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## **The Czech Republic and the EU after the French and Dutch Referendums**

Let me say, at the beginning, a few words about the Czech Republic. We are almost 16 years after the fall of communism. There is now already one quarter or perhaps even one third of the Czech population without direct experience with communism. Even people of my age spent one quarter of their life in a free society again. We are aware of it. We know, nevertheless, that the past is there and that we should not forget it. Otherwise we might go through it – or through something similar to it – again. There is no end of history yet.

After being a closed or semiclosed country for half a century, **the Czech Republic has been in the course of the last 16 years integrated into the world in all relevant dimensions.** We can demonstrate it in figures, e. g. data about the volume of foreign trade and foreign investments, number of tourists, etc. We can demonstrate it institutionally. In 1995 we became members of the OECD, in 1999 members of NATO, and in 2004 members of the EU. To get these memberships was not free. We paid a non-zero price for it, but we believe that the cost-benefit comparison, the netto effect, was mostly positive and that it was a confirmation of our relative transformation success.

***Politically*, we are now a mature pluralistic, parliamentary republic with – ideologically – well-defined political parties. *Economically*, we transformed the centrally planned and state owned economy into a market economy, based predominantly on private property.**

**It is, however, not the world of free markets of Mises, Hayek or the Chicago school. It is *the European “soziale Marktwirtschaft”*, a European paternalistic, overregulated welfare state with all its well-known rigidities and demotivating irrationalities.**

***Internationally*, we are part of the EU, of this special structure with more and more supranational features, with nonnegligible democratic deficit and with only very limited residual sovereignty on the side of member countries.**

Is this what we expected? Is not there – in some respects – a feeling of unfulfilled dreams? To answer this question is not easy.

We expected political freedom and political pluralism at home, which is what we do have. We have become – politically – a normal European country. The only problem is that some of the Czechs expected miracles from the introduction of a formal, nominal and institutionalized democracy, which, of course, did not happen. **Democracy does not guarantee automatically happiness to everyone. It is a precondition for the existence of all kinds of man's activities.** As a consequence, **some of the people listen eagerly to the preachers of new illusions, of an idealistic civic society (or communitarism) and of the brave new world of NGO'ism and begin to mistrust the parliamentary system. I consider it dangerous. We are not alone in this, however.**

*Some of us expected to finally enjoy free markets, not the current European economic system, which has – in its extensive regulation of economic activities – **structural similarities with our communist past.*** I have to admit – to my great regret – that many Czechs like it.

They do not see the unpleasant casual relationship between such a rigid system and the not so favourable economic performance of Europe and together with European political elites and their academic fellow travelers believe that the economic performance is dependent more on autonomous (system unrelated) technical progress, **on the maximization of the number of university graduates and on the beneficial activity of bureaucratic regulators than on the nature of the economic system, given by its institutions and rules.**

We expected to be again – after half a century of totalitarianism – a free, independent, sovereign country. Not all of us are convinced that the entry into the EU, in its current institutional setting and with its continuous creeping unification, is exactly what we expected or dreamed of. The decisions are made – again – not by ourselves but in a rather remote city, where our voice is hardly hearable. The opening of our borders was a great thing for us, but the EU centralism, interventionism and bureaucratism is something we did not expect. **The clash between these two governing aspects of European integration – the liberal (in the European sense) opening-up and the non-liberal homogenization**

## **of the whole continent – is the problem for all of us and I am afraid that freedom is not on the winning side.**

I should probably have to say now that **the EU is here, and is here to stay**. The only hope is that we have not yet reached the “end of history”. My deeply rooted Eurooptimism tells me that **the form of European integration – its rules and institutions – is changeable** and is changeable to the better.

The EU is, however, at a crossroad. There is more widespread dislike of what Europe has become than one might have thought, from listening to the speeches of politicians and to the media. ***There is a huge gap between real and political Europe, between common people and political elites, between citizens and the EU institutions, between pro-European activism of politicians and benign neglect of ordinary citizens*** who – as typical free riders – enjoy the benefits of the more or less borderless European space without being aware of the directly invisible costs of unification, harmonization, homogenization and standardization of the whole European continent.

It is very difficult to measure these visible and invisible costs and benefits. It is especially difficult, when evaluating the contribution of the EU, to isolate the impact of the EU itself from the role of all other factors. I am not able to report here about any reliable statistical or econometric analysis of the relative importance of the myriad of factors which influence the outcome, but one simple qualitative statement can be made. **I disagree with the implicitly held and sometimes explicitly formulated prevailing view that everything what has happened in Europe since 1957 is the consequence of the existence of the EU (or EC or EEC).**

This way of thinking implies that

- the post-Second World War world-wide economic boom did not exist or was not important;
- the end of communism and of Cold War did not change the world and Europe;
- all other external factors (the developments in the rest of the world) can be disregarded;
- the standard economic theories about the role of various factors of production (the field of the so called production functions) should not be taken into consideration;

- technical progress or education levels are either irrelevant or connected exclusively with the existence of the EU;

- the emergence of new markets and of new successful competitors has had either no impact or could be solved only by “ever-closer Europe”, etc.

**To assume this is ridiculous.** The measurement, however, is difficult. I don't want to look at the world with very narrow economic eyes but I would look for the size of the contribution of the European integration to the economic growth in Europe at a level of one digit behind the decimal point, probably not more. It is, of course, not only about the economy. I attended several conferences on Europe in Europe in recent weeks and the standard reaction to my arguments was as follows:

- the EU brought peace to Europe;

**- we need the EU because of “le défi américain” (because of the necessity to challenge the U. S. dominance);**

- we must be big and unified because our competitors are big as well;

- the choice is the EU or Mr. Lukashenko in Belarusia;

- the democratic Czech Republic would not be created without the EU.

It is difficult to believe these arguments are meant seriously.

**My two main long-term worries about Europe are the following:**

**- the democratic deficit created by the shift of decision-making from state to supranational levels.** This shift weakens the traditional democratic mechanisms which are inseparable from the existence of the nation state. I do not think that the era of states (or nation-states) is over as the post-modernist deconstructionists assume or wish. I agree with those who say that “the nation state is the home and guarantor of parliamentary democracy” and with those who say that “the European Parliament is not part of the solution”. It is part of the problem. A “higher”, European-wide democracy is an illusion;

**- the shift of decision-making from state to supranational levels is – per se – no liberalization of human life and of human**

**activities. Supranational levels are much farther from individual citizens and from their elementary**

**supervision and “control”.** It very often increases regulation. No liberalizing aspect is involved in this shift. (I have the same worries about the dreams connected with the so called globalization.)

The EU needs a change. To be satisfied with the recognition of the status quo and/or with an eventual slowing down of further unification, is not sufficient. Softening of the rules and relying on the offer of “variable” geometry (or “Europe à la carte”) – as some suggest – would be a mistake. Such procedures already exist (Euro, Schengen, defense, many “temporary” exceptions) and have always been something of a ratchet. They do not help.

**We need revision of the whole project against powerful vested interests.** We have to decide where to go and how to get there. **We have to find a new balance between freedom and dirigisme, the private and public, the unregulated and regulated, the domestic and international, the neighbourly and supranational, the national and European.** Several important principles should be followed:

- the idea of building a “State of Europe”, which was the basic conceptual guide for the text of the rejected European constitution, should be forgotten;
- since the Europeans are – I suppose – against the “national” nationalism, **they should not start building a new “European” nationalism;**
- we need a system of liberal democracy that requires authentic citizenship connected with the natural loyalty of people towards their own nation;
- **we should try to create something like the Organization of European States (OES), whose members will be individual European states rather than the citizens of these states directly, as suggested by the European constitution;**
- the membership in the OES must be based on a common belief in the ability of the member states to act in some areas jointly, in the common interest and thus to reach mutually advantageous decisions;
- the mechanism of decision-making in this institution must be consensual, at least in all important matters.

Everything else is secondary and, in many respects, follows from this primary delineation of the very essence of European integration. It must be, however, resolved right now. The time will not wait and the opportunity we have now will not repeat itself any time soon.

The pause for reflection, suggested recently by the European Commission, is a pause for inertia. We should do something.

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