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"European Economic Government" – the new juncture for David Cameron's renegotiation of Britain's relationship with the European Union at the summit on 17-18 June 2010

Margarida Vasconcelos

Jim McConalogue

Authors: Margarida Vasconcelos
Jim McConalogue
Publisher:
The European Foundation
55 Tufton Street
London, SW1P 3QL

Telephone:
0777 066 8932
020 7340 6040
E-mail: vasconcelos@e-f.org.uk
Web site:
www.europeanfoundation.org

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Introduction

This report identifies a number of the key European issues which currently affect Britain's relationship within the European Union, including:

- o The collapse of the European Stability and Growth Pact (SGP);
- o Tracing the French advances toward "European economic Government";
- o The Greek crisis – failed EU rules and the question of legality;
- o The new ATM machine for free access to European taxpayer's money – the European Financial Stability Facility (EFSF);
- o EU to take control of UK budget – European Commission becomes Chancellor of Europe;
- o Proposals for: Europe to take control of compiling EU Member State statistics; the EMF – a new institution for lending UK taxpayer money in Europe; the European "Task force" for harmonising UK economic policy with Europe; the attempts by European Governments to call for propping up the broken Stability Pact and; the presenting of the UK budget and how national Parliaments will be bypassed;
- o The Collapse of the Euro.

Importantly, David Cameron and his Coalition colleagues must not yield to pressure from Member States to sign up to such plans, particularly proposals requiring British Chancellors of the Exchequer to present their draft budgets to Brussels before they are approved in Westminster – they must explicitly insist that such rules do not apply.

The Prime Minister must recognise the issues identified in this report and consider that there is an unchallengeable, legal, political and constitutional case for a Sovereignty Act, and a necessity to enact it immediately at Westminster to underpin negotiations which include those talks that the Prime Minister will conduct this week in Brussels. The Sovereignty Act was in the Conservative manifesto. The British economy cannot be restored without repatriating powers from Brussels. The majority of the economic proposals are/will be subject to majority voting, hence, a Sovereignty Act which provides where necessary for the overriding of the European Communities Act 1972 must be introduced as soon as possible to protect the British national interest. The United Kingdom must now occupy a position which requires the judiciary to take note of, follow and obey the Westminster legislation that is needed to override those aspects of European legislation which do not serve in the British national interest.

The Collapse of the European Pact

1. The Euro is one of the main federalist elements and as such a fundamental political project of the "European construction." The eurozone has learnt the hard way that the Euro and the common monetary policy do not work.

2. Chairman of the European Foundation, Bill Cash MP, who has been warning against the dangers of the EU common currency, has been proved right, when he said "If ever proof were needed of the democratic, economic and now legal bankruptcy of European economic government and the EU itself, it is the Greek bailout." Moreover, he said "When the rule of law and economic government implodes, as I have argued since Maastricht, civil disturbance follows."

3. The idea of a European economic government is not new – in fact, France has been stating since the Maastricht negotiations that the EU should have an economic government. At that time, while the Community was preparing to introduce a single monetary policy, France failed to convince the other Member States, particularly Germany, to subscribe to such an idea.

4. The EMU has therefore been the product of negotiations between the two main protagonists, France, with its demand for co-ordination of economic policies – it has always wanted to see an economic pillar alongside the monetary pillar as well as to control the power of the European Central Bank (ECB) and Germany, with its requests for ECB independence and for excessive budget deficits to be avoided.

5. In 1999, the then 11 EMU participating countries, adopted the euro as their common currency – consequently, the scope for national monetary policy disappeared. The eurozone Member States share, therefore, a single monetary policy and a single exchange rate. The ECB together with the national central banks of the eurozone have exclusive competence in this field of governance.

6. The euro was created on the assumption that European governments would be fiscally responsible. However, the current eurozone debt crisis proved them wrong. Before the introduction of the euro, there was no risk of Member State fiscal deficits spilling across into other Member States. The founders of the EMU understood its risks and that is the reason that Germany requested that excessive budget deficits be avoided.

7. The Stability and Growth Pact (SGP) was adopted in 1997. According to the European Commission, the Pact's main aim is "to ensure the sound management of public finances in the eurozone and to avoid a situation whereby a lax budgetary policy on the part of one Member State is paid for by the others in terms of a negative impact on exchange rates or on confidence in the economic stability of the eurozone." Hence, its aim was precisely to prevent the debt crisis that the eurozone is presently facing. The SGP has therefore been a failure.

8. The Commission has been in charge of monitoring the development of the Member States' budgetary situation on the basis of two criteria specified in the Protocol on the Excessive Deficit Procedure annexed to the EC Treaty, on whether governments deficit and debt exceeds 3% and 60%, respectively, of the GDP. Under the preventive arm of the Pact (Council Regulation on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies), eurozone Member States are required to report their planned and actual deficits and the levels of their debt to the Commission and Council, through stability programmes, whilst non eurozone Member States submit convergence programmes.

9. However, the Pact has not performed as expected and has proved not to be enforceable against the large countries such as France and Germany. In 2004, the European Commission took the ECOFIN to the European Court of Justice given that it suspended the excessive deficit procedure against France and Germany and did not order them to adopt measures to remedy their deficits.

10. As Bill Cash said at the time, "The breaking of the Pact in the national interest of two big (and closely allied) countries exposed a dangerous lack of moral unity in the EU." Then, at France and Germany's request, the Pact was reformed in 2005 introducing more flexibility.

11. However, it has been said that the new rules have significantly weakened the Pact. Under the Council Regulation on speeding up and clarifying the implementation of the excessive deficit procedure, an excessive deficit procedure would not be launched if the government deficit is over the 3% of GDP threshold and is deemed temporary and exceptional and it remains close to the threshold. Moreover, the 2005 reform has broadened the number of factors which Member States may use to justify running a deficit above 3% of GDP. Consequently, it became easier for Member States to avoid excessive deficit procedures. The SGP rules have not only been disregarded during times of economic recession but also during times of economic growth.

12. The Council decides, by a qualified majority, whether an excessive deficit exists. If the Member State concerned takes no effective action, the Council may give notice instructing him to take measures to reduce the deficit. Then, the Council may decide to impose sanctions by qualified majority, excluding the votes of the Member State concerned. Such sanctions may entail a non-interest-bearing deposit with the Community and fines. However, no sanctions have been enforced against those Member States breaking the Stability and Growth Pact.

13. The Greek debt problems have been known for a long time but no action was taken. It is a contradiction that France and Germany who, in 2005, chose to weaken the SGP are now demanding further economic and budgetary surveillance and sanctions for those who breach it.

14. The UK is required to report to the Commission its economic and budgetary position but the initiation of the excessive deficit procedure against the UK would not lead to sanctions if the government does not follow the Council recommendations – nevertheless the UK has been subject to EU pressure to improve its finances.

15. The UK Government is obliged at the summit to recognise the conditions and context of the failed European Union policies and eurozone pact which has left a failed Europe on its own doorstep.

Tracing the French advances toward "European economic Government"

16. The EU leaders decided at Maastricht to "regard their economic policies as a matter of common interest and coordinate them within the Council." Brussels has been issuing policy advice in the form of recommendations under the Broad Economic Policy Guidelines which are the core of the economic policy coordination in the EU.

17. During the French EU presidency, in 2008, Nicolas Sarkozy called for the creation of a "European economic government" so the eurozone can react better to crisis situations. According to President Sarkozy "a meeting of finance ministers is not enough" – therefore, eurozone leaders should meet regularly, forming the European economic government.

18. At the time Sarkozy gathered no support from the other Member States. Such an idea has been rejected by Germany. However, Germany faced with the Greek sovereign debt crisis has changed its mind. In fact, EU leaders are now endeavouring to put in place a European economic government.

19. Last March, the eurozone leaders issued a statement calling for European Economic Government. They "consider that the European Council must improve the economic governance of the European Union" and, therefore "propose to increase its role in economic coordination and the definition of the European Union growth strategy." The eurozone leaders stressed that "The current situation demonstrates the need to strengthen and complement the existing framework to ensure fiscal sustainability in the eurozone and enhance its capacity to act in times of crises."

20. The leaders proposed therefore to strengthen the instruments for surveillance of economic and budgetary risks as well as the instruments for their prevention. Sarkozy's dream is now becoming a reality as the eurozone leaders agreed "to enhance coordination of their economic policies." Nevertheless, it remains unclear what such plans would concretely entail. The United Kingdom can only expect more regulations and more powers from Brussels.

21. Ten years ago, the EU leaders adopted the Lisbon Strategy aimed at transforming the EU by 2010 into "the world's most competitive and dynamic knowledge-based economy." The Lisbon strategy was a total failure and its targets, including employment and economic growth, were not met. However, Brussels persisted – setting up a new target date for 2020. Hence, the European Commission adopted a Communication launching the new EU's strategy for sustainable growth and jobs, the so called Europe 2020.

22. The European Commission's President, Mr Barroso, has called "for a stronger economic governance in the European Union." A new framework for enhanced co-ordination of Member States' economic policies, with broadened Member States surveillance covering macroeconomic and structural policy areas, is at the centre of the 2020 strategy. The idea of "economic government" is, therefore, part of the core belief.

23. Last March, the EU leaders discussed the 2020 strategy and agreed on several elements of it but the strategy will be formally adopted in June. The European Council has already endorsed some targets proposed by the Commission, such as the issue that 75% of the population aged 20-64 should be employed by 2020. However, Member States have questioned the EU competence to set targets on education and poverty reduction.

24. According to the UK Foreign Secretary, William Hague "The current crisis in the eurozone demonstrates that it is vital that the EU has a coherent strategy for growth and jobs, but it must fully respect the balance of competence between Member States and Community action." He recognises that some target areas "while not legally binding, may stray into the competences of Member States." What is the Government going to do to prevent this? The UK Government is obliged to give serious consideration to the repatriation of employment and social laws from Brussels (as the Prime Minister indicated in his CPS speech in 2005) – otherwise the UK will be enmeshed within the EU economic and employment policies under the new 2020 strategy. Those policies plainly do not work.

25. The multi-annual framework for structural reforms to be carried out under the "Europe 2020" strategy would be set by the EU Integrated Guidelines (the Broad Economic Policy Guidelines and Employment Policy Guidelines). On 17 June, the European Council is likely to endorse both guidelines so they can be adopted by the Council.

26. According to the Commission, the strategy would be organized "around a thematic approach" and a "more focused country surveillance." As regards "country surveillance" the EU policy recommendations will take the form of opinions on stability/convergence programmes and will be accompanied by recommendations under the Broad Economic Policy Guidelines (Article 121.2). On the other hand, the thematic approach will include recommendations on Employment (Article 148) as well as on innovation, functioning of the single market,and energy/climate change. The Member States National Reform Programmes, on the basis of the integrated guidelines, will have to provide in detail their planned actions to implement the new strategy. Brussels will tell Member States how they should deal with their debt and where they should invest more in areas such as education and poverty reduction so that EU targets can be reached.

27. Under Article 121 (3), with the view of ensuring "closer coordination of economic policies and sustained convergence of the economic performances of the Member States," the Council monitors the Member States economic developments as well as the consistency of their economic policies with

the broad guidelines. Hence, for this "multilateral surveillance purpose" the Member States are required to provide the Commission with information about measures taken by them concerning their economic policies. Before the Lisbon Treaty, the Council was free to address a first warning to Member States in cases of deviation from the economic guidelines, but now this competence belongs to the Commission. The Commission now has the possibility to issue direct warnings to Member States when their economic policies are not consistent with the EU broad economic guidelines or risk jeopardising the proper functioning of EMU. Then the Council, voting by qualified majority, may address recommendations to the Member State in question. The vote of the Member State concerned is not taken into account. Hence, the Commission and the Council are able to call on a Member State to correct "economic deviations" at an earlier stage.

28. The Member States politically commit to the guidelines but there are questions over whether it will be legally binding. It is important to recall that Jose Zapatero has suggested that binding economic goals and sanctions should be included in the 'EU 2020' for Member States that do not comply with their obligations and fail to reach the economic targets. However, Spain's suggestions would have entailed even more powers to Brussels than those foreseen in the Lisbon Treaty. Presently, there are no binding instruments for economic coordination and there is no legal basis for sanctions. Nevertheless, there is a considerable peer pressure as the Council, by qualified majority, issues recommendations to Member States which fail to comply with the guidelines.

29. The UK will be required to observe new EU targets on employment, research spending, green technology, education and poverty reduction. The UK is required to inform the Commission about economic policies measures and it will be subject to the Commission's warnings and Council recommendations if its economic policy is not consistent with the broad economic guidelines. However, it is important to recall that under Article 139 "adoption of the parts of the broad economic policy guidelines which concern the euro area generally (Article 121(2)" do not apply to Member States outside the eurozone.

30. David Cameron must endeavour in the negotiations, as far as possible, to avoid the application of the above provisions in the United Kingdom to ensure that Brussels will not interfere with British economic affairs.

The Greek crisis – failed EU rules and the question of legality

31. The Greek debt crisis has thrown the eurozone into the most serious crisis in its 11-year history. Although the EU Member States were, initially, split over the issue, on 26 March, the eurozone leaders agreed on a Greece's aid plan, as drafted by Angela Merkel and Nicolas Sarkozy, combining bilateral loans from eurozone countries and IMF support. They agreed that such a mechanism will be only activated if the Greek government asks for financial support and it will "be considered ultima ratio, meaning in particular that market financing is insufficient."

32. On 23 April, Greece made a formal request for emergency financial aid from the eurozone and IMF. In the meantime, it has become the first eurozone Member State to see its sovereign debt downgraded to junk status.

33. The eurozone's response to the Greek crisis has exposed its weakness. In fact, it has no experience of dealing with these situations and it has failed politically and economically. As Senior Strategist at BGC Partners, Howard Wheeldon, has said "Having failed to ever instil any form of discipline across EU Member States on borrowing, having allowed too many Member States to build unacceptable government deficits, having for the best part of a decade allowed too much cheap liquidity to flow into the hands of Member States that could ill afford to take on the debt, by its failure to act soon enough and having allowed the Greek sovereign debt situation to get all but completely

out of hand (…)"

34. On 2 May, the Euro area finance ministers unanimously agreed to activate the financial aid to Greece through bilateral loans which are pooled by the European Commission. They agreed a three year joint lending programme aimed at avoiding a sovereign default by Greece, and preventing a crisis of confidence from spreading to other eurozone countries.

35. The financial aid facility to Greece worth € 110 billion will be funded jointly by the eurozone Member States (€80 billion) and the IMF (€30bn). The amount of the Greece bail-out has increased week after week, first being estimated at €20, €25 billion, €45 billion and now €110 billion, and the investors still have doubts it will be enough to save Greece from default. All eurozone countries will contribute to the support mechanism according to their proportion of capital in the European Central Bank. All eurozone Member States will borrow money and then will grant loans on non-concessional interest rates, around 5% to Greece.

36. However, all EU Member States are facing financial difficulties. German taxpayers will make the biggest contribution, around €22.4bn. But, the bail out is a huge burden to Portugal and Spain who can ill afford their contributions. Portugal is facing serious economic difficulties and it might have to call for financial aid – yet it will contribute with 2.064 million euros – increasing its public debt.

37. In order to receive the financial aid, Greece adopted and committed to implement a programme of austerity measures. The Council adopted a decision, under Articles 126 and 136 TFEU, addressed at Greece, which aims to strengthen budgetary surveillance and asks it to take measures to reduce its government deficit. However, Article 126 regulates the excessive deficit procedure and Article 136 provides for measures to "strengthen the coordination and surveillance" of eurozone Member States. Hence, none of them could be used as a legal basis for the financial aid package.

38. Herman Van Rompuy, President of the European Council, said "Without any instrument provided by the Treaty, it was necessary to establish a mechanism for bilateral loans coordinated by the Commission." This was, in fact, another political fix as there is no legal basis in the Treaties for the Euro group agreement. In fact, it ignores the "no bailout" clause included in the Maastricht Treaty and today provided in Article 125 TFEU.

39. According to President of the Eurogroup, Jean-Claude Juncker, the mechanism "would not be a violation of the no-bailout clause […] since the loans are repayable and contain no element of subsidy," However, the loans breaches the treaty's provisions as Member States will became liable. The Treaty forbids Member States for being liable for the debts of another. Article 125 of the TFEU states "The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of any Member State (…) A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of another Member State (…)"

40. Member States cannot simply displace what they have agreed at Maastricht. Germany feared at the time that introducing a bailout mechanism would promote financial indiscipline. The rules were introduced to avoid situations as the present one but eurozone Member States have been disregarding the SGP rules running large debts and deficit, threatening to default, weakening the euro – and now the other Euro area members will pay for their debt, being forced to issue debt as well to fund the rescue operation. Brussels is therefore breaking the abovementioned Treaty provisions. Nevertheless, financial markets continue to be concerned that the Greek sovereign debt crisis would spread to other eurozone countries, particularly Portugal and Spain.

41. On 7 May, the eurozone leaders, alarmed by the possibility of the euro being in danger, met again and issued a statement aimed at ensuring financial markets that the Greek debt crisis would not spread to other Member States. The eurozone leaders are desperate “to ensure the stability, unity and integrity of the euro area.” Hence, in order to respond to escalating concerns on financial markets, they agreed to establish a European stabilization mechanism to prevent the Greek debt crisis from spreading to other countries. Nicolas Sarkozy said "Today we face an attack on the whole Europe, not just Greece. We had to respond with community mechanisms, not just bilateral loans as it was the case with Greece." As they could not agree on the type of mechanism, they called for an emergency ECOFIN meeting to take place in less than 48 hours so that an agreement could be reached before the opening of the markets. The Commission had one day to come up with a proposal for a Regulation.

42. With the aim of restoring confidence in the financial markets and to help Member States facing financial difficulties, the Extraordinary Economic and Financial Affairs Council, on 9/10 May, agreed to establish a “European Stabilisation Mechanism” worth €500 billion. Moreover, the IMF is supposed to contribute with €250bn. It might be a temporary mechanism but that does not mean that the Treaty rules have not been breached. In fact, Article 125 which forbids Member States from being liable for the debts of another Member State has been breached again.

43. Pierre Lellouche, France’s Europe minister, told the Financial Times of the emergency stabilisation mechanism “It is expressly forbidden in the treaties by the famous no bail-out clause. De facto, we have changed the treaty.” According to the Council conclusions such a mechanism is based on Article 122.2 TFEU and on “an intergovernmental agreement of euro area Member States.”

44. The Council adopted a regulation establishing a European financial stabilisation mechanism based on Article 122 (2). The Council regulation was published OJEU on 12 May and it has entered into force on 13 May. According to the Council conclusions “the mechanism will stay in place as long as needed to safeguard financial stability” and it worth up to € 60 billion. It will apply to any Member State.

45. However, Article 122 (2) TFEU provides "Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the council of ministers, on a proposal from the European Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned” It is important to stress that Article 122 (1) states “Without prejudice to any other procedures provided for in the Treaties (…).” Moreover, a declaration annexed to the Nice Treaty reads “The Conference recalls that decisions regarding financial assistance, such as are provided for in Article 100 (now Article 122) are compatible with the "no bail-out" rule laid down in Article 103 (now Article 125 (…)”

46. The “difficulties caused by national disasters or exceptional occurrences beyond” a Member State control, foreseen in the Article, have now been broadly interpreted to be also caused “by a serious deterioration in the international economic and financial environment.” It is ludicrous to say that a debt crisis is beyond a Member States control. Natural disasters are unforeseeable – however, we cannot say the same of a debit crisis. Such a broad interpretation breaches the provisions of the Maastricht treaty. This provision can be ultimately interpreted by the European Court of Justice.

47. Using Article 122 to set up a “European stabilisation mechanism” meant that Britain was unable to veto such a proposal as it was decided by Qualified Majority Voting. In fact, the UK had no say in the creation of the mechanism as it was discussed one day before, behind closed doors, at the eurozone leaders meeting.

48. Under the Regulation, the Council, taking into account a Commission proposal will decide by qualified majority, to grant financial assistance, which will take the form “of a loan or of a credit line

granted to the Member State concerned." Such loans would be disbursed in instalments. The European stabilisation mechanism includes an aid facility to balance of payments.

49. The EU leaders at Maastricht did not foresee that balance-of-payments problems could happen in a common monetary union hence, since 1999, the eurozone Member States no longer qualified for medium-term financial assistance. Even though Article 143 TFEU expressly provides for such assistance solely to Member States outside the euro area, the Council has extended the balance of payments facility to Euro area Member States using Article 122 (2) as a legal basis.

50. The ceiling set in the Council Regulation establishing a facility providing medium-term financial assistance for Member States' balances of payments, has been recently increased to €50 billion. It seems that the facility would now be increased to €110bn. The facility is therefore a violation of the non bail out clause and a misuse of Article 122 (2) which is meant for national disasters.

51. The plan will have fiscal implications for all EU countries, including the UK. 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. The amount of loans would be limited to the margin available under the own resources ceiling for payment appropriations of the EU budget. Such a facility is guaranteed by all EU Member States. Hence, if a beneficiary country fails to pay back the loan, all 27 EU Member States would have to pay into the EU budget to cover the default. According to Lord de Mauley, British taxpayers would be liable for about "(…)13.6 per cent, or up to a maximum of around €8 billion."

52. Some MEPS are raising concerns about the legibility of the Member State's decision to use the EU budget as collateral for such facility. Moreover, they are arguing that the European Parliament should have been consulted on such a decision.

The new ATM machine for free access to European taxpayer's money – the European Financial Stability Facility (EFSF)

53. Fearing that this financial facility would not be enough, on 7 June, the eurozone Member States finalised the last technical details of their €440 billion "Special Purpose Vehicle", which will expire in three years, to bail out a eurozone Member State at serious risk of defaulting on its public debt. The European Financial Stability Facility (EFSF) takes the form of a limited liability company under Luxembourg law.

54. Eurozone Member States have therefore agreed on the Articles of Association of the EFSF and on the Framework Agreement between euro area Member States and the EFSF. The EFSG purpose is to gather funds and provide loans together with the IMF, subject to strict conditionality, to euro area Member States in financial difficulty. The eurozone Member States "will provide guarantees for EFSF issuance up to a total of € 440 billion on a pro rata basis."

55. The eurozone Member States shareholding in the EFSF corresponds to their respective share in the paid-up capital of the ECB. The eurozone countries' obligation to issue guarantees for the EFSF debt instruments will enter into force where the required national parliamentary procedures have been completed in Member States, representing 90% of shareholding. But, after that no national Parliament's approval would be required to operate the fund.

56. The main controversial issue was to agree on the share of the liability for the facility's debt. Whereas Germany would prefer each Member State to be liable for its share of the guarantees France favoured a share liability. The eurozone finance Ministers have reached a compromise deal, they agreed on several measures aiming at ensuring the best possible credit rating for the debt

instruments issued by EFSF (triple A credit rating for the EFSF bonds), “a 120% guarantee of each Member State's pro rata share for each individual bond issue” as well as “the constitution, when loans are made, of a cash reserve to provide an additional cushion or cash buffer for the operation of the EFSF.” One could wonder if the EFSF is not a step towards a “Eurobond” whereby eurozone issues common public debt.

57. Taking into account the present situation, several Member States such as Portugal, Spain and Ireland, are very likely to call for this fund. It would be extremely cost if the Member States concerned default. David Cameron and George Osborne must not yield to pressure from eurozone leaders to participate in the €440bn bailout package.

58. Jean-Claude Trichet, the president of the ECB, has been denying the possibility of the ECB buying eurozone government sovereign bonds but he has recently changed his mind in order to provide governments with capital to refinance their debts. It has been suggested that Sarkozy has pressured the ECB to buy government bonds which is a direct challenge its independence. However, under Article 123 TFEU and the Statute of the European Central Bank “overdrafts or any other type of credit facility with the ECB or with the national central banks in favour of Community institutions or bodies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the ECB or national central banks of debt instruments.” The ECB is therefore not allowed to buy bonds directly from governments – hence it has got around the rules buy buying bonds in the secondary market. It seems that the ECB has already bought €40.5 billion of government bonds on the financial markets but it has not released any further information on the programme.

EU controls UK budget – European Commission becomes Chancellor of Europe

59. The European Commission has also been eager to introduce new measures to strengthen coordination among eurozone Member States and supervise their national economic policies, the Greek debt crisis has simply given it an excuse to not waste time. On 12 May the European Commission adopted a Communication “Reinforcing economic policy coordination.” The Commission is seeking the views of the Member States and the European Parliament. Then it will present legislative proposals to implement its ideas in the coming months.

60. If the Commission’s proposals are accepted, Brussels would be in charge of controlling Member States economic and fiscal policies. According to the Commission “Most of the proposals pertain to the EU as a whole, but a more demanding approach is proposed for the euro area, based on Article 136”. David Cameron must make clear, from the outset, that the proposals that the Commission is about to put forward have no impact on Britain’s fiscal sovereignty.

61. The Commission recalls that Member States are obliged under Protocol 12 on the excessive deficit procedure “to have in place budgetary procedures that ensure compliance with their Treaty obligations on budgetary discipline” hence it is planning to specify this “through legally binding instruments”. Consequently, the Member States would be required to reflect on their National fiscal frameworks the priorities of EU budgetary surveillance.

62. Moreover, the Commission has in mind speeding up the excessive deficit procedure, particularly as regards those Member States which constantly breach the Pact rules. According to the Commission amending secondary legislation will be enough. But, it is important to recall that unanimity is required, under Article 126 (14), to amend the regulation implementing the excessive deficit procedure.

63. The Commission also wants Member States' deficit-reduction plans to have a greater focus

on bringing down debt. The Commission says “Member States with debt ratios in excess of 60% of GDP should become subject to the EDP if the decline of debt in a given preceding period falls short of an appropriate benchmark.” Germany and France have also called for tougher measures against the most indebted Member States.

64. In order to ensure that Member States comply with the rules of the Stability and Growth Pact, the Commission is proposing to impose interest-bearing deposits on Member States, in case of inadequate fiscal policies, when they “make insufficient progress towards their budgetary Medium-Term-Objectives in good economic times.” The UK cannot, in theory, be subject to any sanctions.

65. The Commission is also planning to use the EU budget to ensure compliance with the SGP rules such as suspending cohesion funds to Member States that constantly breach the Stability and Growth Pact. However, not all Member States are eligible for the cohesion funds – hence it might consider sanctions that could be applied to all eurozone countries.

66. Angela Merkel has suggested that sanctions could include suspension of EU structural funds and voting rights at the Council. But, this would require amending the treaties. In fact, since last March, Angela Merkel has said that the Lisbon Treaty should be amended in order to prevent any repetition of the current Greek crisis.

67. The Commission is ready to present legislative proposals, including amending the regulations underpinning the Stability and Growth Pact, to prevent and correct macroeconomic imbalances within the euro area. Nicolas Sarkozy and Angela Merkel have also recommended, in their joint letter to the Commission and European Council Presidents, for surveillance to be extended “to structural issues and competitiveness.”

68. Eurozone Member States would no longer be able to pursue their own economic and fiscal policies to avoid “the occurrence of severe imbalances within the euro area.” The Commission is planning to put in place a “structured surveillance framework” for eurozone Member States, under Article 136 TFEU, which would entail “deeper surveillance, more demanding policy co-ordination and stronger follow-up than envisaged under Europe 2020 for all EU member States.”

69. The risk of all possible forms of macroeconomic imbalances that jeopardise the proper functioning of the euro area would be assessed by the Commission and its analysis will be the basis for policy orientations. Then concerned eurozone Member States would be invited by the Council to take the necessary action to remedy the situation. If those Member States fail to take the required actions to correct the excessive imbalance, the Council, in order to ensure the proper functioning of EMU, “could step up the surveillance for the Member State concerned and decide, on a proposal by the Commission, to issue precise economic policy recommendations.”

70. According to the Commission, policy recommendations “could address both the revenue and expenditure side of fiscal policy (in the context of the Stability and Growth Pact).” In this way Brussels would be able to interfere in Member State taxation policies and demand tax increases so to avoid and correct “macroeconomic imbalances” and to achieve the targets of the 2020 strategy. This may go beyond the “recommendations” foreseen in the treaty.

71. The Commission also proposes a “European Semester” for economic policy coordination “for better ex-ante integrated fiscal policy coordination” as it believes “Member States would benefit from early coordination at European level as they prepare their national stability and convergence programmes including their national budgets and national reform programmes.” The Commission wants to set up an ex-ante dimension of budgetary and economic surveillance for the appropriateness of economic policies with the rules of the SGP and the broad economic policy guidelines.

72. In this scenario, Member States would have to take into account Brussels guidelines before setting their policies and priorities in their budgets so that the targets of the EU's 2020 strategy can be achieved. Moreover, the Communication reads “For the euro area a horizontal assessment of fiscal stance should be carried out on the basis of the national Stability Programmes” and if there are “inadequacies in the budget plans … a revision of the plans could be recommended.”

73. European Commissioner for Economic and Monetary Policy, Olli Rehn, has said that "Coordination of fiscal policy has to be conducted in advance, in order to ensure that national budgets are consistent with the European dimension [and] that they don't put at risk the stability of other Member States.” The Commission has not indicated in this communication how such a revision would be carried out but it said that the Eurogroup would have a crucial role. Olli Rehn has been saying that the eurozone Member States would be required to submit their draft budgets to the Commission and eurogroup in order to assess whether draft national budgets are in line with EU economic guidelines and rules on fiscal discipline before there are adopted by national parliaments.

74. According to Mr Rehn national budgets would be subject to “a systematic and rigorous assessment” and “That could, and most likely should, lead to recommendations to the Member States to take remedial action,” before they are approved by national parliaments. According to the Commission’s plans the first European Semester could start in the beginning of 2011. The Commission’s proposal for greater budgetary surveillance will restrict national sovereignty over budgets. The Commission’s proposal would therefore be a threat to Member States' control of public finances.

75. George Osborne has stressed that he would not accept the Commission “supplementing the role of national parliaments, notably the House of Commons, in being the first to hear the budget.” He said that “National parliaments are sovereign and have to be told first about budget plans.”

Europe to take control of compiling EU Member State statistics

76. The Commission has called for the swift adoption of its proposal granting Eurostat a mandate to audit national statistics. The quality of Greece’s fiscal data has been raising several concerns since 2004. Consequently, last February, the Commission, using the lack of reliabilty of Greece’s public finance statistics as an excuse, has put forward a proposal amending Regulation 479/2009 as regards the quality of statistical data in the context of the excessive deficit procedure, granting auditing power to Eurostat.

77. On 8 June, the Economic and Financial Affairs Council, reached a general approach on the proposal. Eurostat would therefore be entitled to examine Member States’public accounts so it can verify the data provided. Eurostat would have access “to the accounts of government entities at central, state, local and social security levels,”

78. According to the Commission’s proposal the methodological visits would only be carried out in “exceptional cases where significant risks or problems with the quality of the data have been clearly identified." However, how is this going to be interpreted? There is no definition of “significant risks and problems.”

79. Eurostat would ultimately be able to directly compile statistics or control their production in the Member States. The proposal is based on Article 126 (14) TFEU, thus unanimity is required at the Council. Hence, the UK could have vetoed it.

EMF – new institution for lending UK taxpayer money in Europe

80. The European Commission has recognised that there are not under the treaties modalities of financial assistance to eurozone Member States in financial distress, consequently, “A clear and credible set of procedures for the provision of financial support to euro-area Member States in serious financial distress is necessary to preserve the financial stability of the euro area in the medium and long term.”

81. According to the Commission such assistance would “be provided in the form of lending.” Any Commission proposal for a permanent crisis resolution mechanism will breach the treaty, thus the treaty must be amended for the mechanism to be put in place. It is important to recall that there is already in the spotlight the idea of creating an EMF.

82. Last March, Wolfgang Schäuble, Germany's finance minister was the first to advocate the idea of creating an EMF to provide emergency loans to countries at risk of default on their sovereign debt. This would definitely require treaty changes. They cannot create it using Article 122 as a legal basis. The stabilization mechanism is a type of EMF. It remains to be seen if the Member States are willing to set up an institutional body and how it would be funded just by borrowing from markets or Member States contributions.

83. Obviously, this would entail further transfer of powers to Brussels namely further political and fiscal cooperation. According to Juergen Stark, executive board member of the European Central Bank, it would lead to “fiscal transfers at European level which would prove very expensive and would send the wrong signals and would burden countries with sounder public finances.”

84. Another form of fiscal coordination, in the spotlight, is a eurozone bond, a common eurozone public debt market. Governments would issue debt jointly in a common instrument, allowing Greece, Portugal and Spain to access to a larger and cheaper debt market. However, Germany, for instance, would see its borrowings costs rising.

European “Task force” for harmonising UK economic policy with Europe

85. Last March the eurozone leaders asked Herman Van Rompuy, the President of the European Council, to establish, “a task force” with representatives of each Member State, and a representative from the Commission and the ECB, to present proposals for greater EU economic co-ordination. The so called task force on economic government held its first meetings on 21 May and on 7 June. Germany and the European Commission presented more proposals. In fact, the majority of the proposals discussed came from the abovementioned European Commission Communication.

86. According to Mr Van Rompuy the task force found agreement on four main objectives: achieve greater budgetary discipline, reduce the divergences in competitiveness between the Member States, the need to strengthen economic governance and coordination and for an effective crisis mechanism. There were suggestions to pool national debt between eurozone Member States which would be treated as common community debt and there was the German proposal for a procedure "for orderly state insolvencies.”

87. There is a general agreement that the SGP must be strengthened and on the need for tougher sanctions for Member States that repeatedly breached it. However, it remains to be seen which sanctions they have in mind. Moreover, pointing out that the Pact only provides for sanctions at the end of the procedure, they agreed that Member States fiscal situation needs to be reviewed at an earlier stage.

Too little, too late – Europe calls for propping up the broken Stability Pact

88. They also agreed with the Commission that the public debt level must be better taken into account. It seems that a special “excessive debt procedure” would not be created, but sanctions for violating the SGP might be imposed earlier such as in cases where the 3 percent threshold for the annual deficit has not been trespassed yet but the Member State concern has neglected the warnings or where the debt level rises too rapidly.

89. During the negotiations of the original SGP, former German Finance Minister Theo Waigel proposed the imposition of automatic sanctions against Member States with excessive deficits, however Jacques Chirac could not accept such idea of a fine being imposed without a vote among the Member States. The ECOFIN does not automatically impose sanctions, but it takes a decision at each step of the EDP. According to the President of the European Council, “We will be tougher in correcting deficits with more rule base and semi-automatic sanctions.”

90. Are Member States, particularly those having high debts, now willing to impose automatic sanctions for breaches of the SGP rules? This will require amending the treaties as Ecofin would no longer vote on possible sanctions. It is important to recall that fundamental amendments of the multilateral surveillance and excessive deficit procedure would require an amendment to the treaty itself. Under Article 126 (14), unanimity is required to amend the Protocol on the excessive deficit procedure as well as rules for its application.

91. According to Herman Van Rompuy, the task force agreed with the European Commission’s so-called "European semester" as a way of reviewing the fiscal situation of Member States at an earlier stage.

Presenting of the UK budget – how will national Parliaments be bypassed?

92. Herman Van Rompuy, in his statement, has made no distinction between the eurozone and non eurozone Member States. It seems that the UK was isolated at the meeting, as Herman Van Rompuy has claimed that there was already a broad agreement among the Member States in favour of an idea to present draft budgets to Brussels, each spring, before they are approved by national parliaments.

93. The Financial Secretary to the Treasury, Mark Hoban, said that "The Budget will be presented to Parliament first. There is no question of anyone other than MPs seeing it first. Once the chancellor has presented it to parliament, it is of course publicly available.”

94. According toVan Rompuy all Member States would be required to discuss their budget plans with other EU finance ministers and the European Commission before they are presented to national parliaments. He stressed that “the main assumptions underlying the budgetary plans, like the levels of growth or inflation, would be examined. So would the main aggregates, like total revenues, total spending and deficit targets.”

95. According to the plans, if a government presents “a budgetary plan with a high deficit will have to justify itself in front of its peers, amongst Finance Ministers” and, because, “this would take place as early as the spring, there would still be time to adjust the plans before the final budget is presented.” In this way, finance ministers would recommend adjustments to one another’s budgetary plans.

96. According to Van Rompuy, in this way “a national parliament would be able to judge its governments' budget plans knowing fully their credibility.” The European Council will have its say on

such proposals, but the Commission is already planning to publish, in July, legislation to create a 'European semester.'

97. These proposals would be a huge interference with parliamentary sovereignty and on UK domestic affairs. It is important to recall that under Section 5 of the European Communities (Amendment) Act 1993, the Government, before submitting to the European Commission the UK's economic and budgetary position, "shall report to Parliament for its approval an assessment of the medium term economic and budgetary position in relation to public investment expenditure and to the social, economic and environmental goals (…), which report shall form the basis of any submission to the Council and Commission (…)"

98. David Cameron and George Osborne must not yield to other Member State pressure and sign up to such plans, requiring British Chancellors of the Exchequer to present their draft budgets to Brussels before they are approved in Westminster, and they must insist that such rules do not apply.

99. There is no indication given yet of the legal basis for such a proposal but it seems that Van Rompuy and the Commission may consider Article 121 (6) whereby "The European Parliament and the Council, … may adopt detailed rules for the multilateral surveillance procedure…" In this case, QMV is required at the Council. However, the appropriate legal basis would be Article 136 which allows the Council to adopt specific measures to eurozone Member States "to strengthen the coordination and surveillance of their budgetary discipline." Such measures are adopted by qualified majority voting but they do not apply to the UK. In fact, only eurozone Member States are allowed to vote on such measures.

100. The task force has not made yet any formal decisions but is planning to present their final proposals for greater EU economic co-ordination to the European Council in October. Nevertheless, a "Progress Report" will be presented to the European Council on 17 June. Now that they adopted a stabilization mechanism, without a legal basis, breaching, in fact, the treaty provisions, they want to move forward towards the so called economic government.

101. The June European Council will, particularly, concentrate its attention on "strengthening budgetary discipline through the Stability Pact" and on ways to reduce the divergences in competitiveness between the Member States. Brussels is, therefore, moving fast towards the creation of the so called "European Economic Government."

102. Even if future proposals do not directly apply to the UK, it has a duty to examine the effects. The Conservative Party's position against further EU integration should not be weakened within the Coalition by the Liberal Democrats. Any Commission proposal on economic coordination and surveillance must be crystal clear since the early draft does not apply in any circumstances to the UK.

103. The UK Prime Minister must endeavour to ensure, at the very least, that the European Council conclusions declare that the UK is not subject to these proposals, in the national interest.

104. Herman Van Rompuy and Barroso do not support Ms Merkel´s plans to amend the treaty to strengthen economic governance. Barroso said "It would also be naive to think one can reform the treaty only in areas Germany considers important," as the other Member States would also table amendments in other areas. Moreover, David Cameron said that "There is no question of agreeing to a treaty that transfers powers from Westminster to Brussels. Britain is obviously not in the eurozone and is not going to be joining, so it wouldn't agree to any treaty that drew us further into the euro area". However, he should support amending the Treaty as he could prevent during the negotiations that any of the economic government measures such as bails outs, budgetary surveillance would have an impact in the UK and it would be a great opportunity to repatriate powers. Moreover, it would be

an opportunity for the British people to have their say in a referendum.

The Collapse of the Euro

105. In 2008, the European Commission adopted a Communication celebrating 10 years of the Euro, stating that the Euro "…has clearly become the second most important currency in the world; it has brought economic stability; it has promoted economic and financial integration, and generated trade and growth among its members; and its framework for sound and sustainable public finances helps ensure that future generations can continue to benefit from the social systems…" It is clear that this is not true.

106. The markets have been losing confidence in the single currency as it reaches its lowest level in four years against the dollar and the yen. According to Angela Merkel "If the euro fails, it's not only the currency that fails but much more, it's Europe that fails and with it the idea of the European Union." It remains to be seen whether the euro will survive. According to several economists who participate in a survey for the Sunday Telegraph the euro will cease to exist in five years time.

107. The Greek debt crisis and the follow bailout put the euro under threat. The bailouts are illegal and put at stake not only the eurozone credibility but also the EU integration process. Moreover, there is no guarantee that Greece would not default even with the given eurozone financial help.

108. Brussels' plans to overcome the Greece debit crisis might work in the short term but it won't work in long term. The EU is simply in a position of avoiding the unavoidable. There is widespread opinion that Greece's default on its debt is inevitable which might not have been the case if it were not in the eurozone, as Greece could have devaluated its own currency whilst tightening fiscal policy.

109. If the bail out does not solve Greece's problem and Greece defaults, eurozone Member States and their taxpayers will never see their money returned. Moreover, if Greece defaults on its debts, German, French and UK banks which hold Greek debt will be at risk.

110. According to the Financial Services Authority, British banks have an exposure of more than £100 billion to Greece, Portugal and Spain. In this case, eurozone and the IMF would have to help Greece with its restructuring process which would also be very costly. The financial markets have lost confidence in the euro and in governments' ability to repay their debts. It remains to be seen if the EU financial aid mechanisms and austerity packages will bring it back.

111. José Manuel Barroso said that the agreement on the stability package "will ensure that any attempt to weaken the stability of the euro will fail." However, the worries over the possibility of Greece's debit crisis to spread to other eurozone countries have continued. Even after, the eurozone finance ministers have agreed the technical details of the so called special purpose vehicle (SPV), yields of eurozone Member States continue to rise.

112. Portugal and Spain, for the time being, are still able to raise money in the capital markets. Although they have been denying that they will ask for European Financial Stability Facility intervention it is not clear what their next steps are. Spain and Portugal are among the countries mostly affected by the eurozone debt crisis. They have announced their austerity packages and, at the EU request, they might have to adopt further measures to meet their budgetary targets. However, is the €500bn package going to help? Greece, Portugal and Spain do not have only budget deficit and public debt problems but also low economic growth rates and less developed business competitiveness.

113. There are therefore concerns that these Member States will not be able to raise their economic

growth rates. But the problem is not just the financial markets, but also social unrest. It remains to be seen if the governments will be able to implement such austerity measures as citizens have been demonstrating against them and the Unions are calling for general strikes. There are fears that further budget cuts will lead the countries to an even deeper recession.

114. In fact, doubts have been already raised whether the existing Brussels financial aid mechanism is enough to save the more vulnerable eurozone Member States. The European Council President, Herman Van Rompuy has already recognized that the €750 billion might not be enough. He said "And if the plan were to prove insufficient, my answer is simple: in this case, we'll do more."

115. The Euro and the EMU represent a serious limitation to the sovereignty of the States of the eurozone which have ceded to the EU their monetary and exchange policy, and handed over the prerogative of a sovereign State, along with their taxation and the capacity to print money.

116. European governments have lost the capacity to use the exchange rate policies to answer to external shocks or to control the trade balance and they have lost seigniorage rights. Because Member States are stuck in the euro, they can no longer deal with economic imbalances by means of devaluation. Greece, Portugal and Spain are in the euro straitjacket, unable, therefore to respond flexibly to events such as the present crisis. If Britain had adopted the euro, it would now be facing the same problems as Greece.

117. EMU has been proven to be a failure. The SGP does not work, the bail out clause has been breached and now the ECB independence is at stake. All measures to prevent the crisis have failed. Indeed, the crisis has exposed that the whole system of EU government is not working, is far too costly and bureaucratic.

118. Former European Commission president Romano Prodi has told the Financial Times “that the Greek crisis presented an opportunity to take the inevitable steps towards economic governance that were not possible when the euro was created. This implies new institutions or bodies to monitor the budgets of Member States, enforce fiscal discipline and impose punishments for repeat offenders of budget discipline rules.” The decision to create the stabilisation mechanism fund, even if it is just for three years, it was an important step as Prodi said “towards the gradual creation of a European fiscal federalism.”

119. How the eurozone will get out of the existing chaos remains to be seen. Brussels is acting to save the euro, but its own rush solutions, particularly when laws are broken, cannot be proven to be effective or proportionate.

120. Under the existing treaties there is no such mechanism to help out a eurozone Member State through loans and grants – therefore the EU institutions must amend the treaties if they need to legally bailout eurozone countries. The willingness to save the euro is so strong that the EU leaders are now calling for further measures which lead towards European economic government.

121. When Member States signed the Maastricht Treaty the idea that they sold to their citizens was a trading zone, not economic government. Last May, Herman Van Rompuy, said to the Brussels Economic Forum 2010 that the “general public” was not aware of “the ill-famous dilemma of being a monetary union and not a full-fledged economic and political union.” He pointed out that people are now finding out about their “common destiny in monetary matters”, and that “the euro affects their pensions, savings, and jobs, their very daily life. It hurts.”

122. It has become obvious that EMU entails a substantial transfer of sovereignty from Member States to Brussels in areas other than monetary policy. The sovereign debt crisis has opened the door for further economic and fiscal policy integration – the EU is moving fast towards economic

government.

123. 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. In the near future Member States' economic and fiscal policies will be further co-ordinated at EU level unless something is done by national Parliaments to resolve the situation. National governments would no longer be responsible for a great range of domestic economic policies. The EU is therefore moving towards a single economic policy.

124. If we move towards a more centralized economy, with Brussels exercising almost total control over the financial and economic affairs of Member States, this is essentially about the huge transition towards a new form of European "economic government". Member States would lose their sovereignty over fiscal policy. EU leaders are set to move towards a fiscal and political union in order to save the euro.

125. However, Member States will further surrender their national sovereignty which is a recipe for failure. Would the citizens of eurozone Member States accept such a strike on their sovereignty? The existing treaties must be amended for the so called "European Economic Government" to be established and the UK must be kept out of it.

126. The international representation of the euro is also an issue likely to be dealt by the so called "European economic government." The Commission has been suggesting the creation of a single seat for the euro area in the relevant international financial institutions. For instance, the eurozone would have a single seat on the IMF rather than Member States being represented individually. Mr Rehn is planning to present a Communication recommending "strengthening European participation and representation in international financial institutions and fora."

127. The economic crisis would be also used as an excuse to harmonise Member States taxation policies. Tax harmonization would also be a manifestation of a European economic government. If there is greater economic integration, that would lead to tax harmonization which will apply to the whole EU and not just the eurozone. The United Kingdom government must, therefore, veto such proposals. Algirdas Semeta, the European commissioner for taxation, is prepared to push for an agreement on common corporate tax rules. He is also planning to oblige Member States to levy a CO2 tax on fuels in order to cut emissions. Ultimately, the United Kingdom will witness the creation of EU taxes if it does not seek to intervene.

128. Brussels is also currently trying to set up by the end of the year, a new European supervisory framework: the European Systemic Risk Board and the three European Supervisory Authorities. The UK's Financial Services Authority would already see its powers substantially reduced when such proposals are adopted. Member States would have reduced control over the supervision of their own financial institutions. Yet, it will be difficult for the UK to reject or water down the proposals as QMV is required.

129. The European Commission has also recently adopted a proposal amending the Regulation on Credit Rating Agencies (CRAs), granting to the European Securities and Markets Authority (ESMA) powers to register and supervise credit rating agencies, in place of national authorities. The proposal goes through the ordinary legislative procedure with QM required at the Council. This proposal is set to be adopted in record time, taking into account Chancellor Merkel and President Sakorzy's requests for stricter regulation of credit rating agencies. The idea of creating a European credit rating agency has not been displaced – the Commission may present a proposal after the summer.

130. Moreover, most hedge funds and private equity funds that are marketed within the EU are based and registered in the UK. However the UK Government cannot veto the proposal for a Directive

establishing regulatory and supervisory standards for hedge funds and private equity. In fact, the UK is isolated as a vast majority of the Member States support the proposal.

131. The eurozone leaders have called for rapid progress on financial market regulation and supervision as well as “transparency and supervision in derivatives markets.” The Commission is expecting to complete its full financial reform programme in the coming months. It will present further regulatory reform proposals to the Council and European Parliament by the end of the year which should then be adopted by the end of 2011. The Commission is planning to propose, in October, legislation regulating the functioning of Derivatives Markets. It will propose measures on short selling and credit default swaps.

132. Nicolas Sarkozy and Angela Merkel have recently called on the European Commission to propose an EU-wide "prohibition of naked short-selling of all or certain shares and sovereign bonds as well as of all or certain naked sovereign CDS". The Commission is also planning to propose amendments to the Markets in Financial Instruments Directive (MiFID) as well as to the Capital Requirements Directive, the Market Abuse Directive, the Deposit Guarantee Schemes Directive and the Investor Compensation Schemes Directive. Moreover, the Commission is intending to harmonise sanctions in the financial services sector.

Conclusion

133. The Prime Minister must recognise the issues identified in this report and consider that there is an unchallengeable, legal, political and constitutional case for a Sovereignty Act, and a necessity to enact it immediately at Westminster to underpin negotiations which include those talks that the Prime Minister will conduct this week in Brussels. The Sovereignty Act was in the Conservative manifesto. The British economy cannot be restored without repatriating powers from Brussels. The majority of the economic proposals are/will be subject to majority voting, hence, a Sovereignty Act which provides where necessary for the overriding of the European Communities Act 1972 must be introduced as soon as possible to protect the British national interest. The United Kingdom must now occupy a position which requires the judiciary to take note of, follow and obey the Westminster legislation that is needed to override those aspects of European legislation which do not serve in the British national interest.