

# PRIME MINISTER SHOULD ESTABLISH EURO STRATEGY GROUP TO PREPARE FOR ENTRY

*Lord Radice argues that the Treasury must not repeat past mistakes*

Without a clear strategy on the practicalities of joining the Euro, there is a danger that the decision will be taken “without sufficient forethought or botched altogether” according to a new pamphlet published by the Foreign Policy Centre. In *How to Join the Euro* Giles Radice, Chairman of the Lords European Sub-Committee on Economic and Monetary Affairs, argues that this risk would be countered if the Prime Minister established a Euro strategy group to take charge of the process of Euro entry.

In an examination of the hurdles to entry, Radice also concludes that the British economy and the Eurozone have largely converged: Britain should satisfy the Maastricht criteria on inflation, sustainability of the fiscal position and convergence of long term interest rates. However, he warns that though five economic tests must be met, the Government must “distinguish the wood from the trees” and consider the opportunities that entry would bring with it as well as the costs of staying out. Powerful new commercial groups and trading patterns are likely to emerge from which Britain is excluded. If there is a referendum in Autumn 2003, the report claims, it should be possible to introduce coins in the UK in the first months of 2006.

The former head of the Treasury Select Committee also argues that the Treasury has historically showed excessive caution: the Chancellor must avoid the mistakes of his predecessors that led to opt out of European projects in the 1950s, 1960s and 1970s too late - from British participation in the Schumann Plan to membership of the ERM.

## KEY RECOMMENDATIONS

- **The Prime Minister, First Lord of the Treasury, should chair a Euro Strategy group** - including the Chancellor, the Deputy Prime Minister, the Foreign Secretary, the Secretary of State for Trade and Industry, the Secretary of State for Work and Pensions, the leader of the House and the Lord Chancellor - to consider the myriad of practical issues that need to be taken into account.
- **The Chancellor should publicly announce that he considers sterling overvalued.** If this immediately followed a favourable assessment of the five tests, it might influence the market in a downward direction, thus strengthening the British hand in negotiations with out euro partners over a sustainable exchange rate.
- **The British Government should consider following Sweden’s example who have agreed to lock currencies at the same time as they introduce euro notes and coins** - two and a half years after a successful referendum vote. This would give a longer period for the markets to reach a sensible judgement about the value of sterling
- **Special attention needs to be paid to small businesses (SMEs)** that will not have an in-house IT capacity to cope with the practicalities of changeover. The

**For briefings, interviews or a copy of the pamphlet,  
call Rob Blackhurst on 0207 401 5355/ 07879423341**

# The Foreign Policy Centre **Press Release**

*New Directions in Global Thinking*

Government should consider allowing them to write off part or whole of the cost of IT upgrading in the period between joining and the adoption of notes and coins.

- **The UK must ensure that any reform of the European Central Bank Governing Council following enlargement reserves permanent voting rights for National Bank Governors from the largest economies.** Early membership of the euro group on economic policy, from which we are presently excluded, would represent a significant gain for the UK. .

## **Giles Radice said:**

“Whether we join this year or next year sooner or later we are going to join the Euro. We can’t go on hiding behind the five economist tests forever”

## **Mike Rake, Chairman of KPMG, said:**

“We have already seen a decline in the UK share of foreign investment into Europe since the launch of the euro, as well as increasing trade within the euro-zone from which the UK is excluded. I also worry about the City of London - the crown jewel of our economy - if the UK is to stay out of the euro or again put off the decision whether to join”

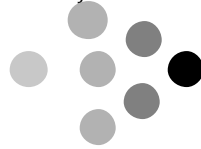
## **NOTES TO EDITORS:**

1. *How to Join the Euro* is strictly embargoed until Monday 10 February 00.01
2. Giles Radice is a former Chairman of the Treasury Select Committee and is now Chairman of the Lords European Sub-Committee on Economic and Monetary Affairs. He is on the board of Britain in Europe and the European Movement. He was Labour MP for twenty-eight years and is now a Labour peer.
3. The Foreign Policy Centre is an independent thinktank established in 1998 by Robin Cook (Patron) and Tony Blair (President).
4. *How to join the Euro* is produced in association with KPMG.

**For briefings, interviews or a copy of the pamphlet,  
call Rob Blackhurst on 0207 401 5355/ 07879423341**

Patron: Rt Hon Tony Blair MP President Rt Hon Robin Cook MP

**The Foreign Policy Centre**



***Press Release***

*New Directions in Global Thinking*

**For briefings, interviews or a copy of the pamphlet,  
call Rob Blackhurst on 0207 401 5355/ 07879423341**