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Membership of the European Union is a central fact about life in Britain today. The benefits of being in the EU affect almost every aspect of the way in which British citizens live: their economic prosperity, the way they are governed, and their quality of life. Yet after more than 25 years in the European Union, it is still the subject of controversy. It is a debate that never seems to go away. However, as the European Union develops and grows, it is becoming more important to Britain, not less.

The shape of the EU in the years to come will depend on decisions taken now. Britain's relationship with the European Union has been one of the dominant issues of British politics in the last fifty years. It has also been one of the most divisive. The debate has moved through a number of phases. The British government initially refused The European Union (EU) consists of a group of countries in Europe, which have decided to join forces for their mutual benefits.

The United Kingdom (UK) is a member state of the European Union. UK joined the founding group of six countries (France, Germany, Italy, Belgium, the Netherlands and Luxembourg) in 1973, at the same time as Denmark and Ireland. The encouragement for the EU grew out of the misery left behind after Europe had experienced two devastating world wars and a serious economic depression. At that time, some countries in Western Europe looked for ways to make sure that they never went to war against each other again. In 1950, two Frenchmen, Jean Monnet and Robert Schuman, put forward a plan to prevent another war between France and the two countries, controlled by a ' High Authority', would eliminate antagonism between them.

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Their idea was that coal and steel production, of great importance to both countries, should be jointly controlled, and other countries should be allowed to participate if they wished. As a direct result of their efforts, the European Coal and Steel Community (ECSC) was established by the Treaty of Paris in 1951, with Italy, Belgium, the Netherlands and Luxembourg also included. Monnet and Schuman had sown the seed from which political integration in Europe was to grow. The success of the ECSC led its members to sign the Rome Treaties in 1957 and thereby form the European Economic Community (EEC), which would remove barriers to trade and services. The EEC generally known as the common market, later became known as the European Community (EC). By 1986 the number of countries in the EC had doubled to 12 and the familiar blue flag with a circle of 12 gold stars became the official symbol.

Also, as a result of the Maastricht Treaty, signed in 1992, these countries decided to adopt the new title, 'European Union'. The main aim of this European Union is to bring about lasting peace and prosperity for all its citizens. The lifting of trade restrictions between Member States has enabled them to trade freely with each other. This means that each country has the right to move goods, services, people and capital from one Member State to another without restriction, thus strengthening political, economical and cultural links across the EU. The plans for the futureAt Maastricht in 1992, when the Treaty on European Union was completed, it was also decided to hold an Intergovernmental Conference (IGC) starting in 1996 in anticipation of the deepening and widening of the EU.

In June 1997, a further meeting of Heads of State or Government was called in Amsterdam to discuss how the European Union should progress towards enlargement, particularly in central and eastern Europe. The Heads of State or Government agreed on a new Treaty of Amsterdam which places greater emphasis on strengthening existing bonds within the EU, before enlarging the Union to the east and south. Later, in July 1997, the EU announced proposals to expand the European Union to include Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus by the year 2005. After so many years of conflict from two world wars, Europe saw itself in a situation where it needed physical and economical restructure.

It was thought that a united Europe would work better and more efficiently in achieving these goals as opposed to each country working individually. The scars after World War Two obliged countries to collaborate during years of conflict.. Although the UK is a part of the EU, it has consistently held back European integration. I am now going to take a look at the reasons as to why this is. The Single European Market Here I will be explaining the aim objectives of the Single European Market; it is to achieve free movement of goods, people, services and capital.

This should enable a better relationship within the markets of Europe. It also has plans to abolish any physical, technical and fiscal barriers that may unable free trade within Europe. The other aspect, which it may promote, is internal competition, which relates and complies with their competition policy. Free movement covers goods, which means VAT, will be at two rates standard 14-20% and low 4-9%.

It also means single community patent. The movement of services and capital also comes into consideration; there is no restriction on the transfer of cash it also eliminates of discrimination measures e. g. tax rates on investments. There was report was introduced on the analysis of the single market called the Cecchini report in 1992.

The report said that there would a saving of 200, 000 million ECU for firms; it would generate 2 to 5 million jobs in the medium term. And last of all it would provide 5 to 7% extra non-inflationary growth in the medium term. However there were criticisms of the report, which said the report assumed that all proposals are carried out on time and the World or European economies are not in recession. It also assumes that any labour made redundant by rationalisation will be re-employed. The report gives an aggregate view; some region or states may not see the same benefits. The figures are also said to be very approximate and may be biased since report commissioned by the EC.

After analysing what the Single European Market does it would be fair to suggest that the UK's main intention of joining the EC was due to economical reasons. The EC had very strong views on the Single European Market (SEM) and the monetary union and aimed to adopt these views into Europe. So it was ideal for the UK to join. In the 1960's due to many reasons such as poor workplace relations caused slow growth and this caused a recession. This was overcome when in the late 70's as the UK government introduced a free market approach in economic management. This approach enabled a recovery for the country.

Trade was also increasing and in 1992 the Single European Market was complete. So since the 1970's the UK was growing so the European integration was paying off for the UK and in 1992 all trade barriers were said to be abolished within the EC. It was also changed into the EU. The Single European Market has made trading for the UK easier as customs procedure have been abolished, which was time consuming as well as expensive.

Other charges such as freight and their delivery times have also been reduced. This all has resulted in better efficiency for the European Union and their businesses. The UK's membership in the EU was only for the access into the Single European Market but it also meant that the UK had to harmonise with the rest of the EU and their policies such as social, regional and environmental etc. The Competition Policy The other factor, which we must take into account, is the competition policy. (This part of the discussion will also be discussed in the second part of the essay).

The competition policy was introduced to prevent anti-competitive policies. And to control the abuse of market dominations that may distort competition. It also aims to provide perfect competition within the EU (Roney, 2000, p. 105). When member states are trading within Europe they must comply with the competition policy. However they are allowed to enforce their competition policy laws within their own country.

The UK has a different competition policy, which has many of the attributes of the European one but they both developed separately. The UK policy has three major parts; monopolies, restrictive practices and mergers. The EU's competition policy is mainly based on article 85 and 86 of the Treaty of

Rome. Social Policy What is the Social policy? This is a policy that is related to the social charter, which enables the right of freedom of movement as well as employment. It also takes into consideration of the fact that living conditions must be up to a certain standard and so does the working conditions. Most countries willing to join charter must improve their standards if needed to be able to comply with the policy.

It also covers others are such as equal treatment of men and women as well as rights for elderly and disabled. The social policy is also a part of the EU. The social charter was introduced to harmonise fundamental social rights for workers. The social policy has the same sort of aims and objectives. The UK joined the social charter in 1995, as they held back because they did not want anyone else to tell them what to do. Because changes may affect the hours worked and the minimum wage and that would have an affect in the economy of the country.

But since joining the social charter the UK has changed its policy to comply with EU regulations regarding working hours and the minimum wage. This has had a direct affect on businesses as investment from foreign companies has declined. But the social policy has not affected the UK's internal businesses much as they have a good economical ground. The Economic and Monetary Union (EMU) Monetary Union is the process whereby the exchange rates of a group of members are permanently fixed, or replaced by a single common currency. It also implies the existence of one monetary authority with responsibility for the growth of money supply, interest rate policy, exchange rate policy and control of foreign currency reserves.

Economic union implies: * A single market free of barriers to trade in goods and services, or capital and labour movements * The ability of firms to be able to compete freely through a competition policy implemented throughout the market to strengthen its operation * A social policy to demonstrate the benefits of the single currency to the consumers * The coordination of macroeconomic policy (particularly the alignment of inflation rates), and harmonisation of fiscal policy. Economic and monetary union (EMU) has been a recurring ambition of the European Union since the late 1960s, because it promises both currency stability and a strong advance towards the integration of Europe. However, a variety of political and economical obstacles had barred the way the signing of the Maastricht Treaty in February 1992. At various times, there have been factors, which have all played their part in frustrating progress towards EMU. These factors are the weak political commitment, divisions under economic priorities, lack of economic convergence and developments in internal currency markets outside the Unions control. The EMU, will have a number of effects on the UK.

To start with, under the combined effects of EMU and the Stability Pact, which regulates deficits, the UK will lose its currency, its pound, it will lose its fluctuating exchange rate, it will lose control of its interest rates, it will lose the control of its money supply, it will lose its ability to deficit finance (except in very narrow limits); and it will lose its national bank and management control over its national reserves. The UK knows that they cant be properly regarded as an independent political entity without these rights and, further, that the European Union, through the European Central Bank will be acquiring, effectively, almost all of the characteristics of a Sovereign State.

Lets now refer back to the assignment question: ' The UK has consistently held back European integration and as such held back European Business' - In summary, how has the UK held back European integration? Impressed by the initial success of the EEC, the UK government began to reconsider its refusal to integrate, it had realised the UK risked political and economical isolation by remaining outside the community. One can argue, why rush into integration? Britain joined the community, when the economical success was proven " The UK has consistently held back European integration and as such, held back European business" Focused Research - Economic and Monetary Union The decision of whether or not to Britain should join the European single currency is the most important issue facing the UK today. So why is this such a big issue? EMU is the system whereby a single currency is bought into effect in EU countries. A European Central Bank (ECB) manages the currency and the participating members agree to keep within its stated guidelines.

It is believed EMU would complete the single market. It is clear that the full benefits of the internal market would be difficult to achieve with the relatively high transaction cost involved in converting between currencies and the uncertainties created by unstable exchange rates. Why a single currency? The single currency is a factor of stability and prosperity, as EU members integrate further, their economies call for greater monetary coordination. The establishment of the European Monetary System (EMS) represented the first step in this direction, but there was a need to go further. The single currency and its environment of stability will provide businesses and the citizens of Europe with many advantages.

The main reasons as to why the UK are holding back from joining the EMU, are that other countries will increasingly be able to decide Britain's tax strategy if the UK joins EMU. Any of EMU's economic benefits (no exchange rates, lower interest rates) will be cancelled by the significant increase in UK corporation tax (currently 31%) to match the continental average of 44%. Whereas recent UK tax policy has lightened the burden and encouraged investment, continental taxes have risen. Harmonisation of EU member states' tax rates will mean higher rates for the UK, since other states are unable or unwilling to reduce the tax burden on their voters and institutional developments inside EMU will end the need for unanimity among European Union members over tax matters. These advantages are; a more efficient single market, once the single currency is in existence it will work smoothly because exchange rate adjustments will not be allowed to disrupt trade or investment through their unpredictable impacts on profitability.

Without a single currency any slight exchange rate adjustment could alter the balance of a contract between two European firms. Only a single currency covering the largest possible number of member states can shelter firms and individuals from these disruptions. There can be a genuine comparison of prices of goods and services across the EU. This will benefit businesses to sharpen competition and boost trading within a single market.

The single currency is a stimulus to growth employment, public deficits are under control and price stability secured therefore this will benefit trade, improve the allocation of resources, encourage increased savings, enhance growth and in the end create more employment and higher standards of

living. The ECB primary objective is to ensure price and monetary stability, <https://assignbuster.com/the-uk-has-consistently-held-back-european-integration-and-as-such-held-back-european-business-essay/>

the ECB will have the means to fulfil its primary objectives, transaction costs such as the cost of foreign exchange transaction or the costs of exchange rate cover will disappear altogether with monetary union. These transaction costs are currently estimated to be 0.3% to 0.

4% of the union's total gross domestic product. The single currency will contribute to international stability. The EU is the world's leading trading entity; its currency will naturally become one of the main exchange and reserve currencies, on an equal footing to the Dollar or the Yen. European firms should increasingly be able to import or export their products and invoice them in their own currency.

The calculation of profitability and investment can be done on a sound basis. For some the transition to a single currency means the loss of national sovereignty, this is a major factor in the UK opt out. By collectively managing EMU's monetary policy, the participating central banks will exercise a new kind of joint monetary sovereignty, a shared but effective responsibility over one of the strongest currencies in the world. The fear for the UK government lies in giving up the ability to use monetary policy to stabilise the national economy around its trend growth path. The power to make monetary union policy will be transferred to the ECB, which will set a common interest rate and issue a single currency. The Bank of England will simply become the regional agency of the ECB. No independent power will be given to national banks to alter local monetary conditions.

The UK is currently not prepared to lose its economic decision making power. The UK opted out of handing control to the ECB. This means that for so long

as the UK exercise its opt out the UK government retains its authority over its own monetary and exchange rate policy, UK may not vote in EMU matters and may not appoint members to the central bank and the Bank of England may not participate. So what are the implications of the UK staying out of a single currency? An organisation called Britain in Europe states “ out of Europe and the UK economy will decline. Inside the single currency the British economy will be stronger - with more stability, inward investment and global profile. Out of Europe and the UK is left behind.

Inside the single currency, Britain will lead in Europe making Europe work for us with real influence to achieve reform. Patrick Minford, a renowned Professor of Economics in Britain, who seems to be in favour of the Single currency argued that the gains from a single currency (essentially those of lower transaction costs) will only outweigh the costs that we have been discussing when there is a much higher degree of integration, much like that between Wales and England. He also concluded by saying the convenience to business of a single currency is something to obtain as early as it can safely be done. But safety requires caution and evolution. Most countries of the EEC including the UK are not yet ready for it.

In my opinion Patrick Minford has put over a good argument, I think the single currency will enhance the economy of the EU, but how much good or bad effect will it have on the UK. Britain should not rush into the single currency, it is better for them to sit back at the moment and let the other countries get on with it. You can say that when the UK does eventually join the single currency, British businesses and the public at large will be behind, because you just cannot implement a new currency, there are many <https://assignbuster.com/the-uk-has-consistently-held-back-european-integration-and-as-such-held-back-european-business-essay/>

technological and social implications. In fact, I think the decision to join the single currency is a bigger decision than the one back in the 60's about integration, because this decision not only effects businesses but also all the people of the UK. Much of the opinion is divided amongst the British public.

The fear of losing national sovereignty is an argument for the UK not to join, because losing sovereignty is losing power, to illustrate the argument of sovereignty I am going to use two comments made in a debate on single currency in 1990, the first one is from a Tory, Mr Anthony Nelson; " What sovereignty or independence can there be if one's country is economically dominated by one neighbour? This is an anti single currency approach. The other comment is from a Labour member Mr Robert Waering " If we remain outside an expanded Europe which contains within it a central bank and a single currency, what sovereignty shall we have? How shall I be able to fight for the jobs for the people of Liverpool if I have no access to funds? Britain has always been a great trading nation. But maintaining this position depends upon our relations with the rest of Europe....

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.. In every other EU member, the single currency is seen as a political prize for which there may be an economic cost. The French Prime Minister and even the German Chancellor have admitted that EMU could be painful, at least in the short term. Only in Britain is the euro advocated on economic grounds. In order to make an economic case for EMU, supporters have had to exaggerate its advantages while glossing over its costs.

UK membership of EMU would drive up taxation. Those most closely involved with monetary union expect it to be accompanied by tax harmonisation.

Under a single currency, transfer payments from the richer areas of the euro zone to the poorer areas will be the only way to offset downturns in the poorer areas, in the absence of flexible interest rates. Indeed, many European politicians support the euro precisely because they see it as a step to fiscal union, and thus to political union.

The UK would almost certainly be a large net contributor under any overarching fiscal policy. Britain today has the most competitive tax regime in the EU. Any harmonisation of fiscal policy would therefore damage British business. When you weigh up the pros and cons of the single currency you will find that the pros weigh more, of course the UK entering the Single currency will be at a cost but how long will the UK be able to stay out of single currency, European businesses will eventually decide not to trade with the UK because they can cut costs trading within the single currency zone, similarly outward investment may drop because foreign companies may decide to set up in France because their supplies of materials are in Germany. It is really a time to decide if Britain is just Britain or is Britain European.