



PERSPECTIVE

CENTRE FOR POLICY STUDIES

57 Tufton Street • London SW1P 3QL • Tel: 020 7222 4488 • Fax 020 7222 4388
website: www.cps.org.uk email: mail@cps.org.uk

Backing the wrong horse

IAN MILNE

SYNOPSIS

The UK conducts its internal and external trade through the European Union's Customs Union/Single Market. That model, which was originally designed in the 1950s for economic and geo-political conditions that were different from today's, is emulated nowhere else in the developed world.

This paper reviews ongoing developments in the world trading system. It concludes that the UK would be better off if it adopted the model – used by the rising Asian superpowers and all of the developed world outside the EU – of interlocking networks of user-friendly free trade agreements.

It proposes that the UK joins a multi-country free trade agreement alongside the United States for its trade and investment with the world outside the EU (accounting for 93% of world population and growing); and Swiss-style sectoral agreements for its relations with the EU (7% of world population and shrinking).

INTRODUCTION

In organising their international trade, states can choose between three basic models:¹

- the customs union, where each participating country cedes to the union control of its own trade policy vis-à-vis third parties, adopts a common external tariff and accepts whatever trade policy the union decides;
- the Free Trade Agreement (FTA), where each participating country keeps control of its own trade policies vis-à-vis third parties; or,

- “going it alone”, where a country joins neither a customs union or an FTA.

In 1957, as one of the founding principles of the European Economic Community (EEC), the Treaty of Rome established: “a customs union which shall cover all trade in goods and which shall involve the prohibition between Member States of customs duties in imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries.”² A customs union was always more likely than an FTA structure to achieve the explicit objective of gradual political federation. This choice was made when tariffs (or customs duties) were high, and when “bloc-ism” as a way of looking at the world, especially during the Cold War, was understandable.

Since then, the European Union (EU) has superimposed on the customs union a tightly-regulated single or internal market, with a cumbersome supranational bureaucracy which now includes the Commission, Parliament, Council, Court of Justice, the *acquis communautaire* and the single currency (presently used by fewer than half of EU-25) run by a European Central Bank.³

Fifty years on, it is now clear that the economies of the Single Market are failing. Four factors have to be taken into account:



PERSPECTIVE

First, the economic underperformance of the EU in general, and the Eurozone in particular, has lasted for ten years. The European Commission,⁴ among others, anticipates little improvement in future, despite the boldness of the Lisbon rhetoric.⁵

Second, continental Europe's ageing demographic profile offers little prospect of its economic performance improving, even if France and Germany were to implement the supply-side reforms they so desperately need. Any productivity gains at the firm or sector level will be offset by sharp declines in working-age population and corresponding increases in the pensioner to worker dependency ratio in almost all of EU-25.⁶

Third, the EU model has not been emulated anywhere in the developed world. The relatively few customs unions that do exist outside Europe are in poor African countries, former Soviet dependencies, Gulf states and developing countries in South America.

Outside Europe, no major industrial trading nation – not the US, not Japan, not South Korea, not Singapore, not Australia, not Chile – has chosen to conduct its trade via a customs union. The EU's immediate neighbours, the countries which make up the European Free Trade Association (EFTA), with per capita GDP far greater than the EU's, have firmly stuck to the FTA model, for both intra-EFTA and EU-EFTA trade – including for their participation in the EU Single Market. Tomorrow's economic superpowers, China and India, have also chosen the FTA route.

The evidence is clear: FTAs deliver the same benefits that EU members get from EU membership, but with very few of the costs.

Fourth, recent research has shown that EU membership imposes significant costs on the UK.⁷

There appears therefore to be a *prima facie* case for considering whether the UK's economic interests are best served by remaining in the Single Market. Would not the UK (the third-biggest trading nation and the fourth biggest economy in the world)⁸ be better off if it adopted the model which appears to be associated with superior economic and trading outcomes? That is, after all, the model – interlocking networks of user-friendly FTAs – that has been chosen by all of the developed world outside the EU and, significantly, by the rising Asian economic superpowers.

Outside Europe, no major industrial trading nation has chosen to conduct its trade via a customs union.

DEVELOPMENTS IN THE WORLD TRADING SYSTEM

Growth in World Trade

Between 1980 and 2002, world trade has more than tripled while world output has doubled. The world trade to GDP ratio has risen from around 16% in 1980 to almost 30% in 2002; the trend has been upward since the end of the Second World War and seems to have accelerated in the last 20 years. Most trade takes place between structurally similar industrial economies: for example, 80% of OECD trade takes place with other OECD economies. World trade appears to have grown because of a combination of reduced costs of tradeable goods (which make up two-thirds of all



PERSPECTIVE

trade), rising living standards and income per head and – especially in the last ten years – rising levels of Foreign Direct Investment. Productivity growth in the traded goods sector and falling tariffs appear to have accounted for two-thirds of trade growth (reductions in exchange rate volatility seem to have had little impact).⁹

In 2002, the UK was the third biggest trading nation in the world, with a 6.3% share of world exports, behind the US (12.8%) and Germany (8.7%) and ahead of Japan (5.8%) and France (5.1%). Less than half of UK exports go to EU-15. Recorded exports to EU-15 declined in 2002 and 2003; UK exports to the rest of the world also declined in 2002 but recovered in 2003. The UK's current account deficit with EU-15 almost doubled in 2003 to £23 billion (11% of UK exports to EU-15), while its surplus with the US increased to £19 billion (22% of UK exports to the US).¹⁰

The Ubiquitous FTA

The post-war multilateral trading system is supervised by the World Trade Organisation (WTO), an intergovernmental body, for which Regional Trade Agreements (RTAs), whether customs unions, free trade agreements or hybrids of the two, are stepping stones to full multilateralism.

The last ten years have seen an explosion in the number of FTAs, bilateral, regional, inter-regional and cross-regional.¹¹ This is partly in response to the agonising slowness and relatively meagre outcomes of “pure” multilateral negotiations such as the Uruguay Round (1986 –1994), which lasted

eight years, and the ongoing Doha Round, which began in 2001. The slowness and complexity of WTO multilateral negotiations are inherent in the wide membership and the consensual intergovernmental nature of the negotiating process. In contrast, FTAs are flexible, allowing countries to pick and choose between trade partners, industrial sectors and types of co-operation – for example the free movement of people or protection of intellectual property. Not least, FTAs allow countries to conclude negotiations relatively quickly – though it has to be said that the higher the number of participants (for example in a regional FTA), the slower the process.

Modern FTAs cover services, labour mobility, investment, competition, trade facilitation, government procurement, intellectual property rights, subsidies and the environment.

Modern FTAs¹² (such as the recently-signed US-Australia FTA¹³) are comprehensive, typically covering services, labour mobility, investment, competition, trade facilitation, government procurement, intellectual property rights, subsidies and (sometimes via side letters) the environment. Such FTAs provide members

with all or most of the benefits that members derive from the EU Customs Union/Single Market, but with few of the costs.

Customs unions themselves – especially the EU – have enthusiastically joined the fray, negotiating FTAs not just with other customs unions (such as Mercosur¹⁴) but also with individual countries (such as Mexico, which is itself a member of the North American Free Trade Agreement, (NAFTA)). The world trading system can now be characterised as a “spaghetti bowl” or “patchwork” of interlocking and overlapping RTAs, the bulk of which are FTAs. Of the current 147 WTO members, only one, Mongolia, is not yet party to any RTA.



PERSPECTIVE

FTAs, customs unions and hybrids of the two are notified to the WTO for monitoring for non-discrimination against third parties. Of the 243 RTAs in force in March 2002, 175 were FTAs (72% of the total); only 22 were customs unions (9% of the total). The remainder were hybrids.

EU countries trade now with 22 non-EU countries via FTAs, and are currently negotiating FTAs with another 69. That makes 91 in total – just about half of all the countries in the world.¹⁵

EFTA, whose current members are Norway, Switzerland, Iceland and Liechtenstein, has 13 FTAs in force at present and is negotiating another nine. It has also announced its intention to enter into FTAs with a further 26 countries (including the US, Japan, China and Russia), making a total, if they all come off, of 48.¹⁶

Meanwhile, the US, building on the success of NAFTA (Canada, the US and Mexico), has signed 15 FTAs and is negotiating or has announced its intention to negotiate FTAs with another 11 countries, making 26 in total.¹⁷ By 2005 it hopes to complete negotiations on the Free Trade Agreement of the Americas (FTAA), creating a 34-country free trade zone of 800 million people stretching from Alaska to Tierra del Fuego.¹⁸

In addition, the US-Middle East Trade Initiative will involve setting up bilateral FTAs with each Middle Eastern country, the aim being to consolidate them all into a multilateral agreement by 2013.¹⁹

In Asia, Singapore has signed FTAs with the US and Australia and is negotiating FTAs with Canada, Mexico, Korea, India, Jordan, Sri Lanka, Chile and New Zealand.²⁰

Despite the proliferation of cross-regional RTAs, no agreement yet exists between the world's current biggest trading entities, the EU and the US.

Tariffs: Hardly Worth Collecting

When the UK joined the EEC in 1973 customs duties between industrial nations were high, typically in double figure percentages of imports by value. Since then, as a result of successive trade rounds conducted under the aegis of GATT and its successor the WTO, average tariffs are now very low and tending to zero. In the case of the UK, 92% of all UK imports (goods, services, income and transfers) in 2002 were tariff-free; and the average tariff on its imports of goods was under 1%. As a proportion of all taxes raised by the UK in 2002/2003 less

than ½% came from tariffs on imports. The situation of other developed countries inside and outside the EU is similar. Transport costs now tend to be a bigger brake on trade than tariffs.²¹

The eventual disappearance of customs duties (tariffs) will negate the *raison d'être* of customs unions: there is little point in them unless there are customs duties to collect.

Rules of Origin: Towards Redundancy

Until tariffs disappear completely, rules of origin are needed to determine the country of origin of an imported manufactured product, and how much tariff, if any, it should bear. Rules of origin are also used – though sparingly by developed countries,

Of the 243 RTAs in force in March 2002, 175 were FTAs (72% of the total); only 22 were customs unions (9% of the total); the rest were hybrids.

except for agriculture – to apply measures such as anti-dumping and countervailing duties, safeguard actions and quotas.²²

Rules of origin are inherent in FTAs as each participant keeps control of its trade policies, including tariffs and quotas, vis-à-vis non-participating countries. Rules of origin are not needed within customs unions in respect of trade *between* members, so long as each member imposes a Common External Tariff on imports from outside the union (which the EU does but which, for example, Mercosur so far does not). Nevertheless, such rules are still needed in a country in a customs union to apply to imports arriving *directly* from outside the union.

Rules of origin involve administrative costs and can distort trade flows. To minimise such effects, work on harmonising rules of origin worldwide has gone on since the signing of the World Customs Organisation’s Kyoto Convention of 1974 on the standardisation of customs procedures. These have been complemented by the work of the WTO’s Committee on Rules of Origin, set up in 1995, and the Brussels-based World Customs Co-operation Council. Rules of origin are also dealt with at the OECD and at UNCTAD.

Progress in formal multilateral harmonisation has been slow. However, as a result of the “free market” in FTAs, *de facto* convergence of rules of origin is happening through the voluntary adoption in most FTAs of either the NAFTA or the PANEURO models, which are similar. The NAFTA model tends to be the template in intra-Asian and trans-Pacific FTAs, and will be the blueprint for the future

Free Trade Agreement of the Americas. The PANEURO model is used in FTAs between the EU and, for example, EFTA and North African and Middle Eastern countries.

The UK a bystander at the WTO

The UK has no seat or voice at the WTO. It surrendered them to the EEC on accession in 1973. The EU Trade Commissioner, formerly Pascal Lamy, now Peter Mandelson, negotiates on behalf of all EU member states as a bloc. Since trade policy is decided within the EU by Qualified Majority Voting (QMV), and no country has a veto, the UK, with only 9.0% of the votes in the Council of Ministers at present is to all intents and purposes an impotent bystander at the WTO (and after the accession of Bulgaria and Romania, the UK’s share of the votes in the Council of Ministers will fall to 8.4%).²³ It should be noted that in the United Nations, the World Bank, the International Monetary Fund and NATO, the UK shows no inclination to surrender its votes and seats to functionaries – however brilliant – of a regional bloc.

UK leverage at the WTO is sometimes claimed to be stronger as part of the EU customs union than it would be if the UK spoke for itself in WTO councils. That claim has validity only in so far as British commercial interests coincide with those of all or a majority of its EU partners – all 24 of them. When British interests do not coincide, it follows that UK leverage is weaker than it would be if the UK were outside the EU.

Given that the structure and pattern of UK global trade is different from that of its EU partners, there is no *a priori* reason to

	Number of FTA agreements		
	Existing	Potential	Total
EU	22	69	91
EFTA	13	35	48
US	15	11	26



PERSPECTIVE

suppose that, on balance, British interests and those of its EU partners coincide more often than they diverge. Many argue that French intransigence in defending the indefensible, the CAP, not only introduces long delays into successive WTO “rounds”, including the Uruguay Round of the 1990s and the current Doha Round, but ensures that their outcomes are far from being what the UK (and others) would have wanted.²⁴

THE NEXT HALF-CENTURY: TRADING OPTIONS FOR THE UK

Before say, 2010, it is possible that the UK will find itself, whether it likes it or not, at the margins of “Europe”.

First, domestic politics might evolve to the point where a British Government initiated a process of partial or wholesale detachment from the EU.²⁵ Second, perhaps following rejection of the draft Constitution by the British electorate, the Continental “core” might invite the UK to shift to the outer ring of a “Europe of concentric circles”, while the core went on to form a tighter political union.²⁶ Third, British policy-makers might consider it to be dangerous for the UK to have over 40% of its trade with a regional bloc which has only 7% of world population and which is in marked long-term economic decline.

The question of how best to reconfigure the UK’s global trading arrangements would then move from the theoretical to the practical. The UK, in that scenario, for the first time since 1972, would be free to choose its own trading arrangements as a function of its own best geo-political and geo-economic interests.

It seems unlikely, for the reasons set out above, that the UK would seek to create or enter another customs union, or to “go it alone”. The practical way ahead would lie in some combination or variant of the FTA route for its trade both with the world beyond the EU and with the EU itself. The choices, broadly (they are not mutually exclusive) would be as follows.

With the world outside the EU

Option One: the UK enters a multi-country FTA alongside the US

One possibility, often floated, is for the UK to join the US, Canada and Mexico in NAFTA, which itself will constitute the North American component of the hemispherical Free Trade Agreement of the Americas (FTAA).

One possibility would be for the UK to join a “Global Free Trade Alliance”, an idea being developed by the Heritage Foundation.

Another possibility would be for the UK to join a Global Free Trade Alliance (GFTA), an idea being developed by the Washington-based Heritage Foundation.²⁷ The GFTA

would go beyond the traditional FTA, in that members would voluntarily (but not irrevocably) commit themselves to genuine reciprocal free trade – no tariffs at all, no quotas, minimum regulation – with the other members. The GFTA would not be a treaty; each member would enact national legislation to allow free trade with its partners. It would not be restricted to a specific region. Among 12 countries that would qualify initially according to Heritage’s criteria are the US, the UK, Australia, New Zealand, Hong Kong, Singapore, Ireland and Iceland.



PERSPECTIVE

Option Two: UK enters bilateral FTAs worldwide on a case-by-case basis

The UK, currently the world's third biggest importing nation and fourth biggest economy, would be an attractive FTA partner for both developed and developing countries in and near Europe, in the Americas and in Asia. A starting point might be an FTA with its single biggest trading and investment partner worldwide, the US.

With the EU itself

The EU will soon have different kinds of FTAs with half of all the countries in the world. Some (for example with Norway through EFTA-EEA) involve the other party “opting-in” to the EU Single Market (but not to the EU Customs Union). Another (for example with Switzerland) is an *à la carte* arrangement providing selective *de facto* (but not *de jure*) opting-in to bits of the Single Market through sectoral bilateral agreements.²⁸

Others (for example with Mexico) are comprehensive arms-length FTAs of the traditional kind. So, if and when the UK decides to reconfigure its trading arrangements with the EU, there would be no shortage of well-functioning models from which to choose.

The Swiss Model

Switzerland is not in the EEA, not in the EU Customs Union and not – except for one aspect of civil aviation – in the Single Market. For its trade with the EU, Switzerland has “cherry-picked” the economic and political sectors in which it wants to co-operate, keeping full sovereignty in all other areas. There is no reason why the UK should not follow the Swiss model if it so chose.²⁹

The Norway Model

If the UK wished to continue being an integral part of the Single Market, the EFTA-EEA model would be one way of doing so. Three of the four EFTA members, Norway, Iceland and Liechtenstein, along with EU-25, form the 28-member EEA, of which the UK is already a member. The UK, if it chose this model, would remain in the EEA, re-join EFTA (which it left in 1973), and, like Norway, Iceland and Liechtenstein, stay out of the CAP, the CFP, the Customs Union, Monetary Union and so on, but opt-in to the Single Market. Formal institutions allowing EFTA-EEA members to participate in the decision-shaping of EU EEA-relevant legislation already exist.

The UK, like the existing EFTA-EEA members, would have no vote in the EU Council of Ministers – but after all, a zero vote in the Council of Ministers is not that different from the UK's current situation as a full EU member, with no veto on Single Market matters and its voting power heading towards 5% as the EU enlarges further to the east.

If and when the UK decides to reconfigure its trading arrangements with the EU, there would be no shortage of well-functioning models from which to choose.

In joining EFTA the UK would immediately become a party to EFTA's numerous existing and soon-to-be-concluded FTAs with non-EU countries, if it judged that these best served its interests. The example of Switzerland, an EFTA member but not an EEA member, suggests that EFTA would be flexible enough to accommodate British requirements vis-à-vis the world outside the EU if these differed significantly from those of the other members.

The Mexico “Arms-length” Model

Mexico and the EU have a comprehensive FTA giving Mexican companies practically the same access to the EU as EU members themselves, but with none of the costs. Again, there is no reason why the UK should not



PERSPECTIVE

build on such a model, since the UK is far more valuable to the EU as a trading and investment partner than Mexico.³⁰

THE BEST SOLUTION FOR THE UK

Two geo-political considerations should determine the UK's choice of global trading arrangements for the next half-century.

The first is the probability that the US will continue to be the world's most powerful nation – economically as well as in other respects – for at least the next 50 years. Over the long term, it will continue to be in the UK's interests to be closely allied with that power. If, as widely predicted, the Chinese and Indian economies become as big as that of the US by the middle of this century, they will do so by being fully-engaged with the US in particular and with the West in general. Their global influence is unlikely to rival that of the US for some time after their economies have reached or overtaken America's.

The second is that Continental Europe is in long-term economic decline, partly because of economic and social rigidities hard-wired into its system of governance, partly because of its demographics. Europe's global influence has already peaked. Eastward enlargement, far from solving the EU's problems, will exacerbate them. Its destiny, as a cohesive regional power, is to follow the Ottoman Empire into oblivion.

Those geo-political considerations indicate that the best foundation for the UK's future trading arrangements would be a combination, under the WTO umbrella, of Option One above (a multi-country FTA alongside the US) for its relations with the world *outside* the EU, and the Swiss Model, (sectoral FTAs) for its relations *with* the EU. That combination would give the UK economy the flexibility and agility it needs to prosper globally in the decades to come.

REFERENCES

- ¹ For descriptions and definitions of terms such as customs unions, FTAs, Single Market etc, see, for example, R Leach, *Europe: A Concise Encyclopaedia of the European Union*, 4th edition, 2004, Profile Books Ltd; and WTO, *Dictionary of Trade Policy Terms*, 2004.
- ² Treaty of Rome, Article 9.
- ³ EU-25: the 25 current members of the European Union, including the ten countries which joined on 1 May 2004.
- ⁴ See, for example, two reports commissioned and paid for by the European Commission: European Forecasting Network, *The Euro Area and the Lisbon Strategy*, Autumn 2004; and P Colombani, *Le Commerce Mondial au 21e Siècle: Scénarios pour l'Union Européenne*, Institut Français des Relations Internationales, November 2002.
- ⁵ At a summit in Lisbon in 2000 the EU set itself the objective of becoming “the most competitive and dynamic knowledge-based economy in the world” by 2010.
- ⁶ See, for example, Deutsche Bundesbank, “Effects of eastward enlargement of the EU on the German economy”, *Monthly Report*, May 2004; Y-M Laulan, *Allemagne: chronique d'une mort annoncée*, F-X Guibert, November 2004; and IMF, “How will demographic change affect the global economy?”, *World Economic Outlook*, September 2004.
- ⁷ See, for example, I Milne, *A Cost Too Far?*, July 2004, Civitas. This paper estimated the annual net cost to the UK of EU membership at 4% of GDP.



PERSPECTIVE

⁸ The source for trade data in this section is IMF, *Balance of Payments Statistics Yearbook 2003*, 2003.

⁹ This paragraph is based on M Dean and M Sebastia-Barriel, “Why has world trade grown faster than world output?”, *Bank of England Quarterly Bulletin*, Autumn 2004. In nominal (unadjusted for inflation) terms, UK credits on current account almost quadrupled between 1981 and 2003, while GDP more than tripled.

¹⁰ See *United Kingdom Balance of Payments: The Pink Book 2004*, ONS.

¹¹ See WTO publications such as its *Annual Reports*; its annual *World Trade Reports*; OECD, *Regionalism and the Multilateral Trading System*, 2003; and the World Bank’s Annual Report, *Global Economic Prospects 2005: trade, regionalism and development 2005*, November 2004.

¹² See, for example, the International Trade Agreements Database and Archive at the Center for International Business, Tuck School of Business; and OECD, *Regionalism and the Multilateral Trading System*, 2003.

¹³ The texts of this and other FTAs, including NAFTA, to which the US is a party can be found at the website of the Office of the US Trade Representative (www.ustr.gov). For an Australian perspective on this FTA, see www.dfat.gov.au/trade/negotiations/US_fta.

¹⁴ Mercosur comprises Brazil, Argentina, Paraguay and Uruguay.

¹⁵ See Hansard, Written Answers, House of Lords, 5 July 2004, Cols WA 63-65, HL 3440 and HL 34.

¹⁶ See various EFTA papers at www.secretariat.efta.int and www.efta.int.

¹⁷ See www.ustr.gov.

¹⁸ See www.ftaa-alca.org.

¹⁹ See www.ustr.gov.

²⁰ See the Tuck School of Business Archive, footnote 12 above.

²¹ See Global Britain Briefing Note No 33, *Customs Duties: Hardly Worth Collecting*, 17 September 2004.

²² See WTO, *Dictionary of Trade Policy Terms*, 2004; European Commission, *A User’s Handbook to the Rules of Preferential Origin used in trade between the EC and other European countries*, 2004; OECD, *Regionalism and the Multilateral Trading System*, 2003; EFTA Fact Sheet, *EFTA’s Third Country Relations*, June 2004; DTI website (www.dti.gov/ewt/rules); and A Estevadeordal and K Suominen, “Measuring Rules of Origin in the World Trading System and Proposals for Multilateral Harmonisation”, a paper presented at the APEC Capacity-Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, 2003.

²³ As a senior diplomat at the London embassy of one of the EFTA countries remarked to the author on 26 October 2004: “My country votes for itself at the WTO and in this respect we are much more influential [at the WTO] than the UK.”



PERSPECTIVE

²⁴ See I Milne, *A Cost Too Far?*, Civitas, July 2004, Appendix I.

²⁵ At the time of writing, partial detachment from the EU, through repatriation of the Common Fisheries Policy, appears to be the official policy of the Conservative Party.

²⁶ The possibility of the UK being relegated or promoted to an outer circle of a Europe of concentric circles and/or withdrawing from parts of the EU is presently being widely discussed on the Continent. For example, in May 2004 the former EU Trade Commissioner Pascal Lamy was asked what would happen if Britain voted No to the EU Constitution. He replied that the UK would be offered a status similar to Switzerland's. Article I-57 of the EU Constitution, titled "The Union and its Neighbours" says that the Union "shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness..." This is thought to have been inserted with the possibility of a detached or semi-detached UK in mind. The possibility of the UK having a looser relationship with the EU has also been discussed in the *Economist* (see the issue of 25 September 2004).

²⁷ See E Feulner, J Hulsman and B Schaefer, *Free Trade by Any Means: how the Global Free Trade Alliance Enhances America's Overall Trading Strategy*, Heritage Foundation, August 2004.

²⁸ See Global Britain Briefing Note No 36, *Cherry-Picking: EFTA, EEA and the Swiss-EU Trading Relationship*, 26 November 2004.

²⁹ Switzerland, surrounded by EU countries, does around 70% of its trade with the EU, compared with the UK's around 45%.

³⁰ See Global Britain Briefing Note No 19, *The Mexico-EU Free Trade Agreement Points the Way*, 1 March 2002.



PERSPECTIVE

THE CENTRE FOR POLICY STUDIES

The Centre for Policy Studies was founded by Sir Keith Joseph and Margaret Thatcher in 1974 and is one of Britain's best-known and most respected centre-right policy research centres. Its Chairman is Lord Blackwell, a former Head of the Prime Minister's Policy Unit with extensive business experience. Its Director is Ruth Lea, whose career spans the civil service, the City, and the media (ITN). She was also the Head of the Policy Unit at the Institute of Directors.

The CPS is the champion of the small state. It believes people should be enabled and encouraged to live free and responsible lives. It tirelessly promotes Britain as an independent and democratic country. This is an exciting agenda for the 21st century – and the right agenda for the 21st century.

The role of the Centre for Policy Studies is twofold. First, it is to develop a coherent, yet practical, alternative set of policies that roll back the state, reform public services, support families and challenge the threats to Britain's independence. Policies are one thing but the CPS is committed to producing policies that can be put into action.

Second, it is to create the environment in which these policies can be adopted by government. The CPS seeks to influence and persuade government, politicians, the media and other opinion-formers that these policies would, if enacted, significantly change and improve people's lives.

The CPS is independent of all political parties and special interest groups. It is a non-profit-making organisation which relies entirely on the donations of individuals and companies to carry out its vitally important policy research.

The Centre for Policy Studies runs a growing Associate Membership scheme which is available at £100.00 per year (or £90.00 if paid by bankers' order). Associates receive all CPS publications and (whenever possible) reduced fees for conferences held by the Centre. Since our task depends on the support of associates and sponsors, we encourage those who are able, to set a voluntary subscription level. Donations above £500 will bring other entitlements.

If you wish to discuss becoming an Associate or a Donor or sponsoring a project, please contact:

Jenny Nicholson
Secretary to the Centre
Centre for Policy Studies
57 Tufton Street
London SW1P 3QL.
Tel: 020 7222 4488
Fax: 020 7222 4388
e-mail: jenny@cps.org.uk



PERSPECTIVE

THE AUTHOR

Ian Milne has been the Director of the cross-party think-tank Global Britain since 1999. He was the founder-editor (in 1993) of *The European Journal*, and the co-founder (in 1995) and first editor of *eurofacts*. He is the translator of *Europe's Road to War*, by Paul-Marie Coûteaux, (published by The June Press), and the author of numerous pamphlets, articles and book reviews, mainly about the relationship between the UK and the European Union. His most recent publication is *A Cost Too Far?* (published by Civitas, July 2004), an analysis of the net economic costs and benefits for the UK of EU membership.

He is chairman of companies involved in publishing and book distribution. He has degrees in engineering and business administration, and a 40 year career in industry and merchant banking in the UK, France and Belgium.

Acknowledgements

The Rt Hon Lord Young of Graffham DL has provided generous funding for the Perspective series.

Support towards research for this Study was given by the Institute for Policy Research.

A SUBSCRIPTION TO THE CENTRE FOR POLICY STUDIES

The Centre for Policy Studies runs an Associate Membership Scheme which is available at £100.00 per year (or £90.00 if paid by bankers' order). Associates receive all publications and (when possible) reduced fees for conferences held by the Centre.

For more details, please write or telephone to:

The Secretary
Centre for Policy Studies
57 Tufton Street, London SW1P 3QL
Tel: 020 7222 4488 Fax: 020 7222 4388
mail@cps.org.uk www.cps.org.uk

© Centre for Policy Studies, December 2004

ISBN 1 903219 83 3

Printed by the Centre for Policy Studies, 57 Tufton Street, London SW1P 3QL

Price: £2.50