

## Europe destined to become an economic backwater

*In a rare moment of candour the EU Commission acknowledges that poor economic performance may be due to the pursuit of self interest of politicians and civil servants*

Three things that occurred within days of one another - the signing of a trade pact in Laos the capital of Ventiane, the publication of the EU Annual Report on Competitiveness and the publication of a UN report on world population - suggest that Europe is destined to become an economic backwater.

### Unfortunate consequences

First the population figures: in 50 years time there will be almost 100 million fewer people living in Europe, according to the UN's latest study on international migration released on 29th November. This shows that even if Europe gains an average of 600,000 migrants a year its population will fall by 96 million by 2050. Without immigration the decline would be 139 million.

The report gives warning that immigration rates would have to expand at "virtually impossible rates" if there were to be enough people of working age able to finance child care and retirement schemes. **It cites the example of France which is projected to receive 3.75 million immigrants over the next 50 years - but which would need to accept 90 million to achieve a satisfactory budgetary relationship between the economically active and the non-active.**

As we have pointed out in previous issues, Europe's unfavourable demographic profile is likely have a

number of unfortunate consequences, including:

- A shrinking tax base with upward pressures on tax rates and public debt.
- More demand for healthcare and pensions.
- Falling demand for houses, schools, factories and shops affecting financial and equity markets on which pension provision depends.
- Lower levels of inward investment as the EU's shrinking "single market" becomes less attractive to foreign investors.
- Heightened social tensions as EU members admit higher numbers of immigrants to compensate for dramatically falling birth rates.

### Notable Differences

On the same day as the publication of the UN report, China signed an accord with the Association of South East Asian Nations (ASEAN) aimed at creating the world's largest free trade area by 2010 - a sprawling market of nearly two billion people.

The agreement removed tariffs on goods and created a mechanism to resolve disputes between the 10 members of ASEAN and China. The deal coincided with the signing of a further pact as ASEAN states (with a combined population of 500 million) agreed to build a new economic community which, according to some newspapers, will resemble the EU.

There are, however, some notable differences. There are as yet no signs that members wish to "pool" their sovereignties in order to create a superstate or that they regard economic "harmonisation" as a primary goal; not surprisingly the EU does not appear to be the model on which plans for the new ASEAN will be based. Moreover, the region's demographics are almost entirely favourable.

### Combined Economies

Ong Keng Yong, ASEAN's secretary general told the *Washington Post* on 30th November that by the time the free trade agreement with China was fully operative trade between the two would amount to \$130 to \$140 billion - outstripping Europe's trade with China which currently amounts to \$110 billion a year. It was also hoped that the deal would bring ASEAN's combined economies - worth \$1 trillion - closer to China's \$1.4 trillion economy.

Further evidence that the EU is on its way to becoming a fading economic region is provided in the EU's Annual Competitiveness Report for 2004. This shows that much of the EU's trade with China, the EU's second biggest trading partner after the United States, is one-way. From a surplus in 1995 with the EU-15, the bloc now has a massive deficit with China of more than 10 billion euros. And Chinese exports are no longer confined to shoes, toys and

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## Europe to become economic backwater

textiles. According to the report the Chinese government has focussed on foreign investment in order to gain Western know-how in areas such as cars and computing.

The report states: "The growth of Chinese brand-name producers exploiting these advantages will become a major challenge to established multinationals and brand owners affecting to a large extent well-positioned EU-15 companies. Driven by the desire to tap the high profit pools of branded products in the industrialised world and being pushed by an ambitious government China's OEMs [original equipment manufacturers] are devising strategies to sell their products under their own brand names". (p.253).

But it is not just major manufacturers in the old EU-15 that are under threat. China's success story is denting the success story that the EU expected to be telling about its ten new members as Chinese companies capture markets in East and Central Europe.

The electronics sector in Hungary has notably lost jobs to China.

Whereas Chinese exports of IT to the EU-15 countries rose by about 25 per cent over 1996-2002, they soared by more than 50 per cent to the ten new members. A similar picture is evident in the case of domestic appliances, chemicals and the textile trade with the

EU 10 taking in even more Chinese imports than the older member states.

Looking for a silver lining in the gathering storm clouds, the report says that the lifting of trade quotas as a result of the WTO rules provide a more level playing field for Western (though not necessarily European) companies wanting to penetrate Asian companies. The secret to better performance, it says, is innovation - and we all how well EU countries have been doing at that.

### Endless Excuses

One reason for the endless excuses for Europe's dismal record on innovation is provided by a truly remarkable statistic whose significance was first spotted by that assiduous researcher Richard North and explained on the EU Referendum blog. The number in question is for the cost of maintaining a gargantuan and ever-expanding body of EU regulation, instead of moving to a lighter US-style regulatory burden. The report puts this at 12 per cent of overall EU GDP which is around £5 trillion. Twelve per cent of £5 trillion is £600 billion - more than half the British GDP - and even more than the estimates of eurosceptic analysts.

The study offers the normal justification for the heavy burden of regulation - the need to 'correct

market distortions' and to achieve better environmental and public health standards etc. But then in one of those rare moments of candour - which may be born of despair - the report acknowledges a fundamental truth about the EU. It states that the facts about regulation "are broadly consistent with the public choice theory\* that sees regulation as a mechanism to create rents for politicians and the firms they support".

So now we know the reason why enterprise is stifled, growth held back and jobs destroyed: "rents for politicians and the firms they support".

We cannot recommend the EU Competitiveness Report figures as Christmas reading; especially if followed by a perusal of the UN's figures on population the impact is likely to be a sense of outrage at the readiness of successive governments to lock Britain in to a system that is doomed to fail and ultimately to implode.

*\*Public choice theory, developed by James Buchanan and Gordon Tullock of the University of Virginia, seeks to explain public sector decision-making by reference to the pursuit of self interest by politicians and civil servants.*

## British voting power in the EU

British voting weight or "power" in the key EU institutions is now so low (as is that of all other EU member-states) that it can't be long before the Commission proposes abolishing voting altogether. Consider:-

**UK Voting Weight in the Council of Ministers:** 9.0 per cent

(29 UK votes out of 321 in total as from 1st November 2004. If Romania and Bulgaria join the EU in 2007, UK voting weight will drop to 8.4 per cent, even further as more countries join.)

**UK Voting Weight in the European Parliament:-** 2.6 per cent

(There are 732 MEPs in total of

which 87 are British, from seven different political parties. The 87 British MEPs never vote as a bloc. There are 19 MEPs from the party - Labour - currently forming the British Government. Those 19 MEPs tend to vote as Downing Street wishes. 19 divided by 732 is 2.6 per cent.)

**UK Voting Weight in the European Commission:-** 4.0 per cent maximum

(There are 25 Commission members of which one is British. Even if the UK Commissioner, Mr Mandelson, voted to defend British interests, which he has promised not to do, the UK's voting weight would be 1 divided by

25, or 4 per cent.)

**UK Voting Weight at the European Court of Justice:-** 4.0 per cent maximum

(Each of the 25 member states has one judge at the Court; and, like Commissioners, they are not supposed to favour their own country. So the maximum UK voting weight would be 1 divided by 25, or 4 per cent.)

The average of UK weights in the Council, Parliament, Commission and Court of Justice is around 5 per cent. Now that's what you call "influence"!

# Commission lets Greeks off the hook over falsified public accounts

*The EU response to systematic lying over public finances sends an unfortunate signal to the new members of the European Union*

The news that the Greek government consistently and systematically lied about the size of its budget deficit in order to join the euro hardly rates as the biggest shock of the year. True, the scale of the dishonesty turns out to have been massive. According to Eurostat which carried out an investigation into the figures, the Greeks shaved an average of 2.1 per cent of GDP each year from the deficit by excluding military spending from the accounts and by other ingenious forms of creative accountancy. These included exaggerating the social security surplus, over-estimating VAT payments, and mis-stating interest costs. Deficits during the three crucial years used to assess Greek fitness to join the single currency - 1997, 1998 and 1999 - stood at 6.6 per cent, 4.3 per cent and 3.4 per cent. Greece had claimed that the deficits during those years were 4.0 per cent, 2.5 per cent and 1.8 per cent. It would have taken a coordinated programme of falsification to misrepresent the state of the country's public finances so flagrantly, and it is inconceivable that this could have occurred without the knowledge of the entire Greek cabinet.

## **Infringement Procedures**

However, by far the most interesting aspect of the affair has been the determination of the EU to play down the affair while also giving the impression of being far more proactive than it has actually been.

"The Commission is going to start infringement procedures against Greece", declared Francoise Le Bail, the Commission's chief spokesman, who also confirmed that Greece would

never have been able to join the single currency if the true state of its public finances had been known. Theoretically, Greece could be fined if the case goes as far as the European Court. But the Greek government has already been told that the case will not proceed if it can show within two months that it has stamped out "persistent systemic risks in its data-gathering" and the Greek government has already launched a PR campaign to get the case dropped.

## **Press Queries**

Commission spokesmen have even implied that the phoney figures could have resulted from a misunderstanding. Amelia Torres, spokesman for EU monetary affairs commissioner Joaquin Almunia insisted that Brussels was not accusing Athens of lying: "I don't want to dwell on whether there was bad faith or a lack of cooperation...what we need to do now is to fix things up", she said.

However, in dealing with press queries more than one Commission spokesman was forced to acknowledge that there had been concern about the figures from Greece from the 1990s onwards, but this "had not been taken up at the political level".

Indeed, it appears that the matter of the falsified accounts was only taken up 'at the political level' a short while ago after the incoming New Democracy (conservative) government in Athens revealed the scale of the abuse and blamed its socialist predecessor for what had occurred. In the circumstances the Commission had little choice but to 'investigate'. Predictably, Eurostat is now

demanding new powers in order to prevent a recurrence - while discounting the possibility of any such thing happening again.

According to Torres: "We think that this type of situation probably won't ever reoccur...We have absolutely no signs that something like this could be awaiting us in any other country". But is that in fact the case?

The EU's 10 newcomers, led by Poland, Hungary and Czech republic are all poorer than Greece and have less than a decade of experience with Western standards for reporting economic statistics. Fiddling the books was not exactly unknown during the communist era and it is at least conceivable that old habits may be revived if there is a strong incentive for this to happen. The new applicants are all being pressed to join the euro at an early date.

## **Crucial Thing**

The Commission could have set out to deter a repetition of the Greek scandal by recommending that the very large subsidies paid to Greece from the EU Cohesion Fund be suspended, at least until such time that its budget deficit is cut back below the three per cent figure specified in the Growth and Stability Pact. Or it could have been serious about legal action. Instead, it has engaged in a disreputable PR manoeuvre in order to conceal its failure. In doing so, it has signalled to the 'EU 10' that entry to the euro is the crucial thing, and that applicants need not be scrupulous about how they achieve this. The markets may yet demand a cruel price for such cynicism.

## **The season's greeting to our readers**

*eurofacts wishes its readers the compliments of the season.*

*Our next issue will be published on 14th January 2005*

# Portrait of the European Union as a game of football

*The transcript of a secret conversation between Maurice and Gerhard, two senior EU officials reveals that the EU will stop at nothing to win the forthcoming referendum*

**By Hector Boffey**

Newspapers close to the Blair government have recently reported that the Government is contemplating asking David Beckham to help lead the yes campaign for the EU Constitution. A senior Government spokesman told the *Daily Mirror*: "Celebrities, supermodels and sports stars can show people, especially younger people how Europe is working". The reality, of course, is that Europe is not working very well - especially for young people, a disproportionately large number of whom cannot find employment. But this fact has not prevented two senior eurocrats, Maurice and Gerhard from thinking along similar lines, as the following conversation reveals:

*Gerhard, I have recently been reading a book called The United States of Europe: the New Superpower and the End of American Supremacy by T.R. Reid which has just been published by Penguin. The poor deluded author seems to believe that Europe is on the verge of challenging US power. However, the book does contain an interesting insight upon which I would appreciate your considered judgement as a football fan.*

I always thought you despised football, Maurice.

*I most certainly do, Gerhard, but that is irrelevant. Reid argues that football is the biggest cultural and social phenomenon of our era - just huge, and one therefore that has huge political implications. During his researches Reid says he talked to many thousands of ordinary people and one of them, a television salesman from Rheims summed things up when he said - and I quote - "Football brings millions and millions of us together - football is Europe, don't you see. If I meet somebody from England or Norway or Spain, I just say 'David Beckham' and we immediately have something we share". Now, Gerhard we can no*

*longer sell Europe as the economic powerhouse of the 21st century - no one is stupid enough to believe that. We can't sell it as the best means to maintain the peace - most of our armed forces are just woeful and their equipment is third rate or still on the drawing board - which is precisely where it will remain. Given the looming pensions catastrophe we can't sell Europe as the world's best welfare agency. But if we can sell the EU as a game of football we might be on to something. To put the matter more precisely, if Europe can be identified with soccer and soccer with Europe the potential benefits could be immense! And there is an additional bonus: football is a game that the United States scarcely plays - and when it does do so, it loses! On the whole, I frankly doubt whether football fans are sufficiently bright to see through my stratagem, and, if I am right, we have at our command a PR asset of amazing power. What do you think?*

Football as a metaphor for political union... well, it's a fascinating idea, Maurice.

*And this man Beckham is the ideal figurehead for our purposes. No wonder Tony Blair wants to sign him up. He comes from the most eurosceptic EU country, but plays for the most glamorous club in continental Europe. He is a fashion icon. And he is mobbed wherever he goes in Europe. I read recently that there had been an exhibition of paintings by no less than 25 professional artists who say they have been inspired by him. How many portraits have been inspired by Romano Prodi?*

Yes, but Beckham is not just mobbed in Europe, Maurice. He evokes the same response in Japan, Mexico and Timbuktu - everywhere. He has embraced celebrity like no other footballer in the history of the game.

He is an international phenomenon.

*You would not say, then, that he is seen as typically European?*

I frankly doubt it Maurice. He does not speak any European language. His critics would say that includes English. His wife can't stand Spain and has admitted responsibility for causing strains in their marriage by going back home on the first available private jet. And there are one or two other reasons for thinking he might not be our man.

*Such as?*

Well, recently, during a World Cup qualifier he deliberately kicked another player after being injured himself. That way he cleared the slate as far as previous penalty points were concerned so that these were not hanging over him when he returned to the English team following recovery.

*Do you imply that he cynically exploited the rules of the game for reasons of national and personal advantage?*

Precisely so, Maurice.

*In that case he should fit into the scheme of things very well - it's precisely what every EU Commissioner does on a routine basis, especially the French ones.*

I am afraid there are other reasons for being hesitant about seeing Beckham in this role.

*Such as?*

Unfortunately, there have been a number of extramarital trysts since he moved to Spain.

*No problem. It is taken for granted that a rich, good-looking young man will find local distractions if his wife is absent. It may not play well in Hartlepool, Gerhard but I assure you it will not harm his image in Paris, Milan or Athens. After all such alliances can be depicted as a symbol of political unity - European union in action! Beckham bonks for Europe! I can see*

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## ECONOMICS

*The EU is a regional bloc with only 6 per cent of world population. It is in long-term structural decline. The UK economy has 47 per cent of its trade with this Bloc. Is this a good thing?*

### Six Views On The Subject

1

“.....The EU will have an ever-decreasing influence on the course of globalisation; its chapter in world history will draw to a slow but inexorable close....”

*“Le Commerce Mondial au 21e Siècle: Scénarios pour l’Union Européenne”, Institut Français des Relations Internationales, November 2002.*

2

“...today the European economy produces 20 per cent less than the US economy....according to economists at the Foreign Office, by 2010 the European economy will produce 40 per cent less than the US economy.....”

Dr Denis McShane MP, Minister for Europe, interviewed by *Figaro Magazine* on 26th April 2003.

3

“There are good [sic!] reasons to

think that the relative importance of the euro bloc will decline over time. Developing economies tend to grow faster than developed economies, and most are in the US dollar bloc. In addition, and not withstanding recent developments, potential growth in the US itself is still thought to be higher than in Europe.”

*Annex B paragraph 9, “The exchange rate and macroeconomic adjustment”, (one of the 18 supporting studies published by HM Treasury on 9th June 2003 as part of the Assessment of the Five Economic Tests).*

4

“.....there is little sign that Europe’s [Eurozone] economic decline is stopping or turning round, particularly in the large countries of Continental Europe....we do not find any evidence of a pro-competitive impact of the creation of the euro-area.....”

*“The Euro Area and the Lisbon Strategy”, 8th October 2004, European Forecasting Network (a*

*“research group of European institutions founded in 2001 and co-financed by the European Commission”).*

5

***The Eurozone Internal Market for Goods is Shrinking.*** The values of UK (and US, and whole World) Exports of Goods to the Eurozone have declined year-on-year (from 2000) in 2001, 2002 and 2003.

*Monthly Bulletin October 2004: The European Central Bank: Table 7.3.*

6

“...Intra-EU trade in manufactured goods has been shrinking since 2001 and it is the same story in services...levels of intra EU-trade in services are lower than a decade ago...”

*“Facing the challenge: The Lisbon Strategy for Growth and Employment: Report from the High Level Group chaired by Wim Kok”, November 2004.*

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### Portrait of the EU as a game of football

*the headlines, Gerhard.*

Unfortunately, Maurice I am not sure he has been bonking the right girls. One was a member of his English PR staff, another was his wife’s beautician, also English, and another was an Australian lap dancer. The boy may be virile but I don’t believe that his sex life can be presented as a symbol of European integration. If anything, he seems to be making the case for Imperial Preference.

*Well, I grant you there are one or two problems to be sorted out. Is there anything else I should know?*

Well, yes I am afraid there is. I understand that when a British

eurosceptic organisation approached Beckham’s PR advisers to find out whether he would respond positively to the British Government’s invitation they indicated that they were not keen on the idea. I can only conclude that David has thought about the matter and decided that any association with the EU would be bad for his image. His company now earns millions in sponsorship and he is adamant that in order to maximise his multi-million earnings he can only be associated with success.

*Oh dear, well that’s it, then! Such a pity! Never mind. Book a table for lunch Gerhard. I have another idea I*

*want to discuss. If we can somehow get the words ‘EU constitution’ into the title of the winning entry in the Eurovision Song Contest we might still pull off a famous victory. It’s going to be uphill work but desperate problems require desperate remedies!*

**The item above first appeared on the webpage of Social Affairs Unit ([www.socialaffairsunit.org](http://www.socialaffairsunit.org)) where the transcript of other conversations between Maurice and Gerhard can be found. We are grateful to the SAU for permission to republish.**

# Dishonest, evasive, contemptible

*The starting point of the Government's latest propaganda is the assumption that the British public is stupid and may easily be deceived*

Reviewed by Ian Milne

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## Guide to the European Union

*By Foreign and  
Commonwealth Office*

FCO 44 pp  
Available from *The Minister of  
Europe, FCO, London SW1A 2AH*  
(Free)

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This contemptible little pamphlet has just come out. Readers will be either amused or outraged by its evasions, perfidy, deception, fibs, prevarications, duplicity, obfuscation and dishonesty. The starting point of the mandarins who wrote it (egged on, presumably, by the current minister for "Europe", who seems to think that eurosceptics are xenophobes and that the whole thing's been got up by the *Daily Mail*) is quite palpable: the British people are stupid and must be lied to.

The booklet contains dozen of sins of both commission and omission. The first blatant lie appears on page 12, in the section titled "How does the EU take decisions?" *Nothing can become law unless the member countries agree to it in this way* [i.e. the Council votes on it]. There follows some waffle about the process of voting by 'qualified majority vote' which for some reason omits to point out that individual countries can be outvoted but still have to implement the law they disagree with.

It's only on page 26, by which time most readers may have slung the booklet into the trash-can, in the section titled "Can the EU overrule Parliament and the British Government?" that the Foreign Office types admit that - ever so infrequently and when it happens it doesn't really matter anyway - Britain

can indeed be outvoted.

Another outright lie, on page 16, says: *The EU has only the powers its member countries give it. It can work only in those policy areas where its member countries decide it can.* Oh yes? What about the imposition of the Working Time Directive on the UK, against its "legally-binding" opt-out from the Social Chapter, against the express wish of the Major government, via the "health and safety" provisions of the Single Market legislation?

### Our Money

And what about the section called "Helping poorer EU regions", which says that the UK "gets" money from the EU, or that the EU has "given" money - the booklet's words - to the Highlands and Islands, the Eden Project etc. No mention, needless to say, that it's our money the EU's doling out.

Another flagrant example of deceit is

on page 22: *When the 25 member countries agree a particular European policy, we commit ourselves to supporting it. This is known as the principle of loyal cooperation. It does not cause Britain problems, because if we had not agreed to a proposal, it would not have become a common policy in the first place...* Apart from themselves, who do the FCO think they're kidding? As these few examples show, the text is drivel. That's not a surprise, coming from a government which was telling us a few years ago that the Charter of Fundamental Rights was of no more significance than the Beano (Keith Vaz, then Minister for "Europe"). The Charter is now the centrepiece of the Constitution. This is the government which told us that the EU needs a constitution because golf clubs have constitutions (Jack Straw, currently Foreign Secretary). This is the government that told us that the constitution is just a tidying-up exercise (Peter Hain, Leader of the House of Commons).

Will the government send every household in the country a copy of the full unexpurgated text of the Constitution they signed on our behalf in Rome on 29th October so the electorate may judge for itself. Of course not? That would give the game away.

## Reality TV sinks to new depths

The Spanish version of the Reality TV Programme Big Brother has set its contestants such tasks as swimming through tanks of baby crocodiles, filming their own marital sex and even masturbating wild boars. But this time the programme's critics say it has gone too far. It has set the seven remaining contestants the task of memorising the main contents of the European constitution. They will then have to

explain these to a Polish woman called Magda who knows hardly any Spanish. Those taking part include a taxi driver, a make-up sales woman and a dancer. The programme has the backing of the Spanish government which has complained that it has only a tiny budget to publicise the constitution before it becomes the first country to hold a referendum on it in February. "Any programme that devotes time to

explaining the constitution is doing a good thing", said deputy prime minister Maria Terese Fernandez del la Vega. But TV critic José Javier Esparza was more sceptical. "Has the Government actually thought about whether the contestants are capable of explaining anything seriously?" he asked.

# The bad news is that the good news is wrong

*You might think the figures for EU fraud look bad - but the EU fraud squad chief explains why you would be completely mistaken*

Positive developments in the European Union are so rare that Brussels has taken to pretending that bad news is really good news. Thus, Olaf, the EU's Anti-Fraud Squad has responded to an increase in reported EU fraud by suggesting that, properly understood, the figures should be welcomed.

Mr Franz-Hermann Brüner, Olaf's Director General told reporters following the publication of its annual report on 25th November: "The increase in cases is partially because there is an increase in people telling us [about fraud]...It is a very promising sign".

One does not have to a professional logician to realise the inherent fallacy in Mr Brüner's explanation. Since neither Mr Hermann Brüner, nor anyone else, can know the total number of frauds committed it is impossible to know what proportion of these has been reported. Moreover, given that Olaf has been criticised for slowness, lack of independence, excessive bureaucracy and for spending far too much of its time investigating the activities of a single German journalist - Hans Martin Tillick - after he began to investigate

EU fraud and corruption, there is every reason for believing that the total number of frauds committed is likely to be growing. Add to this the fact that whistle-blowers have been treated as if *they* were the criminals, and there is every reason to think that the number of brave individuals prepared to speak out by reporting fraud may be shrinking. All of which suggests that reported frauds may well represent the shrinking tip of a growing iceberg of total fraud.

The fact that the EU Court of Auditors has just refused to sign the accounts for the tenth year running hardly allays such anxieties.

What we do know from Olaf's report is that nearly all EU institutions either have anti-corruption cases or have cases that are being actively investigated.

The EU Commission is at the top of the list with 18 cases being evaluated and 38 active investigations. Six cases affect more than one department in the EU executive.

The European Parliament and Council have two active investigations each.

The report suggests that the number of reported frauds rose to 637 over a

period of 12 months, an increase of nine per cent.

It highlights an increase in cases of serious abuse of its international aid budget, citing the case of a dam in Lesotho which was intended to provide water to neighbouring South Africa. When funding on the project was investigated three million euros was found in suspected bribes in a Swiss bank account belonging to a local official responsible for awarding the contracts. The EU has so far spent 180 million on the project.

In another case, 90 per cent of the EU funding for a water supply project in Paraguay was found to have ended up in a bank account belonging to a foundation that had nothing whatever to do with the project.

Mr Brüner, however, is not only a pastmaster at presenting bad news as good, he is also a master of understatement.

Commenting on the deluge of allegations regarding misused aid funds, he declared: "All donors have systems of control, but we have to improve them".

## EU criminalises DIY enthusiasts

Do-it-yourself enthusiasts who do electrical jobs in the bathroom, kitchen, or garden - without informing the local authority and without getting a professional to check their work - will have committed a criminal offence as a result of a new EU regulation.

Failure to comply could lead to prosecution and fines of up to £5,000.

The regulation, which comes from the EU's Committee for the Normalisation of Electrotechnology, will come into force on 1st January. People who try to sell a house without a certificate for any electrical work carried out after that date will also have committed a

criminal offence and could also be fined.

Philip Hope, the minister for building regulations at the Office of the Deputy Prime Minister has been anxious to assuage the anxieties of those who like to do small electric jobs around the house themselves. The regulations would mainly apply to "high-risk areas" such as bathrooms and kitchens, Mr Hope told the *Daily Mail* on the 29th November. One suspects that DIY enthusiasts know more about the hazards involved in home repairs and improvements than Government ministers, but Mr Hope explained the

penetrating insight behind the new regulation. This was needed "because water and electricity don't mix".

The regulation will quite obviously be impossible to police, and it seems unlikely that it will be widely observed, not least because the bill for getting a qualified inspector to check work may cost as much as paying a professional to do the work in the first place. Even more remarkable is the fact that the EU has brought in a regulation that looks like turning hundreds of thousands of conscientious DIY enthusiasts - surely the most harmless people on earth - into lawbreakers.

# Euro strengthens against dollar

Following President Bush's re-election on 3rd November 2004 the dollar weakened against the euro. That's bad news for the eurozone's exports, because it makes them more expensive; but good news for eurozone imports, because it makes them cheaper. The prices of almost all commodities, including oil, are denominated in dollars; they're currently high, mainly due to sustained high demand from the booming Chinese economy.

It's impossible to ascribe currency movements to a single cause. There's a feeling that the twin US deficits (trade and government spending) are

unsustainable. The eurozone is in surplus on its trade, but in deficit on government spending. Then there's China, murmuring but not actually

and the dollar than to the euro and the eurozone, its currency usually sits, relatively-speaking, in the middle of the dollar/euro see-saw.

	1999	2000	2001	2002	2003	2004*
£ buys \$	1.62	1.52	1.44	1.50	1.63	1.91
£ buys	1.52	1.64	1.61	1.59	1.45	1.44
buys \$	1.07	0.92	0.90	0.94	1.13	1.33

\* Close of business on 1.12.04

doing anything about breaking the fixed link of its currency, the renminbi, with the dollar. The eurozone economy's not exactly the picture of health, in contrast to the still huge potential of the US economy. As for the UK, more heavily oriented to the US

If, as many predict, the dollar has a long way to fall, the world economy could be in for a volatile period. The counter-argument to the proposition that investors are going to stop buying dollars is this. If they're not going to hold dollars, what are they going to buy instead? Renminbi? Euros? Roubles? Pesos? It's when they begin to run through the alternatives that the dollar doesn't seem such a bad bet after all.

## The phoney war against regulation

You may be reluctant to accept it, dear reader, but Britain is winning the argument in Europe. Such victories have occurred so frequently in the past - or, at least, the British government said so - that it is simply astounding that the argument is still going on. Don't the other guys know when to quit!

This time the claim has come from Patricia Hewitt, the trade secretary who declared that she had won the argument over red tape. Following a meeting of the EU "Competitive Council" on 25th November she modestly explained that she had won wide support for a drive to simplify and repeal superfluous laws - all of which produced favourable headlines in the British press.

Well, how many superfluous laws did she repeal then? Well, none actually. How many will she now seek to kill

off? Again, the answer is none.

On her own account she and her fellow ministers killed off 100 new proposals and committed themselves to "target" 15 existing regulations - which means they will try to improve them without actually abolishing them, a task which will be left to the Brussels bureaucrats to sort out. The only interesting figure she gave was for the cost added to the price of a new car by excessive regulation - up to £3,500.

Mrs Hewitt did not say how many new regulations are currently going through while she is busy improving a handful of the existing ones and it will be some time before we know this. Accurate figures are hard to come by, but as a result of a question by Lord Stoddart in the House of Lords in January 2003 we do know that we acquired an additional 101,800 regulations between 1993 and 2002 as the result of EU membership. We also know that in recent years there have

been an average of around 2,700 new regulations each year. This means that the number of regulations which are to be "improved" as result of Mrs Hewitt's fearless intervention amounts to 0.55 per cent of the yearly average for new regulations.

Never mind, Mrs Hewitt does not stand alone in her brave struggle. She has the support of the industry commissioner Günter Verheugen who, following the same meeting announced that the fight against bureaucracy would become his "personal trademark over the next five years." We will know that he is serious when he slashes the numbers working for him, commits himself to reducing the existing body of regulation by a substantial proportion, and declares that all new regulation will contain a sunset clause - i.e. will cease to apply after a given period unless renewed. Until that time we will have every reason for thinking that Britain is losing the argument.

## France and Germany plan joint embassies

France and Germany plan to launch a pilot project intended to lead to joint embassies. As a first step, the two countries plan to move a number of embassies into joint buildings. As well as sharing space the two countries will pool political units and research, and

the joined embassies will receive instructions from both Paris and Berlin. Initially the model will be tested in a number of countries before being rolled out worldwide. The German newspaper *Handelsblatt* reported on 1st December that the

French foreign minister is in favour of moves to full joint embassies and that Germany has no objection to this. It also says that the two countries stress that the plan is not a rival but a "complement" to plans for a common diplomatic service.

# The black hole at the European epicentre

Mr Laulan is an economist whose career has taken him through French *cabinet ministériels*, the IMF, the World Bank and NATO, and various French banks. He has taught at Sciences-Po in Paris and published a dozen books on economics and geopolitics. His latest book, just out, on the demographic decline of Germany, has caused quite a stir in France.

Germany, says Mr Laulan, "is dying, as an economy, as a nation, as a people. But it doesn't realise it. For the cause is invisible. Demographic collapse, which started 30 years ago, is undermining its economy, its capacity to defend itself, its energies and its will to survive".

As for the famous Franco-German "axis", the locomotive of the EU, put into place by de Gaulle and Adenauer in 1963, it is sentenced to death. As is

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## Germany: Chronicle of a Death Foretold

(*Allemagne: Chronique d'une Mort Annoncée*)

By Yves-Marie Laulan

Published in French by  
François-Xavier de Guibert,  
2004 Paperback 220 pp 20

ISBN 2-8683995-9-2

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the EU itself, "with a black hole [Germany] forming at its epicentre, it will break up".

In the UK, warnings about the consequences of the coming German (and more broadly, eurozone) demographic winter have been

published by, for example, Anthony Scholefield, (in *The Death of Europe*, Futurus, October 2000); Martin Wolf, (in the *Financial Times*, 7th November 2001); Tim Congdon, (in the *Spectator* 26th January 2002); and by Global Britain, (in its *Briefing Notes* No 18, 15th September 2002 and No 26, 25th April 2003). Needless to say, they have been ignored by the europhiliac "elite". This demographic winter will upset all the assumptions underpinning the European project. Mr Laulan spells out the economic, military, social, cultural and geopolitical consequences of falling German population. Hopefully the Quai d'Orsay will send Downing Street and the Foreign Office copies of his timely and fascinating book.

## Fun but also erudite

First published in 1998, this encyclopedia is the fourth edition and second major revision. If anyone can make the EU less confusing and obfuscatory, it is Mr Leach. He writes simply, fluently and concisely, conveying as much in short paragraphs as others do in complicated essays. Of very few encyclopedias can it be said that they are fun to read: but Mr Leach's is certainly that, because he approaches his task in a spirit of amused, humorous tolerance. He is scrupulously fair in his descriptions, analyses and conclusions, so that europhiles and eurosceptics alike can read this excellent book for pleasure as well as instruction.

Some of the entries are short, indeed, Johnsonian: for example "Communautaire: In the spirit of the

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## Europe: A Concise Encyclopedia of the European Union

By Rodney Leach

Profile Books, Autumn 2004,  
4th Edition, Paperback 250 pp  
Available from *The June Press*  
Price £14.99 + p&p  
(see back cover)

ISBN 1-8619767-1-2

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Community, that is, integrationist". Others - for example on the Schengen Agreement or NATO or Qualified Majority Voting or Sovereignty - are

longer; masterly accounts of complex subjects. Mr Leach's brief (five page) introduction, summarising the evolution of the EU from its inception, is one of the most acute and perceptive essays on the subject that this reviewer has ever read.

The text is leavened with pertinent quotations from, amongst others, Bismarck, de Gaulle, John Major and Ribbentrop, and completed with appendices, the first of which is a valuable chronology of the EC/EU from 1945 onwards. This is an essential guide for those who need to have a source and reference book to hand on the leviathan that is the EU. As David Owen, the former Foreign Secretary, quoted on the back cover, says: this book is "a masterpiece of wry and elegant lucidity".

## EU: dolts and dullards welcome here

"There you have it. As far as MEPs are concerned, it is all right to have supported a totalitarian regime, to have been convicted in a corruption case or, indeed to be an evident dullard with no knowledge of your portfolio. What is not all right is to support the

supremacy of national parliaments. Dolts, shysters, reds and retreads are welcome. But someone who believes that nations should set their own taxes? That would be going too far."

Daniel Hannan MEP writing in the *Sunday Telegraph* on the fate of

Ingrida Udre, the Latvian candidate as EU Commissioner who was withdrawn following protests from MEPs because of her support for the principle of tax competition between states.

# LETTERS

Tel: 01548 821402 Fax: 01548 821574 email: [eurofacts@junepress.com](mailto:eurofacts@junepress.com)

## Gesture Politics are Insane!

Dear Sir,

One of your correspondents asks 'Where does Forsyth stand?' I would have thought this had already been described almost to destruction. But, as they say in the world of jazz, 'jez one mo' time'

I believe the Conservative Party's position on our future relationship with the EU (and we are going to have one, come what may) is not as robust as it could or should be. But I also know (not believe) that it is 1000 miles further on than at any time for the past thirty years; and that with a further injection of a hundred convinced young-generation sceptics after the next election the party will be transformed.

I also know that Michael Howard has pledged an immediate referendum on the Euro-constitution with government backing for a 'No'. (Blair will wait a further year, then try and rig it.) If it is done by Tories, we can expect a rejection comparable to Prescott's 78 v. 22 per cent massacre in the Northeast.

That in turn will provoke a Brussels-based crisis of implosion proportions. Out of that will come the chance to create the relationship we always ought to have had: trade, trade, trade.

Thus I know it is madness for ten per cent of possible voters to make a 'gesture' vote for UKIP at the price of ruining the chance of sceptic young Conservatives to oust the sitting Labour/Lib-Dem Euro-fanatic. If you do that you might as well put a loaded gun to your country's temple and pull the trigger. It's a way of making a point, but not a very shrewd one.

FREDERICK FORSYTH  
Hertfordshire

## What Tories think of Howard

Dear Sir,

Catharine Straker (letters 3rd December) asks what we eurosceptic Conservatives think of Michael Howard. That's a fair question and my answer is that Mr Howard has listened to the public - and read the detailed polls - and has decided not to strike

postures but to make a realistic and practical policy. This is to win a no vote in the Referendum and use the subsequent negotiations to obtain a relationship with the EU which is in Britain's interests. The result of those negotiations would cause him either to recommend the settlement and to put that to another referendum or to deal with whatever impasse arose in the light of current circumstances.

This strikes me as an honest and principled way forward. But if, aided by UKIP, Blair gets another term in Number 10 he can still lose that referendum and fudge a deal to which he has not promised a further referendum. With a Labour win Britain is lost.

Meanwhile some of your other correspondents in the same issue are less anti-EU than they are anti-Conservative. Their vehicle is UKIP which is in total turmoil at the moment. The Chairman has said that the infighting is hitting donations and many members are not renewing their subscriptions. Candidate selection is at a near standstill and no policies have been disclosed. A branch chairman has been suspended and the UKIP members of the London Assembly are in open revolt. Are people expected to vote for such a rabble?

CHRISTINA SPEIGHT  
London

## MacShane is Right!

Dear Sir,

Denis MacShane correctly asserts the Conservative stance on the European Union is untenable. The choice on offer is to remain within the straightjacket accepting the many unnecessary, punitive, intrusive directives and regulations or leaving, shedding these burdens and recovering the freedom to run Great Britain the way most wish. The *Acquis Communautaire*, the bedrock of the EU Constitution, frustrates efforts to reform. Fruitful negotiations are not possible.

Across the political spectrum those who wish to leave the EU will have to demonstrate the courage of their

convictions in the May 2005 General Election by supporting the only party focused on leaving the EU - the UK Independence Party.

Ominously, lessons may be drawn from the potentially explosive situation in Ukraine. Tired of governmental corruption the masses are demonstrating on the streets of Kiev. Likewise, the endemic corruption within the corridors of Brussels power and the lack of will to deal promptly and effectively with those abuses portend an uncomfortably similar experience on the streets of London. How else can this fate be avoided other than by Labour, Lib-dems and Conservatives, who wish to leave the European Union, at least temporarily switching horses?

R.S.GALLIANO  
Buckinghamshire

## Herron's Crucial Role

Dear Sir,

Having been a subscriber to *eurofacts* since March 2000 and having placed a good deal of reliance on the accuracy of the facts which you have reported when arguing for withdrawal, I was disappointed by your front page article of 19th November 2004.

It was well known among eurosceptics that the campaign in the NE against the regional assembly was led loudest and longest by Neil Herron and the NENO organisation. For you to repeat an account of the campaign that suggests that the victory was won by the Conservative Party NESNO campaign does not do justice to the facts. The Tories came in late to the campaign and opposed a yes vote on the grounds that the proposals did not give the Assembly enough powers

PETER KIRKBY

Croydon

*[Our purpose was not to apportion praise but to consider the implications of the referendum result. However, we fully accept that Neil Herron and NENO played a central role - indeed the central role - in achieving a famous victory, and I regret that we did not take the opportunity to say so. - ED.]*

# MEETINGS

**Sanity**  
01962-714413

Friday **7th January 2005** 7.30 pm

“Why the European Union is a bad thing and how the constitution will make it even worse”

**Roger Helmer MEP**

PUBLIC MEETING

The Guildhall, Broadway, Winchester, Hants  
Admission Free

**Gresham College**  
020-7831 0575

Tuesday **25th January 2005**, 6.00 pm

“The Human Rights Act: cornerstone of a new Constitution”

**Professor Vernon Bogdanor FBA CBE, Gresham Professor of Law**

PUBLIC MEETING

Barnard's Inn Hall, Holburn, London  
Admission Free

**Gresham College**  
020-7831 0575

Tuesday **5th April 2005**, 6.00 pm

“Devolution and the territorial Constitution”

**Professor Vernon Bogdanor FBA CBE, Gresham Professor of Law**

PUBLIC MEETING

Barnard's Inn Hall, Holburn, London  
Admission Free

**Campaign for an Independent Britain**  
01224-313473

Saturday **16th April 2005** 2.30 pm

“Defeating the EU Constitution”

**Speakers to be announced**

The Emmanuel Centre, 9-13 Marsham Street, London SW1P 3DW  
Admission Free

## USEFUL WEB SITES

**British Democracy Campaign**  
www.britishdemocracycampaign.co.uk  
**British Weights & Measures Assoc.**  
www.footrule.org  
**Bruges Group**  
www.brugesgroup.com  
**Campaign Against Euro-Federalism**  
www.poptel.org.uk/against-eurofederalism  
**Campaign for an Independent Britain**  
www.cibhq.co.uk  
**Congress for Democracy**  
congressfordemocracy.org  
**Democracy Movement**  
www.democracymovement.org.uk  
**Democratic Nations in Danger**  
freenations.freeuk.com  
**European Commission (London)**  
www.cec.org.uk  
**European Foundation**  
www.europeanfoundation.org  
**Europe of Democracies & Diversities Group in EP**  
www.euobserver.com  
**Facts, Figures & Phantasies**  
www.eufactsfigures.com  
**Foreign Affairs**  
www.foreignaffairs.org  
**Freedom Association**  
www.tfa.net  
**Freedom UK**  
www.taylor.co.uk/eu/  
**Global Britain**  
www.globalbritain.org  
**June Press (Publications)**  
www.junepress.com  
**Keele Critical European Group**  
www.keele.ac.uk/socs/ks40/ceghome.html  
**Labour Euro-Safeguards Campaign**  
www.lesc.org.uk  
**New Alliance**  
www.newalliance.org.uk  
**Regional Assemblies**  
www.regionalassemblies.co.uk  
**Save Britain's Fish**  
www.savebritfish.org.uk  
**Sovereignty**  
www.sovereignty.org.uk  
**Statewatch**  
www.statewatch.org  
**United Kingdom Independence Party**  
www.ukip.org  
**Vote No**  
www.vote-no.com

## SELECT COMMITTEES

**House of Lords**  
020-7219 3000

Wednesday **12th January 2005**, 3.30 pm  
Evidence will be heard on *Energy Efficiency* from witnesses to be confirmed.

Thursday **13th January 2005**, 10.45 am  
Evidence will be heard on *EU Strategy on non-proliferation of WMD* from Dr Gary Samore, Director of Studies, International Institute for Strategic Studies.

Wednesday **19th January 2005**, 3.30 pm  
Evidence will be heard on *Energy Efficiency* from witnesses to be confirmed.

Wednesday **19th January 2005**, 3.45 pm  
Evidence will be heard on *Proposed European Union Action Programme for Life-Long Learning* from: (a) DfES; and the British Council; and (b) David Coyne, Directorate A - Education, European Commission.

Wednesday **26th January 2005**, 3.45 pm  
Evidence will be heard on *Proposed European Union Action Programme for Life-Long Learning* from Universities UK with Baroness Warwick of Undercliffe.

Wednesday **2nd February 2005**, 3.45 pm  
Evidence will be heard on *Proposed European Union Action Programme for Life-Long Learning* from witnesses to be confirmed.

Wednesday **9th February 2005**, 3.45 pm  
Evidence will be heard on *Proposed European Union Action Programme for Life-Long Learning* from witnesses to be confirmed.

*Note: Committee Meetings can change from Public to Private without warning*

## DIARY OF EVENTS

**2004**

UK Parliament **21st December**  
Recess starts

**2005**

Luxembourg takes over **1st January**  
EU presidency

UK Parliament **10th January**  
Recess ends

UK takes over **1st July**  
EU presidency

**Germany's Four Reichs**  
by Harry Beckhough. **£5.00**

Idiosyncratic history of Germany by Englishman, El Alamein, Burma, Bletchley (codebreaker), who knew Adenauer well.

**The European Constitution In Perspective**

by *British Management Data Foundation*. **£27.50**  
Analysis and Review of 'The Treaty Establishing A Constitution for Europe'.

**The Great Deception: The Secret History of the European Union**

by *Christopher Booker & Richard North*. **£20.00**  
A comprehensive history of the European Union project.

**Saving England**

The Case for Independence: Why England Should Declare UDI  
by *Vernon Coleman*. **£8.99**  
Coleman, inimitably and deadly accurately spells it out in 85 short chapters.

**Voting on the Constitution: What Britain should know about the consequences**

by *Daniel Hannan*. **£7.00**  
The implications of a British 'No' vote.

**Britain and the European Project**  
by *Christopher Hoskin*. **£3.95**

Reflections on sovereignty, history, politics, psychology and economics. How they point to the UK regaining her independence.

**The Missing Heart of Europe**

Does Britain hold the key to the future of the Continent?  
by *Thomas Kremer*. **£11.99**  
Can nation states flourish in an integrated Greater Europe? A European businessman's view of the likely impact of divergent national cultures.

**The Essential Guide to the European Union**

by *Ruth Lea*. **£12.50**  
A detailed yet accessible picture, right up to date, of how the European Union works now and in the future.

**EUROPE**

**A Concise Encyclopedia of the European Union**

by *Rodney Leach*. **£14.99**  
The fourth update of this highly informative and necessary directory.

**A Cost Too Far?**

by *Ian Milne*. **£8.50**  
A fully worked out cost/benefit analysis of Britain's EU membership.

**The Fate of Britain's National Interest**

by *Professor Kenneth Minogue*. **£4.00**  
The author argues that the national interest is being undermined by legal activists and international bureaucrats.

**Galileo - The Military and Political Dimensions**

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<b>British Weights &amp; Measures Assoc.</b>	<b>020-8922 0089</b>

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**New Alliance 020-7386 1837**  
Save Britain's Fish 01224-313473

CROSS PARTY PRESSURE GROUPS

**Congress for Democracy 01372-453678**

CROSS PARTY THINK TANKS

**Bruges Group 020-7287 4414**  
Global Britain

Email-globalbritain@ukonline.co.uk  
**New Frontiers 020-7808 7772**

## POLITICAL PARTIES

**Conservative 020-7222 9000**  
Rt Hon Michael Howard MP

**Democratic Party 01684-891700**  
Mr Geoff Southall

**Labour 020-7802 1000**  
Rt Hon Tony Blair MP

**Liberal 01562-68361**  
Mr Michael Meadowcroft

**Liberal Democrats 020-7222 7999**  
Rt Hon Charles Kennedy MP

**New Britain Party 020-7247 2524**  
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**UK Independence Party 0121 333 7737**  
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