

Still no idea about *how* to get Britain into the euro

Thankfully, there is a weakness at the heart of the Government's strategy - which hardly anyone seems to have noticed

By Anthony Scholefield

Despite its complexity and length, some commentators who were called on to provide instant analysis of Gordon Brown's very long awaited assessment of the five tests drew some of the right conclusions.

No need to quarrel with those who spotted the assessment's intellectual weaknesses (see *eurofacts* 27th June). Or with those who pointed out that it is shockingly short term in its appraisal, perhaps not surprisingly so given that Gordon Brown's economic stewardship increasingly threatens to test to destruction the tax and spend economic philosophy. In this regard, the most remarkable omission, given the purpose of the exercise, is a long-term analysis of the eurozone's prospects; there is merely a flat assertion that Britain will not have to pay for eurozone pensions.

Two Routes

Political analysts who grasped that putting off the euro decision for another four years means probably putting it off for ever also got it right. With the EU Commission acknowledging in its 2002 Review that the eurozone's share of output will shrink from 18 per cent to 8 per cent in the next 45 years, who in his right mind would wish to sign up to the euro?

But what has gone unnoticed is that after all its deep thinking the Government evidently has still not worked out *how* to get Britain into the single currency.

There have always been two possible routes. The first is by means of an enabling referendum with the electorate asked a vague question such as, "Should Britain join the euro?" The other way in is through negotiations which would settle the rate of entry before a question is put to the electorate - the route followed by

the Danish government.

In his Assessment, Gordon Brown informs us, "Whenever the decision to enter is taken by the government it should be put to a referendum of the British people." This would imply that the government wishes to go for an enabling referendum at the time of a decision to enter negotiations, rather than at the end of them when a decision to enter had been reached. A study of the Third National Changeover Plan and comparison with the First National Changeover Plan of 1997 reveals that the amount of detail on the joining process has been greatly reduced and the summary of the Maastricht Treaty joining process has been omitted.

Left to Foster

The proceedings of the recent Treasury Select Committee demonstrate that the Government's own MPs have no idea what is actually going to happen. The proceedings reveal contradictions between Klaus Regling of the Commission who states that Britain must adhere to the terms of the ERM before joining the euro, and Gordon Brown who flatly asserts that this is not the case. Euro-enthusiasts may wonder why matters like this have not been resolved, but left to fester.

The differences came to light when Gordon Brown was asked directly if the electorate would know the rate and terms of entry before the referendum vote, but refused to give an answer. Klaus Regling said that as the referendum was an entirely internal British matter, it would have to be got out of the way before the real negotiations started with the EU institutions and member governments.

Yet the Treasury Committee reported: "The exchange rate is of critical importance to the assessment of the Five Tests." It also stated: "It is

important that the electorate knows, at least in approximate terms, the Government's view of an appropriate exchange rate range before they are asked to vote in a referendum."

In similar vein, Chris Bryant, Labour MP and Chair of the Party's European Committee, said on Newsnight, on 5th June 2003, "We must know the exchange rate and the conditions of entry before coming back to the British people."

Some commentators have expressed irritation at the Labour Government's continuous postponement of the euro decision. However, what is extraordinary, is that, despite Gordon Brown's statement, we are no nearer knowing what the referendum is to be about.

Deep Hostility

Certainly, given the public's deep hostility to the single currency, it is hard to imagine the successful launch of an enabling referendum campaign unless the Prime Minister is able to answer the very first question he will be asked - "At what rate do we enter?"

However, even if the government went down such a route and, surprisingly, got the result that Tony Blair so badly craves, it would have put itself in an extremely weak negotiating position with the EU institutions and the euro zone governments. Facing a British government that had just won a referendum on the issue, they would be in a position to stiffen the terms and the British government, if it disagreed, would be faced with the politically damaging position of either accepting them, or going back to the British people and saying: 'Sorry, the project's off and the referendum was a complete waste of time.' It's hardly a vote winner!