

# CLEAR WATER BULLETIN – ‘No Euro, No Entry’ – England, Scotland & the EU

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## INTRODUCTION

Campaigning to leave the United Kingdom may only be half the battle for the SNP if Nicola Sturgeon is to make good on her commitment to hold another Referendum on Scottish independence. Even her supporters acknowledge it raises as many questions as it answers.

For example, one of the Scottish government's key arguments for independence – membership of the European Union – would not be possible until Scotland has control of its own fiscal and monetary policy.

That would involve the creation of a separate Scottish pound and central bank – with adequate reserves to back it up. But the SNP leader was unable to put a timescale on the process which her opponents claimed was “a dangerous recipe for years of chaos”.

And even if she did, it would only be the prelude to an even greater monetary leap: that of joining the European single currency, acceptance in principle being a prerequisite for EU membership. That a majority of Scots would willingly abandon

not one but then an expensively created second currency to join a third over which it had no control is beyond absurd.

**But all of us should sit up and take note: the questions now being asked of the SNP would apply with equal force in England should EU Re-joiners south of the border be allowed their way. Joining the euro would merely be the start.**

As a Professor Derrick Wyatt QC makes clear in a recent LSE report the EU has evolved a great deal even since Brexit. The decision of the EU to borrow 750 billion euros to fund a post-pandemic Recovery Plan was described by German Chancellor Olaf Scholz as a 'Hamiltonian moment' in reference to federal measures adopted by the United States' first Treasury Secretary Alexander Hamilton.

Further constitutional changes are also in the offing which point to a federal future for the EU, all of which would affect the UK should those campaigning on this side of the border succeed in getting their way.

But as Professor Wyatt concludes in words that will resonate on both sides of the border:

"What might be a more difficult equation for the Government would be pros and cons of EU Membership if the scale of Scotland's net contribution to the EU budget seemed unfairly high (it would likely run into hundreds of millions of euros and rise with enlargement)," "if the Single Market and Customs Union appeared in retrospect to have been of less value than had hitherto been believed, and if the say of individual Member States in EU decision-making had been weakened by the loss of the national veto in areas such as tax and EU spending and by diluted voting power in the European Parliament."

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## SUMMARY

- We are indebted to our affiliate – *Briefings for Britain* – for an overview on the subject by Professor David Blake of Bayes Business School, part of City, University of London.
- The SNP does not want independence at all, he argues in an article which sets out the broad context.
- “Instead, it wants to leave the UK in order to join the European Union as an ‘independent’ member state.”
- The trouble is no such deal is on offer. Joining the EU means forfeiting sovereign control over the very areas of policy it now controls, “leaving it with even less effective independence than it currently has as part of the UK.”
- Not to mention the practical difficulties arising from leaving one club whilst simultaneously trying to join another.
- By way of lighter fare, we include another *Briefings* article on the wider social, historical and cultural ties which have developed between the two nations since the Act of Union in 1707.
- “The self-styled Scottish Nationalists do not want independence,” argues retired businessman Peter Semper.
- “They are separationists not independentists. It is about leaving one Union and joining another.”
- And one in which the Scots would be infinitely worse off.

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**Scottish independence – playing by EU rules**

## **By Professor David Blake for Briefings for Britain**

“Since the SNP is so keen on joining the EU and abiding by EU rules, let’s look at what Scottish ‘independence’ would look like when playing by EU rules.”

In a summary piece, Professor Blake weighs the cost of Scottish independence under EU rules across six policy areas including assets and liabilities, borders and trade, currency implications and economic cost.

In every case the cost and complexity of leaving the UK and joining the EU would appear to be higher than the cost of remaining. We pick out just a few examples by way of illustration.

### **On Assets & Liabilities:**

- When you leave a club (in this case the UK), all tangible assets remain with the club. This would include military assets, including nuclear submarines, and embassies.
- The rest of the UK (RUK) would retain its existing fishing grounds in Scottish waters.

### **On Trade of Goods:**

- To avoid tariffs and keep the border open Scotland would have to agree dynamic alignment with UK regulations of goods as they change over time.
- This would be incompatible with the EU Single Market which would require:
  - Full third country sanitary/phytosanitary (SPS) compliance and checks including export health certificates for foods of animal and

plant origin.

- Customs declarations and rules of origin paperwork for goods entering the UK from Scotland and the payment of tariffs.
- On rules of origin, Scotland must demonstrate that at least 55% of all components in goods manufactured in Scotland were made in Scotland.

## **On Currency:**

- Scotland would have to introduce its own currency on Independence Day.
- If introduced at par with sterling, it is possible that the Scottish pound could fall in value by the same amount as Sterling following the 2016 Referendum announcement.
- Scottish citizens with existing liabilities denominated in Sterling (such as the 800,000 with mortgages) could then see these liabilities increase by 15%.
- Crucially only 18% of Scots want to join the Euro single currency.

## **On the Economic Cost to Scotland:**

*A recent study by the London School of Economics estimated the trade costs to Scotland of independence. The headline figures are alarming:*

- Trade costs between Scotland and the UK would rise by 15% and 30% depending on the size of the border costs.
- It predicts that Scotland's long-run real income per capita will fall by between 4.5% and 6.7%, or by between £1,385 and £2,155 per person.
- This means that the Scottish economy could shrink by £11bn a year if the country breaks away from the UK.

This is the pure border-cost effect.

***Professor Blakes conclusions are stark and unambiguous:***

*“The SNP are deluded if they think there will be a smooth transition from being part of the UK to being part of the EU. And they are just as deluded if they believe there is some form of Free Trade Agreement that will allow frictionless trade between Scotland and the UK as well as frictionless trade between Scotland and the EU – as Northern Ireland has clearly demonstrated.”*

A link to the full article can be found [here](#).

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## **The ties that bind us. Scotland, England and Union.**

**By Peter Semper for Briefings for Britain**

In a lighter and more wide-ranging piece, retired businessman Peter Semper offers a personal perspective on Anglo-Scots relations arguing that the ties which bind us are far stronger than any we have with the EU.

And in words which echo Professor Blake's he wonders why on earth the Scots would trade in Home Rule under the Union for membership of the EU in an affiliation which makes no political, judicial, financial, or geo-political sense.

At such moments he says, it is to eighteenth century

philosopher and politician Edmund Burke that we should turn:

*"I feel an insuperable reluctance in giving my hand to destroy any established institution of government, upon a theory, however plausible it may be"*

A link to the full article can be found [here](#).

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