admitted their pro-EU beliefs." Commenting on the paucity of information on Labour candidates, he explained that "the number of returns from Labour people so far is deeply unsatisfactory, with many people refusing to take part in the process and a couple even resorting to rather abusive comments."

Dr Gabb divides candidates into three categories: Sceptics, Don't Knows (these candidates are re-named Party Liners here) or Europhiles. 'Sceptics' are defined as individuals who are opposed to the euro on principle, who would refuse to vote for its introduction even if ordered to do so by the party leadership, and who could never accept the supremacy of EU law and the abolition of Parliament's sovereignty and inability to bind its successors on Europe. It is important to note that the table overleaf uses Sean Gabb's definition of 'Sceptic'. A 'Party Liner' is either somebody who follows the Conservative Party's current line of ruling out the euro for one parliament, or someone about whom little is known and who is therefore automatically assumed to follow official policy (this article uses the term 'Party Line' for both these sub-groups, whereas Dr Gabb generally prefers to call them 'don't knows', although the definitions are the same). Finally, 'Europhiles' are those who do not fit into the previous two categories. A major interest of Dr Gabb's work is that he has made available several hundred detailed statements by candidates who have contacted him to clarify their position. This means that readers can download information from his website and come to their own conclusion on candidate's position on Europe without having to rely on inevitably subjective judgements.

This article develops Dr Gabb's research by calculating the global breakdown of members of the candidates list, and compares it with the breakdown of actual PPCs (those candidates actually chosen by local associations). The result is clear: activists in selection committees have overwhelmingly chosen Eurorealist candidates over pro-EU candidates. The first chart gives the breakdown of all candidates listed on Candidlist, which include the official Conservative Candidates List as well as other likely candidates. The second shows the breakdown for the 170 target seats.

It is also possible to extend a news item published by Benedict Brogan in the *Daily Telegraph* on 6. September, 2000, by combining the paper's research with Dr Gabb's data. The sources for the tables overleaf include the *Daily Telegraph*, Conservative Central Office, the European Foundation Research Unit and Candidlist.



Seats the Tories need to win

Constituency; Tory PPC (bold means detailed statement available on Candidlist); Candidlist classification, S – Sceptic, P – Party Line, E – Europhile (Sean Gabb's opinion); % Swing required (*Daily Telegraph* calculations)

Winchester	Andrew Hayes	**S**	0.00
Torbay	**Christian Sweeting**	**S**	0.01
Kingston & Surbiton	**David Shaw**	**S**	0.05
Somerton & Frome	**Jonathan Marland**	**S**	0.10
Wellingborough	Peter Bone	**S**	0.15
Kettering	Peter Holobone	**S**	0.15
Milton Keynes NE	**Marion Rix**	P	0.25
Rugby & Kenilworth	David Martin	**S**	0.40
Northampton South	Shailesh Vara	**S**	0.65
Eastleigh	Conor Burns	**S**	0.70
Romford	Andrew Rosindell	**S**	0.75
Lancaster & Wyre	Steve Barclay	**S**	1.10
Harwich	Ian Sproat	**S**	1.15
Castle Point	**Robert Spink**	**S**	1.15
Norfolk NW	Henry Bellingham	**S**	1.15
Weston super Mare	**John Penrose**	**S**	1.20
Harrow West	Daniel Finklestein	**S**	1.20
Bristol West	Pamela Chesters	**S**	1.20
Braintree	Brooks Newmark	**S**	1.30
Lewes	**Simon Sinnatt**	P	1.30
Shrewsbury & Atcham	Anthea McIntyre*	**E**	1.50
Colchester	Kevin Bentley	**S**	1.50
Enfield Southgate	**John Flack**	**S**	1.55
Torridge & W Devon	Geoffrey Cox, QC	**S**	1.65
Northavon	**Carrie Ruxton**	**E**	1.70
Conwy	**David Logan**	P	1.90
Gillingham	Tim Butcher	**S**	1.95
Taunton	**Adrian Flook**	**S**	2.00
Sittingbourne & Sheppey	**Adrian Lee**	**S**	2.10
Sutton & Cheam	Lady Olga Maitland	**S**	2.25
Clwyd W	Jimmy James	**S**	2.30
Stroud	**Neil Carmichael**	**E**	2.35
Carshalton & Wallington	**Ken Andrew**	**S**	2.35
Falmouth & Cambourne	**Nick Serpell**	**S**	2.50
Hastings & Rye	Mark Coote	P	2.60
Richmond Park	**Tom Harris**	**S**	2.60
Warwick & Leamington	**David Campbell Banerman**	P	2.85
Shipley	**David Senior**	**S**	2.85
Chatham & Aylesford	**Sean Holden**	**S**	2.85
Newark	Patrick Mercer	P	2.90
Wirral W.	**Chris Lynch**	**S**	2.90
W. Aberdeen & Kincardine	Tom Kerr	P	3.10
Wimbledon	Stephen Hammond	**S**	3.10
Reading W.	Stephen Reid	P	3.10
Eastwood	Raymond Roberston	P	3.10
Oldham E. & Saddleworth	Craig Heeley	P	3.15
Finchley & GoldersGreen	John Marshall	**S**	3.15
Thanet South	Mark Macgregor	**S**	3.20
Ilford North	Vivian Bendall	**S**	3.30
Hemel Heamstead	**Paul Ivey**	**S**	3.30
The Wrokin	Jacob Rees-Mogg	**S**	3.35
Upminster	**Angela Watkinson**	**S**	3.35
Putney	Michael Simpson	P	3.40
Selby	Michael Mitchell	P	3.40
Croydon Central	David Congdon	**S**	3.50
Bexleyheath & Crayford	David Evenett	**S**	3.55
Hammersmith & Fullham	**Matthew Carrington**	P	3.55
Perth	Elizabeth Smith	P	3.65
Gedling	**Jonathan Bullock**	**S**	3.65
Twickenham	Nick Longworth	P	3.70
Reading East	Barry Tanswell	P	3.80
Aberdeen South	Moray McDonald	P	3.80
Brighton Kemptown	Geoffrey Theobald	P	3.85
Leeds NW	Adam Pritchard	P	3.90
Hove	Jenny Langston	P	4.10
Dartford	Bob Dunn	**S**	4.15
Stafford	Philip Cochrane	P	4.15
Portsmouth South	Philip Warr	**S**	4.20
Monmouth	Roger Evans	P	4.25
Colne Valley	Philip Davies	P	4.30
Isle of Wight	Andrew Turner	**S**	4.40
Wansdyke	Chris Watt	P	4.40
StAlbans	Charles Elphicke	**S**	4.40
N Tayside	Murdo Fraser	P	4.55
South Ribble	**Adrian Owens**	**S**	4.60
Scarborough & Whitby	John Sykes	**S**	4.70
Portsmouth North	Chris Day	**S**	4.75
Broxtowe	Pauline Latham	P	4.80
Birmingham Edgbaston	Nigel Hastilow	**S**	5.00
Oxford W & Abingdon	Ed Matts	P	5.15
Wolverhampton SW	David Chambers	P	5.25
Watford	Michael McManus	**E**	5.25
Brent North	Philip Allott	P	5.25
Welwyn Hatfield	**Grant Shapps**	**S**	5.30
Edinburgh, Pentlands	Sir Malcolm Rifkind, QC	P	5.30
Gravesham	Jacques Arnold	**S**	5.45
Loughborough	Neil Lyon	P	5.45
Swindon South	Simon Coombs	**S**	5.50
Calder Valley	Sue Robson-Catling	P	5.55
Battersea	**Lucy Shersby**	**S**	5.65
SE Cornwall	Ashley Gray	**S**	5.65
Stourbridge	**Stephen Eyre**	**S**	5.70
Burton	Maggie Punyer*	**E**	5.80
Pudsey	John Proctor	**E**	5.80
Brecon & Radnor	Peter Gooderham	P	5.95
Medway	**Mark Reckless**	**S**	6.00
Morecambe & Lunesdale	David Nuttall	**S**	6.05
Southport	Laurence Jones	**S**	6.10
Hendon	Vacant		6.15
Wyre Forest	Mark Simpson	P	6.30
Hereford	Virginia Taylor	P	6.35
Hornchurch	Robin Squire	**E**	6.45
Harrogate & Knaresborough	**Andrew Jones**	**S**	6.55
Betley & Spen	**Elizabeth Peacock**	P	6.55
StIves	Joanna Richardson	P	6.65
Galloway & Upper Nithsdale	Peter Duncan	P	6.70
Brigg & Goole	Donald Stewart	**S**	6.85
Redditch	**Karen Lumley**	P	6.85
Keighley	**Simon Cooke**	P	6.95
Gloucester	Paul James	P	7.15
Bury North	John Walsh	P	7.15
Enfield North	**Nick de Bois**	**S**	7.15
Worcester	**Richard Adams**	P	7.20

Bolton West	James Stevens	P	7.20
Wirral S	Tony Millard	P	7.30
Ayr	Phil Gallie MSP	**S**	7.30
Stirling	Geoff Mawdsley	P	7.45
Tamworth	Louise Gunter	P	7.50
Newbury	**Richard Benyon**	P	7.55
Peterborough	Kevin Hall	P	7.55
Erewash	**Gregor MacGregor**	P	7.55
Edinburgh W	Iain Whyte	P	7.60
Leeds NE	Owain Rhys	P	7.65
High Peak	Simon Chapman	P	7.70
Elmet	Michael Hayman	**E**	8.10
Crosby	**Robert Collinson**	P	8.15
Ealing North	Charles Walker	P	8.20
Blackpool N & Fleetwood	Alan Vincent	P	8.30
Cardiff N	**Alastair Watson**	**S**	8.40
Bedford & Kempston	**Nicky Attenborough**	**S**	8.50
Harrow E	Peter Wilding	P	8.55
Chorley	**Peter Booth**	P	8.55
Norwich N	Kay Mason	P	8.60
Great Yarmouth	Charles Reynolds	P	8.85
Sheffield Hallam	John Harthman	P	9.10
Cleethorpes	**Stephen Howd**	**S**	9.10
City of Chester	**David I. Jones**	**S**	9.40
Derby N	Barry Holden	P	9.45
Exeter	Anne Jobson	**S**	9.45
Northampton N	**John Whelan**	**S**	9.65
Dumfries	John Charteris	P	9.75
Vale of Glamorgan	Lady Susan Inkin	P	9.75
Warrington S	Caroline Mosley	P	9.80
Middlesborough S & E. Cleveland	Barbara Harpham	P	9.90
Plymouth Sutton	Oliver Colvile	P	9.90
Birmingham Hall Green	Chris White	P	10.05
Milton Keynes SW	**Ian Stewart**	**S**	10.15
Luton N	Amanda Sater	P	10.15
Preseli Pembrokeshire	**Stephen Crabb**	**S**	10.30
Halesowen & Rowley Regis	Vacant		10.60
Amber Valley	Gillian Shaw	P	10.60
Waveney	Lee Scott	P	10.75
Dover	Paul Watkins	**S**	10.85
Coventry S	Heather Wheeler	P	10.95
Corty	Andrew Griffith	**S**	11.00
Harlow	**Robert Halfon**	**S**	11.00
Tynemouth	Karl Poulsen	P	11.00
Stockton South	Tim Delvin	**E**	11.10
Stevenage	Graeme Quar	**E**	11.25
Blackpools	David Morris	P	11.30
Vale of Clwyd	Brendan Murphy	P	11.45
Crawley	Henry Smith	P	11.50
S Derbyshire	James Hakewill	P	11.65
Eltham	Sharon Massey	P	11.70
Luton S	**Gordon Henderson**	**S**	11.75
Kingswood	Robert Marven	P	11.90
Hazel Grove	Nadine Dorries	P	11.95
Bury South	Nicola Le page	P	12.30
Basildon	Dominic Schofield*	**E**	12.50
NW Leics	**Nick Weston**	**S**	12.70

The three PPCs marked by a star contacted the *Daily Telegraph* following the publication of the newspaper's own listing, and all asked to be identified as 'Eurosceptics'.

The results for PPCs in seats currently held by the Conservatives are just as interesting. Most notably, *Spectator* editor Boris Johnson was selected for Michael Heseltine's seat in Henley and Jonathan Djanogly was chosen to contest John Major's seat in Huntingdon. The table below summarises the results available so far, and includes those candidates facing defectors to the Labour party and Martin Bell, MP.

Current Conservative Seats

Constituency; Tory PPC (bold means detailed statement available on Candidlist); Candidlist Classification, S – Sceptic, P – Party Line, E – Europhile, (Sean Gabb's opinion); Majority at the 1997 election (from Vacher's)

Huntingdon	Jonathan Djanogly	**S**	18,140
Sutton Coldfield	Andrew Mitchell	P	14,885
Wealden	Charles Hendry	P	14, 204
Epsom & Ewell	Chris Grayling	P	11,525
Henley	Boris Johnson	**S**	11,167
Bexhill & Battle	**Greg Barker**	**S**	11,100
Rayleigh	Mark Francois	**S**	10,684
Fareham	Mark Hoban	**S**	10,358
East Devon	Hugo Swire	P	7,489
South Norfolk	**Richard Bacon**	**S**	7,378
Witney	**David Cameron**	**S**	7,028
Hertford & Stortford	Mark Prisk	**S**	6,885
North East Beds	Alastair Burt	**E**	5,883
Cities of London & Westminster	Mark Field	**S**	4,881
Faversham & Mid Kent	Hugh Robertson	P	4,173
East Yorkshire	Greg Knight	**E**	3,337
Wycombe	Paul Goodman	**S**	2,370
Bridgwater	**Ian Liddell-Grainger**	**S**	1,796
Billericay	John Baron	**S**	1,356
Boston & Skegness	Mark Simmonds	P	647
South West Beds	Andrew Selous	P	132
Tatton (Martin Bell)	George Osborne	**S**	n/a

After the next general election, a new generation of radical eurorealists will take seats in Parliament. A greater proportion of Conservative MPs than ever before will oppose the euro and seek to renegotiate many aspects of Britain's membership of the European Union. In doing so, they will reflect the growing scepticism of the Conservative Party's grassroots. The europhile minority in the Conservative Party has been warned: it will be reduced to an isolated rump in the next Parliament.

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'Ever Closer Union' and the Search for a European Identity: a resurrection of Soviet ideology and methodology

by Dr Gregory Slysz

The futility of forging uni-conscious identities among culturally disparate historical peoples and the tragic legacies left by supra-national states appears to have been completely lost on the architects of the EU. Underlying the EU's socio-economic projects is a tendentious attempt to subsume the national identities of its Member States within a manufactured European identity, rooted to a new supra-national European state, in which national memory is to be displaced by an artificial notion of Europeanness.

First referred to at the Copenhagen summit in December 1973, in a "Declaration on the European identity" and reaffirmed in Maasricht's Common Foreign and Security Policy, the idea of a supra-national European identity was invested with a new sense of purpose in the mid 1990s, being transferred from the realm of abstract slogans to the realm of explicit cultural engineering. As Ernest Wistrich, a former director of the European Movement, noted: "a sense of belonging … and identity is … an indispensable factor in achieving and maintaining European unity."[1] In December 1997 the Commission adopted "a guiding, comprehensive and transparent approach for cultural action…"[2] Backed by Article 128 of Maastricht (see below) the new policy was designed to cover every aspect of cultural activity.[3]

Historically control of cultural output has been associated with states, such as Nazi Germany and the Soviet Union, which have regarded un-controlled cultural output as a threat to their autocratic rule. The EU's centralised and autocratic nature has appropriately invited comparisons between it and such states, notably with Nazi Germany,[4] although somewhat surprisingly, less so with the Soviet Union, in spite of the EU's state-building sharing many features with that of the Soviet state – overt centralisation, the democratic deficit, corporatist-socialist tendencies etc. Perhaps the most striking similarity between the EU and the Soviet Union, however, lies in their ideological approaches and methods to achieve cultural homogeneity among their respective multi-national populations.

At the heart of the Soviet system was the mechanism to regulate internation relations, the so-called *Soviet nationality policy*. Governed by a mixture of beguiling ideology and brute force, the *modus operandi* of *Soviet nationality policy* were three mutually inclusive ideological concepts which, it was claimed by their architects, bore witness to the development of the 'Soviet people' (*Sovetski narod*) into fully conscious communists: (i) *rastvet* (the flowering of nations), (ii) *sblizheni*e (the growing closer together) and (iii) *sliyani*e (the merger of nations). Devised in the wake of the Revolution and the Civil War, they formed the official alternative to the classical Marxist formula, which had been found so severely wanting. They were supposedly to resolve the dilemma confronting the Soviet leadership of how to appease nationalist tendencies prevalent within the respective republics of the new "federal" Soviet state without departing excessively from the classical Marxist roots of the Revolution. Their function could be outlined as follows: Soviet society was recognised by its new leadership as consisting of numerous nations. Although these nations, in keeping with classical Marxism, would confront eventual demise, they were recognised, in the wake of the Revolution's failure to usher in a communist society, to be much more durable than Soviet leaders had hitherto envisaged. As such, before national consciousness could yield to a comprehensive class-consciousness, people's psyches would have to undergo lengthy ideological conditioning, but not through the over-emphasis of forcible Marxist indoctrination that could alienate people from the cause of communist building. Instead, nations, having been cleansed from their negative 'capitalist' traits of discrimination, oppression, class division and exploitation, would be permitted to 'flower', in all their positive, non-exploitative aspects, such as language and folklore. Simultaneously, however, they would be encouraged, through intense political socialisation, to construct, as declared by the 1961 Programme of Soviet Communist Party, the Soviet Union's own Maastricht, "a new stage in the development of national relations in the USSR in which the nations will *draw still closer together until complete unity is achieved*".[5] This point would herald the birth of a truly communist society, devoid of borders, disparate culture and national antagonisms.

This was the theory anyway. In reality, of course, ideology played a negligible role in Soviet politics. Its disregard by Soviet leaders was blatant and frequent, though always denied, cynically manipulated to reinforce entrenched political interests, particularly cultural and political Russo-centrism. The conditions in the EU are of course somewhat different to those which prevailed in the Soviet Union: there is no formal ideology with which to justify the state, no dominant nationality with which to associate it and no (as yet) coercive policy with which to pacify its opponents into submission. Different conditions, however, fail to disguise the features, which the EU's cultural policy shares with *Soviet nationality policy*.

The similarity between the Soviet Communist Party's formula to create a full-blown communist society, and Maastricht's formula to create cultural homogeneity is striking, if profoundly chilling. Where the Communist Party Programme of 1961 declared the need to construct national relations "… in which the nations *will draw still closer together until complete unity is achieved*", the Maastricht Treaty, declares, as its overriding aim, *"an ever closer union among the Peoples of Europe"*[6]. What is more, to achieve its aim, the EU has deployed a formula that is almost identical to that deployed by the Soviet Communist Party. Most illustrative, is Maastricht's candid resurrection of the discredited Marxist-Leninist concepts of *rastvet* and *sblizhenie*. Moreover, although Maastricht refrains from referring to the explicitly classical Marxist concept of *sliyanie*, it does imply that cultural fusion among the peoples of the EU is desired and ultimately achievable. Paragraph one of Article 128 on Culture notes the following:

"The Community shall contribute to the *flowering* of the Member States, while

respecting their national and regional diversity and at the same time *bringing the common cultural heritage to the fore*." (emphasis added)

Driven by the core aim of eventual cultural fusion, the EU's cultural policy has assumed increasing urgency in the wake of the acceleration of the integrative process. Notwithstanding the well financed cultural-education programmes such as ERASMUS, TEMPUS, and LEONARDO that channel propaganda to Europe's peoples, especially its youth, the over-arching feature of the EU's educational-cultural policy is its attempt to manufacture a state historiography. Comparison with Soviet practice is again appropriate. "It is easy enough to identify with the nation-state…," noted Ernest Wistrich, but "… only students of history or the arts are likely to recognise that we have a common European heritage…"[7] As such, he concludes, "… the building of a common European consciousness lies in the teaching of European history."[8] His words indeed carry foreboding echoes from the past. At the first Soviet Conference of Marxist historians, before the Stalinisation (Russification) of the education system, Mikhail Pokrovsky, the architect of post-revolutionary Soviet historiography, declared "that the term *Russian history* is a counterrevolutionary term", replete with nationalist and imperialist connotations.[9] After all, as the Soviet Marxist educator, VN Shulgin proclaimed in 1927, "Our goal is not to turn out a Russian child, a child of the Russian state, but a citizen of the world, an internationalist… We educate our children, not for the defence of the motherland but for world-wide ideology."[10]

Sixty years and a failed revolution later, Shulgin's thinking has weathered well. Adapted to conform to prevailing conditions, it finds a welcoming home among EU ideologues. Ernest Wistrich's views serve to illustrate. Taking issue with existing school curricula, he noted in 1994 that in "… virtually every country the history taught in its schools has a hoary accumulation of subjective national bias, often hostile to its neighbours…".[11] Accordingly, he declared that this trend "… should be weeded out…" and "… national history curricula redesigned to ensure that national history is taught within the context of its wider European and world framework…"[12]

In keeping with such thinking, strenuous efforts have been invested in the engineering of a European history that could relate to a common past. The task, however, has been problematical, to say the least, impeded by several insurmountable problems that have been compounded by the fact that Europe is not, and never shall be a single historical community and as such it harbours at least as many, if not more, cultural traits which divide Europeans as unite them. In short, as AJP Taylor notes, "European history is whatever the historian wants it to be."[13] Europe's state-builders, however, have remained undaunted by the insurmountable problems associated with the manufacture of a European historiography. As the leading integrationist historian Jean Baptiste le Duroselle declared, "There are solid historic reason for regarding Europe not only as a mosaic of cultures but as an organic whole."[14] Drawing upon such reasoning, those seeking to manufacture a European historiography have adopted the contradictory formula of "unity in diversity" as its governing principle. Confined within this framework of reference, a highly ambitious project, supported by the Commission, commenced in the early 1990s, which sought to revise European history in a way that would be acceptable to all of Europe's nations, and to establish a method by which to teach the new 'Eurohistory'. Its central feature was to downplay national bias on the one hand and to emphasise a common heritage on the other. Promoted as an "Adventure in Understanding", it was designed to consist of three elements: a 500-page history book, a ten part television series and a school textbook.[15] Its designers were in no doubt about its purpose, explicitly declaring that the teaching of history from a national perspective should be abandoned. Duroselle noted, in the style reminiscent of a Soviet ideologue, that

> Nationalism, and the fragmentation of Europe into nation-states, are relatively recent phenomena: they may be temporary, and are certainly not irreversible. The end of Empires and the destruction wrought by nationalism… have been accompanied by the defeat of totalitarianism and the triumph of liberal democracy in Western Europe… This has enabled people to begin to rise above their nationalistic instincts.[16]

Strikingly familiar in tone, the Programme of the Soviet Communist Party of 1961, noted the following:

> The Party (aims) to conduct a relentless struggle against manifestations and survivals of nationalism and chauvinism of all types, against trends of national narrow-mindedness and exclusiveness, idealisation of the past and the veiling of social contradictions in history of peoples, and against obsolete customs and habits which hinder communist construction.[17]

The EU's "Adventure", however, for all its ambitious pretensions, was conceived in the worst traditions of European political planning and not surprisingly, it proved ill-fated, ultimately defeated by disagreements among its contributing historians as to what historical events should be regarded as forming a common European heritage. Replete with omissions and half-truths and confined to the broadest of frameworks, it was rendered of no practical use, so much so that even the Commission withdrew its sponsorship.[18] It seemed that Duroselle's claim that people are beginning to "rise above their nationalistic instincts" was somewhat premature. This is one feature, at least, which the EU would prefer no to share with the Soviet Union.

Dr Gregory Slysz is a teacher in politics and history. His book … into the Fire: Poland in the European Union – an all-embracing panacea or a return to the past? *is to be published in the autumn.*

ENDNOTES

1. Ernest Wistrich – *United States of Europe* – London and New York, 1994, p. 80.
2. Communication from the Commission to the European Parliament, the Council and the Committee of Regions, European commission web site, .
3. Ibid.
4. See for instance, John Laughland – *The Tainted Source: the undemocratic origins of the European idea,* London, 1998.
5. The 1961 Programmee Communist Party of the Soviet Union: the tasks of the Party in the field of national relations – in – Robert Conquest, ed. – *Soviet Nationality Policy in Practice,* London 1967, Appendix B, p. 148.
6. Article A, *Treaty of European Union, Maastricht.*
7. Wistrich 1994 p. 79.
8. Ibid p. 88.
9. Cited in Michael Heller and Aleksander Nekrich – *Utopia in Power: A history of the USSR from 1917 to the present* – London, Melbourne, Auckland, Johannesburg, 1982, p. 172.
10. Cited in ibid.
11. Wistrich 1994 p. 88
12. Ibid.
13. Quoted, Norman Davies – *Europe: A History* – Oxford, 1997, p. 45.
14. Quoted, ibid. p. 43.
15. Davies 1997 p. 43.
16. Quoted, ibid. p. 43.
17. Quoted, Conquest, 1967, p. 150.
18. For details of the project see Davies 1997, pp. 42–46.

The Euro and the Iron Chancellor

by David Brackenbury

The Government assures us all that we are perfectly safe from a rash, or ill-considered move to join the euro. Should we take such assurances seriously? Well, perhaps. Mr Brown and his colleagues reassure the public that any decision to join the euro will be taken only in the economic interests of Britain. He cites five economic tests that have to be satisfied before our historic currency and with it, our entire economic independence can be thrown away. They had better be right, for there could be no turning back the clock.

Why, oh why, do the Government persist in considering the enormous step of monetary union purely on the grounds of economic factors alone? The question that I believe is missed completely by the weathercock that is New Labour, is that there are fundamental political questions to be considered as well. In addition, Mr Brown should consider that if we join the euro (with all the five economic factors met) on a particular date, that things may not always stay the same either in this country, nor yet in other member states of the European Union.

Therefore let us examine some of the other factors that should affect this proposal. The first is of course the sovereignty of Britain, which has already been damaged by the gradual leakage of political, economic and legal powers to Brussels. Ceding our own currency to the giant European bloc will for better or worse, surrender any financial independence that this country currently enjoys. We will have no individual say as to how our currency (or gold) reserves are allocated and decisions about interest rates and fiscal matters will be taken centrally, one hopes, for the good of the European Union as a whole. With the scandals affecting the European Commission last year fresh in our minds, do we really wish to relinquish control over our economy to a huge central bank?

Another point to consider is that the European Union is not, unlike the USA, a single country, or a genuine political union. Mr Prodi and his supporters may indeed consider the European Commission as the "government of Europe" but few people, in any of the major nation states would agree with this, or wish to see it put into action. The nations of Europe have different histories, traditions and above all, ways of doing things that differ from one another. The olive grower near Palermo has not the same outlook as the arable farmer in East Anglia. Neither do their respective governments have the same ideas, political philosophy or economic policy. As the nations that have signed up to the euro are discovering, if factors work against the currency their economies all suffer. Even a time of economic prosperity in the individual nation state could be damaged by factors outside its control.

Let us look at the make up of the euro zone at the moment. The currency has been devalued by over a fifth since its launch. Why? The euro has never enjoyed the full confidence of the international community. This is partly because some member states were not able to fulfil, or at least maintain the economic criteria that were required for entry to the euro zone. It is known that some figures and requirements were fudged or disregarded. Therefore the euro was born weak and with the future inclusion of Eastern European states, one does not see that the currency is likely to gain strength in the long term. Senior German economists are now expressing their doubts about whether the euro will work in the long run.

It is very true that there are complaints that the relative strength of sterling is making our exports less and less competitive. This misses the essential point, that it is not the pound that is strong, but that the euro is weak. The pound's position against the US Dollar, for example has changed little since the launch of the euro. It may be that the high pound may damage business, but it is certain that joining a foundering currency will damage it far more. It will raise the spectre of inflation again and the country will have no mechanism to tackle it as all fiscal policy will be administered centrally. A current example is that of Ireland which is experiencing 7.6% inflation and can do nothing about it.

How are we doing meanwhile as outsiders to this great project? Rather well actually. We have a strong economy, which is the forth largest in the world, lower unemployment and higher growth than the euro zone. We continue to attract more global inward investment than France and Germany combined and this is, according to the DTI, at a record £250 billion, Eddie George recently confirmed that the City continues to strengthen its position. We do not appear to be suffering economically as the result of our 'isolation'! In the meantime, the European Bank recently announced their fifth interest rate rise in a year. This had no effect on the exchange rate to the US dollar which at the time of writing (6/9/2000) has fallen to its lowest level ever, less than US$0.88.

The managers of the euro desperately need Britain to enter the euro zone. For us to go in would provide a much needed boost to this currency. We are one of the four top economies in the world. Additionally Britain enjoys a reputation in the financial sector that is second to none. A position, moreover that is regarded with envy by the euro barons in Frankfurt. While the euro itself would certainly be boosted by our membership, I have grave doubts whether, in the long term, locking our economy to the rest of Europe would prove advantageous. As remarked above, the Chancellor's five highly subjective economic criteria may be met (or appear to be met) on a particular occasion. Once we join the euro (at the cost of approximately 36 billion pounds for conversion by the way), we would be part of the European superstate for ever. No one appears to have considered what would happen if there was an economic or political catastrophe within one or more of the member states. If this occurred, our economy might be ruined for something that we may have nothing to do with. Why have none of the pro-euro enthusiasts ever addressed this point?

The Government brand all who question the euro as 'extremists' who would advocate withdrawal from the European Union. This is dishonest nonsense. No significant political party advocates withdrawal from the European Union. To do so would indeed be extremist, but just in case the Government do not understand, let me repeat. No significant political party advocates withdrawal from the European Union. Indeed I believe that the Conservative stance of "being in Europe, but not run by Europe" makes good sense, and strikes a chord, I think, in the country as a whole. The success of the Conservative's recent 'Save the Pound' campaign bears this out. Over half a million signitures were obtained from a much wider public than

traditional Conservative supporters. Certainly, we should remain within the European Union and seek to improve and reform it from within. But not to the extent of economic – or political union. However the Government seem to disdain the views of the considerable majority of opinion in the Country at large and even among their own supporters. While Mr Keith Vaz accuses all the media who do not agree with entry into the euro as "xenophobes", Mr Richard Balfe, a Labour MEP in an internal Labour document long on rhetoric and short on fact, remarks that the costs of staying out "will be high". He may as well quote King Lear and say "What they are yet I know not, – but they shall be the terrors of the earth." Indeed I agree with Mr Vaz. Let us by all means have a debate on the issue. On the facts.

These are crucial times. Great decisions have to be made. But policy of this magnitude should be thought out properly and not as the Government has often appeared to do, be thought up as it goes along. Decisions should be taken with the long term and the unexpected in mind, and should be taken for the good of the country as a whole and not for party political advantage. We will have no second chance to get this right. Show us, Mr Brown, that you are indeed the Iron Chancellor – in the defence of Britain and the pound.

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Advertisement for
'EU Cannot Be Serious: The Truth About Europe'
published by the Democracy Movement

BOOK REVIEW

Britain's Adoption of the Euro – A Report by the Expert Committee

Published by the Liberal Democrats, September 2000

Reviewed by Howard Flight, MP

In reading the Liberal "Expert Commission" Report, I was first reminded of the definition of an "expert" used by those in the Art Auction business – "A drip under pressure"! Secondly, I am surprised that Charles Kennedy is continuing to peddle euro membership, when the opinion polls show some 70% of even Liberal supporters are opposed.

First of all, the Report takes as its focus the Government's five tests (plus a sixth test as to the rate of exchange at which the UK might join) but it ducks the fundamental political/constitutional issue. As everyone in Continental Europe readily acknowledges, membership of the euro is about creating a single European state, with EU-wide monetary, fiscal and economic policies, a common defence policy and eventually a common legal system. The wily President Mitterand persuaded Chancellor Kohl that it would be impossible to achieve political unification by frontal initiative; rather currency unification would serve as "an invisible hand". Like Gordon Brown the Liberals duck this fundamental issue as to whether or not the citizens of Britain wish our country to be integrated into a European State, dominated by France and Germany.

There is little doubt that the UK would meet the main Maastricht criteria on which the Report spends six pages, where the UK's record as regards inflation and public finances is now demonstrably much better than other EU economies.

Turning to the Treasury's five/six tests, the Report argues that the UK and Euroland's business cycles are converging; that stakeholder pensions will increase UK savings and relieve pressure on interest rates – recommending mandatory pension contributions; that the UK economy is sufficiently flexible to absorb any likely shocks; that monetary union would provide better investment conditions in Britain by giving manufacturers certainly about their export revenues; and that the advent of the euro is itself likely to make life difficult for medium sized currencies such as Sterling, if they remain independent.

The reality is that the UK follows ever more closely, the US business cycle, with both prospering from the impact of Anglo Saxon supply side reforms if the 1900s – like the US, the UK economy has continued to perform well in the face of a strong economy. Continental – European economies are now picking up moderately, on the back of currency depreciation, but without most of the structural supply side reforms needed being addressed. In the US and the UK, the 'old economy' sectors have already reduced very substantially over the last twenty years – with economic growth driven by the 'new economy'. The "old economy manufacturers" constitute a larger proportion of GNP in Continental-Europe, presenting continuing, underlying unemployment problems, as inevitably production drifts away to lower cost, Eastern Europe and Asia. The patterns of the US and UK economies versus the Continental-

European economies have diverged more than converged over the nineties. The fact that interest rates have risen marginally everywhere over the last year has reflected in Continental-Europe, the very weak euro; but in the UK and US, eight continuous years of growth and recovery.

The UK savings rate has halved over the last four years and there is no evidence that stakeholder pensions will increase it. Like the US, the UK is becoming increasingly dependent on importing foreign savings. As is increasingly acknowledged, the risk is that stakeholder pensions will decrease overall pension saving, as more and more companies give up more generous final salary schemes which now present volatility risks to corporate profitability, substituting money purchase schemes, with significantly lower contribution rates for new staff. Those working for small firms, the self employed and those in transient employment, are unlikely to join stakeholder schemes as the maximum 1% charges allow little or nothing for selling. Even the Labour Government has realised there would be major public hostility to mandatory stakeholder schemes, while the evidence from Australia has demonstrated that such mandatory schemes merely reduce other forms of saving in favour of mandatory pension saving. The evidence of the last twelve years also continues to show that the UK economy responds somewhat differently to European economies to changes in interest rates; the massive increase in house prices, particularly in the South East over the last three years, in the wake of lower interest rates, has readily demonstrated that this particular issue has not gone away.

It is, self-evidently, the case that the UK economy has become substantially more flexible in recent years, largely as the result of the Thatcherite supply side reforms, the decline in Trade Union power, the decline in the 'old economy' sector and the rise in the non-Unionised 'new economy' sector, changing employment habits – and in particular, the various forms of self-employment which accompany the 'new economy'. The absence of high employment taxes in the UK has also helped rising employment, making it possible, as in the US, for millions of people to be in work, at relatively lower wages than in Continental-Europe, where they are priced out of employment by employment taxes of 40 to 50%. As all British businesses which employ people in Europe will also tell you, shedding labour in Euroland remains a costly nightmare. For the 'Expert Commission' to argue that the euro area is now experiencing similar flexibility, particularly with regard to employment, is palpable nonsense. Unemployment has declined marginally in Europe over the last eighteen months largely as the result of the 25% fall in the euro, making Euroland more competitive and from the global economic recovery, increasing demand for European exports. As the massive continuing capital outflows from Europe demonstrate – sustaining both the US dollar exchange rate and high levels of US investment – new investment in Euroland remains pathetically weak.

The Report has the extraordinary statement that monetary union would provide better investment conditions in Britain. Had we been a member of the euro since its formation, we would have had a weak currency requiring measures – potentially fiscal in the absence of scope for interest rate increases – to dampen inflationary pressures. Our 'old economy' exporters might have been more profitable, but there would have been less pressure to innovate and specialise for the future. The real dangers with the bandwagon focussing on e.g. motorcar exports to Europe, is that 'old economy' industries where our best interests are served by moving as fast as possible, like the US, to 'new economy'. While one or two of the usual companies and executives continue to repeat these mantras, the majority of Japanese are well satisfied with their investments in the UK, appreciating our lower taxes, particularly on employment, our more flexible labour laws and our more capitalist environment. Not for nothing have thousands of French companies transferred to the UK! For those businesses which are substantially dependant on exports to Europe there is nothing to stop them financing their capital equipment in euros or hedging it into euros, as well as hedging their sales and purchases. They could even hedge their labour costs if they wanted to. Overall, however, even at present exchange rates, UK labour inclusive of employment taxes remain substantially lower than in Germany and France.

The Report also makes the unsubstantiated assertion that euro membership would give UK companies easier access to fast growing euro markets in "corporate bonds and venture capital". British companies are perfectly free to raise finance in euro denominated corporate bonds and indeed are doing so extensively. In our globalised world any credit worthy borrower can raise money in whatever currencies and markets they choose. The only problem is that the massive amounts having to be raised by companies to pay for telecom licenses are resulting in an excess supply of euro denominated bonds, making them a relatively expensive form of finance. Venture capital activities in Britain continue to be very substantially greater than in Continental Europe, with most private sector venture capital initiatives in Continental Europe now coming from London – by both UK and US venture capital groups. Successful areas of venture capital development, e.g. in Bavaria, have been largely funded by the German State bank. Europe has much to learn from the US and the UK about venture capital, where the issue of euro membership is, candidly, irrelevant.

While Sterling's strength over the last five years has been essentially about euro weakness (*viz* the fall in the Sterling Dollar exchange rate), Sterling has enjoyed its strongest and most stable conditions, virtually since before the First World War – essentially reflecting the relative success of the UK economy. Its importance as a currency has increased, particularly as the euro has reduced the choice of European currencies available in which to held reserve. There is no evidence that the advent of the euro is making the world environment less favourable for medium-sized currencies such as Sterling. Rather the reverse. The old arguments about monetary blocks of twenty years ago, which the Report continues to advocate, have been proven ill conceived. The dollar is ever more predominant, largely because of the continuing success and growth of the US economy. There is no yen block and the yen remains is a problem currency. The euro – which ought to be the second main reserve currency – has experienced excessive weakness because of the underlying structural problems of the Euroland economies.

Sterling has enjoyed its strongest and most stable conditions … reflecting the relative success of the UK economy

The Report then has the check to argue that the City has an opportunity to become the centre of the whole European financial industry. It is already this. Its European business has growth dramatically since 'big bang' fifteen years ago. The advent of the euro virtually killed the money broking business in Continental-European financial capitals, with virtually all the euro FX business coming to London. European banks continue to open offices in London, knowing full well that the UK is highly unlikely to join the euro. The recovery of London as the major financial centre it was before 1914, has been the result of open markets; relatively low UK taxation; the concentration of skills; in the main, sensible and good financial regulation and low add on fiscal employment taxes. In the main, the City is not political, and focussed wholly on its business. There were some who had concerns as to whether the advent of the euro would drive business away from London. As the Governor of the Bank of England and even an ex-Lord Mayor who has changed his views have confirmed, the reverse has proven the case. It is true that London needs to get its act together as the main European organiser of lower cost, net security settlement and Stock Exchange dealings – but even here, more and more dealings in European securities emanate from London, whatever exchanges they go over and wherever they are settled. The evidence now shows City opinion approximately in line with UK public opinion, some 70% opposed to joining the euro.

The Report then asserts that EMU/euro membership should promote higher UK growth stability and a lasting increase in jobs. This is hardly the evidence from Euroland. Socialist taxation, particularly on employment, and inflexible employment laws continue to depress employment in Europe, where on average and calculated on a comparable basis to the UK, unemployment remains above 10%. The report is correct in arguing that more open competition should benefit British consumers – *viz* car prices. It does not, however, point out that while there is a reasonably open and single market in the EU in goods, the reverse remains the case in the fast growing area of services – and, in particular, financial services. Here the EU remains protectionist *via* fiscal and regulatory measures. I suggest the Liberal Commission might find it worthwhile meeting members of the British insurance industry, to find out how bad this problem is.

In short, under the Chancellor's five tests – and as I believe the Chancellor and the Treasury increasingly recognise in private – with the economic divergence that has occurred over the last five years, the case for the UK joining the euro has become even more negative but particularly in the context of the constitutional developments which euro membership would entail in the future.

The Liberal document also raises, quite rightly, the hidden sixth test – at what rate to lock in Sterling were we to join? Of course it proposes a rate lower than the current market rate with the inflationary threat

which this would entail at the present stage of the UK economic cycle. I hope that those in British manufacturing industry who have understandably bemoaned the weakness of the euro and the strength of Sterling in recent years, and as a result, concluded wrongly that euro membership would benefit them, will note what the Liberals have to say here – which amounts toarguing for a higher rate than previously. The reality is that exchange rates are market driven. The British Government cannot dictate the exchange rate. Starting from here, there is little prospect of the euro strengthening sufficiently against Sterling in the near future to an exchange rate for permanent euro membership, which would satisfy the more vulnerable manufacturers in this country.

To conclude and aside from the key constitutional issue, the fact remains, and as Ireland is now experiencing, that there are major economic differences as between the British Isles (including Ireland) and those of Continental Europe. The Anglo Saxon economies of the US, UK and Ireland, are predominantly, free trade, capitalist; and Euroland remains overwhelmingly socialist. There is nowhere near insufficient economic homogeneity for a common currency to work without the need for massive intra European transfer payments. Even the US, which has far greater economic homogeneity, has transfer payments of the order of 13% p.a. of GNP. Like the Chancellor, the Liberals fail to focus on this crucial issue – what level of transfer payments will be needed in the future, in order to off-set economic differences, where adjustments cannot be made by changes in exchange rates and different interest rates.

As the British electorate realises increasingly at both a political and economic level, the case against euro membership is overwhelming; but I would have thought the Liberals could have done better than this in trying to make a positive case.

Howard Flight is a shadow Treasury Minister and Conservative MP for Arundel and South Downs.

… news in brief

EU charter of fundamental rights

Two key European policies have been defeated in recent weeks. First, the boycott of Austria by 14 member states had to be abandoned after it became obvious that the policy had backfired. The hope must have been that this would help reverse the trend in the Danish referendum but this was not to be. The Danes rejected the euro, even though the G7 countries intervened (at a cost of £50 million to Britain) to support the euro, which staggered back above 85 cents.

Although these two events represent a victory for democracy over the European construction, European institutions and their leaders lost no time in preparing new initiatives whose effect will be to damage national independence and the accountability of national democratic institutions. The most important of these is the EU Charter of Fundamental Rights. Drawn up by a "Convention" chaired by a former President of Germany, the Charter has apparently now been "solemnly accepted", according to a German newspaper. "Now it is a matter of making it legally binding," the paper continues. Britain, meanwhile, continues to pretend that the Charter will not have any legal force.

The document has now been signed off after nine months consultation. Needless to say, this has occurred in the complete absence of any real public debate: the text of the Charter has been posted on the Internet but most people, including parliamentarians, are unaware of its existence. The European policy spokesman for the CDU/CSU group in the German Bundestag, Peter Hintze, captured the mood when he welcomed the Charter as "a milestone on the road to a European constitution". Meanwhile, the European Parliament's delegate to the Convention, Inigo Mendez de Vigo, has said, "The preparation of the Charter implies the recognition of the Union's political nature." For, as *Die Welt* also makes clear, the Charter is intended to regulate not only the European institutions, but also "all national institutions". It is, in short, the final nail in the coffin for national sovereignty. [*Die Welt*, 4th October 2000]

Serbs indict Nato leaders as war criminals

A district court in Belgrade has opened the trial of 14 Nato leaders including Tony Blair, Robin Cook, George Robertson, Bill Clinton and Madeleine Albright. They are charged with committing war crimes during Nato's attacks on Yugoslavia last year. None of the defendants appeared in court. The trial continues. [*Politika*, Belgrade, 19th September 2000]

Euro-parliament calls for rapid enlargement

The European Parliament has approved a resolution saying that new member states must be admitted within the present legislative period and that new member states' citizens should be able to vote in the next European Parliament elections in 2004. However, the veteran MEP, Elmar Brok, said that this did not mean that any particular country had to be admitted quickly. "Poland is not a condition for enlargement," he said, suggesting thereby that enlargement might take place without it at first. This is likely to infuriate the Poles but other EU states are likely to be just as angry at another excuse which the enlargement commissar, Günter Verheugen, has pulled out of the hat. "Corruption is a great cause for concern," he has said, alleging that the levels of corruption in candidate countries is a bar to their admission. [*Die* Welt, 4th October 2000] Citizens of current member states may be forgiven for regarding this statement somewhat wryly, given the huge levels of corruption which accrue to the EU (something in the order of £6 billion a year is stolen from the EU budget). Corruption, indeed, seems more like a condition for EU membership rather than a bar to it.

Belgian MP alleges "KGB tactics"

Alexandra Colen, a deputy for the Vlaams Blok party in Belgium which campaigns for Flemish independence, for a reform of Belgium's sclerotic and corrupt social security system, and on immigration issues, has alleged that "KGB tactics" have been used against the Vlaams Blok's candidate for mayor in the forthcoming local elections on 8th October.

Dr Colen alledges that "Filip Dewinter, the Vlaams Blok candidate for the race of mayor in theAntwerp communal elections of 8th October, was attacked on 24th September in Amsterdam by so-called "anti-Fascist" thugs. His car was vandalized with iron bars and all its windows were smashed. Thepolice came to Dewinter's rescue and drove him, in one of their own police cars, to a television studio for a live interview. While Dewinter was at the studio, TV crews filmed his car, zooming in onNazi literature on the car's back seat. The Belgian television news yesterday evening showed the car and the Nazi paraphernalia in it, commenting that 'although Dewinter's car was vandalized, nothing wasstolen from it.' The Nazi literature, however, was put into the car by others, not by Dewinter (who does not drive around with Nazi books), in an attempt to 'prove' the politician's 'Nazi sympathies.'" Dr Colen goes on, "We are convinced that the Belgian State Security services is actively pursuing a policy aimed at damaging the Vlaams Blok." [Press statement, 25th September 2000]

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All Eyes are on the Media

by Stuart Jackson

1. Elections, Elections

a) The timetable

Over the next few years, there will be a succession of elections, each having a direct or indirect bearing on the EU and the United Kingdom's place in it.

- a general election before the summer of 2002;
- a referendum on the euro if Labour wins and a vote is called;
- elections for the European Parliament in June 2004;
- a general election before the summer of 2007, probably well before.

b) Four is a crowd

Events are on the move, and fast. A foreshortened timetable could compress these crucially important elections in to a span of three years or less. The explosions thus detonated would be capable of altering the political landscape beyond recognition. An exaggeration? Let us speculate.

- a general election in the spring or autumn of 2001, giving Labour an unstable majority in alliance with the Liberal Democrats;
- a referendum on the euro in 2002 or 2003, with a result (e.g. a tiny majority either way) unacceptable to the losers and leading to confusion and protracted acrimony;
- another general election in 2003 or 2004, with the constitution as the centrepiece of the competing manifestos;
- European Parliament elections in June 2004.

2. The UK Waits to Know its Destiny

All elections are keenly contested. The four referred to will be especially so. The fate of the United Kingdom is at stake.

In the great euro struggle, two sides, one pro and the other anti, will be ranged against each other. Both are highly motivated. They are governed by profound differences in their world-view. Neither could accept defeat complacently. The discord has quasi-religious overtones.

In a sense, it will be a war; or at least war of a sort, and a civil war at that. A civil war is always the bitterest type of war, because unlike conflicts fought out far away from home, victors and vanquished have to go on living alongside each other.

Eventually, the result will be known. Life will continue after a fashion, but not as before, since even if it should continue as before, it would be with the important difference of a threat having been removed.

3. The Role of ohe Media

The media will exert a powerful influence on the debate and its outcome. Already questions are being framed. How will the *Sun* stand? Which way will the *Express* jump? What part will the *Financial Times* play in steering business opinion? Will the BBC be impartial or partisan?

These and queries of similar import are spinning round in the minds of the respective campaigners.

4. Systemic Change

The media have evolved over many decades. First the press; later the electronic media (radio, followed by television).

Change is accelerating. Technology dictates advances in press production methods and aids a fragmentation of the electronic media: more radio stations and more television channels (terrestrial, digital, satellite, cable).

At the same time, far-reaching developments in non-media communications are taking shape. E-mails abound; mobile telephones seize possession of the public arena; the internet is the talk of the town.

The communications revolution rushes on, dislocating entrenched habits and sweeping aside any obstacles that stand in its path. Even the humble postman is subjected to ever increasing consignments of junk mail.

In attempting to assess the impact of these changes on the four elections we are discussing, we should try to maintain a cool and detached judgment.

5. New *vs* Old

The word is being put about, often in high places, that the general election of 2001/2002 will be the last of its kind. Thereafter, we are told, elections including the euro referendum if it is held, will be dominated by the internet and e-mails. The traditional media, it is asserted, will decline in inverse proportion.

How convincing is this prediction?

6. We Have Been Here Before

a) Death need not be fatal

A taste for sensation is a temperamental trait. There are theories conveniently at hand to lend methodological support to seekers after high tragedy, notably chaos theory and its twin sister catastrophe theory.

In what is customarily referred to as the real world, the old usually exists side by side with the new in a modified form.

Many of these melodramatic notions are borrowed from marketing. The death of the brand has been foreshadowed for many years, yet brands live on in the rudest of health. The death of advertising, likewise, is a perennial favourite, but advertising prospers as never before.

And now the death of the media in their present form. Really? Evolve and adapt, yes. Go out of existence precipitously or splinter in to a thousand and one pieces, no.

b) Direct Mailing

Cast your mind back to the general election of 1987. Direct mail was used by the political parties on a significant scale for the first time. Many commentators predicted that direct mailing would take over as the dominant mode of campaigning in future elections. In the event, their predictions came to be seen as mistaken.

Direct mailing has proved to be expensive, cumbersome and inexact. Above all, there are problems of copywriting. Good copywriters are rare birds indeed. They are nurtured in the savagely competitive world of London advertising agencies and are not often to be discovered in any other habitat.

7. The Nature of Persuasion

The effectiveness of communications whose aim is to persuade rests on a number of dimensions: chief among them are extent of reach, degree of control, authority of source, accuracy of targeting and speed of results (which is not at all the same thing as speed of transmission).

Taken as a whole, the internet and e-mails score poorly. In particular, they fail on the criterion of authority.

Authority and control stand in opposition to each other. The more you are in control ('This is what I want to say, and

this is how I want to say it'), the less is the authority of the output.

Authority is a matter of reputation, which in turn is a matter of independence. That is why it is the word of the fearless critic that counts in theatrical circles, not the puff of a diarist in the pay of the impresario.

The prime national media (press, television and radio) are independent. Individual publications and individual journalists may be locked in to a particular point of view, but they retain a freedom of manoeuvre. Biased as the BBC is often held to be, it is not exactly in anyone's pocket. Its charter stipulates an obligation to be fair, even if the corporation's conduct from day to day falls short of that ideal.

8. The Upshot

It is time to sum up.

- The four elections scheduled to take place somewhere between 2001 and 2007 are a watershed in the affairs of the European Union and the United Kingdom.
- They will be fiercely, even bitterly, contested.
- The outcome will be far-reaching, perhaps cataclysmic, in its effects.
- Direct mailing, e-mailing and the internet, while each will have a part to play, will essentially be side-shows.
- The prime national media will play a dominant role.

9. A Word To The Wise

We live in an age of mass communications, and have done all our lives. No change is likely to dislodge that proposition in the foreseeable future.

It is true that audiences and readerships are tending to fragment, but the reduced sub-populations are still immense. Oddly enough, owing to the skill of the journalists and broadcasters concerned, the mass media qare usually more personal and intimate in tone than the one-to-one communications system of e-mailing.

Campaigners must continue to concentrate their attention on the national media. Here the picture is becoming clearer all the time.

Journalists and public alike are averse to spin. After all, spin is just another word for propaganda, and the term spin itself is part of the deception. People do not warm to deceit.

Robert Townsend (of *Up The Organisation* fame) phrased this sentiment as follows: "If everything else fails, try honesty". Anti-euro campaigners, take note; and take heart.

A market researcher by profession, Stuart Jackson has been a regular contributor to the Journal.

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Compulsory Metrication: Weighing up Human Rights

Chris Ballinger

January 1, 2000 was Metrication Day. At the stroke of midnight, goods sold loose by weight – one of the last remaining strongholds of imperial measurement – were required to be weighed in grams and kilograms and priced according to their metric weight. As champagne corks battled with fireworks for control of the night sky, it became a criminal offence for traders to continue selling in imperial units.

Or did it? Following the seizures in July of imperial scales from two traders in Sunderland, the entrepreneurs involved – Mr Steven Thoburn, a greengrocer, and Mr Neil Herron, a fishmonger – received legal advice to the effect that trade in imperial measures is still permissible under the Weights and Measures Act (1985). Sunderland City Council was briefed that the opposite is true. The action concerning the legality of the seizures of the scales is still pending; but even if the legislation under which metrication has been introduced is technically valid, it remains arguable that the law on metrication need not, indeed ought not, entirely exclude the use of imperial units.

Promoting the Metric System

Since 1965, successive UK administrations have promoted the metric system as the standard system of weights and measures in Britain. The process has nevertheless been gradual. In 1980, the European Council became convinced that the harmonisation of systems of measurement at a Community level was necessary in order to eliminate obstacles to trade between member states. To this end, the Council adopted Directive 80/181/EEC, which determined that the international system of units (SI or metric system) should become standard across the Community.

In order to smooth the transition to SI units, Directive 80/181/EEC provided that products may bear "supplementary indications" – imperial units in addition to metric units – on their labels. However, dual labelling was always intended as a temporary measure. The deadline for full metrication was first put back to January 1st 2000 (although there were some specific exceptions) under a 1989 amendment to the original Directive. After representations from the United Kingdom Government and others, the European Commission further amended the Directive to permit dual labelling to continue until December 31st 2009.

It is certainly a rare piece of legislation that prevents traders from adorning their merchandise with truthful information; especially given that banning dual labelling is not necessary for dismantling trade barriers between member states. The requirement to indicate value in a common unit of measurement suffices; a prohibition on dual labelling may actually create problems with international trade. One of the reasons why dual labelling was permitted to continue was because of resistance from exporters of manufactured goods to the United States, where dual labelling is mandatory. An end to dual labelling would thus have had the effect of erecting barriers to trade between EU members and the United States.

The prohibition of dual labelling has consequently been deferred, in the words of Labour Minister Dr Kim Howells, "pending completion of the US metrication programme". In the United States, metrication was started with the passage of the Metrication Act (1975), and following the Omnibus Trade and Competitiveness Act (1988), metric units became the "preferred system of weights and measures for United States commerce". In 1992, the Fair Packaging and Labelling Act was amended to require certain consumer goods to carry metric equivalents of their imperial quantities.

Violating free speech?

There has been no attempt in the United States to prevent traders altogether from using imperial measures, because completing metrication in this way would almost certainly raise constitutional issues. Whilst Article 1 Section 8 of the Constitution grants Congress the power to "fix the standard of weights and measures", it is by no means certain that this power could be employed to compel metrication, as freedom of commercial speech is protected by the Constitution's First Amendment. It is possible that a similar conclusion could obtain in Europe under Article 10 of the European Convention on Human Rights.

If expressing a desired quantity of goods in pounds and ounces is deemed equivalent to speaking in a particular language, then the European Convention on Human Rights may provide a ray of hope for imperial traders. Article 10 of the ECHR protects freedom of expression, including the freedom 'to receive and impart information and ideas without interference by public authority'. There are necessary exceptions to Article 10, but as constitutional expert Geoffrey Marshall noted in *Public Law* in 1996, to advertise and sell goods in imperial units does not seem to act against the interests of national security, to promote disorder, to endanger public health or morals, to threaten the reputation of others, or to undermine the authority or impartiality of the judiciary.

The likeness of different systems of weights and measures to different languages is reinforced by Schedule 1 to the Weights and Measures Act (1985) (as amended), where a phrase book is provided. It defines one pound as being exactly 0.45359237 kilogram; one yard as 0.9144 metre; one pint as 0.56826125 litre. Dr Howells confirmed to the House of Commons that retailers are to apply this phrase book -- customers may continue to ask for a pound of apples but retailers have to measure out 0.45359237 kg of apples. It would seem that a set of scales calibrated in pounds is precisely equivalent in law to one calibrated in divisions of 0.45359237 kilogram. If this were not so, the retailer who served a customer with 0.45359237 kg of apples when asked for 1lb would be failing to supply the customer with the goods requested. Why then is it illegal for Messrs Thoburn and Herron to use their imperial scales to weigh orders placed in imperial units? Any prosecution would effectively be seeking to convict them for supplying the advertised quantity of their goods. This is the sort of trial to which only A. P. Herbert could do justice.

Failing to strike a balance

As they stand, the Directives on weights and measures fail to strike a balance between the need to ensure a single market across the EU, and the rights and freedoms of individual consumers. The voluntary indication of imperial quantities alongside metric ones does not constitute a barrier to trade between member states. Neither, in the case of goods sold loose to the

consumer, does the indication of quantities in imperial measures: the process of weighing goods at the retail outlet does not impinge upon the opportunity of suppliers in different countries to sell to the retailer.

If dual labelling is to continue to be permitted in Europe until the time this arrangement ceases to be mandatory in the United States, the deadline of December 31st 2009 for its prohibition smacks of wild over-confidence. But even if the United States does withdraw its requirement for dual labelling, or if Europe goes it alone on mandatory metric-only labelling, human rights law may provide some respite for those who wish to continue speaking the language of imperial measures. The attempts to standardise the language of measurement across the EU and to eliminate the use of the minority tongue seem not to have been mirrored in the treatment of language as a whole. Indeed, official EU websites welcome surfers in eleven different languages – the sort of multiple labelling that the EU proposes to make illegal in the case of weights and measures. It would appear that languages constitute less of a barrier to cross-boarder trade than weights and measures.

Chris Ballinger is researching a doctorate in political science at The Queen's College, Oxford.

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CHUNNEL VISION

The Philosopher's Stone

by Dr Lee Rotherham

To Hades with all these VIPs from far-flung outreaches of the globe. To Heck with the appearance of the Speakers of the Knesset and the Palestine Assembly. Only one visitor to Brussels made an impact this week.

Sooty.

ITV had brought their favourite bear along as part of their lobbying drive. Lamentably, he did not izzy wizzy bizzy himself as some of the British staff would have liked, and was spotted by a bystander the next day sprawled in a bag and covered in cigarette ash. How the mighty fall. The price of fame.

Or perhaps his nerves cracked when he heard the concert of a group of hunting horn players (in German, Jagdhornbläser, which sounds like one of the makes of motorbike other leather-clad MEPs were spotted whizzing about the concourse on). So much for the silly season starting late this year. A display has opened in the corridors of Greek electro-sculptor Takis, whose mission in life is to have the entire planet running on solar power, starting with the exhibits which at least carry the merit of having a working fan built into them to cope with the summer heat here. Then there is the exhibition commemorating the European Space Agency's "Archaeology of the Future" project, consisting of blasting a rocket off for fifty millennia packed full of digitalised snapshots of your mum doing her shopping to show what life was like before the euro.

Of course, in addition to all these wonderful functions is the real business behind them, namely lobbying. For every invite you get to Nevada Bob's Golf Superstore Opening (free parking available), you will now be smothered in a dozen lobbying letters from some organisation that is on the Eurotake and petrified that it, the European Association of Persons with Intellectual Disability and their Families, will find its budget slashed. The Conservative MEPs thought it was a bit much to spend getting for a billion euros brainwashing kiddies and OAPs into loving the EU, and a dozen of them tabled four hundred amendments to cut out this fat. Nothing could be more justified. Consider just one example: on 6 June, a number of organisations were camped out on the main floor of the Brussels EP building in order to lobby MEPs, wafting their wares in a physical attempt to modify legislation. At least three of these – the Young European Federalists, the European Movement and the Union of European Federalists – receive EU money. So the EU pays these lobbyists to lobby the EU. And in the case of the European Movement (this a detail that until now has been largely missed), in addition to the 300,000 euros it claims to run its head office, it has call on a share of budget line B3-301, "Information Outlets", to the tune of up to 10,820,000 euros.

Now, considering that this organisation is reported in Denmark to have acted as the core to the 'Yes' campaign in the Referendum, and that its UK Chapter is reported to have acted as the funnel for moneys to Britain in Europe, these are unfriendly mercenaries to the cause of the nation state. We as taxpayers are actually paying these people to persuade our politicians to do things we do not wish to see happen! On the record, "The Commission has no objection to organisations in receipt of Community grants engaging in legitimate campaigning activity in pursuit of their registered objectives." I bet.

There can be genuine campaigns too, when an issue touches people's lives and they realise the EU is going to whack them some. Colleagues are starting to tire though at being personally tarred with collusion in the German-led drive to ban a number of breeds of dogs on the ground that one person got bitten. Some constituents have gotten a little carried away at the prospect of 'genocide'. Others are more restrained, such as the Frenchman whose call to "Let us mobilise, mobilise you" in the defence of "Staffie, the nanny dog" touched hearts, not least as scanned into the top corner was a little piccy of the poor defenceless brute; taken just before Staffie went berserk at the flash and savaged the owner, I know not.

Also lobbying have been the Germans, as usual, this time over Endocrine Disrupters. For the uninitiated, this is a question of chemical pollution of foodstuffs and taking the helpful advice proffered by the experts of not eating plastic, rather than some reference to any weapon of mass destruction used by Ming the Merciless on recalcitrant planets. MEPs must have completely stressed out by this prospect of imminent vaporisation and shown it, because one of their number, the German Dr Liese, e-mailed the offer of an "urgent massage to all members of the EEP-Group".

The joy of typos in a foreign language. But also vexed of late have been the official translators, as their Luxembourg offices have been found still to have asbestos floating around in them. Not to worry so long as you don't poke it, said the Commission. The translators thought otherwise, and being capable of saying exactly what they thought in eleven languages they are now operating from whatever public buildings, garden sheds and homes are available. A more effective way of hamstringing the European Union could not be found if you tried.

Babel totters, like the euro. As it plumbs new depths – compounding the petrol crisis for EMU member states, for as we know the dollar is king in oil – the commission has now spotted that another of the supposed benefits (other than stability and strength) has failed to materialise. That body has warned banks that it may open infringement proceedings against them – because it has found out that, even with the exchange rates fixed, the average cost of transferring 100 euros between two countries in the Eurozone is EUR 17.10. And one of the things the euro was meant to stop was, erm, excessive transfer charges. More of the EMU sheen rubs off.

In 1901 in Paris, a Monsieur E.A. Demarcay discovered a new element: "A soft, silvery metal that tarnishes quickly and reacts with water". He called it Europium. One hundred years later Europe's central bankers have, though their alchemy, concocted a similar and baser metal.

In the circumstances, Sooty the sot plainly had the right idea.

Dr Lee Rotherham is Campaign Secretary of Conservatives Against a Federal Europe.

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.

Objectives

The objectives of the Foundation, set out in its constitution, are as follows:

- to provide a forum for the development of ideas and policies for the furtherance of commerce and democracy in Europe;
- to increase co-operation between independent sovereign states in the European Community and the promotion of the widening and enlargement of that Community to include all applicant European nations;
- to resist by all lawful democratic means all and any moves tending towards the coming into being of a European federal or unitary state and for the furtherance and/or maintenance of such end;

Activities

The Foundation pursues its objectives by:

- organising meetings and conferences in the UK and in mainland Europe;
- publishing newsletters, periodicals and other material and participating in radio and television broadcasts;
- producing policy papers and briefs;
- monitoring EC developments and the evolution of public opinion and its impact on the political process in the main EC countries;
- liaison with like-minded organisations in other EC and EC applicant countries and elsewhere;
- liaison with trade associations and other professional bodies .affected by EC action and policy.

The Foundation

The Foundation addresses itself to the general public and to politicians, journalists, academics, students, economists, lawyers, businessmen, trade associations and the City.

It concerns itself with the following main topics:

- industrial and commercial policy;
- economic and monetary matters;
- foreign policy;
- security and defence;
- environmental issues;
- the Common Agricultural Policy;
- the reform of Community institutions;
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