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The Portuguese crisis is symptomatic of a systemic failure in the European project

Bill Cash MP

Although it is asserted continuously that it is in Britain's interests to support the eurozone and its stability in our national interest, this overlooks the fact that the Portuguese crisis, as with Greece and then Ireland, are not only tragic in themselves but in the real world are symptoms of a deeper structural problem within the European Union.

These deeper structural problems are the reasons why the European project does not work and come from the lack of underlying competitiveness within the European Union and global lack of competitiveness of the Union as a whole. These in turn come from the lack of intrinsic democracy in the differences between the Member States, the failure to respond to the need for reform, which neither the Lisbon agenda or the 2020 strategy will put right.

The fact is that the one size fits all approach and the uniformity demanded by the EU simply cannot work because of intrinsic political and cultural differences between the 27 Member States. The economic power of Germany and its central position and the dependents of other countries upon her – both politically and economically – and the economic distortions created by the cohesion funds which take up a vast amount of the EU budget, the failures of the Common Agricultural Policy and the failure to show any real form of the overregulation within the EU as a whole (including the Working Time Directive and social and employment legislation) simply doesn't allow the oxygen for enterprise and small businesses which is needed for them to be successful.

Much of this was pointed out during the Maastricht debates but in the years since then, the European project has moved towards greater and greater integration but with huge internal contradictions between the internal context provided in the Treaties culminating in Lisbon on the one hand and the diversity of the Member States on the other – leading to riots, protests and the collapse of countries such as Greece, Portugal and Spain. In other words the problem is one of systemic failure which requires radical renegotiation.

Unfortunately, Portugal and the eurozone countries are contaminated by these problems. While Eurorealists have always argued that those problems exist, the European Union has by moving towards greater centralisation and by refusing the results of referendums and by undemocratic insistence on the European project has actually created this implosion.

I am afraid Portugal and the eurozone countries have made their bed and now they will have to lie in it. Europe insisted that the eurozone arrangements entered into – starting with the Stability and Growth Pact – would take care of the

eurozone countries but they abandoned the rules and built up huge debts which have led to their collapse.

The UK's exposure towards the euro bailout is expected to be around £4.4bn – by way of a guarantee – on the basis that the European Financial Stabilisation Mechanism is to be used. This was entered into by Alistair Darling and the Chancellor of the Exchequer acquiesced into this arrangement. It was legally unsound and there is no sensible basis upon which the United Kingdom should be expected to make this guarantee. (It is possible the European Financial Stability Facility (EFSF) will be used). Britain is not part of the eurozone and should not have been expected to enter into this arrangement which is "legally unsound" or unlawful, because Article 122 is to do with natural disasters and not financial mismanagement. The British taxpayer should not be expected to have this added to the national debt even as a contingent liability in these circumstances.

The EU Commissioner for Economic and Monetary Affairs, Olli Rehn has confirmed that the European Commission as well as the IMF has received yesterday a formal request from Portugal for EU financial assistance. The European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF) are now sending a mission to Portugal to establish the details of the help needed.

The Portuguese finance minister, Teixeira dos Santos, is explaining to his colleagues the Portuguese's economic and political situation.

The Ecofin meeting of EU finance ministers – including George Osborne – will have preliminary talks on Portugal's bailout request, including terms, conditions, amount but no formal decisions are expected just yet. Apparently, the Chancellor has re-arranged his schedule to attend in place of Treasury minister Mark Hoban.

The EU finance ministers are expected later this afternoon to approve sending a mission of the European Commission, ECB and IMF to Lisbon to negotiate the terms of the support programme.

Although there is serious concern over whether Portugal's caretaker government can agree to the austerity measures that the EU would insist on in return for help, the British Government should lead by example insisting we will not be exposed to the eurozone failures.

Bill Cash is MP for Stone and Chairman of the House of Commons European Scrutiny Committee

100 Reasons why the British people must vote 'No' to AV

1. The principle of putting to the British people a voting system such as the Alternative Vote (AV) which violates the basic principle of the individual use of freedom to exercise choice at the ballot box, and not to have that vote reallocated in any other way, is indefensible and dangerous.
2. The existing first past the post system has actually been very effective throughout British history. An AV system is unnecessary.
3. AV is only used for national elections in just three countries – Fiji, Papua New Guinea and Australia, and even there most people want to get rid of it.
4. In the last Australian elections under AV, they now have a Labour Prime Minister even though the Conservative candidate, Tony Abbott, received the most first preference votes and should be Prime Minister. They now have a Labour PM, Julia Gillard, because, under AV, the Labour candidate was assigned many second and third preference votes from voters voting for losing candidates. Still, each to their own.
5. In the United Kingdom, there is a strong party-political biased advantage in the proposal on the AV favouring certain parties at the General Election, including the very party that has now put forward the proposals – the Liberal Democrats.
6. The AV system does not mean a move towards greater proportionality – in many circumstances it is even less proportional than first-past-the-post system.
7. In a democracy, it is a fundamental right that every citizen should cast an equal vote. The AV system denies that basic right.
8. Winston Churchill described AV as 'the most worthless votes for the most worthless candidates'.
9. The current official positions of the main political parties on the AV system are radically different – if not, completely opposing – to the pledges made in their own political manifestos less than one year ago.
10. The Conservative Party manifesto actually stated: "We support the first-past-the-post system for Westminster elections because it gives voters the chance to kick out a government they are fed up with." For Conservatives, it therefore follows that voters continue to support the first-past-the-post system for Westminster elections and reject AV.
11. The Liberal Democrats' manifesto said that it would "change politics and abolish

safe seats by introducing a fair, more proportional voting system for MPs. Our preferred Single Transferable Vote system gives people the choice between candidates as well as parties". It dismissed any notion of the Alternative Vote. For Liberal Democrat voters, it naturally follows then that they should reject AV.

12. As for the only mainstream party that has pledged the Alternative Vote, the last Labour Party manifesto pledged a commitment to "referenda, held on the same day, for moving to the Alternative Vote for elections to the House of Commons and to a democratic and accountable Second Chamber". When it came to the commitment to implement that undesirable pledge, they opposed a referendum on the AV system in the Commons – a welcome U-turn. In line with that view, a large number of Labour legislators now appear opposed to the AV system and are campaigning for a No vote.

13. Nick Clegg allegedly described the proposed AV system as a "miserable little compromise" before the last general election.

14. The reason why the referendum itself came about is that a deal was struck between the Liberal Democrats and the Conservatives in the coalition agreement, a part of which meant that the two measures (one on AV, one on culling MPs constituencies) had to be brought before the House together because otherwise the Liberal Democrats would not secure their unusual referendum on AV. Vote against the deal – the British people had no say in it and it is not in the national interest.

15. There had been no pre-legislative scrutiny on the proposals to have a referendum on AV. If there had been, it is improbable that the proposals would have been passed in Parliament.

16. Insufficient background and reasons have been given for holding a referendum on AV before it was presented to the people and Parliament – compare that with proposals on any other referendum in the United Kingdom, which have often been necessarily subject to initial public consultation, a White Paper and pledged in political party manifesto commitments. It must not be accepted.

17. Deputy Prime Minister Nick Clegg incorrectly insists the change is necessary to restore public faith in politics – but this form of change to the voting system will further damage the political system itself and the public faith that the electorate have in this nonsensical third-rate politics.

18. There are serious unanswered political questions as to why the British people are being asked to vote in a referendum on the given date. The Alternative Vote referendum should have been held on a mutually-agreed date between the Houses of Parliament and the devolved administrations in Wales, Scotland and Northern Ireland – rather than allowing the Deputy Prime Minister to set the rules in secret and with political motive at the time of other elections.

19. It is a farcical arrangement and the British people must not accept the Alternative Vote system which is about to be spuriously presented to them in a referendum as proper electoral reform or “restoring faith in politics” but which will rob them of their entitlement to a proper and British democratic election for decades to come.

20. AV will simply not get rid of supposed ‘safe seats’ or negative campaigning, as some ‘Yes’ campaigners have suggested.

21. Hung Parliaments would become the norm rather than the exception with behind closed-doors haggling between politicians. This would in turn make the formation of Coalitions more likely and political party manifestoes meaningless – why vote for an MP, within the context of his/her Party, when once elected, they abandon all pledges for a recycled anti-democratic agenda upon which the electorate did not vote.

22. AV will not make MPs more accountable – to the contrary, it will produce a new style of politics which will make MPs less accountable.

23. While under the current system of First Past the Post, everybody gets one vote, under AV, those who support extremist parties like the BNP would get their vote counted many times. This would mean that voters who vote for one of the mainstream candidates would only get their vote counted once.

24. For those concerned about the costs of maintaining modern politics, it will come as no surprise that the calculation of results following elections will be a long (not to mention opaque) and drawn out process which will lead to a significant rise in the costs, all paid for by the British taxpayer.

25. As well as being wrong on point of principle, the AV yes campaign also produced leaflets that strangely ‘airbrushed out’ a supporting black poet (Benjamin Zephaniah) for Home Counties readers, demonstrating a disturbing approach in providing a political message.

26. Prime Minister David Cameron has branded the alternative vote (AV) system “undemocratic, obscure, unfair and crazy”.

27. Under AV, we would create an extremely unfair voting system in which, if the candidate closest to first does not achieve 50% of the vote, it then falls to the votes of the lowest ranked candidates which are counted until one of those candidates gets over the winning margin. On this token, those who vote for extremist parties have their votes counted several times, while those voting for mainstream parties have their votes counted just once.

28. As Councilor Terry Paul in the London Borough of Newham has written “I feel it’s important to reject this proposed form of AV, which will provide legitimacy and electoral

support for fringe and extremist parties, such as the BNP”, and he highlights how BNP leader, Nick Griffin, had said “Under PR we could easily fill a bus with BNP MPs ... The introduction of PR to Britain will dramatically change the face of British politics and propel the BNP into the mainstream political debate once and for all.” So, vote No to AV.

29. In addition to the Yes campaign being wrong on a matter of principle, the Information Commissioner’s Office has confirmed that the activities of the Yes campaign ‘raise concerns’, when thousands of voters were being cold-called by Yes campaigners hoping to change the voting system, ignoring the rules which are supposed to protect people from cold calling.

30. As Lord Tebbit has recently suggested “Unless we are prepared to face a massive wave of anger from the normally law-abiding electorate which has always been ready to accept the electoral rough with the smooth in the cause of getting unambiguous, undisputed outcomes to general elections, we would be well advised to kill AV by a huge majority on May 5.”

31. William Hague, the Foreign Secretary has said AV was the “worst of both worlds” and “the trouble with the AV system is it is a likely to produce election results which are more indecisive, are more disproportionate, and are even both at the same time.”

32. Our current system, which gives one person one vote, is easy to explain, easy to understand and is fair.

33. The Prime Minister, David Cameron, has been right to say that AV “would be bad for our politics” and “bad for our democracy”.

34. The cost of AV, including the cost of holding the AV referendum itself, has been estimated to be £250 million by the NO to AV campaign.

35. The aim of AV is to make the Liberal Democrats ‘kingmakers’ after each election.

36. A letter in the *Times* from leading historians – Professor David Abulafia, Dr. John Adamson, Professor Antony Beevor, Professor Lord Bew of Donegore, Professor Jeremy Black, Professor Michael Burleigh, Professor John Charmley, Professor Jonathan Clark, Dr Robert Crowcroft, Professor Richard J Evans, David Faber, Professor Niall Ferguson, Orlando Figes, Dr. Amanda Foreman, Dr. John Guy, Robert Lacey, Dr. Sheila Lawlor, Lord Lexden, Simon Sebag Montefiore, Professor Lord Norton of Louth, Dr. Richard Rex, Dr. Andrew Roberts, Professor Richard Shannon, Chris Skidmore MP, Dr David Starkey, Professor Norman Stone, D.R. Thorpe, Alison Weir, Philip Ziegler – accurately states: “Our nation’s history is deeply rooted in our parliamentary democracy, a democracy in which, over centuries, men and women have fought for the right to vote. That long fight for suffrage established the principle

of one man or woman, one vote. The principle that each person's vote is equal, regardless of wealth, gender, race, or creed, is a principle to which generations of reformers have dedicated their lives. It is a principle upon which reform of our parliamentary democracy still stands. The referendum on 5th May which threatens to introduce a system of 'Alternative Voting' – a voting system which will allow MPs to be elected to Parliament even if they do not win the majority of constituents' first preference votes – also threatens to break this principle."

37. Labour leader, Ed Miliband, wants AV but having considered all the reasonable grounds for AV, hardly any Labour MPs in his own party can agree with him. More than 150 Labour MPs and peers put their weight behind the "Labour No to AV" campaign in Westminster, as the Labour leader addressed a Labour Yes rally in March.

38. The Prime Minister, David Cameron, has made clear that "If we'd used AV at the last election, there would be the chance, right now, that Gordon Brown would still be Prime Minister."

39. It is claimed by Yes campaigners that AV would bring an end to negative campaigning but since 1993, almost two-thirds of Australian political advertisements have been negative. That is double the current rate in the UK.

40. Former Labour Deputy Prime Minister Lord Prescott said: "AV is the system nobody wants. It is a shoddy little deal that the Lib Dems made as their price for power."

41. BBC broadcaster Lord Robert Winston said: "AV would lead to more coalitions, meaning more broken promises and more manifestos thrown in the bin. Politicians would say whatever they could to get into power."

42. It was reported in various newspapers that Labour Yes to AV spokesman Neil Kinnock allegedly owns a significant shareholding in the company partnered with the Electoral Reform Society to provide electronic vote counting machines. In addition, the Electoral Reform Society's profit-making subsidiary – Electoral Reform Services Ltd – earns over £21 million a year administering complicated ballots, including for the London mayoral elections and Scottish Parliamentary elections. MPs are calling for an investigation into a £909,517 donation made by the Electoral Reform Society to the "Yes to Fairer Votes" campaign. It is alleged that this offshoot of the society, administering ballots, could "benefit from a potential bonanza in lucrative contracts" under proposed reforms of the voting system. Given what they stand to benefit from any change to AV – which needs to be looked into – and the referendum itself being a politician's fix, why would anyone support it?

43. As Baroness Warsi wrote in *The Sun*, "Look around the world and you see the

legacy. Some 2.4 billion people use our voting system to choose their governments. It's the most widely used system in the world."

44. It is no coincidence that the official guide to the May 5 referendum which is being sent to every home in the UK, sums up the present British voting system in just seven words: 'The candidate with the most votes wins' – yet the guide requires more than three pages to explain the basics of the Alternative Vote. It is a flawed system and must not be accepted.

45. The Yes campaigners have brought in propaganda in place of principle – it has abandoned arguments of meaningful principle on which it cannot win, throughout its literature, and instead relied on celebrity-styled support.

46. It is claimed by Yes campaigners that MPs would need to secure at least 50% of the vote under AV but the AV system being offered in the referendum enables the ordering of preferences to be optional. Given that voters would not make use of every preference, given that it is optional, a large number of MPs would win with less than 50% of the vote. Experts have demonstrated that more than 4 out of every 10 MPs would be elected with the endorsement of less than 50% of the voters' – therefore, many MPs would in fact not need to secure at least 50% of the vote under the AV system.

47. As Joan Ryan, Deputy Campaign Director of NO to AV, wrote on Labourlist.org, "In close marginal seats, why should the winner be decided by the second preferences of fringe parties? It's absurd and unfair that these parties would be rewarded, while mainstream voters don't get to have their second preferences considered."

48. John Healey MP, Shadow Secretary of State for Health, wrote in the *Independent* "We could expect more votes (or first preferences) going to fringe candidates and we could also witness the unedifying prospect of the major parties chasing transfers from racist, bigoted, eccentric and single-issue candidates."

49. Matthew Elliott, the Campaign Director of NO to AV has said that they have "shown how AV is a politicians' fix, bargained for by Nick Clegg last May, and enabling him – and not the voters – to choose the government."

50. Vernon Bogdanor wrote in the *Guardian*, "... the growth in support for third parties and the decline in the number of marginal seats mean that hung parliaments and coalition governments have become more likely. They will be even more likely if the alternative vote, a preferential electoral system – likely to help the Liberal Democrats, the second choice of many voters – is endorsed by voters in the forthcoming referendum."

51. It is claimed by Yes campaigner's that AV would not waste votes, as they suggest is done under the existing system, which as a most basic political issue, is wrong. Under one person, one vote system, to describe any vote by that person as wasted is simply wrong. If the campaigners are even referring to a seat won under AV with just over half the vote, it is not accurate to refer to those who did not vote that way as 'wasted'. That vote was their democratic right, not an arithmetical tactical ballot.

52. It is claimed by Yes campaigner's that AV would get rid of tactical voting, which is completely false, because AV would create a new and dangerous level of tactical voting. For example, in a seat where Party X and Y may appear to be losing, someone who votes for Party Z might assign their first preference to Party X to keep out Party Y. Because of a bad voting system, the voter would have given up their vote made on the basis of their own primary interest.

53. The Prime Minister, David Cameron, has made clear that "if you vote for a fringe party who gets knocked out, your other preferences will be counted. In other words, you get another bite of the cherry." To put this directly in context, he added "I don't see why voters of the BNP or Monster Raving Loony Party should get their votes counted more times than supporters of the Conservatives or for that matter Labour or Liberal Democrats."

54. Current and former Conservative and Labour Foreign Secretaries, Foreign Ministers, EU Ministers – including William Hague MP, Margaret Beckett MP, Sir Malcolm Rifkind MP, Lord Hurd of Westwell, Lord Howe of Aberavon, Keith Vaz MP, Tony Lloyd MP and Caroline Flint MP – wrote a letter to the *Times*, stating that "Those of us who have represented Britain internationally know that one of the many reasons why we have always punched above our weight is our simple and straightforward voting system, a system that everyone can understand, because it gives one person, one vote. Democracies all across the world have been founded on the example of our voting system. Today, billions of people elect their representatives through the system of one person, one vote. It took many centuries for the principle of one person, one vote to become enshrined in our democracy. And now that it is there, we believe it would be a grave error to abandon this principle and replace it with a voting system that is more complex, more confusing, more costly and more unfair. For these reasons, we will be saying 'No' to the Alternative Vote on May 5 and urge others to do the same."

55. As Labour MP, Caroline Flint said, "One vote is all I need to vote for the party I believe in – Labour", adding "Why should those who vote for fringe parties have the chance to vote again and again until their vote finally decides the outcome?"

56. Parliamentary Labour party chair Tony Lloyd has said "The only party to benefit from AV would be the Lib Dems. I believe that voters should keep the right to evict one government and choose another. We shouldn't be handing that power to Nick Clegg

and the Liberal Democrats.”

57. Conservative Former Foreign Secretary, Lord Hurd, has said “Of course, we often grumble about the results of an election – that is natural enough. But by and large we do not quarrel with the system which produces that result. It seems fair and simple. So it would be a great mistake, and very surprising to the rest of the world, if we went for AV, which is complicated as well as unfair.”

58. Proponents of AV often argue that the current electoral system disenfranchises voters who live in ‘safe seats’, even though research has proven that under the existing system at least 85% of constituencies representing approximately 39 million voters in the UK today are either marginal or give voters at least a reasonable chance of changing their Member of Parliament. Under the existing voting system, there are in fact surprisingly few ‘safe seats’ where people’s votes don’t count (Fabian Richter, *The Evaporating Case for Electoral Reform*, Centre for Policy Studies, 2011).

59. It is claimed by Yes campaigners that MPs get ‘jobs for life’ under the current voting system, despite it being widely understood that AV would make no difference at all in nearly 300 seats where the sitting MP has 50% or thereabouts of the vote. Many political analysts predict the reverse – that AV will actually create new safe seats where a voters’ second preference consistently protects one candidate.

60. It is claimed by Yes campaigners that AV would do away with having a small number of swing seats determining elections yet, regardless of voting system, elections will always focus on the most competitive seats. That is the nature of politics and will certainly not change under AV.

61. Even Ben Bradshaw MP, Director of Labour Yes to AV stated “If one of the reasons that we want reform is to rebuild public trust and confidence in politics, make MPs more accountable, give more power to people and establish a political and parliamentary system that more reflects the will of the public, then AV doesn’t deliver that” (*New Statesman*, 5 November 2009).

62. Mayor of London, Boris Johnson, wrote in *The Telegraph* that “Alas, the whole thing threatens to be a bit of a damp squib. Which is a shame, because the more closely people focus on what is being put to the people on May 5, the more clearly they should see that this is a gigantic fraud.”

63. The independent commission chaired by the senior Liberal Democrat Roy Jenkins in 1998 warned that AV was “even less proportional” than our existing system, and went on to say that it was “disturbingly unpredictable”. Why then should we go on to ask people if they want to support that dysfunctional voting system? Vote No.

64. Even Wayne David MP, Spokesman for Labour Yes to AV said “I am convinced

that first past the post is the most appropriate method of election in this country for all tiers of government” (*Hansard*, 9 February 2010).

65. The AV system may well create new safe seats – a candidate who ends up winning by receiving 40 per cent of first preferences and 20 per cent of second preferences could be referred to as being in an ‘AV safe seat’.

66. The AV system will not ensure a more representative parliament because no matter what percentage of the vote they get, MPs represent their entire constituency.

67. Our current electoral system creates strong, accountable and stable governments.

68. It is claimed by Yes campaigner’s that AV is a proportional voting system even though it clearly is not. Experts have shown that in three out of the past four British elections AV would have produced more disproportionate results than under the existing system of first past the post.

69. Even the Electoral Reform Society, which is bankrolling the Yes to AV campaign, has called AV a “very modest reform” and said it would not be “suitable for the election of a representative body, e.g. a Parliament” (*Electoral Reform Society Press Release*, 10 May 2010).

70. It is claimed by Yes campaigner’s that AV would end the negative campaigning during elections, which is simply not true. In fact, in Australia, a key country where the AV system exists, one commentator, Tim Colebatch, said of last year’s election in Australia: “A negative campaign, where the leaders stood for less than ever before, and insulted voters’ intelligence more than ever before. Both sides asked us to vote against their opponent, rather than giving us reasons to vote for them.”

71. Our current electoral system enables each person to vote for the candidate they support and the one with the most votes is declared the winner. The AV system is too complex for an electoral system and must be rejected.

72. The very proof that this referendum is a ‘politician’s fix’, demanded by the Liberal Democrats in order to reach a Coalition deal, lies in the fact that the Government blocked any attempts to set a 40% limit on the threshold of this referendum – which would have guaranteed a reasonable, cross-party agreement from the electorate on this huge constitutional issue. An amendment by Lord Rooker to introduce a 40% turnout threshold in the referendum on AV was backed at one point by 219 peers to 218 in the House of Lords – which was, in later votes, given increased support – after William Cash MP had already moved the amendment in the House of Commons to insist on turnout of 40 per cent or more for the AV referendum which was voted down. However, in ending the stalemate, the amendments were rejected.

73. The existing first-past-the-post system means that electors can choose Governments. As Labour MP, Kelvin Hopkins told the House of Commons “The sovereignty of Parliament is something that voters hold very dear. We are not a polity where people mistrust Government, as is the case in many other countries, where people have had experiences that have made them historically mistrust Government. We accept that Parliament decides things on behalf of voters and if they do not like what we do, they can get rid of us individually and collectively and change their Government. One of the reasons why, among other things, I so strongly support the first-past-the-post system is that it means that electors can choose Governments.” He added that “... such a system means that Governments are not created by post-election deals between parties.”

74. As William Cash MP told the House of Commons on the Bill providing for the AV referendum, it “...violates constitutional principle. It violates the manner in which for 150 years we have conducted our parliamentary processes by first past the post. That is a principle that was upheld by people such as Disraeli and Gladstone, and even Lloyd George until the Liberal party decided, under his leadership or his influence at the time, that it might not be so convenient because the votes would not follow what he had to say.”

75. Even Neal Lawson, Yes to AV campaign board member has said “I’m sorry but I am not a fan of AV. It can lead to even less fair outcomes than first-past-the-post and that to me is the critical point” (*The Guardian*, 4 December 2009).

76. Conservative MP, Julian Lewis told the House of Commons “...first past the post is so called for a reason, because it rightly suggests that the horse that wins the race deserves to get the prize.” We should not let AV violate that principle.

77. As Conservative MP, Neil Carmichael told the House of Commons “The alternative vote system is unfair, expensive and discredited. Even members of the support team for the yes side do not really want it.”

78. AV can be much more disproportional than our existing system, because experts say it would have produced even larger majorities for Labour in 1997 and in 2005 – when the Labour Party achieved only 35.3% of the UK vote, it would have had a majority of 108, compared to 66 under the existing system (Dr Robert McIlveen. Edited by Natalie Evans, *‘The Alternative Vote – the system no-one wants’*, Policy Exchange, October 2010).

79. Experts have shown that if the Alternative Vote had been in use at the 2010 General Election, the Liberal Democrats would have won 32 more seats, whilst cutting 22 MPs from the Conservatives ranks, and 10 MPs from Labour. The legislation has been passed and this referendum offered purely to satisfy the Liberal Democrat leadership. It is not in the national interest.

80. As political commentator, Graeme Archer explained on ConservativeHome, “To speak in English rather than mathematically, the problem is that my last vote – for the candidate I want the least – counts as much as your first one. And that’s not just a theory; it will happen with AV. The second choices of people will start to outnumber the votes of a larger group of people who picked another candidate as their first choice. In what benighted worldview can that possibly be described as ‘fair’?”

81. As Daniel Kawczynski MP, a co-chairman of the All-Party Parliamentary Group for the promotion of first-past-the-post has written previously, “What AV allows is two classes of voter, those who will cast one vote and those who will have two or three bites of the cherry. In a tight contest where no overall majority is achieved, the second preference votes are then counted up and have the same weighting as the original votes. My key question is this, why should someone’s second preference vote, essentially the ‘I don’t like this candidate much, but will allow them as an alternative’ count as much as my original vote?”

82. This AV option is merely a politician’s leadership fix, which is evidenced in the fact that – as Peter Bone MP’s parliamentary question showed – a total of 1,169 amendments were tabled by MPs and peers to the Bill providing for a referendum, but only 3 non-Government amendments appear to have been accepted by the Coalition on the Alternative Vote. It was rammed through Parliament without proper scrutiny by the Government.

83. AV can be much more disproportionate than first past the post – for example, in 2010 – when Labour achieved only 29% of the vote – it would have delivered them almost as many seats (248) as the Conservatives, on 36.1% of the vote (283). (Dr Robert McIlveen. Edited by Natalie Evans, *‘The Alternative Vote – the system no-one wants’*, Policy Exchange, October 2010).

84. As Conservative MP, Christopher Chope, said in the House of Commons, “It is semantics to say that people have only one vote, but some people’s votes may be counted more than once; that is the equivalent of saying that some people have several votes and some have only one, but if that is how the proponents of AV wish to try to campaign in the AV referendum, so be it.”

85. As Max Wind-Cowie of the think tank, Demos, has commented “...whatever your view on whether AV makes politics better or worse, there is no arguing with the fact that it will lend more influence and more power to supporters of extreme politics. And it is fundamentally dishonest for AV supporters to claim otherwise – especially seeing as their own spokespeople are more than happy to acknowledge the truth in private.”

86. Former Home Secretary David Blunkett says, “People’s trust in politicians has been at an all-time low, so what they don’t want is the kind of back-room deals that you’re more likely to get with AV. Above all, we expect to have one vote – one voter,

and each vote counts equally.”

87. As Bernard Jenkin MP wrote on ConservativeHome of the UK Labour leadership contest under the AV system, “In the case of Labour’s leadership contest, the younger Miliband has become the new Leader of the Opposition by targeting a core section of the Labour Party – the trade unions and affiliates, who subsequently tipped the balance in his favour. David, by contrast, tried a broader appeal – to be the Obama ‘change’ candidate The Alternative Vote lesson learned here is that far from removing the cause of tactical voting, the Alternative Vote creates the conditions where tactical electioneering becomes the only way of winning a tight race.”

88. It is claimed by Yes campaigner’s that not only would AV help create a new politics but in doing so it would boost voter turnout. However, in Australia, turnout fell after the Alternative Vote was introduced, from 78% before AV, 72% at the first AV election, and then 59% at the second AV election, and as a consequence of which Australia was forced into making voting compulsory. AV would certainly not help to boost voter turnout – furthermore, as a country with a strong tradition of one person, one vote, an AV electoral system would inevitably lead to growing disaffection.

89. AV can lead to perverse results – when the party winning the most votes does not win the most seats. The record of AV in Australia meant that three elections between 1969 and 1998 delivered a perverse result. In that same period it happened once in the UK, in February 1974 (Dr Robert McIlveen. Edited by Natalie Evans, *‘The Alternative Vote – the system no-one wants’*, Policy Exchange, October 2010).

90. It is claimed by Yes campaigner’s that AV would support or give a voice to smaller parties which is simply not true and one study in Wales indicates that Plaid Cymru could even be wiped out, losing all 3 of its current seats and a further study by Professor K.D. Ewing and Dr. Graeme Orr said “a small party is unlikely to win any seats under AV.”

91. It is claimed by Yes campaigner’s that under AV, “Our parliament will better represent our communities. MPs will have to have a better view of what your community thinks – and that’s because they will have to listen harder to your views.” However, it is not true to state that the AV system will have any impact whatsoever on representation of communities or indeed on an MP’s auditory functioning.

92. Pro-AV campaigners have used questionable political literature to persuade voters and it is widely suggested that a leaflet urging the public to vote ‘Yes’ in the AV referendum is misleading – even by the minister who guided the legislation through Parliament – as it is said to include the local electoral registration officer’s details and a blank postal ballot form for the householder to request a vote by mail. This has misled a number of voters who have been led to believe that the leaflet is actually an official document inviting them to apply for a postal ballot.

93. Labour MP, Emily Thornberry, on the BBC website has made an interesting contrast between voting systems, “First-past-the-post builds a direct relationship between a community and their MP. Residents come together to decide who most people want as their national representative. No one has more than one vote and it has to be cast responsibly. The Alternative Vote is sectarian and self-serving and it will not improve people’s lives.”

94. Conservative MP, Douglas Carswell, has written on his blog, “Far from allowing an increasingly consumerist electorate a wider spectrum of choice, AV mitigates against niche and distinctive voter choice. It will leave us with a politics that is even more bland and generic. Career politicians will love it”

95. As Labour MP, Austin Mitchell wrote in the Tribune Magazine, “AV is neither fair nor proportional. It produces local frustrations when an apparent winner is demoted in favour of a candidate who lost in the first round, particularly since the electors won’t be consulted again on how their second preference should be allocated– as they are in France’s two-ballot system.”

96. Former Labour home secretary, Lord Reid, has said “There is no credible intellectual or political case that can be made for AV”.

97. Jonathan Isaby on ConservativeHome describes how one of the leading proponents of the Yes to AV campaign, Chris Huhne MP, has outlined his desire to see the ‘Europeanisation’ of British politics with its perpetual hung parliaments – and which, he accepts, result in parties negotiating away their manifesto. On this basis, voters should reject the AV system.

98. GMB General Secretary Paul Kenny told the BBC his union had “long held the policy that the tried and tested first-past-the-post is the system that should be used for general elections for the UK Parliament”.

99. As Conservative MP, George Eustice, wrote on his blog, “One of the main arguments against AV is that it takes power away from the voters and gives it to politicians. Rather than voters deciding who the government should be and what its priorities are, under AV politicians tend to decide who the government is behind closed doors. That means more political stitch-ups and more broken promises.”

100. As Labour MP, Tristram Hunt has said, the existing first past the post is the “least worst” system.

Is Germany trying to control the City?

Sara Moore

Germany used to be viewed as the paymaster of the eurozone. However, Angela Merkel not long ago suggested that investors in weaker Euroland states should be prepared to take a 'haircut' and is now stipulating increasingly stiff terms for help. This German hard line led initially to the crisis in Ireland. Now Portugal is in crisis too and owing to a foolish pledge by Britain's former Chancellor, Alistair Darling, Britain may have to contribute a sizeable sum to bail out Portugal as well. Many worry whether Germany's end game is a take-over of Britain's banking industry, which was heavily involved in lending to Ireland and elsewhere. But Frankfurt has few attractions; surely it is inconceivable that the City of London could go there?

Frankfurt may be soulless but Berlin has reinvented itself as a tourist destination. It has three opera companies, numerous museums, a zoo and many historic sites. The German people have been irate for years at its profligacy. But maybe there is a reason for the expenditure. If Frankfurt does not appeal as a banking centre, historic Berlin might.

Naturally Germany covets the City. Her industry has to compete with China so it cannot pay large wages. Grabbing London's banking sector would be attractive, not only because it would solve Berlin's debt problems but also because of all the high-salaried opportunities it could create. Yet how could Germany manage to move City bankers from Canary Wharf to Berlin's boulevard Unter den Linden? The only way would be by undermining the structure of the City itself!

The British economy is recovering after the crash, yet as a global banking centre it has naturally lent money to many nations. Everyone applauded when George Osborne decided to be a good neighbour and offer Ireland a loan. Yet Osborne should be wary of making too many 'good neighbour' loans. History reveals that 'good neighbour' loans can lead countries to ruin.

Not many know that in the autumn of 1929 German newspaper magnate and prominent politician Alfred Hugenberg put Hitler on the committee of his successful petition for the government to hold a national referendum against Germany paying any war reparations. Although the referendum failed it gave Hitler a blast of publicity. In the summer of 1930 Germany put up taxes and transferred the payment of reparations from industry to the man in the street. This naturally caused unemployment. When elections were held in September 1930 voters remembered Hitler's fight against payments a year earlier and flocked to him at the polls. Horrified at his success, the international community

decided to be 'good neighbours' and offer the German government loans in the hope of keeping the country democratic.

In October 1930 Germany received a £25 million loan from the US. Then in February 1931 the US, Great Britain, Holland Sweden France and Switzerland stumped up a further £6.5 million.

However the money was spent in vain. In March 1931 Germany and Austria declared that they had formed a customs union in direct contravention of the terms of the Versailles Treaty. Austria's principal bank, the Credit Anstalt, then declared itself to be in difficulties. Britain's Montague Norman, alarmed that the banking system of the whole of South East Europe might fail, stepped in with yet another 'good neighbour' loan. However, his help for Austria merely hastened an economic crisis in England; by August 1931 there was a run on the pound.

Germany then also declared that her banking sector was in difficulties. On 5 June President Hindenburg decreed a drastic cut in salaries and increases in taxation and then asked for and eventually received a moratorium from America's President Hoover on Germany's war reparations and a 'standstill' on most of the country's 'banking credits expressed in foreign currencies.' Hoover made his 'good neighbour' gesture because of his wish to preserve German democracy. Yet reparations payments were never resumed and the Americans were also short-changed on their loans.

No one has made an accurate assessment of Germany's strength in 1931. It is a good negotiating stance to say that you are poor. Indeed the German people were poor but the country appears to have been sitting on a treasure chest. Weimar Statistical Office figures show that, despite German banks and businesses going bust in 1931, the Reichsbank held gold and foreign reserves to cover an astonishing 40% of the notes in circulation. In 1931, Germany became the world's greatest exporter. The country's rush to full employment under Hitler could easily have been because it had a powerful economy and had reneged on its debts, rather than the use of Keynesian economics.

Germany protested her poverty in the Great Depression and people believed her. However what Hoover did not know was that Germany actually used deflation on purpose between 1929 and 1933. Her objectives were to gain sympathy for reneging on war reparations, and to re-arm and return the country to dictatorship, which the leadership euphemistically termed a 'Presidential regime.'

Today Germany is taking her responsibilities seriously as

Europe's most powerful state. She is bent on eliminating debt from her own economy and exhorts other Euroland countries to do the same. Yet Germany's focus on savings impacts doubly on her weaker neighbours through lower export opportunities to Germany and a strengthening euro, to which they are all tied. And when they get into difficulties Germany demands draconian terms if they ask for help. First the crisis was in Ireland. Now it has spread to Portugal as the government has fallen over endorsing the swingeing spending cuts and tax hikes it was called upon to make.

In the 1920s the great question was, 'Can we trust Germany?' The international community decided that it could but statistics show that it was cruelly deceived. Yet Germany's economic policy today bears similarities with that in 1930, although this time it is causing unemployment in Southern Europe rather than in Germany itself. Meanwhile Professor Wilhelm Hankel of Frankfurt University has protested that 'Germany cannot keep paying for bail-outs without going bankrupt itself' while German Finance

Minister Wolfgang Schäuble has complained 'we're drowning in debts.' Could it be that Germany might precipitate another banking crisis as she did in the 1930s, while at the same time building up an industrial base capable of taking over stricken assets in Europe and the City of London?

No one has speculated on Germany's future ambitions. Worries that she might want to grab or control The City may be fanciful but history teaches us that George Osborne should exercise care over being a modern economic Sir Galahad and spending our precious national treasure on European bailouts, until we are quite certain that Europe is not going to be plunged into yet another new crisis by remarks by the German establishment in a month or two's time.

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EC pushes UK to European Court of Justice over environment challenges

Margarida Vasconcelos

The Environmental Impact Assessment (EIA) Directive and the Integrated Pollution Prevention and Control (IPPC) Directive provides that citizens have the right to challenge decisions concerning the impact of industrial pollution, and the potential impact that projects may have on the environment. It is expressly specified that such challenges "must not be prohibitively expensive." The UK has transposed these directives. However, according to the Commission, they have not been fully transposed and properly applied.

The Commission believes that the legal challenges in the UK are too costly and entail therefore a financial obstacle. According to the Commission, the high costs of UK legal proceedings is preventing NGOs from bringing cases against public bodies.

It is a rule in UK litigation that the losing party pays all or part of the winning party's costs. There is an exception to this rule whereby a "protective cost order" might be sought to limit claimant's exposure to the other side's costs where there is a public interest in the issue in question. The Commission has noted that "protective costs orders" "are now granted more frequently than in the past", nevertheless, the Commission is particularly concerned "about the lack of clear rules for granting such orders, and at their discretionary and unpredictable nature, which is not in line with the requirements of the Directive."

The Commission is concerned with a long-standing feature of the justice system in England and Wales, the requirement that an applicant for interim injunctions has to provide "cross undertaking in damages", promising to pay damages if the injunction is

deemed to be unfounded. According to the Commission "This puts applications for such orders beyond the reach of most applicants, although such orders can be essential to protect sites from environmental damage whilst litigation is ongoing." The Commission takes the view that cross undertaking in damages should not be required in support of an interim injunction in environmental judicial review claims. Where an interim injunction is not upheld, there is judicial discretion whether or not to enforce a cross undertaking. The UK might be required to amend civil procedural rules in order to clarify the factors that the Court will take into account in deciding whether to issue an interim injunction in environmental judicial review proceedings.

In March 2010, the Commission issued a final warning to the UK about "prohibitively expensive challenges to the legality of decisions on the environment." The European Environment Commissioner Janez Potočnik has urged the UK to make the challenges on the decisions affecting the environment "affordable." The Commission has recently pointed out that since the reasoned opinion was sent, one year ago, the UK government has not put in place legislative provisions to correct the situation. According to the Commission, the UK has failed to comply with this final warning and it has decided to take the UK to the European Court of Justice. This should be a matter for each Member State to decide but the ECJ is set to rule on the costs of legal challenges in the UK. The UK would be required to review its system for allocating costs in environmental cases within the scope of the abovementioned directives.

Bailout debate: why the Prime Minister should have repealed eurozone bailout mechanism or held a referendum

Bill Cash MP

As expected, the European Council on 24/25 March agreed on “a comprehensive package of measures to strengthen EU economic governance and ensure the stability of the euro area”, including the Euro Plus Pact, previously referred to as the ‘Pact for the Euro’ and the ‘Competitiveness Pact’. The European Council adopted the draft decision amending the Treaty to set up the future European Stability Mechanism (ESM). Angela Merkel was able to renegotiate the terms of European Stability Mechanism (ESM) recently agreed by the eurozone finance ministers. There was no agreement on expanding the size of the European Financial Stability Facility (EFSF). That decision has been postponed until June. There was, therefore, a lot of room for negotiations and the Prime Minister should have sought a better deal for the UK.

Last October, the EU leaders agreed to amend the Treaty in order to allow the creation of a permanent crisis mechanism by the Member States of the euro area. The European Council has launched the simplified revision procedure provided for in Article 48(6) TEU. Then, on 24 March, the European Council formally adopted the text of a draft decision amending Article 136 TFEU by adding a paragraph whereby the “Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole.” The permanent European Stability Mechanism will replace the European Financial Stability Facility (worth €440bn) and the European Financial Stabilisation Mechanism (worth €60 billion). The eurozone Member States have decided that the EFSF will remain in place after June 2013 (when it is set to expire), until all loans have been paid and all liabilities repaid. The European Council is expecting Member States to complete the procedures for the approval of this Decision “in accordance with their respective constitutional requirements” by the end of 2012 so that the Decision can enter into force on 1 January 2013.

The Minister for Europe, David Lidington, has been emphasising that the treaty amendment “does not apply to non-euro area Member States and cannot confer any obligations upon them.” However, I replied saying that “The issue is whether the United Kingdom is affected. The fact is that the arrangements in question do affect the United Kingdom.” Under the EU Bill a treaty or Article 48(6) decision would not be subject to a referendum if it involves “the making of any provision that applies only to member States other than the United Kingdom.” I drew attention to the fact that this is “a twin-track treaty”, meaning that the treaty’s arrangements are “... specifically designed to exclude the United Kingdom, even though we would be gravely affected

by it.” That was the reason that I tabled an amendment to the exemption provision, abovementioned, to be taken out of the Bill.

The UK has veto power over any treaty amendment, however David Cameron has not used his negotiating power effectively. The approach of claiming this is between eurozone countries, the measures will not affect the UK, is not defending British national interests. David Cameron should have rejected the Treaty amendment until it was crystal clear that such an amendment as well as the Euro Pact Plus had no impact in the UK. Given the imminence of a Portuguese bailout, David Cameron should have demanded that any future bailout should use just eurozone money and that Article 122.2 TFEU should not apply even before 2013. I said before the EU summit, “Now that the whole issue is under review, the Government should insist on the repeal of the existing mechanism and if not the new mechanism, which requires a Treaty change, should now be subjected to a referendum.” However, the Government has sought none of these options.

Last May, an Extraordinary Economic and Financial Affairs Council adopted the Regulation establishing the European financial stabilisation mechanism. Using Article 122 (2) to set up this mechanism meant that Britain was unable to veto such proposal as Qualified Majority Voting decided it. In fact, Former Chancellor of the Exchequer, Alistair Darling had no say in the creation of such a mechanism as it was decided one day before, behind closed doors, at a eurozone leaders meeting.

It is important to mention that under Article 122 (2), Union financial assistance may be granted to “a Member State (that) is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control” However, the Greek, the Irish, or the Portuguese crisis have not been caused by “...exceptional occurrences beyond [their] control ...”. Brussels went beyond the powers conferred by the treaties to provide a legal basis for the emergency funding. The European stabilisation mechanism is a violation of the “no bailout” clause – Article 125 TFEU that forbids Member States for being liable for the debts of another and a misuse of Article 122(2). The European Commission “is empowered on behalf of the European Union to contract borrowings on the capital markets” up to €60 billion, using the EU’s annual budget as collateral. Hence, if a beneficiary country fails to pay back the loan, all 27 EU Member States are jointly liable for any payments due and would have to pay into the EU budget to cover the default. According to the Government the UK’s contribution to the 2010 Budget is currently estimated at 13.8%.

At the UK's request, the EU leaders agreed, last December, that Article 122 (2), once the new mechanism entered into force, would no longer be needed to safeguard the financial stability of the euro area. The December European Council Conclusions as well as the recitals of the draft decision provide for that. However, the UK has a political commitment but no legal guarantee that the EFSM, based on Article 122.2, will be repealed in 2013. In fact, there is no proposal from the Commission yet to repeal the abovementioned regulation. The UK should have not have agreed to the treaty amendment until there was a legal guarantee that the regulation establishing the EFSM would be repealed. Moreover, the future crisis mechanism will only be effective from 2013, so consequently, until this happens the UK will contribute to any eurozone bailout through the European financial stabilization mechanism. British taxpayers may be asked to pay for other eurozone bailouts. The European Stability Mechanism will be in place in 2013, however eurozone Member States in serious difficulties such as Portugal, are seeking assistance now (not 2013).

The UK government should have endeavoured to avoid becoming liable for any bailout. Article 122(2) TFEU is not an appropriate legal base for the European Financial Stabilisation Mechanism, therefore, the UK could have challenged the mechanism, bringing an action for annulment before the European Court of Justice. It is important to mention that last June, Thomas Ax (Germany) brought an action for annulment of the Council Regulation establishing a European financial stabilisation mechanism before the ECJ (Case T-259/10). According to the applicant "the aid released by the contested regulation would infringe the prohibition under Article 125 TFEU on undertaking liability for or assuming the commitments of other Member States." However, the ECJ might not consider the merit of this case, as it is very likely it will hold that there is no locus standi.

The European Financial Stability Facility (EFSF) is a temporary instrument established last May, based on an intergovernmental agreement between euro area Member States, to provide financial support to eurozone countries having difficulties refinancing their debts. The EFSF sells bonds and other debt instruments on the open market, which are secured against guarantees from eurozone states. Presently, in order to maintain its AAA credit rating only €250bn of the EFSF can be used as loans as the rest of the money has to be kept in a cash reserve. The fund cannot lend therefore more than €250bn. The Heads of State or Government of the Euro area, on 11 March, agreed that the effective lending capacity of the EFSF should be 440 billions euros until the entry into force of the ESM. The eurozone leaders also agreed that although full assistance from the EFSF will take the form of loans, in order "to maximize the cost efficiency of (its) support," the EFSF "may also, as an exception, intervene in the debt primary market in the context of a programme with strict conditionality."

Nevertheless, the eurozone leaders could not reach an agreement on the details on how to expand the effective lending capacity of the EFSF. Moreover, the eurozone Finance Ministers could not complete their work on the EFSF in time for the European Council as they failed to agree on the details of how to share the cost of increasing the effective lending capacity of the EFSF. They could not reach an agreement whether they should increase the amount of state guarantees beyond the €440 billion or use cash contributions. Additional guarantees would place a further burden on the triple A rated countries, including France, Germany and Finland. Finland could not agree to such an increase yet before parliamentary elections on 17 April 2011. According to

the European Council Conclusions "The preparation of the ESM treaty and the amendments to the EFSF agreement, to ensure its EUR 440 billion effective lending capacity, will be finalized so as to allow signature of both agreements at the same time before the end of June 2011."

However, in the meantime, Portugal will apply for the EFSF assistance. Portugal's government fell just one day ahead of the European council meeting. All the opposition parties rejected the package of austerity measures proposed by the minority Government and José Sócrates announced his resignation. Cavaco Silva, Portugal's President, has recently called an early election on 5 June. Until then, Sócrates' government would remain in office in a caretaker capacity. The Portuguese political crisis has further increased the cost of Portugal's borrowing. On 6 April, José Sócrates announced, "The government decided today to ask the European Commission for financial help..." The President of the European Commission, José Manuel Durão Barroso, issued a statement saying that "this request will be processed in the swiftest possible manner, according to the rules applicable."

A formal request for the activation of the EU financial support mechanisms still has to be made. A Portuguese bailout package has been estimated to amount between €60 and €80 billion, most likely to be €75 billion, which would come from the European financial stabilisation mechanism (EFSM), the European financial stability facility (EFSF) and IMF. It is important to recall that the Council, acting by a qualified majority on a proposal from the Commission decides to grant financial assistance, under European financial stabilisation mechanism. On the other hand, in order to release funds from the European financial stability facility, a unanimous decision by the eurozone Member States is required. The European financial stability facility has enough money to rescue Portugal, therefore there is no need to use the European financial stabilisation mechanism. However, presently the EFSF cannot use its full amount and one could wonder if there is enough money if Spain also applies for it. Consequently, the decision would have an impact on the UK because if the lending capacity of the fund is not increased more money is likely to come out from the 60 billion euros fund, increasing the UK's liability. David Cameron should have endeavoured for new arrangements to be decided so that Article 122.2 is no longer used and the UK would no longer be liable. With a Portuguese bailout imminent, I sought and obtained an Urgent Question on 24 March in the House of Commons. I made the following arguments "because the existing European financial stability mechanism (..) was described in the report of the European Scrutiny Committee, (...) as "legally unsound"" and "because it involves the United Kingdom underwriting approximately €8 billion to eurozone countries until 2013" as I stressed, "The motion for a treaty change to create the new mechanism, which was passed yesterday, provides for amending article 136 of the European treaty without a referendum, but the amendment prescribes strict conditionality." I asked – "Will the Government renegotiate the decision so that the European stability mechanism, if proceeded with at all, is agreed by the British Government with unanimity only if the legally unsound existing European financial stability mechanism, to which we are wrongly exposed, is repealed?" In this way, as I pointed out, the UK would no longer be "required to contribute to the bail-out of other eurozone countries such as Portugal, which would amount to approximately €4 billion." However, my proposal has not been accepted. David Cameron has not taken that course of action in his negotiations at the European Council and the British taxpayer would not be relieved of the obligation to

underwrite eurozone Member States' bailouts.

The European Council welcomed the decisions taken by the leaders of euro area on 11 March and endorsed the features of the ESM. The eurozone leaders, at their informal meeting, agreed that the ESM "will have an overall effective lending capacity of 500 billion euros" and that "The ESM effective lending capacity will be ensured by establishing the appropriate mix between paid-in capital, callable capital and guarantees." The eurozone leaders pointed out that financial assistance from the ESM will take the form of loans, nevertheless, in order "to maximize the cost efficiency of their support," the ESM "may also, as an exception, intervene in the debt primary market in the context of a programme with strict conditionality." The eurozone leaders agreed to allow the ESM to buy sovereign bonds directly from a struggling government, but not on the secondary market, as the European Central Bank and the European Commission had requested, and only after that country agrees to austerity measures similar to those imposed to bailout countries.

On 21 March, the eurozone finance ministers, at an extraordinary meeting, agreed on the technicalities of the ESM. They agreed on a European Stability Mechanism with a capital base of €700bn. Hence, when it enters into force in 2013, the ESM would have an effective lending capacity of €500 billion, through a combination of €80bn of paid-in capital and €620bn in the form of callable capital and of guarantees from eurozone states. According to a "Term Sheet on the ESM" agreed by the European Council "The ESM will seek to supplement its lending capacity through the participation of the IMF in financial assistance operations, while non-euro area Member States may also participate on an ad hoc basis." The eurozone is, therefore, also expecting voluntary contributions from non-euro zone Member States.

It was agreed that the fund would rely on 80 billion euro in paid-in capital directly provided by eurozone Member States, of which €40bn will have to be injected by July 2013 whilst the rest will be phased in over the three following years. However, Ms Merkel was able to change the details of capital injection, persuading the other leaders to spread the payments to €16bn per year over five years from 2013, which is election year in Germany. The payment contributions to the fund will be calculated according to the amount of capital eurozone Member States have in the European Central Bank. However, in order to address the concerns of Member States such as Estonia and Slovakia, it was agreed that countries whose GDP is lower than 75% of the EU average will contribute less for up to 12 years after they entered the euro. Germany, for instance, will contribute 27.1% of the fund's capital. This means that German taxpayers will have to contribute in paid up cash to around €21.6 billion to the fund plus the guarantees.

The eurozone leaders stated "the ESM will provide financial assistance when requested by a Euro area member", which "...will be subject to strict conditionality under a macroeconomic adjustment programme." The Commission will propose a Regulation intend to clarify the necessary procedural steps under Article 136 of the Treaty in order to enshrine the policy conditionality in Council decisions and ensure consistency with the EU multilateral surveillance framework. The permanent stability mechanism is based on an intergovernmental arrangement. The treaty amendment allows for its creation but it does not provide for its establishment as in this case Article 125 (no bail out clause) would have to be amended. A treaty signed by the euro area Member States, subject to public international law,

will, therefore, establish the ESM. However, it is important to recall that the European Parliament endorsed only one day before the European Council the so called "limited Treaty" amendment and, according to a press release "MEPs were satisfied with the "positive signals" given by the Member States on bringing the intergovernmental mechanism closer to the EU framework." Moreover, the European Parliament agreed "with the view expressed in the opinion by the ECB supporting recourse to the Union method allowing for the European stability mechanism to become a Union mechanism at an appropriate point in time."

The EMU has now proven to be a failure. Indeed, the crisis has exposed that the whole system of EU government is not working. Nevertheless, the eurozone crisis has provided an opportunity for closer political integration in the European Union and has opened the door for further economic and fiscal policy integration. If the Member States are already in a straightjacket, the situation is set to get worse as their flexibility will be further reduced, particularly with a strengthened stability pact and budgetary surveillance. Last September, the European Commission presented legislative proposals, on the so-called Economic Governance in the EU and EMU. It proposed broader and enhanced surveillance of fiscal policies as well as macroeconomic policies and structural reforms. The Council has recently agreed on a general approach on this package of measures, which was welcomed by the European Council. According to George Osborne "The UK negotiated a UK opt-out on the articles in the fiscal frameworks directive pertaining to fiscal rules..." However, the UK will still be subject to the macroeconomic surveillance framework.

The Commission has proposed a "new element of the economic surveillance process" the so-called Excessive Imbalance Procedure (EIP), which comprises a regular assessment of risks of imbalances, including an alert mechanism. It is important to stress that although the UK will not be subject to sanctions, it will be subject to the Council policy recommendations and might be placed in Excessive Imbalance procedure, moreover it would be subject to burdensome reporting requirements as well as surveillance missions from the Commission.

As expected, the Heads of State or Government of the Euro area formally adopted the Euro Plus Pact. The Pact has been drafted by Mr Van Rompuy and Mr Barroso and it is not as strict as the Competitiveness Pact proposed by Germany and France whereby Ms Merkel attempted to impose the German economic model on the rest of the eurozone. Nevertheless, at the end of the day, Ms Merkel got her Pact. According to Mr Van Rompuy, the Pact is now called the Euro Plus Pact, "because it is about what eurozone countries want to do MORE..." and "because it is also OPEN to the others." The non-eurozone Member States are invited to participate on a voluntary basis. Bulgaria, Denmark, Latvia, Lithuania, Poland, Romania have decided to join the Pact. The UK has decided to opt out from it, David Cameron has said "...that Britain is not in the euro and will not be joining the euro, ...That is why we are not intending to join the 'pact' that euro area countries have agreed." Nevertheless, even if the UK does not participate, it will be subject to the side effects of it. It has not been clarified yet how the participating Member States intend to move forward without it having an impact in non-participating countries.

The pact aims to strengthen "the economic pillar of EMU and achieve a new quality of economic policy coordination, with the objective of improving competitiveness and thereby leading to a higher degree of convergence." The main focus of the pact is on "areas that fall under national competence." It seems that the participating Member States would be giving away their national

competences over tax, wages and social security policies.

The Pact is based on an intergovernmental agreement, but it is not outside the EU's existing legal framework. The Euro Plus Pact stresses that it will be in line with the EU economic governance rules, and "consistent with and build on existing instruments" such as the EU2020, European semester, Integrated Guidelines, SGP and new macro economic surveillance framework. The UK is subject to all this measures and it is far from clear how the pact would be link to them and to the existing report requirements.

The heads of state and government will, annually, agree to common objectives. Each country would be responsible for choosing the specific policy measures to be implemented and the choice will take into account the issues mentioned below. Such commitments will be reflected in the national reform programmes and stability/convergence programmes submitted each year and will be assessed by the Commission, the Council and the Eurogroup in the context of the European semester. It is important to recall that the UK has to present national reform as well as convergence programmes and is subject to the European semester. The HOSG of the euro area and participating countries will politically monitor the implementation of such commitments and progress towards the common policy objectives under the pact, on the basis of a report by the Commission. The Pact is based on an intergovernmental agreement but one could say it follows the 'Community method', as the Commission will have "a strong central role" in monitoring the implementation of such commitments, and the European Parliament "will play its full role in line with its competences." Moreover, the Pact reads "In addition, Member States commit to consult their partners on each major economic reform having potential spill-over effects before its adoption." However, there is no reference to the euro zone/participating Member States therefore one could conclude that it involves all Member States.

The Pact stresses, "Participating Member States are fully committed to the completion of the Single Market which is key to enhancing the competitiveness in the EU and the euro area." One could say that this has been David Cameron's "achievement" at the European Council. The Pact also points out that "This process will be fully in line with the treaty" and it "will fully respect the integrity of the Single Market."

The Pact is, therefore, based on participating Member States' commitments to achieve several commonly agreed goals in key policy areas and the Heads of State or Government will politically monitor its implementation on the basis of policy and quantitative indicators. Participating Member States would be required to take all necessary measures to pursue the following objectives: foster competitiveness, foster employment, contribute further to the sustainability of public finances, reinforce financial stability. The Pact provides that "Countries facing major challenges in any of these areas will be identified and will have to commit to addressing these challenges in a given timeframe." Whereas Ms Merkel's Competitiveness Pact has foreseen sanctions for Member States which breach the agreement, the present Pact does not provide yet for enforcement measures. According to the President of the European Council "the commitments under the Pact" will have "a politically binding force."

The progress towards fostering competitiveness will be assessed on the basis of wage and productivity developments. According to the Pact each country will be responsible for choosing specific policy actions to achieve this objective, but attention should be given to reforms such as "review the wage setting arrangements," and "the indexation mechanisms." Moreover, participating

Member States should reform labour markets to promote flexicurity and they will have to introduce tax reforms, "such as lowering taxes on labour." Participating Member States will also have to consider the necessary reforms to ensure the sustainability of pensions and social benefits such as "Aligning the retirement age with life expectancy."

It is important to mention that under the Commission proposal for a regulation on the prevention and correction of macroeconomic imbalances, currently being negotiated, the Commission will draft a "competitiveness scoreboard", which will rate Member States' performance as regards economic stability and competitiveness, including current accounts and external debt, price or cost competitiveness as well as productivity, unit labour costs, public debt and private sector credit. Member States performance, including the UK, would be assessed against these indicators. An excessive imbalance procedure would be initiated if the Commission in-depth review identified severe macroeconomic imbalances in a Member State. The Council may recommend the Member State concerned to take corrective action within a specified deadline to remedy the situation. One could wonder whether the Pact indicators and targets would not be taken into account for the launching of the excessive imbalance procedure.

The participating Member States also "commit to translating EU fiscal rules as set out in the Stability and Growth Pact into national legislation." Each country will decide on the formulation of the rule limiting their debt levels, but it should have "a sufficiently strong binding and durable nature (e.g. constitution or framework law)." The Commission would review the precise fiscal rules before their adoption to ensure they are compatible with the EU rules. Member States also commit to introduce "national legislation for banking resolution, in full respect of the Community acquis." Hence "Strict bank stress tests, coordinated at EU level, will be undertaken on a regular basis." The level of private debt for banks, households and non-financial firms of each Member States will be closely monitored.

Obviously, the economic crisis is also being used as an excuse to harmonise Member States' tax policies. Sarkozy and Merkel have called, in their Competitiveness Pact, for the creation of a single company tax regime. The Euro Pact Plus stresses that "Direct taxation remains a national competence" however, it also says that "Member States commit to engage in structured discussions on tax policy issues,..." The Pact points out that a common corporate tax base could "ensure consistency among national tax systems while respecting national tax strategies,..." In the meantime, on 16 March, the Commission proposed a draft Council Directive on a Common Consolidated Corporate Tax Base (CCCTB). Several Member States, particularly Ireland and the UK as well as the Czech Republic and Slovakia are opposed to the proposal. Nevertheless, it is already known if there is no unanimity, the CCCTB would be pursued by "enhanced co-operation." No one should be surprised if the Commission puts forward other legislative proposals intended to attain other objectives included in the Pact, which are very likely to apply to all Member States.

The so-called Euro Plus Pact would be another failure as the SGP, the Lisbon strategy and as it will be the "2020 Agenda". The Pact would reduce Member States' ability to run their own economic and social policies without achieving competitiveness. Moreover, the Pact is set to create a 'two-tier' EU. The UK has no guarantees that it won't be affected by the Pact, in fact it will damage the UK's own ability to compete.

Serbia's treacherous path to Europe

Daniel Hamilton

Nobody could doubt that the past few years have been painful ones for Serbia.

Once the motor of the powerful Yugoslav state, the country now struggles to deal with the realities of its recent history that have reduced it to little more than a minor regional power, scarred by two decades of ultra-nationalist policies imposed by a short-sighted and self-serving political class. Divorced from Montenegro and stripped of Kosovo, a province of profound cultural, religious and historical importance to the Srpski psyche, the Serbian state's humiliation is absolute.

The International Court of Justice's ruling on 22 July 2010 that Kosovo's declaration of independence from Serbia was lawful has once again opened old wounds and promoted a strongly-worded statement from President Boris Tadić insisting that his country will "never" recognise the province's largely ethnic-Albanian government. Nobody, least of all the Kosovan administration, was surprised by Tadić's statement.

Given that memories of NATO's armed intervention in Kosovo still profoundly effects the Serbian political psyche, the news that the country's Government has decided to fully engage with NATO's Partnership for Peace programme should be warmly welcomed – and indeed viewed as a clear pro-Western move by an administration whose political outlook was formed in the years of Slobodan Milošević's pariah state Yugoslavia.

The Partnership for Peace, established in 1993 to form closer security bonds between existing NATO members and states in Eastern Europe following the collapse of communism, focuses on increasing joint action between members in fields such as disaster alleviation, combating terrorism and tackling illegal arms proliferation. There is a strong precedent for members of the PFP to ultimately accede to full NATO membership, as in the case of Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia who joined 2004. Croatia and Albania were admitted to full membership in 2009.

Partnership for Peace aside, the Tadić administration has continually restated Serbia's commitment to EU membership, lodging the country's application with then Council President Fredrik Reinfeldt in December 2009. Tadić's application for full EU membership follows the signing of the EU-Serbia Stabilisation and Association

Agreement in 2007 which, along with promises of trade liberalisation commits the country to fully cooperate with efforts to capture and prosecute war criminals. Radovan Karadžić was successfully apprehended in July 2008.

In the light of the International Court of Justice's ruling, Tadić and his Foreign Minister Vuk Jeremic have indicated willingness to reach a compromise on the issue of Kosovo's status which does not cross the Serbian government's stated "red line" of recognising of the territory's independence. The first such compromise could come in the form of amendments to the motion his government will bring to the United Nations General Assembly in the coming weeks, an issue William Hague pushed on his visit to Belgrade on Tuesday. Issues on which Serbia is said to be ready to acquiesce include a stated commitment to the autonomy of the province inside a loose federal structure such as that in place in Bosnia and Herzegovina and engagement with local government institutions.

The increasingly conciliatory messages coming from Belgrade regarding Kosovo are mirrored by the Government's commitment to stability in the Republika Srpska element of Bosnia and Herzegovina. While the territory's Prime Minister Milorad Dodik has cited the ICJ's ruling on Kosovo as a precedent by which to guarantee the Republika Srpska independence from the Bosnian Federation, the Tadić administration has cautiously commitment to a negotiated settlement on the future of the territory. The Serbian Parliament's decision in March to pass a resolution condemning the Srebrenica massacre suggests, if anything, that relations towards Belgrade and Banja Luka have cooled to a point which would make the unification of the two entities extremely difficult.

At the end of March of this year, the first direct talks between the governments of the Republic of Serbia and Kosovo about the future of the breakaway province commenced in Brussels under the chairmanship of the European Union Rule of Law Mission (EULEX). While the talks have to date been inclusive, Belgrade has pledged to work constructively with Pristina to find solutions to shared problems such as electricity supply and historic records relating to the registration of births, deaths and marriages.

Given Serbia's clear commitment to reform and

engagement with its neighbours it is sad that so many senior figures in European politics still appear to view Serbia through the sorry prism of Srebrenica and Donji Prekaz.

One such figure is German Foreign Minister Guido Westerwelle who used a speech at the University of Belgrade late last year to inform the Serbian dignitaries gathered that country could “forget about” the possibility of EU membership so long as it failed to adopt a “cooperative” stance on Kosovo – in essence, complete diplomatic recognition of Pristina’s independence. Anyone with even the slightest understanding of Serbian history should know that, just as in the case of Romania’s close links to Moldova or Bulgaria’s to Macedonia, this is not a position the country should reasonably be expected to accept overnight.

His comments have been echoed by others such as French Foreign Minister Bernard Kouchner but not, encouragingly, the British Foreign Secretary William Hague who despite his support for Kosovan independence has not brought threats or ultimatums to his meetings with Serb ministers.

Indeed, while Westerwelle’s comments may reflect the view of his own Foreign Ministry, they do not represent the position of the European Union which itself has no legal power to recognise a nation state without a unanimous vote of the Council of Ministers. The refusal of Spain, Cyprus, Greece, Slovakia and Romania – each of whom struggle with irredentist separatist movements of their own – to recognise Kosovo makes this impossible. While (along national lines) the European Parliament has passed a resolution urging all EU Member States to recognise Kosovo, the European Union has no formal position on the issue of Kosovo’s status.

Through their tough talking and diplomatic insensitivities, the likes of Westerwelle risk undermining the fragile nature of Serbia’s pro-western outlook and driving the Serbian public back into the hands of ultra-nationalist demagogues such as the Radical Party.

The far-right group, which as recently as the 2007 Presidential election the party captured 48% of the vote, is founded on a pan-Slavic ideology which favours ever closer links with Moscow and firmly opposes Belgrade’s membership of groups such as the World Trade Organisation and United Nations. The group is firmly committed to the realisation of a ‘Greater Serbia’, often invoking references to the re-establishment of the Serbian Krajina Republic in Croatia and advocating

unilateral independence for the Republika Srpska entity of Bosnia and Herzegovina. Vojislav Seselj, the party’s President, is currently on trial at the International Criminal Tribunal for the former Yugoslavia (ICTY) for human rights abuses against non-Serbs in the former Yugoslavia.

Curiously, however, the strength of Serbia’s ultra-nationalist movements has declined in recent years – chiefly due to the country’s drive for EU membership. In 2008, the Radical Party’s caucus in the Serbian Parliament collapsed amid arguments between supporters of Nikolić and Seselj over moves by the Government to submit an application for EU membership. The result was the establishment of the Progressive Party who, if opinion polls are to be believed, is the largest force in Serbian politics today. As party leader Nikolić’s once tough rhetoric has been replaced with a pragmatic and conciliatory tone.

While still predisposed to closer links with Russia and military neutrality, Nikolić’s party should be seen as a welcome player in the country’s politics for the simple reason it has been able to redefine Serb nationalism on the basis of national purpose rather than ethnicity. Clearly focussed on EU membership, the Party’s constitution commits it to respect for minorities, regional autonomy and the rule of law.

In offering Serbia the chance of EU membership and acceptability on the international stage, the West has achieved something that ten years ago would have been seen as impossible: a unity of purpose among the political classes founded on respect for minorities, sensitivity in diplomatic relations with its neighbours and a long-term vision of the country’s future.

At the top of the Foreign Office’s grand staircase is a series of murals painted by Sigismund Goetze depicting Britain’s involvement in military conflicts over the past hundred or so year.

Alongside the politically-incorrect depictions of France and Japan is an illustration of Britannia shaking hands with the United States while seeking to nurture weak and vulnerable Serbia. Goetze’s illustration could just as well have been painted today, for it remains painfully prescient.

Serbia has the potential to be both Britain’s friend and our ally – but this fragile relationship must be handled with care and respect, not threats and intimidation.

Daniel Hamilton is Director of the civil liberties group Big Brother Watch but writes in a personal capacity

AV: not in the national interest and the wrong referendum

Lee Rotherham

The National Interest

The broader reasons for campaigning for a No will probably be comprehensively familiar. It is bad for the country. It complicates the British electoral system by giving voters another system they have to get their heads around, a particular nuisance for those already dealing with devolved government. Voting becomes more complicated, leading to a higher spoil rate and increased frustration, together with a much higher number of ballot challenges. At the same time, recounts become vastly more difficult to administer, and form just one element of why the new form of election will slow to a crawl (which we know from 2010 can have damaging effects upon both the Markets, and the political neutrality of the civil service). Paradoxically, the shift to AV will encourage MPs operating under the new system to claim an increased mandate, resulting of all things in an increased divide between politicians and their voters. Then there is the physical cost. The Scottish Parliament demonstrated how changes will cost tens of millions of pounds, as automated ballot reading machines are needed in place of human tellers, carrying with them new maintenance and training costs, as well as storage bills since they have to be maintained in a secure environment. On top of that, there will be educational costs as the voter will inevitably be subjected to a media campaign explaining to him and to her how the new voting system works. It's tens of millions of Pounds of waste during a period of national cut backs, and it will be a consultant's nirvana.

It's seventh heaven for one of the political parties in particular. AV strengthens the electoral position of the Liberal Democrats, who as the centre party are the only ones placed to form the permanent member of any coalition. It therefore gifts them a permanent role in national policy-making. In turn, this makes the twenty first century the Liberal Century, since although it will always be a coalition party – and even quite possibly always the junior partner – it will be the one to have long term influence pushing a Liberal political agenda that it can incessantly guide through alliances alternatively with the Left and the Right.

But for members of a political party such as UKIP

that has a more sentimental attachment to the country's traditions, it is more an act of constitutional vandalism. Such change endangers other existing institutions, and we are shaking up a system that has been around for centuries. The use of First Past the Post dates back to mediaeval times, when representatives were chosen by rowdy and sometimes violent acclamation. In essence, the principle reaches back into the localism of the Saxon South that Offa suppressed. By Pitt's time while if we enjoyed a rare democracy on the planet's surface it of course had its flaws. The nineteenth and early twentieth centuries correspondingly comprised the decades of reform, an era of extending the franchise, cutting corruption, and creating a national democracy. But First Past the Post remained.

Since 1997 by contrast the reformists have been a more white-coated bunch. Far from seeing the self-sacrifice of the suffragettes, we are today witnessing an obsessive experiment with nineteenth century blueprints. We are living in a period of electoral Esperanto. It's a long way from fighting for the rights of those deported to Australia, as we debate a muddled political retro-import from it; the obsession of a Liberal Democrat party that is careless with democracy and indifferent about sovereignty.

The Wrong Referendum

In truth we are facing completely the wrong referendum. A referendum on Lisbon was pledged and not provided; a referendum on AV is being provided when nobody wanted one. We have a broken pledge being replaced by an irrelevant promise. In providing us with this multi-million pound ethereal debate, Nick Clegg is distracting us from the very real issue of the EU. Increasingly, the British public is expressing its support for a genuine referendum on In or Out. It's a referendum that the Lib Dems, the archetype of the AV vote, themselves actually called for in their manifesto.

Time here is of the essence. Consider what will be taking place in the time remaining before the referendum. In the course of the 4 months preceding this referendum, £2.75 billion will be transferred net to the Bank of Brussels, lost for good. It will go in the

form of no fewer than eight cheques, each signed off to the tune of £800 million gross every fortnight. £3 billion of new red tape will be agreed at Brussels, set out on 5,000 new documents thrown online at EUR-LEX. 300 farmers will go out of business. Some 17,000 tonnes of prime fish will be dumped dead back into the sea by English fishing vessels alone.

Time is of the essence, and debating electoral reform distracts us all from the time-pained issue of sovereignty reform.

It is not even if it is a good reform. The supporters of AV today almost universally have track record attacking it in the past – and that's just the people running the campaign. Nick Clegg, the Godfather of AV, famously called it a "miserable little compromise."

This is understandable when one recalls it is no more than a political fix, a compromise no one wanted (Peter Mandelson excepted: he has been consistent on the subject). As no-one's first choice, AV is itself the second choice vote of political reform. But it comes with a huge price tag for those who believe that the current political system does need fixing. Whether you are a supporter of AV+ or the Single Transferrable Vote, if the Yes campaign wins in the referendum there will be no further reform for a generation. The new system will need time to 'bed in' and be tested, and there will be no appetite to make additional costly changes. If you believe that a genuine debate is needed on reforming the British electoral system, voting Yes kills that prospect; but rejecting it keeps PR on the table.

Diesel or petrol to drive Europe forwards?

Glen Ruffle

Recent action by Kensington and Chelsea Council to impose a surcharge on parking permits for diesel cars reflects growing concern that diesel is not the solution many people once thought it was.

A DEFRA report, published not long ago, noted that diesel vehicles still have similar emission rates to those of 15 years ago, and have a more serious impact on human health than their petrol rivals.

Many respiratory diseases, such as asthma, seem to have a stronger link to diesel than to petrol cars, because diesel emissions are far higher in 'soot' content, which has more of an impact on human health when breathed, than Carbon DiOxide.

However, there are also concerns regarding the impact of diesel on global warming also. A 2002 study from Stanford University's Professor Mark Jacobson, published in the *Journal of Geophysical Research*, argued that the soot emissions from diesel were in fact more harmful in terms of heating the earth quickly. The soot warms the air more than CO₂, and stays in the atmosphere for much less time. Thus reducing diesel emissions will have a bigger and more noticeable short-term impact than reducing CO₂ emissions.

Jacobson noted at the time of his study that the European Union countries were almost entirely promoting diesel in terms of their taxation regimes as opposed to petrol (Britain was the notable exception).

Fast-forward to 2011, and it appears that little has changed. The European Commission's Environmental Directorate General, in seeking to reduce the EU's carbon emissions, proposed in 2007 to target cars via taxation

according to their CO₂ emissions, which would, again, de-facto, promote diesel. Whilst the EU is also seeking to reduce the sulphur content of diesel, and increase the ethanol 'bio-fuel' content, policy in this area is compromised by the EU's lack of power, lack of consensus and lack of vision.

The Commission has a programme called "Intelligent Energy - Europe", which promotes energy saving research into new technologies, such as hydrogen fuel cell development and carbon capture innovations. The EU is also focusing on improving infrastructures links to reduce wasteful traffic jams, though this is one of the few examples of the Commission recognising the impact of fumes on human health. The Commission's Health Directorate General appears to have no references to how fumes damage the health of the citizens of Europe.

It is as ever the private sector which is leading the way in terms of fruitful investment and innovation. Companies like Cella Energy, in Oxfordshire, are pioneering the development of hydrogen powered cars and alternatives to fossil fuels. And the competitive forces of competition in Formula One motor racing has produced kinetic energy recovery systems, which harvest the vast amounts of energy produced under braking and then uses it later to help power the vehicle. These developments are notable for the absence of European Union funding or absence of direct European Commission involvement, calling into question the value of the EU's investments and continued use of taxpayers money in this area, and the ability of the state to adapt and innovate as the private sector does.

Get Britain off the Climate Change Bandwagon

Roger Helmer MEP

I blogged earlier about the Saint Ives Climate Conference last Saturday. One of the speakers was Fay Tuncay of www.repealtheact.co.uk.

The Climate Change Act 2008 was perhaps the most expensive piece of legislation ever passed by a British government. Virtually all MPs voted in favour, with a very few honourable exceptions like Peter Lilley, Christopher Chope and Andrew Tyrie. One can only assume in charity that the remainder didn't quite understand what they were voting for. Or as the Good Book says, "Father forgive them for they know not what they do".

Did they know that the Act will cost a trillion dollars in the UK alone? (Yes, a trillion -- that's a million million, or ten to the twelfth power). The government estimates the cost at £18 billion a year over forty years. It will undermine the UK economy by giving us just about the most expensive energy in the world (while France enjoys the benefit of low-cost, reliable nuclear power). It will force a million extra families into fuel poverty. We may well see domestic electricity prices up 60% as early as 2020. Even on the government's own estimates (based on their blind commitment to climate alarmism) the costs of this programme far outweigh any conceivable benefits.

The EU requires the UK to cut CO2 emissions by 20% by 2020, and they're even talking about upping that figure to 25 or 30%. But the Climate Change Act commits the UK to an eye-watering reduction of 80% by 2050. As Christopher Booker and others have said, this could only be achieved by the de-industrialisation of Britain. What's more it's an entirely unforced error. No other country has made such a commitment, nor is likely to. We may pretend to lead by example, but no one will follow. We would be the one lemming jumping over the cliff, while the rest looked on with a mixture of sorrow and derision.

We have made this decision because our political establishment (all three main parties, together on

the issue, as they are on the EU) has bought into one side of a hotly-contested scientific dispute. Yet there is increasing evidence that the small changes we have seen in climate are driven by well-established, long-term, natural climate cycles, and have nothing to do with human activity. For those who accept the IPCC line, there are weighty economic studies showing that even if we were to meet the 80% target (which of course we won't), it would have practically no effect on the earth's climate. And as we've seen, it would decimate our economy and impoverish our grandchildren.

And there is a broader constitutional issue. Policy must be decided by the government of the day, in response to current conditions. In the UK, no government can bind its successor. So what is the point of an Act that sets a target for forty years out? How would we feel today if our government were bound by economic targets set in Acts of Parliament passed in 1971? For the one thing we can be sure of is this: that we understand the needs of 2011 a great deal better than the 1971 parliament did.

The point of a law is to specify things that a person (individual or corporate) must do, or must not do, and to set penalties accordingly. I may not rob my neighbour. If I do, and if I am apprehended and convicted, I can be sent to jail (although thanks to Ken Clarke I'd probably get twenty hours of community service, to be spent doing crosswords and drinking six-packs).

Governments frequently miss the targets they have set themselves. If UK PLC misses the 80% target in 2050, as be assured it will, who carries the can? Who pays the fine? Who goes to jail? You know the answer as well as I do: no one. The Act is mere gesture politics. But it's hugely damaging gesture politics nonetheless, and arguably unconstitutional. It needs to be repealed before it does any more harm. Please sign the petition today on www.repealtheact.co.uk.

EC takes one more step towards tax harmonisation

Margarida Vasconcelos

The European Commission has been attempting, for a long time, to introduce a Common Consolidated Corporate Tax Base (CCCTB). Several Member States such as the UK and Ireland have been showing their opposition to such a proposal. However, the economic crisis has been used as an excuse to harmonise Member States taxation policies. Nicolas Sarkozy and Angela Merkel agreed that steps towards political integration, including the harmonisation of tax and labour policies should be taken. Germany Sarkozy and Merkel have called, in their competitiveness pact, for creation of a single company tax regime. The eurozone leaders, in their Euro Pact, indicated their intent to develop a common corporate tax base, which “could be a revenue neutral way forward to ensure consistency among national tax systems while respecting national tax strategies and to contribute to fiscal sustainability and the competitiveness of European businesses.” As expected, on 16 March, the Commission proposed a draft Council Directive on a Common Consolidated Corporate Tax Base (CCCTB).

The proposal is based on Article 115 TFEU and it is, therefore, subject to the consultation procedure and unanimity is required amongst Member States. It would be difficult for Brussels to reach unanimity. Ireland believes that the CCCTB represents a first step towards European tax harmonization. Several Member States, such as the UK, Czech Republic and Slovakia are opposed, in principle, to the proposal. Nevertheless, it is already known if there is no unanimity, the CCCTB would be pursued by the “enhanced co-operation” The EU Commissioner for Taxation, Algirdas Šemeta, has already announced, if a unanimous agreement cannot be reached at the Council, he will present the proposal under “enhanced cooperation.”

The European Commission has denied that its proposal will harmonise corporate tax rates. However, the present proposal is a step forward towards harmonising tax rates. A common tax rate will follow the common corporate-tax base. It is important to recall that the European Commission in its Communication on the EU budget review, has presented its ideas on how to reform the EU budget, including EU taxes, namely, the Commission is planning to introduce an EU Corporate Income Tax (EUCIT) as a new EU own resource, replacing current national rules and bases with an uniform EU corporate tax rate which would be applied to the common corporate base of corporations. According to the Commission “Member States could continue to apply a national rate to this new base” or “the EUCIT could be a percentage of each national company tax.”

The Commission has proposed a single tax regime for calculating the tax base for companies operating within the EU. The Commission is proposing a harmonised EU system, the so-called Common Consolidated Corporate Tax Base (CCCTB), for calculating the tax base of companies operating in the EU. The Common Consolidated Corporate Tax Base (CCCTB) is a

single set of rules for computing individual tax results of companies operating within the EU, for the consolidation of those results and the apportionment of the consolidated tax base to each eligible Member State.

If the proposal is adopted, Member States would see their powers to decide the structure of their taxation systems restricted.

Under the Commission proposal the CCCTB would be optional for companies whereby they would be subject to common corporate tax base rules. Companies which do not opt-in to the CCCTB would continue to work within their national systems.

Under the draft Directive, companies which are resident for tax purposes in a Member State may opt for the CCCTB for a minimum of five years under the conditions provided in it, as well as companies, which are not resident for tax purposes in a Member State as regards a permanent establishment maintained by them in a Member State.

Companies that opt-in to the CCCTB system would cease to be subject to the national corporate tax arrangements related to all matters regulated by the common rules. Companies would have to comply with one EU system for the calculation of their taxable earnings instead of having to comply with different rules in each Member State in which they operate. Furthermore, under the CCCTB, companies that operate in more than one EU Member State would be able to file a single tax return for the whole of their activity in the EU.

Under the draft proposal the consolidated tax return as well as all supporting documents filed by the principal taxpayer would be stored on a central database to which all the competent authorities would have access.

Under the draft directive Member States would have to manage two tax schemes: CCCTB and their national corporate income tax, which entails further costs. Obviously, there are costs involved in any shift to a new tax system. According to Euractiv IBEC Director General Danny McCoy said “There is a real danger that the CCCTB will make the EU less attractive as an investment location. The proposal’s impact assessment, published by the Commission, has not proven the case that tax compliance costs would be reduced for business. The allocation mechanism will mean that many businesses could actually end up paying higher corporate taxes,” Kay Swinburne MEP, European Conservatives and Reformists group economics spokeswoman, said: “There is a reason why this policy’s strongest supporters are high tax regimes. Despite soothing words to the contrary, it is clear that certain countries want this as a first step towards harmonising tax rates.” Moreover, she pointed out “There is no evidence that this will save money for large multi-national companies who have substantial resources to deal with multinational taxation matters already.”