Sir Oliver Wright
British Ambassador to West Germany 1975–81
and Ambassador to the United States 1982–86

Why Business is Bad for EMU

Lord Healey, John Bercow, MP, and EURODATA
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The Deepening Socialist Betrayal of Europe

In September last year in my pamphlet British and German National Interests, I warned that we were heading for a Socialist Europe, not merely in attitudes, but a Socialist European Government dominated by Germany. The German Government’s own agenda for its Presidency of the European Union and their demands for a new European Constitution and for tax harmonisation all point in the same direction. So too does the cynical German attack on enlargement.

The only possible resistance to all this could have come from Britain but Tony Blair and his Government, by signing up to the joint Socialist Manifesto for the European Elections, have now completely sold the pass. It would not even be inconceivable that, if they thought they could win, they might go for a Referendum at or before the next General Election.

For this reason alone we must make the most of the European Elections and use them to undermine the Socialist case for a single currency and all that flows from it and from the Manifesto. The assertions in this are breathtaking.

To give a few examples. They claim that the euro will lead to a “more stable financial world system”, that “we commit ourselves to ensuring the single currency … provides growth, employment and stability”, and that “taxes should also favour the creation of jobs and the protection of the Environment”, and so on. Never mind the fact that European growth is receding and unemployment remains at 18 million: they plunge on regardless. In doing so they seriously harm British interests, as Sir Oliver Wright, our former Ambassador in Bonn and Washington and now a member of our Advisory Board, makes clear in this edition of the Journal.

So what is being done about all this? What opposition is being mounted and what, apart from rhetoric, is being assembled? Fortunately the Eurorealist groups are coming closer together, but so far as the opportunity offered by the European Elections is concerned, the main thrust should come from the Conservative Party. As a start I am glad that authority has been given for frontbench spokesmen to sign my Early Day Motion (185) which is now supported by Labour and the Sun. Those who signed up to Maastricht should now reject it and accept the idea of renegotiating Maastricht was rejected. As Bob Worcester of MORI demonstrated in the last edition of the European Journal, the Conservative Party lost the last election because it failed on several vital fronts, including Europe. This article is well worth re-reading.

However, now in 1999 we must surely re-examine the case and pressurise the Government where it most hurts – in the ballot box. Those who signed up to Maastricht should now reject it and accept that it prevents us from outflanking Labour and winning not only the next election but the Referendum as well.

Opinion polls show that the deepest mass resistance in the UK to European integration tends to come from what is called the C-Ds who, more often than not, are Sun readers and traditional Labour. These are the people most affected by the deflationary policies of the Government in shadowing the Maastricht criteria. Anatole Kaletsky in The Times on the 31st December wrote a brilliant piece on the economic impact of Maastricht and its effects on unemployment and growth – in stark contradiction to the new joint Socialist Manifesto for the European Elections.

The Opposition in those elections should clearly and simply reject that Manifesto and repudiate the deflationary policies of Maastricht and accept that we would have the same direction. So too does the cynical German attack on enlargement.

I believe there is, furthermore, on the more general question of the nature and philosophy of the Tory Party, it is worth recalling in the context of European integration that Disraeli famously said, “The Tory Party is a national Party or it is nothing” – strong words. Not ‘nationalistic’ but ‘national’.

But there is a more immediate political way forward which draws on the Disraelian inheritance of working with the broad mass of the British people, which outflanks Labour and which does so in a very direct way in the European context. Readers of this column will perhaps recall that on many occasions I have said that we must relate the European issue to domestic politics. The Conservative Party has the opportunity but does it have the judgement and the will? What about Maastricht?

Let me explain. At the Party Conference in 1995 I made a speech at the European Foundation meeting entitled ‘The Socialist Betrayal of Europe’. I argued that the Maastricht criteria would generate unemployment and that, if the Labour Party adopted the principle of economic and monetary unity, they would not be able to fulfil the expectations of those who they wanted to vote New Labour – nurses, teachers, police officers, fire officers, local government employees and so on. I discussed the speech with the then Prime Minister, John Major, but I pointed out that, to achieve our objectives of winning back these people after the ERM fiasco and to ensure that we recreated enterprise (from which all taxation comes) to pay for necessary public expenditure (which is adequate but not indulgent), we would need to reassert our unequivocal control indefinitely over our own economic affairs and renegotiate Maastricht, in which we allowed the other Member States to go ahead irrevocably with the single currency and put Britain in limbo. Furthermore, I argued that our opt-out would fall if Labour went for the single currency and barring the Referendum which had been resisted by the then Government. The idea of renegotiating Maastricht was rejected. As Bob Worcester of MORI demonstrated in the last edition of the European Journal, the Conservative Party lost the last election because it failed on several vital fronts, including Europe. This article is well worth re-reading.

Bill Cash, February 1999
The EU Declares War on UK Tobacco Advertising

by Stuart Jackson

For years hostile forces have been closing in on the freedom to advertise tobacco products. Now the EU has joined in with a directive to curtail tobacco advertising in all member states. Does this mean that tobacco advertising is coming to an end in the UK? No. Look at the exemptions. And never underestimate those clever people in London’s advertising agencies. In exercising their talents, they will be defending more than their clients’ commercial interests.

1. Anti-smoking psychology

Tobacco has been under attack for several decades. The motives are many and varied. Let us suppose that you are a puritan by inclination and that you have a fondness for interfering in other people’s lives. Or let us say that you hanker after a centrally planned economy. Or perhaps you are a Treasury Minister or official looking for products that have an inelastic demand curve and are therefore lucrative taxation prospects. In all these examples, tobacco is your natural playground.

Anti-smoking lobbyists are a special case. You only have to attach yourself to a group of ASH supporters for a few minutes to realise that you are in the company of obsessionals. Such people tend to migrate from one obsession to another. The topic may vary, but the underlying psychology remains undisturbed.

2. Types of attack

Attacks on tobacco come in two guises: there are attacks on tobacco consumption and attacks on tobacco advertising.

(a) Attacks on tobacco consumption

Viewed in the longer perspective, attacks on tobacco consumption have been a failure. The table (top right) sets out selected consumer statistics over the past quarter of a century. The downward trend in consumption has been slow and uneven. The value of the tobacco market in the UK in 1997 at consumer prices was £12.8 billion, of which £10.3 billion was taxation.

Smokers are resilient. Despite high tax levels and unceasing vilification, smokers are going to be around for many years to come. One-third of men and women aged 16 to 24 smoke cigarettes.

(b) Attacks on tobacco advertising

Attacks on tobacco advertising have so far been part of a campaign of attrition against tobacco generally. The tobacco industry has responded by conducting a skilful and orderly retreat.

A voluntary ban on cigarette advertising on television has been in place since 1965; and numerous restrictions, agreed step by step through negotiation between government and industry, have been imposed progressively since 1971 on cigarette advertising in the press and on posters. Space devoted to health warnings has grown larger and the text more urgent in tone.

For many years cigarette advertisements have had to be submitted to the Code of Advertising Practice Committee. The scope allowed to advertisers became narrower and narrower. To start with, glamorous scenes were forbidden; then it was not allowed to show people, finally not even parts of people, e.g. hands. Advertising agencies rose to the occasion by fielding their very best creative teams. The result has been that cigarette advertising has reached new creative heights. The famous Benson & Hedges and Silk Cut campaigns with their elliptical references illustrate the point.

3. Enter the European Union

(a) The directive

Developments on the advertising front have been given fresh impetus by EU directive 98/43 of 6 July 1998. Advertising of tobacco products is to be banned in all member states from 30 July 2001. Sponsorship is to end by 1 October 2006 and must be phased out steadily before then. Challenges to the directive in the European Court of Justice seem unlikely to succeed if the ECJ’s record is anything to go by.

(b) Exemptions

There are three exemptions to the advertising ban:

• advertising and product presentation at the point of sale;
• communications intended exclusively for professionals in the tobacco trade;
• cross-border publications printed outside the EU and not principally intended for the EU market.

The first of these is the really significant exemption. Whatever may or may not have been intended by the drafters of the directive, intense competition will take place at the point of sale. Among other possibilities, the pack will become an instrument for promoting the product. Designers will meet the challenge. By their very nature, packs do not stay in one place. They are mobile objects, advertising their contents wherever they happen to be.

UK advertising agencies, renowned throughout the world for their ingenuity, can be relied on to put up a spirited fight. Europe has much to learn by their example. Pitt the Younger would be proud. So would John Stuart Mill.
4. Beyond 2001

(a) Shoot the messenger

Criticism of tobacco consumption is often deflected into criticism of tobacco advertising. Some people just like banning things; they go in for it, rather as other people might take up a hobby.

Tobacco advertising is an easier target than tobacco consumption. There are still 15 million tobacco smokers in the UK, 13 million of them being cigarette smokers. Smokers have votes. No political party could afford to ignore this fact.

(b) The need to be practical

A total ban on advertising is virtually unfeasible so long as it remains legal to offer tobacco products for sale. To banish all forms of promotion at the point of sale would be appropriate only in a command economy under siege. The point of sale exemption tacitly acknowledges this.

Cigarettes are not semi-contraband fit only to be sold surreptitiously.

In England we like to think of ourselves as pragmatists. It is practical considerations rather than appeals to grand theory that will set the limits to restrictions on advertising. We all know that the EU has authoritarian leanings, but it is not a fully fledged tyranny.

Not yet, anyway.

(c) A call to arms

Tobacco advertising in one form or another is likely to survive as long as smoking itself survives. But there is a unique disability that darkens the entire issue. Tobacco as tobacco has plenty of enemies. Advertising as advertising has about as many. In combination they are an explosive mixture. Sober debate is almost impossible.

Make no mistake about it. If tobacco advertising were eventually banned altogether, nature’s interferers would move relentlessly on, with the aim of dispersing their prohibitions ever more widely, first alcohol, advertising, then gambling and after that any product that looked as if it might yield under pressure.

A lot is at stake. The UK must stop behaving like a defeated nation. We must not allow our laws and customs to be dictated to us by a remote and alien bureaucracy.

Tobacco manufacturers must play their part to the full in the resistance. They owe it to their shareholders, employees and consumers. Most important of all, they owe it to the defence of the free market economy and the classical principles of English liberties.

A market researcher by profession, Stuart Jackson has carried out many communications tests on cigarette advertisements and cigarette packaging for leading advertising agencies.

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... news in brief

Swiss president calls for EU entry

The new president of Switzerland, whose recent election was noted and welcomed around the world because she is both a woman and a Jew, has said that Swiss entry to the European Union and the United Nations are now the main goals of the country's foreign policy. Without agreeing to give any timetable, President Dreifuss also said that Switzerland should sign the treaty on the International Criminal Court and the Convention on Anti-Personnel Land-mines. [Agence France Presse, 6th January 1999]

Sweden to vote on euro by 2000

The Swedes are likely to hold a referendum on joining EMU in 2000. The ruling Social Democratic Party is favourable to Swedish entry. The government had previously decided against entry because of a high level of public opposition but the opinion polls have recently indicated that support for EMU membership is now rising. [Le Monde, 8th January 1999]

And the loser is … Britain!

The Economic Advisory Council within the Federal German Economics Ministry has suggested a radical overhaul of the EU's finances. It has said that the European Union's spending on agriculture, regional aid and the structural funds could be cut by 25%. Such a reduction would enable Germany to cut its own contributions, a goal which the German government has repeatedly proclaimed. The German economics minister has welcomed this report saying that it strengthens Germany's case in Brussels. The Council has called for the annual growth in EU spending to be cut from its present 7% a year. It also calls for Brussels' role in the CAP to be reduced and for member states to take on more responsibility for paying for their own farmers. The Chairman of the Council, Professor Manfred Neumann, has said that in future that levels of contributions should henceforth depend partly (80%) on each member state's share of EU productivity and partly (20%) on its share of votes in the Council of Ministers. These new arrangements would reduce Germany's contribution by DM 7.5 bn. France, the Netherlands, Austria and Sweden would also pay less. “The main loser would be the United Kingdom, which would pay 2.4 bn euro more,” said Professor Neumann. [Handelsblatt, 8th/9th January 1999]

Danes also want to join EMU

“I think the best thing for Denmark, for jobs and for our welfare society, would be for us to join the euro one day.” Thus Poul Nyrup Rasmussen, the Social Democratic prime minister of Denmark. The opinion polls appear to give Mr Rasmussen some comfort. 48% are said to be in favour, 42% against and 10% undecided. [Le Monde, 6th January 1999]

Adeste Fidel, euro triumphantes

In the year when Cubans have been allowed to celebrate Christmas for the first time in four decades, the ageing Fidel Castro, like one of the three wise men, has saluted the birth of the euro as a star shining in his political firmament. The Lider Maximo was the Latin American politician who greeted the single currency the most enthusiastically. The Central Bank of Cuba started trading in euros immediately. The reason why the Cuban leader loves the euro so much is, of course, because he sees it as anti-American. As the Cuban Communist Party daily put it, “The euro is a factor of stability and tranquility, standing up to the more and more numerous symptoms of the globalised world crisis. It is a challenge to the hegemony of the dollar.” [Le Monde, 3rd/4th January 1999]

Incidentally, as we know, Cuba has been at the centre of a struggle between the European Union and the United States. The European Commission – Sir Leon Brittan, the Trade Commissar in first place – regards the Helms-Burton Act which seeks to penalise countries which deal in stolen property in Cuba, as an unacceptable infraction of Europe's right to trade with one of the last Stalinist tyrannies in the world. Much of Europe's campaign against Helms-Burton has been covered with a patina of claims that Cuba reforming at last. Strange, therefore, that Fidel Castro celebrated his 40th anniversary of power with relentless statements that “Cuba is ready to defend the revolution” and with hard-line attacks on “neo-liberal globalisation” and “the theology of the market”. He finished his one and a half hour speech with the traditional exhortation, “Socialism or death! We will be victorious!” [Süddeutsche Zeitung, 4th January 1999]
The birth of the euro was celebrated in Frankfurt on January 1st with champagne and fireworks, a triumph of political will over economic sense. That much was expected. What was perhaps less expected were the accompanying statements by the celebrants, which confirmed the worst fears of those who care for an independent Britain with a government subject to the will of the British electorate.

The euro was sold to the public as the natural completion of the Single Market, necessary and inevitable. But speeches at Frankfurt made it clear that the euro is not enough in itself, nor does it mark the completion of the hitherto hidden agenda of the Euroland 11. Thus Werner Mueller, German Minister of Economics: “It is vital to implement a code of conduct to eliminate unfair competition over business tax as soon as possible.” The German Minister of Finance, Oskar Lafontaine, and the power behind the new left-of-centre government in Germany, has called for the harmonisation of taxes and specifically of business taxes. Since Germany holds the presidency of the EU in the first half of 1999 and so sets the agenda, the threat has to be taken seriously.

Gordon Brown says we have a veto. He has not said that he will use it. Mr Brown has stated that, if Britain joins the euro, that would have no constitutional significance. The Daily Telegraph has stated editorially that British politicians who say so are lying.

Yet prominent businessmen, who ought to have known better, used the Frankfurt celebrations to urge the Government to state their intention to join the euro sooner rather than later. They must be crazy. Do they really want to pay more business tax? For that is what harmonisation of business taxes means. Do they really want Britain to reverse the Thatcher revolution which has made Britain competitive again? Do they really want to reduce the attractiveness of Britain as a preferred location for inward investment?

Business already seems to have turned a blind eye to accounting practices in Brussels which would not for one moment tolerate in their own affairs: if they did, the Serious Fraud Squad would soon be after them. Apparently in Brussels, to judge from the van Buitenen case, the Commission is not above blowing the whistle on its own whistle blowers. Quis custodiet ipsos custodes? There seem to altogether too many Nelsons active in Euroland’s capital.

Business seems ready to discount the absence of mechanisms in EMU to correct the inevitable distortions in the system when different economies are at different stages in their business cycles or when one size of interest rate does not fit all. Ireland could be the first to suffer. Does business see no relationship between low taxes and low...
unemployment in Britain and high taxes and high unemployment in Euroland?

Has business not taken on board the fact that British trade with the EU is about the same as trade with the rest of the world, but that, while trade with the EU is mature, tending to decline and in deficit, trade with the rest of the world is growing and in surplus? Does business not remember how enthusiastic it was for Britain to join the Exchange Rate Mechanism in 1990 and even more enthusiastic to get out two years later when that disastrous experiment led to the deepest recession since the 1930s? The road to low inflationary growth only started when we were free of the artificial restraints of the ERM. We have George Soros to thank for that merciful release: he should have a statue erected in his honour in Parliament Square to remind our law givers not to repeat that folly.

Has business not noticed that the four major nations of the EU now all have left-of-centre governments? Germany has Social Democrats in strange alliance with maverick Greens, France has a Socialist as Prime Minister, Italy an ex-Communist, we have New Labour. That can hardly be good news for business.

The plain fact is that the political and economic culture of Britain has more in common with the rest of the English speaking world, as has our business cycle, than with that of our friends across the Channel. The sooner we all, and business in particular, come to terms with this reality, the better for all of us, including non-English speakers. Maximum co-operation with our friends east of Calais but no further integration with them will lead to the greatest happiness of the greatest number. What a happy issue that would be from our present afflictions!

Sir Oliver Wright, GCMG, GCVO, DSC, was British ambassador to West Germany 1975–81 and to the USA 1982–86. He was President of the German Chamber of Commerce and Industry in London 1988–92

The European Foundation is delighted to announce that Sir Oliver has joined the UK Advisory Board.

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... news in brief

Pressure mounts for system of international currency management

Following a series of lectures given by Gordon Brown in which he has called for a “new global financial architecture” and ones by the US Treasury Secretary Robert Rubin along similar lines, the Japanese are now also calling for managed exchange rates between the dollar, the euro and the yen.

The Japanese prime minister, Keizo Obuchi, has expressed his desire to see the international financial system stabilised. Speaking at the beginning of a European tour to France, Italy and Germany, he called for “a tripartite co-operation between Japan, Europe and the United States which would enable us to create a stable and developed monetary system.” [Handelsblatt, 8th/9th January 1999]

Jacques Chirac has welcomed this suggestion, which Mr Obuchi made in Paris. Both men also stressed the need for greater attention to be paid to “the social aspects of globalisation”. Presenting his New Year wishes to the diplomatic corps in Paris, the French president also called for “a real co-operation within the G7 in order to reduce fluctuations between the dollar, the yen and the euro.”

By saying this, Chirac is launching the beginning of a major diplomatic manoeuvre which, he hopes, will lead to a summit meeting this year dedicated to the creation of an international monetary system for the next millennium. He is to discuss the matter with President Clinton on 19th February during a trip to Washington, when he will also meet the heads of the IMF, the World Bank and the Interamerican Development Bank. [Le Monde, 9th January 1999; Handelsblatt, 8th January 1999] Finally, Oskar Lafontaine has also said that he agrees with these proposals and that he expects discussions to continue.

You read it in the Digest first.

As predicted, the veteran Gaullist politician and former Interior Minister, Charles Pasqua, has said that he will lead his own list at the European elections in June. He chose the euro’s birthday to make the announcement which consummates his rupture with Jacques Chirac, the honorary leader of the Gaullist family and with Philippe Séguin, the party’s president who has just appointed the arch pro-European Nicolas Sarkozy to be party chairman. It is expected that Philippe de Villiers, the leader of Mouvement pour la France, will unite with Mr Pasqua’s Demain la France party. On the other hand, Mr de Villiers disagrees with Pasqua’s desire to have left-wing politicians on his list. Villiers poked gentle fun at Mr Pasqua’s hitherto failed attempts to co-opt left-wing figures by saying that Pasqua would come round to his point of view once he had finished “shopping around for some left-wing seasoning”. Villiers also said he was looking forward to a debate with Philippe Séguin on television and that he expected other prominent Gaullists to rally to the anti-Amsterdam cause. It is likely that this list will attract voters from the National Front, which has just split into two mutually hostile parties, one under the leadership of Jean-Marie le Pen, the other under Bruno Mégret. [Le Monde, 8th January 1999]

It’s official – on dit “la zone euro”

The Académie Francaise, the body responsible for policing the French language, has ruled that the correct term with which to denote the geographical area which consists of the 11 EMU countries is “zone euro” and not “Euroland” (or “Eurolande” as it is sometimes spelled in French). The “immortals” in the Academy advise against the use of these latter terms “because it is not a matter of denoting a sovereign state nor even a confederation but rather the area in which a treaty applies.” That’s good news for anti-federalists but by the same reasoning, “Disneyland” (near Paris) should presumably have a seat on the United Nations. [Le Monde, 9th January 1999]

Dark doings in Slovakia

The new Slovak government, which Europe has welcomed with delight as being a change from the “populist” government of Vladimir Meciar, contains no fewer than five former members of the Central Committee of the Czechoslovak Communist Party. The new government has also devoted considerable energy to purging public offices of supporters of the old regime. In a very sinister development, the former economics minister, Jan Ducky, was found dead outside his home in Bratislava on 11th January. He had been shot in the head. [Le Monde, 13th January 1999]

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Media Monitoring

The European Foundation is relaunching the Media Monitoring campaign for 1999. Volunteers are needed to record radio and television programmes and report on their coverage of the European issue.

To register your interest in this important task, please contact James Barr at the Foundation for further details.
Dear Mr Martin,

I attended the fringe meeting hosted by the Commission at the last Conservative Party conference on October 8th 1998. In your introductory comments at this event you stated that the Commission was not seeking to promote the single currency to the British people. You said that it was staying out of the debate within this country concerning whether or not we should become part of Economic and Monetary Union.

This seemed an extraordinary comment given the literature the Commission has published and distributed, the subsidies it has given to certain campaigning organisations, and the activities it has engaged in. At first I thought you were being ironic and looked for any trace of a faint, knowing smile immediately following the making of this comment. You did remarkably well to keep a straight face given that you must have known that what you were saying was simply not true.

Given your statement at the Conservative Party conference, I would be interested to know how you account for the following:

Exactly is Europe?

The Young European Movement has been distributing in this country a leaflet entitled Join the campaign to join the euro. The imprint of this item states that it is supported by the Far From Brussels programme of the European Commission”.

On June 27th/28th 1998 the European Movement held a ‘members weekend’. The publication advertising this event stated that it was taking place “with financial support of the European Commission”. On the first day of the conference, at 5pm, there was a session entitled: “EMU: Facts, figures and arguments every pro-European should know”. The following day, at 10am, there was a session which was subsequently described in the European Movement’s newsletter (No. 3, Summer 1998) as having been a debate about how “public opinion could be moved in favour of the single currency”.

You have provided an introduction for a Commission pamphlet entitled What Exactly is Europe? You write: “This booklet is aimed at helping children aged 11 to 14 to have a better understanding about (sic) Europe and at providing teachers with background information which they may wish to use in teaching about Europe within their classroom.” In this document there is a section on the single currency. The children are informed that the existence of separate EU currencies results in individuals losing money through having to pay commission when changing currencies. There is no attempt here to provide balance by also making reference to the fact that floating exchange rates often also result in businesses gaining.

Nor is there any acknowledgement of the potential economic problems created by a ‘one interest rate fits all’ policy. If the Commission has no intention of pushing the single currency why is it sending out unbalanced material to very young people? You have denied in public and in correspondence that the Commission does pro-actively distribute its publications to schools. You say that materials are only sent out in response to requests for information.

However, the author of What Exactly is Europe?, Muriel Lamb, confirmed on May 28th 1998 to Gerald Hartup of the Freedom Association that 30,000 copies of this pamphlet had indeed been sent out directly to schools from the Commission. Do you still stand by your original claim concerning this matter?

The European Movement receives a grant from the Commission. This group defines itself in its web-site in the following way: “The European Movement is Britain’s leading pro-European organisation. It is leading the campaign for a yes vote in the forthcoming referendum on joining the European single currency... It has a network of local branches who campaign directly in their communities.” Its broadsheet The Globe regularly carries items which are attempts to whip up support for the single currency. The second issue was distributed to members of the public shortly after the start of Britain’s presidency of the EU last year, and was devoted largely to promoting the euro.

The European Movement has set up a Single Currency Information Centre. Despite its neutral sounding name, the Centre publishes highly partisan material. The pamphlet entitled The Single Currency - what does it mean for me? includes a warning that businesses may move out of Britain unless we join, because one currency rather than fourteen “helps them to cut costs and create new jobs. It’s bad news for Britain if we lose jobs and investment to other countries in Europe. But that’s what could happen if we stay out of the single currency for too long.”

In Let’s draw Europe together, a pamphlet aimed at primary school children, it is stated: “The euro will be the currency of the 21st Century – your money.” Since Britain is not yet in EMU, the clear intention of this statement must be to influence the reader to believe that the advent of the euro is inevitable for this country.

In another of your publications targeted at British children, The Raspberry Ice Cream War, one of the cartoon characters states: “We’re even going to have the same currency soon as well. It’s called the euro and we won’t have to change our money all the same like you do.” I am glad to see that this publication has recently been withdrawn. If it is now considered unsuitable for distribution, why was it produced – at taxpayers’ expense – in the first place?
A Citizen's Europe states: “While the advantages European citizens can expect to gain from the completion of the internal market are powerful enough arguments in themselves, no description of them would be complete without some mention of the benefits which would accrue from the ambitious plans for monetary union... [a] European Union without a single currency would be hamstrung and impotent... All Member States would benefit from the elimination of foreign exchange commissions, an end to speculative dealing, increased price transparency making for greater competition, and a single currency which could function as an international currency. The net result would be renewed growth and competitiveness.”

In Europe from A to Z the Commission claims: “a community currency will strengthen the single market, while externally it will add to the economic weight of the Union... The closer the interlacing of economic systems, the more disruptive exchange rate fluctuations are for their economies. Consequently, the European Union is counting on EMU first and foremost to improve its competitiveness.”

The Commission has made grants to the Federal Trust. The Trust has published Understanding the Euro. In its own web-site it declares: “The purpose of the book is to address various questions about the introduction of the single currency and to add intellectual weight to the case for UK entry.”

You have written an introduction for a Commission publication called Europe Today. You write that its aim is to: “raise awareness of European issues". In the same pamphlet there is a section on the single currency headed: “But how could we benefit from it?”. A number of other pro-EMU arguments are made which are, again, conjecture rather than fact.

Given the evidence, Mr Martin, it really is not very credible for you to continue to maintain that the Commission is not trying to persuade people to support entry into EMU. Nevertheless, it will be interesting to see, if this letter is responded to, how you attempt to do so.

One of your standard responses to date is to charge that your office is engaging in abuse of taxpayers’ money in the way I allege, is to claim that the material put out, or financially supported, by the Commission constitutes ‘public information’. The implication is that it is value free and objective. However, if the criteria which British government information officers must accord with in the execution of their duties were transposed to your operation then it becomes manifestly clear that the Commission’s interventions concerning the single currency do not constitute ‘public information’. The Cabinet Office’s Guidance on the Work of the Government Information Service stipulates that departmental publicity "should be relevant to Government responsibilities", and "should be objective and explanatory, not tendentious or polemical". Are you of the opinion that it is reasonable that the same principles should also apply to the literature of the Commission? Is it really your view that the examples cited above fall within the guidelines established by the Cabinet Office?

Key Dates in Britain and Europe

March 25th  
March 24th/25th  
March 39th/30th  
April 1st  
April 4th  
April 24th/25th  
May 6th  
May 10th  
June 10th  
June 17th  
June 21st  
June 30th  
July 1st  

Cologne Summit to examine ‘Agenda 2000’ progress  
Frankfurt meeting of Asia–Europe Finance Ministers  
Berlin meeting of Asia–Europe Foreign Ministers  
Official formation of first regional development agencies in UK  
50th Anniversary of formation of NATO  
Luxembourg NATO Summit  
Scottish Parliament, Welsh Assembly and local elections in UK  
Bremen meeting of Western European Union (WEU) Council  
European Parliament Election Day  
Bonn EU–Japan Summit  
Bonn EU–Canada Summit  
Finland assumes EU Presidency  
Abolition of Duty Free for intra-EU purchases  
(possible delay to abolition – yet to be announced)
North of the Olive Line

Extracts of a speech delivered at the ABTA Conference in Marbella on the 2nd November 1998 by the Rt Hon. Lord Healey

EMU was basically a political project from the word go. It was originally thought up by Helmut Schmidt of Germany and Giscard d'Estaing, the President of France, as a means towards some sort of political federation, and Chancellor Kohl has made it clear very many times that he supported it as a step towards a federation in which Germany's identity was swallowed up in that of a greater Europe. And yet the tragedy is that the European Union so far has found itself completely incapable even of adopting a common foreign policy on European issues like Yugoslavia and Kosovo in which all the European countries have a very direct interest.

The real problem is that EMU, although it was invented for political reasons, is a financial and economic project and, if it doesn't work as an economic project, it will fail totally. Like so many similar projects before it, the Werner Plan in the 1950s and 1960s, the Snake, the European Monetary System, although you may have noticed that in Britain most of the economists are very keen on the European ideal, they are rather sceptical about EMU. The Economist indeed recently did a piece on EMU describing it as an "awfully big adventure". That's a quotation, as you all will remember from your childhood, from a book called Peter Pan. Peter Pan described death as an "awfully big adventure".

The central problem is that, when EMU was set up, those responsible recognised that it could not succeed as a purely financial or monetary idea. It had to involve economic unity. A lot of people think that EMU stands for European Monetary Union - it doesn't: it stands for Economic and Monetary Union. And the major difficulties lie in the economic sector rather than the financial one.

You can't have a single currency without creating a single economy because a single currency implies a single interest rate and no exchange rate, and you can't have that unless you have a single fiscal policy; and convergent and very similar types of economy. If you don't have similar economies, then EMU would involve massive transfers of resources from the rich members to the poor. This was proved when Germany was united and West Germany since then has had to export between 4% and 6% of its national output every year to East Germany to keep Germany united. It also requires massive migration of people from areas where it is difficult to get jobs to areas where there are plenty of jobs: and because it doesn't meet the minimum qualifications.

The other great problem, I'm afraid, is that the objectives, the political objectives, of some of the major partners are very different. Germany wants a soft euro. Chancellor Kohl said last year when he was still running Germany that, if Germany didn't join EMU, then the deutschmark would go so high that they wouldn't be able to sell their goods abroad. And I always remember myself, when I was Chancellor of the Exchequer twenty years ago, being told by German colleague Mannfred Lahnstein that the great advantage of a European Monetary System which we were then discussing was that it meant that the poorer countries would have to pay Germany to keep Germany competitive. And this problem is still a central problem for EMU.

Of course, there has always been a very odd relationship between France and Germany. France has always seen European mechanisms as a means of controlling Germany and then woken up rather late to the fact that they turn out to be ways by which Germany can control France. It reminds of the story of a man who had to spend the night in a haunted room and it was said that anybody who slept in this room went mad when a ghost appeared at midnight. So when he got to the room, he locked the shutters on the windows, locked the door, put furniture up the chimney, looked under the bed, behind the curtains and, when he was satisfied nothing could possibly get in, he got into bed and turned out the light. And at that moment midnight struck and a horrible little voice said in his ear,"And now, we're locked in for the night". And this has always been, to some extent, the French fear which still exists today.

Lord Healey was Labour Chancellor of the Exchequer 1974–79.
De Gaulle Against Euroland

by William Abitbol and Paul-Marie Coûteaux

A spectre is haunting the RPR, France’s Gaullist party: Europe. Let us be grateful to Philippe Séguin, the party leader, for having dared to cast light on the problem by calling a recent party congress to discuss it. Let us hope that congress will enable us to see the matter more clearly. After its numerous other contributions, Demain la France intends to remind people of what was de Gaulle’s own position on a subject which he encountered at all stages of his life. This examination is all the more necessary because many people put words into de Gaulle’s mouth for the simple purpose of comforting their own self-contradictory positions – inconsistencies which are themselves the result of the ambiguity of the European construction itself.

For it is Europe which is ambiguous much more than de Gaulle. For twenty years our national leaders have been explaining that, far from overcoming national sovereignties, ‘Europe’ provides them with extra weapons for resisting globalisation. “There is no question,” they chorus, “of dissolving France. Instead, Europe will make her stronger!” There are whole litanies of declaration of this kind.

Alas! Other sycophants of the same European construction explain it very differently. The official German memorandum of September 1994, which was the most complete preparatory document for the Turin conference which helped draw up the Amsterdam treaty, proclaimed, “The nation is now only an empty shell.” Even though this means that, by the same token, the Republic also becomes “an empty shell,” its highest authorities (i.e. the President) did not dare to engage any polemic: cover was sought in ambiguity again. Besides, many people approved the German document, explaining – in keeping with with the federal choice proclaimed by the then Foreign Minister, Roland Dumas, in 1991 – that this was none other than the thinking of the Founding Fathers of the European Community themselves. Jean Monnet himself had written a book entitled The United States of Europe in 1955.

The European ambiguity is thus total. It cannot be masked for ever by such poor school playground phrases as the ‘federation of nation-states’, which Jacques Delsol repeats in all seriousness, or the ‘limited sovereignty’ which Chantal Millon-Delsol has recently resuscitated. She seems to have forgotten that the expression ‘limited sovereignty’ was invented by Stalin in order to justify the yoke of the Warsaw Pact, while the notion of ‘shared sovereignty’ originates with … Jacques Benoist-Méchin, the Vichy Minister for Franco-German relations. In other words, unless we take Vichy, Oklahoma or the Gomulka’s Poland as models, it is difficult to see how these two concepts of Europe and national sovereignty can be reconciled. Indeed, ever since the Single European Act of 1986, the two concepts have diverged so much that, in order to designate ‘Europe’ – which the Robert dictionary persists in describing as “a continent composed of 33 states” – the federalists have invented a new word, ‘Euroland’.

Gaullists, on the other hand, want an end to this ambiguity. Europe or Euroland: we have to choose. One might judge, as so many others have done this century, that the nation is out of date. This is the belief of the great majority of the Left, who forget once again Jean Jaurès’s claim that, “The nation is the only thing the poor own.” One might similarly judge that General de Gaulle is himself out of date, but then one only needs to say one is not a Gaullist. It’s not obligatory, after all.

What one cannot do, however, is to pretend that de Gaulle would have wanted Euroland. He fought constantly against those whom he termed “the geometers with strange plans”. He did it, to take just one example among many, by imposing the Luxembourg compromise (i.e. the right of national veto, the cardinal point of national sovereignty) on our European partners, after six months of practising the politics of the empty chair.

More profoundly, de Gaulle could not approve of supranationalism for one absolutely fundamental reason, of which it is regrettable to have to remind people, namely that nations form the very root of his thought, from its beginning on 18th June 1940 – his appeal to arms was an immense act of confidence in the eternity of the nation – to the end, and including every aspect of his foreign policy, from his Algerian policy to his trips to Mexico, Phnom-Penh, Montreal and many other places. This is singularly true of his European policy: it is because he believed in the permanence of Russia, and not of the Soviet Empire, that he constantly defied “blocs” and envisioned “a Europe from the Atlantic to the Urals” – to which the geometers of Euroland are determined to shut the door. In the same way, it was because he believed in the eternity of Germany that he announced and called for its reunification as early as 1959, thus opposing the same land-surveyors who kept talking about “binding Germany in”, an expression used often by Jean Monnet. Once these great nations had been recognised, “Germany with her Germans, Italy with her Italians, France with her French” the grand design of “a European Europe” could take shape “based on reality”.

It could translate into co-operation (for instance in industry, an idea which has stupidly been abandoned today) and lead to the kind of political union of which the Fouchet plan (1963) clearly designated the only possible actors as being the nation-states.

Without them, without the will and the democracy which they can put into play, Europe will be nothing but spineless and paunchy, a desolate landscape buffeted by the winds of globalisation of which Jacques Chirac justly wrote in 1978, when he denounced “the mad visions of a European super-state,” that it would be “under the cover of an anonymous society, nothing but a Germano-American condominium.”

If it is therefore very opportune that the RPR debate Europe, one question at least has been resolved: Gaullism continues to wager that, whatever happens, nations never die. We will soon see that this Europe which is not founded on nations will never come to be.

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In Euroland, “the French flag is made to be burned” – as Daniel Cohn-Bendit proclaimed during the time of his first glory. So, Europe or Euroland? Cohn-Bendit or de Gaulle?

William Abitbol and Paul-Marie Coûteaux are respectively president and member of the national council of Demain la France. This article originally appeared in Le Monde on 6th October 1998.
IN THE LAST COUPLE OF WEEKS two myths promoted by the Labour Party have been smashed:
1. that Labour is the new party of business;
2. that EMU will not inexorably lead to political union and the creation of a United States of Europe.

But the cat is now really out of the bag. This Government has signed up to a pan-European socialist policy; it calls for closer co-ordination of EU economic, social, tax and employment policies. There must be an end to tax competition between countries. This means British levels of tax which, thanks to Mrs Thatcher, are much lower than in the EU will rise to their level. They want to impose in the near future common levels of corporate taxation. Corporate tax would have to rise from 30% in the UK to 48%, but this is only the first stage of harmonisation.

There is increasing pressure to put VAT on food. They have already forced us to put VAT on art auctions which will devastate the London art market and drive overseas buyers and sellers to deal in Switzerland and New York rather than London. If we move to VAT on new houses, as in Europe, and European levels of stamp duty, the increase in cost of an average house price will be £10,000.

They have committed themselves to co-ordination on levels of regulation. This will mean the end of Britain’s low regulatory business environment. These measures will hit competitiveness and lose jobs. It is clear that Blair has now committed Britain to more European integration along socialist lines. If, after all this, the top men at the CBI still support Labour, I suggest the ordinary members need to start asking questions.

The second myth is that EMU will not inexorably lead to political union and a federal United States of Europe. The Europhile business supporters of EMU scoff at the arguments that EMU is a political issue of sovereignty. How embarrassing for Mr Blair, who claims the political issue of sovereignty is not important and that EMU should only be judged on economic grounds. The new German socialist Chancellor let the cat out of the bag and made it clear that the priority of the German Presidency following the introduction of the euro will be to move to further economic integration by fiscal harmonisation and the creation of a federal United States of Europe based on the German federal model.

Mr Santer, the President of the Commission, has also stated that when Britain joins EMU it will have to accept tax harmonisation and further integration into political union. This is something that Kenneth Clarke and Heseltine have always said would never happen.

MONETARY POLICY

If the UK were to join EMU it would have to hand over most of its gold reserves, lose complete control of its monetary policy and ability to fix interest rates. Our interest rates would be fixed at an appropriate level for the Union, which basically means Germany. It might not be an appropriate rate for the UK.

We saw what happened when we were in the ERM. The German economy was overheating and needed high interest rates. Our economy was in recession and needed low interest rates. Interest rates were forced up, recession deepened, we had an enormous increase in bankruptcies, lost jobs and negative equity. This problem of economic differences is accepted by everyone. That is why economic convergence is considered a necessity.

There are two problems, however.
1. Unemployment. One of the most important economic factors, unemployment, is not included in the criteria. How can the economies be said to have converged if UK unemployment is 5.5%, French 12%, German 12% and Spanish 22%?
2. Economic divergence. The second problem is, even if the economies did converge without any fudging, what is to stop them diverging in the future? Nothing. One has only to look at the USA, the great example of a federal union. The rustbelt states in the northeast declined as the west and the south boomed. So, if one country’s economy declines, what can be done? You cannot reduce interest rates; they are fixed by the bank in Frankfurt. You cannot let the exchange rates float down to stimulate demand as you don’t have a currency.

Again we have to look at the USA to see how they deal with the problem. There are three alternatives.
1. Movement of people. Economic pressure forces people to move from a declining state to a booming state, from the north to the south and to the east to the west. This would be more difficult in Europe; we have different languages, different cultures and we have less space than the USA, so that solution is not very practical.
2. An across the board cut in real wages and prices. With low inflation this could mean an actual cash cut in wages. That is unlikely to be acceptable to the electorate.
3. The transfer of funds to the country which has diverged. This would mean a massive increase in the Community budget for regional aid. A report published by Sir Donald McDougal, an ex-Treasury mandarin, forecast that just to deal with these regional transfers the Community budget would have to rise to 7% of GDP, from its present level of 2%. In practice this means we would have to accept a level of EU or federal taxation similar to that in the States.

The UK’s economy is likely to diverge more than other EU countries as our economy is fundamentally different in three respects.
1. We are the only major oil producer in the Community, so a large fall or rise in the price of oil affects our economy in exactly the opposite way to our European partners.
2. The UK has a much higher level of floating rate housing debt, so switches in interest rates have a disproportionate effect on our economy as compared with others, as we saw with the creation of negative equity, people's houses worth less than the mortgage, when we were in the ERM.

3. Unfunded pensions. Of all countries in Europe we have the smallest problem. Our deficit is expected to be something like 19% of GDP, which is large but manageable. France's is 98% of GDP, Italy's 113%, Germany's 149%. With one currency and one balance sheet, inevitably at some stage we would have to pick up part of the cost of dealing with these massive deficits.

Historically our economy and currency tend to move broadly in line with the USA which means we usually find ourselves at a different state in the economic cycle from the rest of the EU.

I believe the challenge now is to unite all patriotic Britons who believe in the nation state and will never accept rule by a bank in Frankfurt, a Commission in Brussels and a European Parliament in which the British are a small minority. There are millions out there waiting for the call. Despite the public position of the leaders of the CBI, Chamber of Commerce and NFU, I believe most of business is against abolishing the pound.

The Europhiles always talk about the benefit to business. They ignore the costs. Make no mistake, if we abolish the pound it is irreversible, it is forever. Never has the country's survival been at such risk.

Many who agree with people like me are saying, "but what can we do?". I say to all of you who value our democracy, who value our history, who value our independence, value our unique place in the world, value British traditions and the Anglo–Saxon way of doing business, you can play your part in saving the pound by joining the 'No' campaign for the referendum and by wearing this £ badge with pride.

We have a big task ahead of us. The EU is going to spend millions in publicity in schools. The big guns in the establishment will be against us. It will be a battle of conviction versus money. I believe we will win because of ordinary people. We must build a popular movement from the bottom up, like the anti-Corn Law league, and then we will triumph and save the nation state.

John Townend is Conservative MP for East Yorkshire and Vice Chairman of the Conservative Backbench Finance Committee.

European Defence – The Importance of Turkey

by Michael Stephen

The Cold War is over, but the nations of Europe still need to defend themselves and their economic and political interests. The Warsaw Pact is dissolved, its western members have applied to join the EU, and East Germany no longer exists. The Russian Federation is not the Soviet Union – its foreign policy is no longer driven by communist ideology, and its economy is near collapse, but it would be foolhardy to suppose that Europe will never again face a military threat from the East. The only organisation able to meet such a threat is NATO. The WEU can never be a substitute, and it is vital that the United States remains engaged in European Defence. Experience since 1918 has taught that once the Americans disengage it is not so easy to get them back.

On the south-eastern flank of NATO lies Turkey – sharing a border with Bulgaria and Georgia. Turkey is strategically located, in a position to control access to the Black Sea ports and the transport of Caspian oil to world markets by pipeline across Anatolia to Ceyhan on its Mediterranean coast. Turkey has for nearly fifty years been a member of NATO, making a major contribution to the Organisation's military assets. Turkish troops were sent to the Korean War, and more recently for peacekeeping operations in the former Yugoslavia. The history of the post-war world would have been quite different if the Turkish people had not wholeheartedly identified themselves with Western interests.

Threats to Europe's political and economic interests arise today from instability in other regions of the world. Arguably the most important of these is the Middle East. Turkey shares a border with Syria, Iran, Iraq, and Armenia, and has made a vital contribution to the Gulf War and subsequent western efforts against the military regime in Iraq. The oil pipeline from Kirkuk to Iskenderun was closed by the Turkish government during the Gulf war, at huge cost to their economy, and has remained partially closed in support of UN sanctions. The 'No Fly Zone' and the safe havens for the Kurds of Northern Iraq could not be enforced without facilities provided by Turkey, and the whole basis of NATO's position in that region would be undermined if Turkey reduced or withdrew its support.

Turkey is a country of 65 million people, with enormous economic potential. In two decades it has become a high-technology industrial nation, capable of manufacturing the most sophisticated products. Turkey is already among the twenty largest economies of the world, with foreign trade worth $77 billion in 1998, half of it with Europe. Tourism alone earned $8.2 billion in 1998, and GDP grew by 8.3% in 1997. Reserves in June 1998 were $27 billion. A privatisation programme was initiated in the 1980's, and receipts from privatisation reached $2.2 billion in 1998. As from about the same time there has been a major programme of investment in the country's transport infrastructure.

There is nothing wrong with Turkey that the Turkish people cannot resolve themselves. Chief among their problems is high inflation and political instability – the former caused in large measure by the latter. The Turkish Republic was founded by Atatürk 75 years ago as a democracy, but its people have not always been well served by their elected representatives, and more than once the military have stepped in. The proportional representation system used in Turkey has resulted in weak governments with no overall majority and no secure term of office in which to achieve long-term reforms. There are too many political parties, too many personal rivalries among the leadership, and too much energy is devoted to making political coalitions and keeping them alive. The result has been
populist policies, excessive public spending, and no clear direction.

For more than a hundred years the people of Turkey have seen their destiny as part of Europe, but many of them have in recent years grown to feel that their country is being taken for granted. The 1997 Luxembourg decision to exclude Turkey from EU accession negotiations, whilst at the same time opening talks with former Warsaw Pact adversaries, has caused anger and resentment in Turkey. Similarly the EU's failure to honour the financial protocol to the EU-Turkey Association Agreement, and hostile attitudes by senior EU officials towards Turkey's attempt to extradite the terrorist leader Ocalan from Italy for trial in Turkey.

When Greece applied to join the EC it was decided by the Council on 24th June 1975 that the application would not affect relations between the Community and Turkey, and that rights under agreements between the EC and Turkey would be unaffected. Despite this decision people in Turkey see Greek representatives sparing no effort within all the institutions of the EU to damage relations with Turkey. It is a disgrace that on the European Parliament's committee on Turkey a quarter of the members are Greeks. Matters will get worse if the Greek Cypriots are allowed to join the EU in advance of a settlement with the Turkish Cypriots and in contravention of Articles 1 and 2 of the 1960 Cyprus Treaty of Guarantee. It would be astonishing if the EU were to attach greater importance to Greece, a country of 11 million people with little undeveloped potential, or even Greek Cyprus with fewer people than a small English county, to its relations with Turkey.

Human Rights are often used to justify the exclusion of Turkey, but there are few people in Turkey itself who do not want improvements in their country's respect for human rights. Turkey has signed the European Convention and progress is being made. Greece is already a member of the EU, but the human rights of the Turkish minority in Greece are consistently and seriously violated, with little comment from EU institutions. But are human rights more likely to be respected in a Turkey part of the European Union or excluded from it? The answer is obvious. Similarly democracy in Turkey is more likely to be consolidated within the EU than outside. Free movement of labour, often cited as a problem can be dealt with by the terms of accession. As Turkey's economy develops it will in any event be attracting back workers and entrepreneurs who have emigrated.

Present attitudes in Europe are contributing gradually to the alienation of Turkey, to the detriment of western security interests and of European companies who could benefit from Turkish markets and infrastructure projects. This trend has to be reversed. Turkey should be more closely involved in the Common Foreign & Security Policy and its Associate Membership of the WEU should be converted to full membership. The Financial Protocol to the Association Agreement must be implemented without delay, and a timescale needs to be set for accession negotiations with the EU.

Michael Stephen is an international lawyer and was Conservative MP for Shoreham, 1992–97.
increase our taxes, abolish our currency and hand over control of UK interest rates and mortgages to a group of unelected and unaccountable bankers in Frankfurt.

Even more so than his predecessor, Helmut Kohl, Schröder is determined to create a federalist Europe. Scottish Conservatives will campaign vigorously against it. We want to be in Europe, but not run by Europe. We want to be members of a common trading market, not citizens of a United States of Europe. That is why we regard the single currency as a concession too far. If we hand over control of interest rates to the European Central Bank in Frankfurt, we effectively surrender control over our own economy. Gordon Brown handed over such control to Eddie George and his advisers in the Bank of England. As a result, in only 18 months, the strong pound, coupled until very recently with a relentless succession of interest rate rises, has plunged the UK into recession, forcing factory closures and destroying jobs. Farming, fishing and the oil industry are all suffering their worst crisis in decades.

Eddie George says that job losses in the north are a price worth paying to keep inflation under control in the south. Imagine how much worse we would far if, instead of Eddie George and his Bank of England colleagues, interest rates were set in Frankfurt. Would widespread unemployment in the UK be seen as a price worth paying for economic growth in Spain and Portugal?

With eleven rather ill assorted countries in the EU embarking on one of the riskiest and most appallingly complex political experiments of all time, at the exact moment in history when the world economy has decided to explode in a spectacular firework display of chaotic proportions, it seems logical to say no to immediate entry into EMU.

There are two key economic objections which provide convincing evidence that the mad headlong rush into European Monetary Union could be laying the foundations of an enormous economic disaster. The first is the ‘separate cycles’ argument which points out that the UK economy is almost always of synch with the French and German economies and more often in synch with North America. So, when an interest rate cut would be good for the UK, it is often the case that an interest rate rise would be good for Germany and France, or vice versa.

Now of course the whole concept of convergence was to ensure that these differing economic cycles throughout the EU could be harmonised and synchronised. But the fudging of the convergence criteria and the way in which the European Commission has turned a blind eye to these shenanigans has been a scandal.

That is reason enough to say ‘no thanks’ to the euro, but there is a second key economic objection which should convince everyone that staying out has to be the right policy. This is the more worrying contention that and ‘asymmetric shock’ may have a disproportionate impact on one of the individual countries participating in EMU, leaving the affected country powerless to take corrective unilateral economic action.

Of course the single currency will have some advantages. The freedom from money changing and the sheer convenience of having a single trading medium cannot be sniffed at. However, Scottish Conservatives believe that we are better spending the next few years as a two-currency nation – with international business and frequent flyers using the euro alongside the pound, rather than risk joining a system which, if we get it wrong, could tear Europe apart.

Struan Stevenson was the Scottish Conservative & Unionist candidate in the recent North East Scotland European by-election where he came second to the SNP, forcing Labour into third place. He has been selected as No. 1 on the Scottish List for the European elections in June.

Fischer calls for political union and abolition of veto

The German foreign minister, presenting the programme for the German presidency to the European Parliament, has re-stated his desire to see the European Union become a political union with no national veto. Now that the euro had been successfully introduced, he said, the political capacity of the EU to act had to be strengthened. This meant that the national veto had to be abolished for everything except treaty changes. “We cannot play in the first league in world currency and inflation under control in the south. Imagine how much worse we would far if, instead of Eddie George and his Bank of England colleagues, interest rates were set in Frankfurt. Would widespread unemployment in the UK be seen as a price worth paying for economic growth in Spain and Portugal?...
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The Motion: ‘This House is Not in Favour of Changing Pounds to Euros’
Thursday, 4th March 1999 at 5:30 pm at The Officers’ Mess, Duxford, Cambridgeshire
Economic and Monetary Union is now a reality on much of the continent, and the single currency is the main talking point among City commentators. Will the euro be a 'soft' currency? Or will it be 'strong' against the pound and the dollar? It is not surprising that analysts have reached radically different conclusions, as they are attempting to predict the almost unpredictable. Nevertheless, now that the euro is here, a thorough assessment is long overdue of its implications for the global financial system, and in particular for international economic relations.

What makes Fred Bergsten's contribution particularly interesting, irrespective of the validity of his analysis, is that the United States has until very recently ignored the geo-political implications of the euro. America has generally failed to comprehend the neo-mercantilistic attitude to money shared by much of the European political establishment. Mr Bergsten, an influential economic commentator based in Washington, believes that the euro will be a strong currency and that it will topple the dollar from its position as the dominant global currency. Although he seems to believe the euro will have a beneficial domestic impact, he thinks that EMU may severely destabilise relations between Europe and America.

The euro, like all other modern fiat currencies, will not be based on an underlying commodity such as gold and so will have no intrinsic value. Its relative price will fluctuate according to demand and supply.

The demand for the new currency will depend on how far it is used as a 'transactions currency' (i.e. trade invoicing) in private global financial markets as well as to the extent which it serves as an official reserve asset. Mr Bergsten isolates five key variables or 'fundamentals' which he believes will determine how much the euro will be used. These include the size of the underlying 'economy' (Europe as one) and its trade with others; the economy's independence from external constraints; the absence of exchange controls; the sophistication of its capital markets; and the stability of the economy's external position, particularly its current account.

Euroland will be a huge economy with substantial foreign trade, and there will be massive portfolio shifts away from dollars, which will tend to push up the euro. Here Mr Bergsten makes a useful distinction between the long run position of the euro and the transition starting in 1999.

Furthermore as a result of the US current account deficit, the assets that foreigners are accumulating are predominantly short term. At the end of 1997, foreigners already held almost 40% of Treasury bonds. Either long term capital inflows into the US will suddenly have to increase drastically or else there will have to be a reduction in the deficit. The likely outcome is a severe depreciation of the dollar vis-à-vis the euro in the next couple of years.

On the supply side however one may doubt whether Mr Bergsten is right to assume that "the ECB seems likely to run an extremely responsible monetary policy" (p 11). The new central bank would restrict the growth of the money supply, and intervene in the money markets to set short term interest rates at a relatively high level. Furthermore, in order to prove its conservative credentials to sceptical financial markets, the ECB would have to be almost too tough. Investors would flock to European securities and the euro would appreciate substantially.

Actually, the ECB's charter is just a piece of paper, and we have learnt not to vest too much faith in European agreements. If and when national governments introduce Keynesian style increases in government spending, the ECB will want to tighten monetary policy to remain credible. This would in turn increase interest rates, strengthen the euro and dampen aggregate demand. It is imprudent to believe that socialist politicians such as Oskar Lafontaine or Lionel Jospin will sit by idly.

Finally, the author backs the introduction of target zones for exchange rates and increased co-ordination between the EU and America. He is surely right to predict increased exchange rate fluctuations, but the lamentable failure of all previous managed floats, including the EMS, suggests that this may not be the right answer. The longer term solution may lie instead in moving away from fiat money altogether, and towards a more market friendly system.

Regrettably, crude appeals to euro 'monetary nationalism' by some demagogic continental politicians will surely intensify in the years to come. They will emphasise perceived psychological implications of a 'strong euro beating a weak dollar' to try and sell the euro to a reluctant population. This aggressive rhetoric should have made it abundantly clear: the single currency has been trumpeted from the start as a rival to the dollar, as a new weapon to wage 'economic war' where the franc or pound had previously 'failed'. It is unfortunate that it has taken so long for American commentators to face up to this bleak new geo-political reality.

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The Tories: 
Conservatives and the Nation State 1922–1997
by Alan Clark
Published by Weidenfeld & Nicolson, ISBN 0297 81849 X, 444 pp, £20
Reviewed by Andrew McHallam

The end of what has been described as the Conservative Century is an opportune time for reflection on the Conservative Party's past and future and Alan Clark's book, stemming from an earlier television series, makes a valuable contribution to what has so far been a somewhat muted debate.

The sub-title, *Conservatives and the Nation State*, is significant as this side of the Tories is clearly of much greater interest to Clark than the mechanics of party organisation and the ordinary membership, which are only briefly discussed, in his description of the efforts of the party to reform and regroup in the aftermath of the election disaster of 1945.

The underlying theme of the entire work is the progressive erosion, at times accelerating to disintegration, of Britain's status as a world power in this century. Where this theme interfaces with that of military strategy, Clark's analysis is superb. On purely political matters his judgment, though always worth reading, is often less sure.

For example, he vividly describes the state of post war exhaustion and disillusion in Britain in 1922–23 when the book opens. Assumptions and structures, whether social, economic and political which pre-dated 1914 were under question and often under threat. Yet after competently summarising the battle to succeed the dying Bonar Law as Conservative leader, Clark tells us that his successor ought to have been Lord Curzon, who even to his contemporaries represented the acme of aristocratic aloofness and detachment, despite his great intellectual abilities. Can we really say that Curzon's touch would have been surer than Baldwin's in handling the problems Britain faced in the 1920s, such as the General Strike or India?

Nevertheless, the milestones of Britain's imperial decline, such as the Washington Naval Conference, the stripping of our assets by the United States in 1940–41 and the Suez crisis are described with economy and skill. As might be anticipated from Clark's earlier work, much blame is directed at Winston Churchill who is rightly portrayed as having achieved Britain's victory in the Second World War at the cost of what remained of Britain's trappings as a great power.

Furthermore, Clark shrewdly perceives that the most potent principle of the Conservative Party is not some political abstraction or obscure tenet of ideology but rather that it should constantly win elections and remain, in Harold Wilson's phrase, the 'natural party of government'.

Might the Tories even yet split over Europe…

The ruthlessness with which previously adulated leaders have been dispatched, either by a palace revolution or more recently by vote of the parliamentary party, becomes much more explicable if this fundamental urge for power is understood. Relatively limited space is devoted to describing the state of the Party since 1975, a period coincident with Clark's own parliamentary career and which his diaries show him to have observed acutely.

His analysis of the rise and fall of Margaret Thatcher is shrewd, though brief. His identification of her failure to build a group of like-minded younger parliamentarians around her – readily available by the mid-1980s – to sustain her in the storms she encountered in 1989–90 is particularly telling. We are left wondering what might have happened had Messrs Portillo, Forsyth and others not been turned from her door, as mere junior ministers, in November 1990 when they tried to persuade her to fight on, while their senior Cabinet colleagues trooped into the Prime Minister's office one by one, to play their parts in the extended delivery of the coup de grace.

More could certainly have been said about the influence of Europe on the party's destiny, given that the internal Conservative debate on the Single Currency now seems to be having the same baleful effects that the tariff reform controversy visited on it earlier in the century.

Clark casts doubt on the necessity of Britain's participation in both world wars (though our entry into war in 1914 occurred, of course, under Asquith's Liberal government). Yet for most of this century, Europe has been dominated by trials of strength with Germany. Given the traditional fear of the domination of the Continent by a single power, the British decisions to make war in both 1914 and 1939 stemmed from choices which were not, perhaps, as clear cut as Clark implies.

More recently, the reunification of Germany has transformed Europe. Her choice of a government of the Left may do so even more. In its present fractured state, it would have been worth learning what prescriptions or predictions Alan Clark would offer to his party today, tormented as it still is by the choice Britain must soon make on her future in Europe, despite every attempt by the government and the political establishment to persuade her people that no such decision will arise.

Might the Tories even yet split over Europe, perhaps after the stress of a referendum campaign? Or will the party find, as some commentators have suggested, that just as the Labour party had to adapt itself to the political terms of trade set by Margaret Thatcher in the 1980s to have any hope of regaining power, so the Conservative Party will have to abandon much of its old baggage (not to mention quite a few of the old bag carriers) in order to become the sort of moderate Christian Democratic Union which many of the party's grandees still see as the party's only viable future course?

I expect the bag carriers will have something to say about that but, as this flawed but admirable book shows, that has never mattered much to the Tories.

Andrew McHallam was Director of the Institute of European Defence and Strategic Studies 1992–96. He is now a researcher and a writer.
"This is the story of fifty years in which Britain struggled to reconcile the past she could not forget with the future she could not avoid." In his first sentence Young brandishes his belief in the inevitability of European integration. His subsequent plea for 'objectivity', rather than 'opinionated emotion', rings hollow for the book offers little of the former and a superabundance of the latter.

Yet whatever his failings later, Young does debunk at the outset the myth that Churchill wanted Britain to be part of a federal superstate in Europe. He fairly recalls that the great man, in speeches in Zurich, the Albert Hall and The Hague, enthused about European union but he stresses the proviso that Churchill envisaged Britain outside it.

There is a recurrent tension in the book as Young seeks to straddle the divide between detached inquirer and partisan polemicist. After boldly stating that "the constitutional consequences of entry into the Common Market were not concealed," and citing speeches by the then Lord Chancellor, Lord Kilmuir, in support, Young concedes that Macmillan made little of the sovereignty issue. Yet he doggedly insists that there was no secret about the prospects of European union for "those who wished to know", adding that the shape of the future was "for the most part, exposed".

Elsewhere in the text, again resolving to have his cake and eat it, Young acknowledges that of the ways to present the case for British accession to the EEC, "the most open way was not always selected". In particular, the Act that took Britain into the Common Market nowhere stated that European law would take precedence over that of the United Kingdom. This was a calculated omission for fear that telling the whole truth "might have frightened the horses". From this exercise in concealment no Party leader of the early 1970s emerges with credit and Young is rightly critical of it. Yet his own enthusiasm for the European adventure leads him recklessly to dismiss Treasury concerns about British participation as "fiddling particulars".

Throughout, Young's thesis is marred by a tendency to assume the inevitability of outcomes, instead of arguing cogently for them. Thus he limply asserts of the Maastricht Treaty "given that there had to be a Treaty, this one was as good as Britain could have expected". Many would argue to the contrary that we should never have signed up to the Treaty in the first place and that there is frequently no commonality of interest or viewpoint between Britain and her EU partners troubled neither the Treaty makers nor, it seems, Young himself.

Economic and monetary union receives relatively scant treatment, though Young's admission that it is a political, not merely economic, venture is welcome. The trouble is that the author does not make much of a case for it. To him, the process of ever closer union in Europe is "inevitable" and he appears to want Britain at all costs to be part of it. Yet for all his ridicule of Conservative Euro-sceptics, he fails to disprove our central concern that 'ever closer union' and continued self-government are incompatible. Moreover, the argument that integration is needed for the sake of peace and harmony is spurious. History shows that dictatorships go to war with dictatorships; dictatorships go to war with democracies and democracies go to war with dictatorships but democracies do not go to war with other democracies.

The book is about the British political class. One fears also that Young has unwittingly written a book for that class alone as he makes little attempt to understand public opinion. Democratic control is as important today as it ever was but Young is insensitive to it. His is a stimulating tome but he over-eggs the rhetorical pudding.

Democratic control is as important today as it ever was but Young is insensitive to it. His is a stimulating tome but he over-eggs the rhetorical pudding.
Tony Blair Hasn’t Told the Full Story on EU Tax Plans

by Keith Marsden

Responding to what he called 'scare stories' in the British media, Prime Minister Tony Blair has tried to quell the fears about the EU’s tax plans that could result in significant hikes in British tax rates and levels. Writing in The Times, Mr Blair makes several claims that run counter to EU Council decisions or Commission proposals already endorsed by Mr Blair, and are contradicted by statements by other European leaders.

Blair’s claims: “There are some people in Europe who believe that, with a single currency in place, greater co-ordination of economic policies will lead, over time, to more harmonisation of taxes. There are even a few who believe in preventing tax competition, to ensure that countries with inefficient social systems, or high taxes, which don't want to reform can avoid change by ensuring that others' costs match theirs. But those voices do not remotely represent a unanimous EU view. In fact, as the Vienna conclusions show, the majority incline the other way. The summit ruled out uniform tax rates and supported tax competition.” “The idea that there is some grand design to bump up [Britain’s] taxes is just false”, Mr Blair asserted.

Council decisions and Commission plans: Tax harmonisation has been on the EU agenda for many years. It's not an issue linked solely to EMU. Common tariffs on imports from third countries, and zero rates on internal trade, were fixed long ago. The original EEC Treaty provided for the Commission to 'consider' the harmonisation of 'turnover taxes, excise duties and other indirect taxes in the interests of the Common Market'. The Article was strengthened by the Single European Act of 1987 to make such harmonisation mandatory where it was “necessary to ensure the establishment and functioning of the Internal Market”. The Amsterdam European Council in June 1997 (attended by Mr Blair) welcomed the Commission’s ‘Action Plan for the Single Market’ and endorsed its overall objectives. The Plan sets out various 'Strategic Targets' and 'Actions' to deal with what it calls 'Key Market Distortions'. Under the heading “Strategic Target 2, Action 1: Remove Tax Distortions”, it argues that “harmful tax competition increases Member States' difficulties in restructuring their tax systems and delays progress towards a more coherent tax system within the Union”. It says that “a co-ordinated approach, as pursued in the Taxation Policy Group, should contribute significantly towards resolving such problems”.

The term ‘tax distortions’ used in EU documents refers to differences in nominal or effective tax rates between sectors, activities or countries. These differences should be removed, harmonisation advocates say, by levelling down or levelling up to agreed levels. Levelling down can be undertaken by individual countries of their own free will. So the words tax ‘co-ordination’, ‘harmonisation’ and ‘approximation’ are used more or less interchangeably to describe a process of levelling up – to be achieved by EU directives or by peer pressure applied through ‘codes of conduct’. The Action Plan for the Single Market asked member states “to confirm their commitment to working towards maximum possible agreement on a tax package”. The package proposed included: (i) “a code of conduct designed to reduce effectively harmful tax competition … particularly in the area of corporate taxation”; (ii) “measures to eliminate distortions to the taxation of capital income”; (iii) actions to “create a common system for value added tax”; and (iv) measures to “restructure the community framework for the taxation of energy products”, stating that “the Community minimum rate system should be widened to all energy products” and that there should be “a gradual approximation of national rates of taxation for all energy products”. By putting his signature to the Amsterdam Council Presidency Conclusions, Mr Blair committed Britain to these objectives even though no timetable or precise modalities were spelled out in the Action Plan.

Clearly, EU tax harmonisation plans are not merely scaremongering by “newspapers hostile to the EU”, as Mr Blair pretends. Nor is it true to say that they are supported only by a majority of member states. Subsequent Commission implementation proposals reflect majority opinion. Indeed they would not have been put forward by Tax Commissioner Mario Monti if they did not. In October 1997, the Commission submitted to the Council of Finance Ministers (ECOFIN) a paper titled “Towards tax co-ordination in the European Union: a package to tackle harmful tax competition”. It proposed measures to “eliminate distortions to the taxation of capital income”; measures to “eliminate significant distortions in the area of indirect taxation”; and “a code of conduct for business taxation”. ECOFIN agreed to this code in December 1997. Soon after, Luxembourg's President of the Council, Jean-Claude Juncker, told the European Parliament that he could envisage a directive to harmonise business tax rates "within two years". Various reports of the European Parliament also support the objective of tax harmonisation, and show impatience with the unanimity rule currently applied to tax directives. For example, the Secchi Report on the development of tax systems (13 May 1997) states that “[The Parliament] considers that the plan to define codes of conduct in tax matters … may contribute towards achieving greater co-ordination of tax policies and forms of harmonisation which will ultimately render the principle of unanimity superfluous”. The Fourcans report on the co-ordination of fiscal and taxation policy in the Monetary Union (27 May 1997) states that “[The Parliament] believes that fiscal dumping must be averted either through a code of conduct for taxation or by a minimum degree of tax harmonisation, particularly with regard to savings, taxes on companies and trans-frontier taxation.”

The Parliament voted on 25th January, in favour of a new Directive on the Taxation of Savings Income setting minimum withholding tax rates, coupled with a compulsory information disclosure system, and rejected an amendment submitted by British Conservative MEPs to exempt Eurobonds.

Over the past year, a code of conduct working group of ECOFIN, chaired by British Financial Secretary to the Treasury Dawn Primarolo, has been investigating a list of 85 tax incentives, including special
regimes for ships, finance activities, film production, enterprise zones and small firms, which may be deemed to be ‘harmful’ or ‘distorting’.

Thus, if he had been properly briefed by his Chancellor of the Exchequer, Gordon Brown, Mr Blair should not have been surprised when the German and French Finance Ministers demanded (on the 1st December 1998) an end to Britain’s and other countries’ veto on European tax decisions. Just a week earlier, Mr Brown had endorsed a report issued by eleven EU socialist finance ministers titled The New European Way. This states, inter alia, that “Taxation should not distort economic decisions with regard to labour, capital and services”, that “further efforts have to be taken to avoid harmful tax competition among member states”, and that “We must make further progress in tax and benefit reform” by “implementing an effective Code of Conduct as soon as possible, by greening the tax system” and by “co-ordinating savings and corporate taxation”.

Contrary to Mr Blair’s assertion, the Vienna summit did not support tax competition. Its communiqué says that “Co-operation in the tax policy area … is not inconsistent with fair [my emphasis] tax competition but is called for to reduce the continuing distortions in the single market, to prevent excessive losses of tax revenue or to get tax structures to develop in a more employment friendly way”. Fair competition is not defined. In practice, most high tax countries regard any competition that takes the form of lower tax rates as rival countries that might be attractive to their own investors, savers, consumers or entrepreneurs, and result in lower costs and prices than their own, to be ‘unfair’, ‘harmful’ or ‘distorting’, and therefore to be eliminated.

Their aversion to real competition was again underlined at the ECOFIN meeting on 18 January. German finance minister Oskar Lafontaine told fellow ministers that “we want to see the European Union develop into a political union that sees itself also as a social and environmental union”. One of the keys to this was to make real progress in co-ordinating taxes among EU states, he said, by combating “damaging tax competition”. Chancellor Gordon Brown tried to play down the significance of the German stance on taxes by saying that it applied only to plans to curb special tax regimes for certain sectors. But German officials insisted that their minister was referring to the overall German desire to limit the wide gap between EU tax rates.

And French finance minister Dominique Strauss-Kahn emphasised that France stood with Germany in a desire to “harmonise” EU taxes. However, tax commissioner Mario Monti has muddied the waters in an interview reported by the Wall Street Journal on 27th January. He argued that a country that offers a 10% corporate tax rate to non-resident companies while taxing domestic companies at 30% rate is guilty of harmful tax competition, but that a uniform rate of 10% on all companies does not constitute harmful tax competition. This is illogical and does not accord with the views expressed by high tax countries, supported in reports issued by Mr Monti himself. They argue that when tax rates are lower in other countries than in their own, this encourages an exodus of their investors, thus shrinking their own tax bases. From their perspective, low corporate rates applied across the board in foreign countries, such as the uniform 12.5% rate proposed by Ireland, are more ‘harmful’ to Germany and France than a preferential rate provided to investors in one or a few sectors. But this is only because they are unwilling to respond to competition.

Although the EU Treaties state that the economic policies of Member States and the Community shall be “conducted in accordance with the principle of an open market economy with free competition” (Article 4), this principle has been progressively overwhelmed by calls for “common” policies and “concerted” action at the Community level. These common policies are translated into EU laws, regulations and orders by the Commission, endorsed by Councils of Ministers and Heads of State, and enforced if necessary by the European Court. Less and less discretion is being left to individual member states. Only lip service is given to the so-called principle of ‘subsidiarity’. More and more measures either fall within the Community’s “exclusive competence” or are deemed to be “better achieved by the Community” – “by reason of the scale or effects of the proposed action” (Article 5).

This is clearly the rationale behind the tax harmonisation plans being promoted by the Commission and the majority of member states. In his Times article, Mr Blair boasts, “Naturally, if Europe proposes something foolish, I will work to stop it. If necessary, I will do it alone.” He faces an uphill battle in trying to convince his European partners to change course at this late stage, and his case is not helped by prior acceptance of their objectives by his Chancellor and himself. The real test will come when he faces the choice between acquiescing to majority views or using his veto to preserve Britain’s competitive advantage as a relatively low tax country. British firms, workers, consumers and taxpayers will expect him to show his mettle by facing the inevitable hostility of his European counterparts in the defence of Britain’s interests. Hopefully, other countries will eventually realise that it is in their own interests to follow Britain’s (and Ireland’s) example. What Europe really needs is open competition between different fiscal strategies and social models, allowing the political choices of member states to be based on the practical results of alternative policies rather than on ideological preconceptions or protectionist instincts.

A Polish Alliance

by James Lewis

There is unfinished business abroad. It concerns maritime Britain and continental Europe. Much will depend upon the outcome. Indeed via the rightness or wrongness of our policy, and the use of our potential, may well depend the climax of the age. Yet we are labouring under a dual delusion. First that Europe consists only of France and Germany: second that Marxism is dead and discredited.

All writers and commentators on Marx make the same mistake. They analyse his pronouncements on socialism without considering the very different aspect of communism. It is not that they confuse the two. They just never get beyond the merits or demerits of state industry and collective land ownership, and the consequences of those socialist (but not communist) enterprises.

Socialism has been tried, but communism hasn’t. There have been communist parties in government, but not communism. There have been Lenin, Stalin, Soviets and Soviet satellite countries; ancient and famous states whose sojourn under the Pax Sovietica amounted to a fraction of their existence. None produced communism. Brezhnev spoke of communism as a “shining goal”. The process he was engaged in was “building socialism”.

Socialism may harbour communist sympathies: yet, while both deplore capitalism, socialism does not depart from the use of capital – state capital, co-operative capital, but capital for all that. Currency is issued and cash is paid out in wages, salaries, even dividends. Capitalism is not ditched. Landowners and shareholders might be ditched, and more than ditched, but the commodity of money remains. Cash in use is capital in use. Communism could kill capitalism. It has not done so yet; for communist life will be cashless.

Socialism prefers nationalised or co-operative industries to joint stock companies. It advocates the vesting of the means of production, distribution and exchange in state hands rather than private hands. Communism goes beyond the money system to an exchange of goods and services “from each according to his means, to each according to his need”. Socialism can be, and has been, nationalistic: but communism means mass race mixing and the redundancy of family and nation.

As communism is a different animal from socialism, those who have conservative blood in their veins should be aware of the difference, and keep it ever in mind – for here is an understanding of those pro-communist policies that so perplex the right thinking and honest citizen. Communism abolishes distinctions of race and nationality; it means no nation states and no borders; no differences between the sexes and no family. It merges town and country.

Aren’t these radical and revolutionary goals driving modern political philosophy and activity? Neither popular nor powerful opinion seriously opposes mass immigration, nor Euro-federalism, nor even one parent families, with the single mother encouraged to work and farm out her babies. And the rural scene is increasingly attacked by all manner of assaults and distortions. Marx said that communism was an absolute inevitability of history and not a matter of choice. He has not been proved wrong, nor is he proved wrong by the resistance of private enterprise to nationalisation, nor by the kind of joke patriotism we see on the last night of the Promenade Concerts.

Old nationalism, historic nationalism, has long suffered a terrible press and worse treatment politically. Britannia was being ‘cooled’ down into the (cold) melting pot of a federal Europe even in the days of my youth, thirty years ago. I stood for Parliament, spoke until I was hoarse in the referendum campaign, wrote articles and joined groups to oppose this trend. Nought availed, and I had become soul sick by 1975. Then I found a balm. I went on a visit to Poland. It was the height of the cold war. Yet on this, and many subsequent trips, in between hunting, romance and music, I discovered that the Poles were not thinking what they were supposed to think. They were intensely patriotic and nationalistic, though not in a beastly sense. Sentiment was expressed in music, dance and conversation. No one minded what she or he said, and heavy irony abounded in a wealth of dissident jokes. Sample: “What is the difference between capitalism and communism?”, answer: “Under capitalism man exploits man. Under communism … it’s the other way round.” They seemed to have an emotional attachment to the best and most conservative instincts, and to my country as their embodiment.

To this day many Poles will ask why we gave up our empire, just for the asking, Hong Kong included. They have been our closest allies. In the last war a quarter of the pilots in the Battle of Britain were Polish. They fought at sea in the Battle of the Atlantic and on land in every theatre of war in which we engaged the Germans. At Monte Cassino they were put in the front line and suffered dreadful casualties in taking that strategic fortress. “For your and our freedom” was their watchword. After the war Poland found renewed existence, but not of course with the resurgence of freedom.

This was nothing new. From 1793 to 1918 she had been off the map of Europe completely, partitioned between three great powers. Yet all the partitions and occupations account for less than one fifth of Polish history, which otherwise was as adventurous by land as England’s was by sea. After union with Lithuania, medieval Poland stretched from the Baltic to the Black Sea. Odessa was a Polish port.

In 1612 a Polish army occupied Moscow, from which it retreated tactically, not routed by ‘General Space and Marshall Winter’, which later defeated Napoleon and Hitler. Poles stopped the Tartars and the Turks, both terrifying threats to our ancestors: and they stopped too the new Red Army in 1920 by cavalry action on the Vistula river, forcing Lenin to revise his plans for world conquest.

What sort of Europe would there be today in the west, even upon these seaboard islands, where we dwell so casually, had it not been for the last thousand years? That is the question which comes reverently to mind on Warsaw’s Victory Square, as a military band strikes up that rousing and cheerful national anthem, Dabrowski’s Mazurka, on one of the frequent military parades in front of the eternal flame. It was always a smart and immaculate drill, even in the era of the Warsaw Pact. Since the ending of those days, the Poles have been able to inscribe their battle honours on the memorial arch that encloses the flame. The first date is 965, a year before Poland emerged as a Christian state under a king, within much the same boundaries as the present day. This was centuries before German unification.

The German crime of the first half of this century was not their own nationalism, but
their hatred of the nationhood and ethnicity of others, Poles and Czechs above all. Germany was once so beastly as a nation, runs European Union propaganda, that surely it would be better to wind up nationhood altogether. So a raft of innocent countries, ancient and famous states with mouth watering cultures and ancient histories, guilty by association, must fulfil Lenin’s prophetic charge, “all nation states are artificial and temporary”.

Rome, Maastricht and Amsterdam are thorough in doing Lenin’s work. Some of our conservative politicians say that they want a Europe of nation states. The implication is that we shall get that by wishing for it. Also it isn’t in those treaties. It isn’t on the continental agenda, and even less is it in the minds of Messieurs Santer and Chirac or Herr Schroder.

So we should start constructing subtle alliances. The late Enoch Powell advocated a Russian-British alliance. There was even a television programme of Powell in Russia going about this business: but all the instinct and logic which inspired Enoch Powell and attracted him to Russia – romance, history, human geography, strategy – took him 1000 miles too far east. Had he gone to Poland as a young man, like me or like the present British ambassador to Warsaw, who entered the diplomatic service because he had been so inspired by a youthful visit to Poland, Enoch Powell might have felt differently. It is Poland which meets Powellite qualifications to be our special friend and exotic neighbour.

They can offer population size, and a people moreover that is now awakening to the impracticability of their considerable agricultural produce adding to the intervention surpluses of the European Union; and who are starting to ask questions about the whole future governance of the bloc, and coming up with sceptical answers. This is very recent. It started at government level and it will reach down.

Above all they love us. That is not putting it too highly. They love us constitutionally, individually and for our eccentricities. We should love them. We should warn them that we have seen our fleets, food and manufacturing downsized, our trading account moving from surplus to rising deficit, and our laws and courts made subsidiary within this Europe they wish to join. Our reaction and stance might well influence theirs.

James Lewis is an award winning travel and outdoor writer since 1966, with substantial business experience in both property and project finance.
Common Foreign and Security Policy

On the 4th April Britain and Europe will commemorate the 50th anniversary of the formation of NATO. The defence organisation which has “kept the peace” faces its 50th birthday facing new strategic challenges and, perhaps more significantly, new political pressures. Europe’s drive for a common foreign and security policy (CFSP) is gathering speed.

In the Maastricht Treaty of December 1991, the member states of the European Union committed themselves to establishing a CFSP. Since then they have found that translating the CFSP from rhetoric to reality is fraught with both military and political wrangling.

Most recently, events in the Middle East have shown once again the problems the EU faces in establishing a common military and diplomatic voice. During the spring of 1998, and more recently with the bombing of Iraqi military sites, Britain lined up closely with the United States in advocating and using military force. This followed the Iraqi regime’s failure to comply with UN weapons inspectors’ investigations. In contrast the majority of EU members were extremely wary of using force, fearing that airstrikes would only undermine the international coalition against Iraq while failing to remove its weapons of mass destruction.

In the context of Bosnia and the Middle East, the EU has consistently lacked unity and the means to influence the situation. While the EC has sought to develop a common position towards the Middle East, individual member states (including Britain and France) have launched unilateral initiatives in the region.

In recognition of these problems, various reforms were agreed as part of the EU’s Amsterdam Treaty in June 1997. A High Representative for the CFSP – the Secretary General of the EU Council of Ministers – will be appointed. Liberal Democrat leader Paddy Ashdown has been mooted as a possible candidate on retiring from Westminster politics.

A recent paper from the Centre for Strategic and International Studies in Washington criticised the continental European position with regard to the recent Iraqi bombings and Kosovo. It argues that Europe’s failure to offer support or leadership in either case has resulted in a loss of American respect for European leadership. The CSIS is keen to emphasise Britain’s constructive and reliable position, focusing on military support in the Gulf and a willingness to provide ground support in Bosnia.

Establishing a common European defence is likely to be even more difficult than developing a foreign policy. Fundamental problems are involved. In the absence of a genuine political union, European states are likely to wish to retain national defence capabilities (however small).
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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