

What is **EUROPEISM**

or What Should Not Be The Future
For Europe

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A.

What is Europeism?

Václav Klaus

In recent years, both in my country and abroad, I have often spoken and written **about Europeism, which I consider to be the dominant ideology of the contemporary Europe**. In spite of the existing pluralism of opinions in many particular things, this ideology more or less determines all the important current events in Europe through its exceptional strength, its general acceptance and its dangerous simplicity. It determines, predestinates and guides people, even though many delude themselves that they are completely immune to the influence of any ideology.

When writing the last three sentences, I was long searching for suitable words which would clarify or specify this opinion of mine. I wanted to suggest that even the nominal (i.e. formal) freedom of speech which exists as a result of final dismantling the European totalitarian regimes of the Communist and Nazi type is not sufficient for a truly open dialogue about many issues, including the fundamental dialogue about Europe.

I cannot make a statement which I would gladly make, that consistent elimination of authoritarianism in the field of ideas has taken place. The **arrogant authoritativeness of Europeanism, which makes itself felt every day, is one of the firmly rooted characteristics of the contemporary stage of European development**. And I consider this arrogant authoritativeness, together with intolerant (and in many respects freedom suppressing) political correctness, in their synergy as a destructive combination.

Due to this, we are at an important crossroad, and this is not thanks to the results of the last year referendums on the European constitution in France and the Netherlands, as various people think or try to suggest to us. These referendums were only the proverbial tip of the iceberg of

under the surface hidden, more general and profound problems. Let's try, through this text, to contribute to the clarification of what these problems are about and why it is so.

We must search in the world of ideas. Even if it is the gradual evolution, emerging from the natural spontaneity of activities of millions of people, which in the long term dominates the human society and not constructivism, a dictate of the chosen ones, **"the ideas matter"**. Thoughts, ideas or ideologies – much more than momentary interests – influence where we are going and particularly where we are heading. That is why ideas, visions, and the ambitious projects based on them, are so important. The course of events in Europe in the last half-a-century is the best evidence of this. I pose myself a question which ideas, which visions and which ideologies had caused this course of events.

Europe of the past fifty years can not be described by the dominance of any one of the – in encyclopedias well described – "isms", doctrines, ideologies, because each one of them is partial and expresses only one component of our complicated and multidimensional reality. The current thinking in Europe is based on **a wider, more general and evidently heterogeneous doctrine. I call it Europeism.** It has a number of important features.

Europeism as a conglomerate of ideas

In my speeches and also in my written work I repeatedly stress – perhaps even more after my participation at a very inspiring conference of the New Europe group in January 2001 in London (see A. Rankin, *'What's Wrong with the European Ideal?'*, New Europe, London, 2000, who spoke of Europeism and regarded it as an ideology of a quasi-religious type) – that Europeism is "a conglomerate of ideas". **It is a highly heterogeneous structure, but its individual parts are not isolated. They have their own, very important internal interrelationships** (each one of its parts influences and strengthens the others). Europeism is a doctrine which hardly anyone advocates explicitly and, due to this, it is insufficiently specified or systematically formulated (de facto only some of its critics talk about it seriously). It is

not possible to refer to any books and articles, from which it could be "read". The text of the European constitution was a certain "summary" of Europeism, but it is not a good source, because this text did its best to suppress many of the important features and manifestations of it.

The critique of Europeanism, of course, exists in a number of publications – systematically, for example, in the English monthly "The European Journal", with many unexpected ideas and provocatively in the book by John Laughland *"The Tainted Source; Undemocratic Origins of the European Idea"*, more easily in the book by a thorough and attentive American observer of Europe John Gillingham *"European Integration 1950-2003: Superstate or New Market Economy?"* (Cambridge University Press, 2003), in the extensive and in many respects revolutionary book of Christopher Booker and Richard North *"The Great Deception – The Secret History of the European Union"*, the Czech edition of which was published in May 2006, but even in these publications there is no explicit polemic with Europeism as such.

The interrelationships between various components of Europeism was interestingly shown by John O'Sullivan in his article *"The EU's Usual Crisis"* (Quadrant, December 2005), although he does not talk directly about Europeism either. He, however, notes **the parallel existence of three dimensions of Europeist thinking**: political economy, foreign policy and the concept of integration. He makes a hypothesis that "those who favour the European socio-political model will tend to support the 'counterweight' model of Europe in foreign policy and supranational model of European integration" (p. 39), and he tries to show us that there are no accidental connections between these issues. For him these different ideas "cluster", although he adds that they are "tendencies, rather than absolutely firm relationships" (ibid.).

This is approximately how I would describe it as well. I also see internal interconnections in this "conglomerate of ideas" and the enormous strength of their synergy which stems from that. Due to this, Europeism brings together people with very different worldviews. These people do not otherwise agree with each other too much but to stand against Europeism (they mistakenly – intentionally or unintentionally –

say against Europe!) would be a blasphemy for all of them. This immensely weakens any possibility of their criticism of Europeism. I am afraid that – in the today's Czech political setting, for example – the Social, Christian and Civic democrats, and perhaps even Communists more or less accept the ideology of Europeism, although none of them could ever admit their “friendship” in public.

Europeism as today's European metaideology is, for all of its advocates, somehow “before the brackets”. It can accommodate the agreeing or disagreeing with the war in Iraq, wishing for higher or lower taxes, reconciling or not reconciling with the massive wiretapping of the citizens, wishing or not wishing to trade with China, supporting or not supporting “the registered partnership” and many other things. Certain “clustering” exists, however, in all these attitudes which are seemingly unrelated to each other. And such clustering is the defining feature of this metaideology.

The basic structure of Europeism

I would not wish to attempt at any vertical hierarchization (as regards significance), but it is possible to structure Europeism horizontally in the following way:

1. The Economic (or social) dimension

One of the key components of Europeism which is shared by both the European politically correct right and left (although less so in the Anglo-Saxon than in the “continental” or Franco-German Europe) is the **model of the so called social-market economy**. Although such an approach advocates an unproductive, overregulated, demotivating, excessively redistributing, paternalistic system, the Europeists base their position on it stubbornly. They refuse “markets without adjectives”, they do not want “free markets”. They do not like the word capitalism. They defend all types of government intervention under the slogan: “civilized corrections of market anarchy”.

Let's notice the use of the not unimportant word “anarchy”. Europeism does not regard market as imperfect – like everything human – but yet

the best, the fairest and the most democratic mechanism of human interactions. The proponents of Europeism do not accept the fundamental teaching of Adam Smith, nor the liberal ideas of the economists and representatives of other social sciences who followed him. **The basic paradigm of Europeism is the mirror opposite – the market is primarily anarchy, and the government is here to correct this anarchy.**

It is a sad intellectual defect of the Europeists that they do not realize that in the vast majority of cases, government failure is much bigger and much more dangerous than market failure, and that the government is not a neutral entity maximizing the well-being of its citizens, but an instrument for the advocacy of very narrow private interests (of different interest groups and politicians and bureaucrats who also satisfy their own interests). The Europeists do not realize that government regulation is a weapon in the hands of well-organized (and therefore vocal) interest groups, not a promoter of the interests of the anonymous, unorganized, and therefore, almost defenceless citizen.

In summary, Europeism is – in its economic (or social) dimension – based on:

- the explicit refusal of liberal doctrine of the functioning of the economy (and of society) and
- the belief in the government capacity to be “a productive” factor even in the activities which go above its minimal (classic liberal) concept.

Europeism doesn't want to learn a lesson from the tragic episode of communism and other, not less evil, variants of centrally administered society and economy (different types of fascist or authoritarian regimes). Nor does it learn any lesson from the recent experience with the European “civilized corrections of market anarchy”. It interprets it as extraordinary success.

This European social model is accepted by both SPD and CDU in Germany. It is considered a part of the cultural identity in France (with

the exception of a few liberals). Scandinavia competes about authorship of this model. In Austria, it is viewed as the desirable counterweight to the American “wild capitalism”. The British Conservatives have long stood out of this stream but I am not sure whether this will continue under the new leadership which is politically much more correct than the previous one. The question is whether the “new” ODS (Civic Democratic Party) is not becoming softer in this respect as well.

2. The views on how to integrate Europe

For half a century there has been an ongoing dispute between **the advocates of the liberalization model of European integration** – which was based primarily on the intergovernmental cooperation of individual European countries (which kept significant control of their political, social and economic systems in their own hands) and on the removal of all unnecessary barriers to human activities existing on the borders of states – and **the advocates of the harmonization (or homogenization) integration model** which is based on unification from above, orchestrated by the EU-authorities, with the aim of levelling out all aspects of life for all Europeans and to do it in a supranational entity, which will determine the overwhelming majority of systemic parameters for the entire integrated Europe through its supranational bodies.

The first of these models has been mostly based on the assumption that the removal of these barriers will lead to **a desirable competition between countries**, as well as to the consequent **liberalization within the individual countries**.

The second of these models wanted, and wants, the opposite. It essentially did not wish for the best system (the least regulated one) to win, but for the general acceptance of the most regulated system (regulated by the advocates of this approach).

In the initial phase of European integration (approximately until the beginning of the era of Jacques Delors in the mid-80s) the first model prevailed, although Jean Monnet wanted the second one from the very

beginning. In the current phase it is, however, the second model that has evidently prevailed. Europeism fully identifies with it. It is embodied in the European constitution and now – after the referendums in France and the Netherlands – by the everyday “creeping” shift of Europe towards further and further harmonization and homogenization of people and the conditions of their life, which goes on silently ahead.

The integration problem has, of course, many partial aspects. One of them is the question of **who or what is the basic entity (or building block) of European integration**. Is it the individual or the state? The building of a supranational entity, which is the evident, and undisguised ambition, of Europeism and of Europeists, weakens the states and strengthens the direct relationship of the individual to the EU.

The European Union is not a state, but a “set of supranational authorities”. The state is an entity which is fundamentally, by its very nature, more than that. It is possible to like or not to like the country you live in. It is possible, for example, to cheer for it or not to cheer for it in a football match. It is possible to defend it with a gun in the hand. It is (usually) possible to speak its language. It is possible to worship it and/or hate it. It is not possible, however, to have such relationship to **a set of supranational authorities** (which J. Delors wanted to provide with his proverbial “soul” of the EU).

Related to this is the conscious and even intentional strengthening of the role of regions vis-à-vis the states, leading to regionalization of Europe and to the Europeists’ looking forward to their living in the nirvana of postgovernmental society. The Europeists proclaim that the idea of a nation state is long dead. Therefore they give up the basic concept of the original intergovernmental European integration – the unanimity principle – and are defending the move to the majority voting as the elementary rule of decision-making in the EU.

An important aspect of the Europeist model is **the effort to introduce – as far as the legislative and institutional framework is concerned – a noncompetitive, and therefore, harmonized system** within which the individual parts of Europe would not compete with each other because only one single system would prevail in them.

Virtually everything – tax rates, social security benefits, regulation methods, various kinds of “standards” (environmental, hygienic, veterinary, labour, fire, safety, etc.) – would be harmonized or homogenized under the wise guidance of the supervisor of this “unity”, which is the EU-bureaucracy and the EU-politicians.

The problem is that from-above organized harmonization can only be done upwards. The economists understand it because they are familiar with the term “downward rigidity”. The deeply rooted vested interests do not allow for any movement downwards. It basically means **an increase in costs and a decrease in competitiveness**. The harmonization policy is nothing else but an attempt to **export** high costs and lowered degree of competitiveness **to other EU countries**; to the countries which are – for various historic reasons – at a different level of economic development, have different priorities, customs and traditions, as well as different ambitions. (As a side-note, I must mention that if the European Union as a whole does not succeed in exporting these “costs” outside the EU, it will be necessary to intensify European protectionism and further increase the discrimination against the less developed countries.

Europeism is a powerful supranational tendency, strongly and mercilessly standing against the intergovernmental principle.

3. The views on freedom, democracy and society

Europeists are also characterized by their clear stances in disputes about parliamentary democracy or civil society and in disputes about democracy or post-democracy. They do not prefer standard democratic processes. They give preference to pragmatic decision-making efficiency (by simplifying the decision-making procedures, which can be undoubtedly slow and costly). They prefer collectivity to individualism; social partnership and corporatism to classical democracy. It is also entirely obvious on which side the Europeists stand in the disputes about the importance of various post-democratic “isms”, such as multiculturalism, feminism, ecologism, homosexuality, NGOism, etc.

It can be also said that the Europeists want, in their decision-making

at the supranational level, to get rid of politics (because they dream about creating an apolitical society) and to introduce the system of decision-making which would be easy and uncontrollable. That is why they advocate post-democracy and graciously smile at the obsolete and old-fashioned advocates of the good old democracy and the good old “political” politics. Since they are (and like to be) far from the citizens, since they do not see the citizens and do not reach out to them directly, they need various collectivities, groups and groupings with which they try to deal. That is why they like the corporatist concept of social partnerships, that is why they want big business and big trade unions, that is why they want Galbraith’s countervailing powers (at macro level, not the market, functioning at micro level). Since they do not want to be under the citizens’ strict control, it is convenient for them to deal with the various NGOs, which – at least that is what they hope for – give them an otherwise missing legitimacy.

Europeism is also a priori succumbing to everything new, would-be progressive, non-traditional, non-conservative. That is why Europeism likes feminism, homosexuality, multiculturalism and other similar positions, which destroy the age-long European cultural and civilization foundations. The Europeists know well, even though shortsightedly, that all this is helping them -without thinking out the consequences – to accomplish their goals. The long term consequences are not much of an interest to them.

Europeism is essentially an illiberal view, if we use the word liberal in its original European (not American) sense.

4. The views on foreign policy and international relations

Europeists do not like “domestic policy” (which is being under much stricter democratic control) and therefore promote the – democracy lacking – decision-making at supranational level. They like a big, world-wide, geopolitical thinking and this is also why they are establishing one international, or supranational, organization after the other. Sixty years ago, in his famous text “The Intellectuals and Socialism” (The University of Chicago Law Review, 1949), Friedrich von Hayek wrote very

convincingly about people of this kind striving for a position (usually well paid) in these organizations. The effort to emancipate politics and politicians from democratic “accountability” is one of the primary objectives of the Europeists. They are not alone in this, but I am certain that never in history had the people with this type of thinking reached such success as through the creation of the EU.

That is why Europeism promotes the slogan: “less of the nation state, more of internationalism”, that is why the Europeists purposefully associate the nation state with nationalism, that is why they promote multiculturalism and the de-assimilation principle, that is why they strive for denationalization of citizenship, that is why all-European political parties are being founded and supported. That is why they expect the birth of a European identity and of a European “people”; that is why they want to build some kind of “brotherhood of Europe”. That is why they advocate an abstract universalism of rights. That is why they strive for a homogenized, “decaffeinated” world. That is why they suggest that something like the “collective psyche of Europe” exists.

Europe was not much of a political entity in its past, but rather a frame of reference for a spiritual and cultural life, and I consider these Europeist’s ambitions (and arguments) merely a screen; just using nice words in order to hide very down-to-earth interests. **These are the interests to get rid of the state as an unsubstitutable guarantor of democracy, as a basic political unit of a democratic system (in contrast to Reichs, empires, unions, leagues of countries), as the only meaningfully organizable arena of political life,** as the biggest possible, but at the same time also the smallest reasonable, base of political representation and representativeness. **Europeism is an attempt to create the Huxleyian brave new world in which there will be “rosy hours”, but not freedom and democracy.**

Moreover, O’Sullivan suggests that – unlike intergovernmentalism – Europeist’s supranationalism “tends to manufacture rivalry by its very workings even when no one intends them” (pp 40) and that supranationalism brings rivalry towards the USA, in other words antiamericanism, to life. Instead of Atlanticism or transatlantic alliance,

it leads to the opposite tendencies. The “continental” thinking also leads to the acceptance of another false idea – that the conflict between the West and Islam is a fore-picture of the unavoidably forthcoming clash of civilizations. Supranationalism incites to all this by its very nature. The existence of the powerful United States can not be taken as a reason for European unification.

5. Broader philosophical stance of Europeism

In its general “Weltanschauung”, Europeism maintains not a modest evolutionary belief in spontaneous order, but a radically constructivist position. The legendary dictum of Mises and Hayek, that the world is (and should be) a result of “human action”, not of “human design”, is the exact opposite of the Europeists views. Europeists do not believe in spontaneous, unregulated and uncontrolled human activity. They trust the chosen ones (not the elected ones), they trust themselves or those who are chosen by them. They believe in a vertically structured and hierarchized human society (in the Huxleyian Alpha-Pluses and in Epsilons serving them). They want to mastermind, plan, regulate, administer the others, because some (they themselves) do know and others do not. Even though we thought that after the collapse of communism all this was a matter of the past, it is not so. It is around us again. Europeism is a new utopism, and, I add, it is an extremely naive and romantic utopism.

Who are the “constructeurs” and proponents of Europeism?

Europeism is a product of the elites. It is a product of the people who do not want to go to work from 8am until 5pm during the week and to have a normal job. It is a product of the people who want to steer, command, patronize, and “legislate” others. They include politicians and their related bureaucrats, as well as public intellectuals (operating in the public space and in the media) who are attached to politicians. It is a large group of people in the public sphere that “very pragmatically” maximizes the effects which result from its position and that:

- wants to ensure that its privileged status and with it connected benefits will be long-lasting;
- wants to isolate itself from the reach of the electorate, from public opinion and from standard democratic mechanisms;
- wants - through the complexity and untransparency of the communitarian law decision-making procedures and through the distance from the individual citizen - to detach itself from any consequences of its decision-making and from the costs (in the broadest sense of the word) they - by their activity - produce to the citizens of the individual member countries.

The Europeists are the politicians who are, due to the supranational structures, detached from their electorate and who excuse themselves to their electorate by referring to the supranational obligations and to the fact that it is impossible to disappoint their colleagues in Brussels. At the European summits I am always surprised by the peculiar familiarity of their participants given by the fact that most of them have known each other for a very long time (the ten new countries are a change in this respect but even their representatives usually enter the club very rapidly), that they have similar interests and that they need each other. That Kunderian "unbearable lightness of being", given by living in five-star hotels, by flights in the comfortable special planes, by meetings in the gorgeous castles (and all this not only for one President or Prime Minister but for their vast staff), creates their own world for them; a world which is entirely different from the world of those on whose behalf they like to speak so much and so often.

Among the Europeists belong also the top bureaucrats (thanks to the laws of bureaucracy and bureaucratism often also those who are not at the top), who have a tremendous power over the politicians. They are preparing very influential background papers which the politician reads only on the plane or in the course of the meeting. There are so many of such documents that one has to - whether s/he likes it or not - rely on the work of these people. The overwhelming majority of proposals and decisions are predetermined at the meetings of deputy ministers, departmental directors at the ministries, experts or advisers and

ambassadors without touch of any political decision-maker supported by a mandate. Moreover, all this is being extremely amplified by the enormous range of EU-agendas where detail (which is where the problem usually lies) cannot be concerned at all.

Among the Europeists belong also the intellectual fellow travelers for whom the world of Europeism is almost ideal. It is in this world where they gain a great power which they would never be able to gain on the domestic scene. (See my lecture "Intellectuals and Socialism", <http://www.klaus.cz>)

These three groups of people form a very strong coalition of interests which does not have any adequate counterweight in the heterogeneous and territorially vast Europe with so many differing interests. There exists a silent majority, however, which does think that this is wrong, but, it is unable to organize itself and has - unlike the Europeists - a normal job it has, and wants to, do (and therefore it has not enough time to get involved in it). This majority stands on the defensive. Moreover, the Europeists were successful - as already so many times in history - in presenting themselves as human progress and all others as obscurantism, which is an extremely successful trick. The consequence is a standard scheme: a vocal, immensely motivated, not explicitly organized minority, whose members however meet and talk to each other, against an entirely scattered majority which has conflicting interests and concerns and which doesn't see what this is all about. Besides that, this majority thinks that the entire EUning is a small addition to the normal course of events. Unfortunately, it is not so. It is a revolutionary turn of the normal course of events.

Conclusion

I proclaimed that **it is a revolutionary turn of the normal course of events**. I mean this seriously.

I know, of course, that there is a soft and hard version of Europeism and that not all the proponents of Europeism subscribe to its hard version. They do not know, however, that they open the way for it and that they prepare it.

I know as well that Europeism is not a promising third way (see my speech in Vancouver at a conference of Mont Pelerin Society, "The Third Way and Its Fatal Conceits", published in the book "On the Road to Democracy", National Center for Policy Analysis, Dallas, 2005, pp 173-178) - because there are only two ways. And Europeism is the second one.

I also know how powerful is the synergy of the opinions and interests which aim in a similar direction, despite they differ in details.

Václav Klaus is the President of the Czech Republic

Some Doubts about the EU's Ever-Closer Future*

Václav Klaus

Ladies and Gentlemen,

Thank you for inviting me to speak here today; it is a real pleasure and privilege to have this opportunity.

On the other hand I have to confess that I - rather unusually - hesitated whether to accept the invitation. Certainly not because of underestimating the quality of this distinguished audience, or because of not knowing what to say. My reluctance was based on something else. For me, Luxembourg is the citadel of Europeanism and this country rightly considers its 50 years of participation in the European integration process as a tremendous success and as an effective way how to enhance the role of a relatively small country in the globalized world of today without being lost in it. I respect this position and do not want to be a disturbing factor or a dissonant voice.

The reason why my way of looking at the European integration process is somewhat different is probably connected with my (and our) historic memory, with my (and our) specific experience, especially with experience of the communist era. This determines my attitude to many issues. This gives me a special sensitivity or perhaps - for other people without the same experience - even oversensitivity. I will try not to overplay or overstate it. My today's remarks may be, however, understood as a friendly and gentle wake-up call.

* The Bridge - Forum Dialogue, Jean Monnet Building, Luxembourg, March 8, 2006

Looking back, this is not my first speech in Luxembourg. In December 1998 I participated here at the conference entitled "The Euro as a Stabilizer in the International Economic System" and already then I clearly stated my views concerning the EU, the Euro and the chosen form of the European unification. I also said that "I have a frustrating feeling that everything about the EU and EMU has already been said . and that there is definitely no lack of knowledge". If it was true in 1998, it is even more true now. The problem was and is whether we use the existing knowledge sufficiently, whether we listen to the arguments of others, whether we are open to dialogue. I am afraid we do not and are not.

Twenty-eight days before the launch of the Euro I predicted that "its introduction would be very successful" but dared to raise questions about its long term consequences and warned that "we would be confronted with substantial costs", mostly because of the rigidity of prices and wages and of immobility of labour in the Euro-currency area. I was also aware and afraid of the inevitable sequence which was set into motion: monetary union – fiscal union – political union, and I asked "Do we really want a political union?". My answer was that "Europe doesn't need unification but liberal order". My current views remain consistent with the views presented here eight years ago. I hope this is not due to my intellectual rigidity or sterility. What has happened since December 1998? I see four main changes:

1. The Euro was successfully launched but I don't agree with the prevailing interpretation that the launching itself was a convincing proof of the positive contribution of this monetary arrangement to – however defined – social welfare in the Euroarea. The costs – demonstrable, for example, in the European economic growth slowdown in the last years – have not been recognized. It has been politically incorrect to even suggest such a link (or correlation).
2. The EU has been considerably enlarged by accepting ten new member states, mostly former communist countries in Central and Eastern Europe. This increased the transaction costs of the EU ruling, decision-making, and complying with these rules and decisions. It also increased the EU's democratic deficit.

3. The EU has continued – at an accelerated speed – to expand the number of pages of its legislation which now deals with almost every aspect of human life and human activities.
4. The ambitious attempt to accelerate the unification process in the EU by the Constitutional Treaty has been rejected but creeping unification goes on as if nothing happened.

Some of you might describe the situation differently but these are the main facts of the last eight years as I see them.

The title of my today's presentation – "Some Doubts about the EU's Ever-Closer Future" – implicitly reacts to the main catchword of current Europeanism which is the slogan "ever-closer Europe". We have to differentiate between Europe and the European Union and I am disappointed that these two terms are so easily substituted one for another. The Czech Republic entered the EU, not Europe, two years ago. I, therefore, don't have the slightest ambition to speak about Europe, to criticize Europe, to build Europe or to expand Europe. Europe existed, exists and will exist independently of our ambitions to organize ourselves within it, to unite or divide ourselves or to make friends or enemies within it.

The European Union (not Europe) is a contemporary political project of some European countries which – regardless of all their historical, political, economic, cultural or religious differences – want to do some things together (or jointly). We should look at the successes and failures of this project, at its costs and benefits, analyze and evaluate them.

When I look back at the last half a century, I see two different stages of the European integration process, with two different integration models. At the beginning the liberalization model prevailed. The first stage was characterized by inter-European opening-up, by the overall liberalization of human activities, by the removal of barriers at the borders of the countries as regards the movement of goods and services, of labour and capital, and of ideas and cultural patterns. Its main feature was the removal of barriers and

the continuation of intergovernmentalism. The second stage, which I call the harmonization model, is defined by centralization, regulation from above, harmonization of all kinds of "parameters" of the political, economic and social system, standardization of conditions of production and consumption, homogenization of human life. Its main feature is unification orchestrated from above and the birth of supranationalism.

I am in favour of the first model, not of the second. I know, of course, that in reality we will always have the mixture of both models but the question is which one is the dominant one. There can be no doubt about where we are now. My position is clear. I am convinced that the unification of decision-making at the EU level and the overall harmonization of all kinds of societal "parameters" went farther than was necessary and more than is rational and economically advantageous. It is not an unqualified argument. I am aware of "externalities", of "spillover effects" and of "continental-wide public goods". These phenomena undoubtedly exist and should be properly reflected in European institutions and legislation. However, when I say "exist", it does not mean that they dominate. The second stage of the European integration process has been based on the completely wrong idea that they do dominate. To artificially impose such an institutional solution is a mistake. We all lose, not gain.

We should do something about it. I suggest to redefine the whole concept of the European Union, not just to make cosmetic changes. I suggest going back to the intergovernmental model of European integration. I suggest going back to the original concept of attempting to remove all kinds of barriers, going back to the consistent liberalization and opening-up of all markets (not just economic ones). I suggest minimizing political intervention in human activities and where intervention is inevitable it should be done close to the citizens (which means at the level of municipalities, regions and states), not in Brussels.

EU needs transition. We have to go back to the liberalization model of the European integration and to get rid of the harmonization model

which represents the basis of current European thinking. We have to forget the slogan "less of nation-states, more of internationalism" because the state is an unsubstitutable guarantor of democracy (opposite to all kinds of "Reichs", empires and conglomerates of states). We have to wake up the European silent majority which does not know that the shift from the first to the second model represents a revolutionary, qualitative change. We should start to deal seriously with the details of the inevitable transformation process.

We should make our society free, democratic and prosperous. It will not be achieved by democratic deficit, by supranationalism, by etatism, by an increase in legislating, monitoring, and regulating us.

We need a political system which must not be destroyed by a postmodern interpretation of human rights (with its emphasis on positive rights, with its dominance of group rights and entitlements over individual rights and responsibilities and with its denationalization of citizenship), by weakening of democratic institutions which have irreplaceable roots exclusively on the territory of the states, by the "multiculturally" brought about loss of a needed coherence inside countries, and by the continental-wide rent-seeking of various NGOs.

We need an economic system which must not be damaged by excessive government regulation, by fiscal deficits, by heavy bureaucratic control, by attempts to perfect markets by means of constructing "optimal" market structures, by huge subsidies to privileged or protected industries and firms, by unproductive labour market legislation.

We need a social system which must not be wrecked by all imaginable kinds of disincentives, by more than generous welfare payments, by large-scale income redistribution, by all other forms of government paternalism.

We need a system of ideas which must be based on freedom, personal responsibility, individualism, natural caring for others and a genuinely moral conduct of life.

We need a system of relations and relationships of individual countries which must not be based on false internationalism, on supranational organizations and on a misunderstanding of globalization and of externalities but based on the good neighbourliness of free, sovereign countries and on international pacts and agreements.

The Future of Euro: A View of A Concerned Outsider*

Václav Klaus

It is an enormous pleasure to be here today and to share the platform with so many distinguished scholars. I am afraid, however, that now, at the end of the conference, it is very difficult to come with anything illuminating or surprising. In addition to it, I have the feeling that everything what is really relevant about Euro has been already stated (and accompanied by convincing arguments). The scarce factor is not the supply of arguments but the demand for them. It was, therefore, a very good idea of the CATO Institute to express its demand by organizing this conference and by inviting us to come here. It is frustrating not to have such meetings in Europe where the arguments mostly remain at political or journalistic levels.

My own perspective is based on a special combination of three elements:

- my strong belief in the standard economic argumentation which is, in this field, summarized in the already textbook theory of the optimum currency area;
- my citizenship in a small Central European country which will be in five months a new member of the EU and sooner or later a member of the EMU. Due to it, I have an understandable personal interest in the existence of a rational and efficient monetary arrangement in my part of the world;
- my current political role which forces me to openly reveal my position on my country's EMU membership.

* Václav Klaus, CATO Institute, Washington D.C., 20. November, 2003

My basic arguments can be summarized in the following way:

1. I am convinced that the driving force behind European monetary unification has been strictly political, not economic. This often used argument can be supported by my own experience based on numerous explicit conversations about it with key European political leaders. The economic arguments have been marginalized or taken only very superficially. The political ambition has been quite dominant. Euro has always been considered to be a useful instrument for the creation of the European political union.

Many statements of that kind can be quoted. European President Romano Prodi made it in an interview on CNN (January 1, 2002) quite explicit: "The introduction of the Euro is not economic at all. It is a completely political step. The historical significance of the Euro is to construct a bipolar economy in the world". Two years before that, in Financial Times (April 9, 1999), he said: "the two pillars of the national state are the sword and the currency and we changed that". Gerhard Schröder in March 1998, still an opposition leader, said that "the Euro is a sick premature infant, the result of an over-hasty monetary union". After eight months, as a German Chancellor, he made a different statement: "Our future begins on January 1, 1999. The Euro is Europe's key to the 21st century. The era of solo national fiscal and economic policy is over." Spanish Prime Minister Felipe Gonzales said in May 1998: "The single currency is a decision of an essentially political character. We need united Europe. We must never forget that Euro is an instrument for this project." I can quote indefinitely but the words will be almost the same.

2. I believe that the largest part of the positive economic impact of European integration (as well as of EU enlargement) has come through the liberalization of trade and investment and has been already obtained. The marginal contribution of further economic or non-economic unification will be close to zero, if not negative. Because of that, the births of Euro as well as the day of the next EU formal enlargement in 2004 do not represent any breakthroughs. I agree with Patrick Minford, 2002, that "trade patterns are

determined by comparative advantage, not by monetary factors" (p. 36) and that the role of the exchange rate risk as a factor determining foreign investment and the cost of capital is relatively small (p. 29-32). Trade does not need to have the same currency on both sides of the transaction.

3. To look at the economic performance of the Euro-zone in the first years of Euro existence, even the pro-European activists must admit that the overall expectations of an economic boost and the claims that the introduction of the Euro would speed up economic growth have not been fulfilled. This is not a surprise for me and, to be fair, not everyone had such expectations. Rudiger Dornbusch, always sharp and consistent, whom we miss very much, wrote in 1996 that "EMU moved from an improbable and bad idea to a bad idea that is about to come true." Many of us knew then and know now that the formation of a regional common currency is neither a necessary, nor a sufficient condition for a healthy economic growth. It seems, on the contrary, that the Europeans have imprisoned themselves in a rigid monetary arrangement, which led to a loss of a non-negligible part of their originally existing flexibility. When we look at the current European monetary and overall economic problems we have to - at least analytically - differentiate two issues: one is the impact of a monetary union upon non-identical countries, but countries that are at a similar level of economic development, another is the impact of entry into a monetary union of a country which is at a different level of economic development than the dominant part of the union and which is undergoing dynamic structural changes in an effort to catch-up with its more developed partners.

The Costs and Benefits of a Monetary Union among Similar but Non-identical Countries

The conditions formulated four decades ago by Robert Mundell, 1961, as regards the optimum currency area, are well known. Their fulfillment guarantees a favorable balance between costs and benefits of a monetary union, their non-fulfillment does not. They include:

- the sufficient extent of labor mobility among parts of the monetary union;
- the lowest possible degree of a wage rigidity inside individual countries;
- similar factors of production endowments and a symmetry of exogenous shocks and impulses;
- the existence of an adequate fiscal compensation mechanism.

These conditions are in Europe currently not fulfilled. Labor mobility in Europe is – as compared to other monetary unions – relatively very low and the required downward wage and price flexibility is almost non-existent. The rigidities of the European labor market are well-known and well-documented (see, e.g., Heckman, 2003), which is in a contradiction with the basic requirement, which says that where labor markets do not function well, flexible exchange rates are all important. The asymmetric shocks and impulses appear again and again, which is not surprising because the Euro-zone countries are different. The size of fiscal transfers at the EMU level is, however, very small. There exists some international solidarity among EU members but its level cannot be compared to the solidarity in national states. The assumed benefits – the reduction in transaction costs and of exchange risk – will be in reality rather small. With the current level of financial and banking sophistication transaction costs are saved only in tourist transactions, not in other fields.

I agree with Irish economist A. Coughlan, 2003, that “the economic advantages of being able to travel within the Euro-zone without having to change currency, and of being able to compare prices more easily between Euro-zone countries, are small compared to the economic disadvantages” (p.16). I especially agree with his argument (which I myself use quite often) that “people may be on holidays in other Euro-zone countries for 2-3 weeks a year, but they had to be working for the remaining 48-49 weeks at home”. The above-average benefits can be gained exclusively by the permanently traveling EU politicians and

their bureaucrats. We should not forget that to join Euro does not mean to join a world currency but only a regional one where the exchange risk basically remains. It does not mean, of course, that I would suggest to create a world currency along the lines of recent suggestions of Robert Mundell (described in an article of H. Grubel, 2003.)

The costs of monetary unification are important. They include the loss of independent monetary policy, which mostly means the loss of interest rate setting power and the loss of the possibility of exchange rate movements. When I say this, it is not an advocacy of the policy of competitive devaluations. I don't, however, believe that the European economies have sufficient alternative flexibility to avoid problems resulting from such a rigid parametric structure. To eliminate two important policy variables – interest rates and exchange rates – means either to rely on a textbook level of perfect microflexibility or to be prepared for large fluctuations of the real economy, or to expect the acceleration of fiscal transfers inside the monetary union.

Such perfect microflexibility does not exist. The sluggishness of domestic prices and wages forces the exchange rate to be the shock absorber, which is not the same as competitive devaluation. It is easier, stresses B. McTeer, 2002, “for your exchange rate to adjust to your economy and policies than for your economy and policies to adjust to a predetermined exchange rate.” (A. Coughlan's arguments seem to be persuasive: “the years 1993-99 was the only period in the history of the Irish state that it pursued an independent currency policy and allowed the exchange rate to float. The intelligent use of an independent currency is the principal reason for the Irish economic boom, which has attracted such international attention in recent years” p.16).

I would like to mention two other phenomena, which I put on the side of costs. Single currency (without fiscal unification) creates environment for fiscal irresponsibility. We can even talk – together with Anthony de Jasay, 2003 – about fiscal free-riding: “Each member state of the Euro-zone is caught between two alternatives – to engage in fiscal free-riding or to be the victim of free-riding by the others” (p. 2). In the same spirit Peter Kenen rightly asked in 1996, whether the currency domain can be

bigger than the fiscal domain (Kenen, 1996). I don't think it can. When a country has its own currency, fiscal irresponsibility carries its own punishment. Such punishment does not, however, exist in the current Euro-zone. The fiscal deficits in some of those countries after the establishment of the Euro seem to support this argument.

In addition to it, European monetary unification is the Trojan horse for overall harmonization of economic rules, policies and laws in EU. I am convinced that any Euro-zone problem will be in the future interpreted as a consequence of the lack of harmonization (of nominal unification) and will lead to another wave of a creeping harmonization. Hans Eichel, the German minister of finance, made it quite clear: "The currency union will fall apart if we don't follow through with the consequence of such a union. I am convinced we will need a common tax system" (Sunday Times, December 23, 2001). Such an unnecessary and counterproductive harmonization (and centralization), which tries to eliminate comparative advantages of individual countries, is one of the most worrying elements of the whole European integration process.

Comparing the above-mentioned costs and benefits, I am afraid that it is not true that the costs of the European monetary unification do not exceed the benefits. They do. Sluggish economic growth in Europe since the introduction of the Euro is not a proof of that, but it is not an accident either.

The Costs and Benefits Connected with the Entry into a Monetary Union of a Transition Country which Needs Real, not only Nominal Convergence

Eight Central and East European countries will become EU members in May 2004 and in their accession treaties with the EU, signed in April 2003 in Athens, they promised to enter the Euro-zone.

Many people in these countries look forward to it. They expect to gain from Euro stability, from decreasing the exchange rate risk, from a credible monetary policy. I am struck that they don't see the other side of such an arrangement because it is more than evident that the

transition countries need maximum of flexibility and should not introduce any artificial rigidities. They should not for political reasons take actions against their own economic interests.

The main costs for them will be the loss of independent monetary policy which should be – for the countries in transition, for the countries undergoing radical structural changes, for the countries at a lower level of economic development – visibly different from the policy of developed and more stable EU member countries of Western Europe. It makes no economic sense for them to have the same interest rate as Germany or France (not to open another topic – the fact that ECB is not subject to any democratic control and has a deflationary bias in its policy).

The same importance has for them the loss of the possibility of exchange rate movements. Transition countries are in a permanent process of real appreciation and there is no way how to make it possible with fixed exchange rates, with inflation and interest rates targets of Maastricht Treaty, and with Stability Pact conditions concerning budget deficits. There is an additional danger that there will be a very high risk of fixing the exchange rates away from long-term equilibrium because the convergence process will not be – in the moment of their entry into the Euro-zone – completed. The result will be the insufficient final exchange rates realignment (the problem we see with current Euro-zone members as well). I repeat that I am not an advocate of misusing the exchange rate movements for competitiveness reasons. I myself at the end of 1990 radically devalued the Czechoslovak crown (but not in an attempt to gain competitive advantage) and immediately after that introduced a fixed exchange rate regime. I was afraid of setting an unsuitable exchange rate level but the belief in the use of the exchange rate as an anchor for stabilizing inflation was then overwhelming. I was aware of creating a dangerous rigidity that would constrain future responses to internal and external pressures and impulses and tried to find an optimal moment for abandoning such an arrangement. I have to admit, however, that I did not find it (the floating of the Czech crown in the spring 1997 came too late).

But such an exchange rate-based stabilization of inflation is not our current task. The rate of inflation is very low and we need flexibility in nominal variables, not their rigidity. One clever Czech economist, then deputy minister of finance, Miroslav Koudelka, made 35 years ago a point which I still remember: "when everything is frozen, you may go skating but you cannot run a rational economic policy." It was an argument used in the Czechoslovak economic reform debates in the sixties and I believe it is valid now as well. Rigidities of a monetary union and a growing implicit macroeconomic disequilibrium will block real convergence and will create "transfer economies" (like East Germany after reunification, H. W. Sinn, F. Westermann, 2001), which will be, however, forced to exist without adequate fiscal transfers because they are – in the contemporary EU – not available. My conclusion is that there is no need for these economies to rush into the Euro-zone.

The Future of EURO

Euro is here and is here to stay. I do not expect its end even if I know that it is relatively easy to dismantle a monetary union. My own experience with the termination of the Czechoslovak monetary union in February 1993 suggests that it can be done without serious costs, smoothly and efficiently.

I expect, however, that to keep the European single currency will be costly in terms of economic growth and in terms of inevitable fiscal transfers aiming at compensating the weaker partners. It may even generate unnecessary tensions among nations. We should be aware of it.

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Address at the Congress of Brussels

Václav Klaus

Ladies and Gentlemen,

Allow me to greet your inaugural meeting of the network of representatives from various European countries who try to re-create a Europe of nations. I really regret that due to my domestic obligations I was not able to take advantage of your kind invitation and be with you today. I consider your initiative extremely important for all of us – for the European Union, for our countries and for our citizens.

Europe is now standing at an important crossroad, probably the most important one in the EU history. The French and Dutch rejection of the European Constitution clearly revealed the wide gap between the centralistic and bureaucratic project of “ever-closer” Europe which was pushed forward by the Brussels political elite and the genuine interests and preferences of the EU member states’ citizens. It proved that European future cannot and must not be a matter of bureaucratic and elitist decision-making which does not accept alternatives, which is not open to discussion and which does not respect the needs and feelings of the ordinary citizens.

Up to now the formulation of European vision has been monopolized by one coordinated grouping aggressively rejecting and neglecting all other legitimate opinions about the European future. The result of its dominance is well known – the contemporary European Union is a bureaucracy-driven conglomerate characterized by growing democratic deficit. It is an entity, which has abandoned the initial ambition to eliminate barriers of all kinds. It has as well abandoned the ambition to create democratic, free-market continent-wide space in which the member countries could enjoy freedom and prosperity.

Instead, Europe today is characterized by ever-growing regulation of all spheres of life, protectionism, artificial harmonization and unification of everything and gradual dismembering of the sovereignty of the nations. These tendencies represent a serious danger not only for the future of European integration, but also for the relations between the member countries.

We must not allow the European idea to be sacrificed and discredited by the advocates of this centralized, bureaucratic, post-democratic concept, which has lost support of the citizens. We are obliged to raise our voice and make all efforts to return the EU back on the right track to create democratic, free-market and Atlanticist orientation of the European future.

I know that this vision is shared by many across Europe, but unfortunately has not been vocal enough yet. I am convinced that right now it is the time to put these voices together, to make them loud and heard. Now it is time for all of us to reshape Europe.

Creating a permanent network of politicians and opinion makers sharing this vision is an important and necessary project I fully endorse. I think it is an important step from which the new vision and the spirit of change will get a firm organizational ground.

I wish your gathering full success, I wish this initiative long and productive life and I would like to express my support to your activities.

Address was delivered by the Chancellor of the Office of the President of the Czech Republic, Dr. Jiri Weigl, Brussels, December 5, 2005.

B.

The Concealed Risks of European Integration

Jiří Weigl

One of the most frequent euro-optimist arguments in pro-European propaganda is the assumption that European integration and the European Union are the right way towards stability. It is said to lead to the ultimate suppression of the old national antagonisms, which led to the disastrous wars of the past century. In arguing against this largely accepted opinion, I am not going to focus primarily on the fact that the stability of Western Europe in the past half a century was based much more on the overall political situation during the Cold War, the second-rank position of former Western European powers in the bipolar world, and the unequal position of Germany, traumatized by the war defeat and split into two for several decades.

I believe that the reason why nationalism, traditional national antipathies, and divergent national interests have not yet caused much damage to the European integration is that the unification process has only just begun. It is becoming more evident as events progress in both France and Holland. It is obvious that nation states still dominate the EU, retaining the main attributes of their national sovereignty, which throughout centuries no one has questioned. Their citizens take this for granted. Typically, they do not feel threatened by the possible loss of such sovereignty and assent to it being gradually conferred to community institutions. In other words, the European Union has been too loose to engender any significant dangerous nationalist tensions.

For this reason I do not think the problem lies in the history of the EU or in its current situation, but rather in the direction of its future development, which has been silently but clearly determined, i.e. gradual political unification of the Union. This is a necessary

precondition for a long-term functioning of such projects as Economic and Monetary Union. The single currency is the first and truly determining step towards the replacement of national sovereignties by a single European one. A single currency entails a highly coordinated common economic policy, especially in fiscal matters, which will logically also require political unification. Such is the direction of European integration, whatever the tactical rhetoric of certain politicians may be. Clearly enough, the outcome of European integration is to be a European superstate, a new multinational global power. Its partisans say that such unification will ensure a harmonic and mutually profitable coexistence of different nations in Europe, with the danger of conflicts forever eliminated.

I cannot see any motives for such conviction, since history shows not a single example of a multinational entity that would succeed in achieving these objectives. By contrast, multinational states have always been victims of escalating national hostilities and conflicts, and engendered the most extreme nationalist ideologies.

It is the close cohabitation of different nations with varying traditions and ways of life within one state that makes it possible for nationalism – which, in a nation state, survives only in the form of a half-forgotten, obsolete sentiment – to become again the unifying force, bringing together different partial interests and offering simple solutions to complex problems of the society. No multinational state in modern history has been able to put up with this sort of danger in times of prosperity, much less in the periods of crises and tumult. Even the ethnically diverse EU member states are not exempt from such problems, as we can see from the terrorist actions of the Basque or Irish movements, or from the ethnic tension between Flemings and Walloons in Belgium.

Euro-optimists never mention these dangers. They believe that the emerging European superstate will somehow be immune from the comebacks of nationalism that must logically follow. And they take this immunity for an already existing and guaranteed fact. But the fact is that there are no guarantees.

On the contrary, it is very likely that instead of the ideal of the United States of America, the new superstate resulting from the project of European integration will much more resemble the former Austria-Hungary. That also was a multinational power, providing its peoples with relative prosperity and security, a large market without internal borders, free movement of goods, capital and persons, not to mention the single currency. From the perspective of the present and without the traditional Czech bias, it was a civilized and cultivated state with a relatively high degree of democracy, unattainable for most countries in later times. In spite of this, all of its nations, including the ruling Germans and Hungarians, came to hate it in the end.

In our ancestors' eyes, the undoubted advantages of the Hapsburg state could not outweigh the wrongs done to their nationalist feelings. The multilingual Austrian Parliament was hopelessly paralyzed by nationalist clashes between the democratically elected representatives of individual nations. The only governments were caretaker cabinets and the role of the absent multinational political consensus was taken over by multinational state bureaucracy. In the end, this state desperately sought a solution in the war. When defeated, its member nations jointly brought it to pieces. It left behind the legacy of national antagonisms, prejudices and theories, which were to lead the world into still worse disasters in the following decades.

We may believe that today's Europe and Europeans are different and that one learns a lot from history; that European mechanisms are quite unique, guaranteeing that nothing of this kind will ever happen again, as, after all, nobody wants it to happen. But this is only a belief. Experience tells us something else – that, unfortunately, people have hardly changed; they tend to believe in simple explanations of their complex problems and are too shortsighted and selfish to listen to any advice.

As a result of this, there are no guarantees whatsoever that the politically integrated European Union will avoid the fate of other multinational entities. We should be aware of this and become justly sceptical. Countries will become mere provinces, instead of sovereign

states; the decisions about our life will be quite openly in the hands of other people; the centre of political life will be remote from us. All of these negatives will no doubt have a still more general and significant impact. Preventing this would be a task for a political juggler.

We won't be alone. Similar feelings exist in all democratic countries with politicians ready to take them seriously. It will become more and more difficult to find a consensus. Without consensus, however, there is no progress in democracy. What then?

The idea that in future the existing different national identities can be replaced with a common European one is an illusion. No officially promoted internationalist ideology has ever been able to get rid of the dangerous phenomenon of nationalism in multinational states. The idea of a Czechoslovakian nation exacerbated the Slovak nationalism, eventually resulting in the break-up of Czechoslovakia. For seventy years we had heard about the everlasting friendship among the nations of the Soviet Union and their melting into a single Soviet people. The fall of communism disclosed the surprisingly deep and powerful, mutually hostile nationalisms, which dominated the social mentality of the former USSR nations to an ever greater extent. The tragedy of Yugoslavia need hardly be mentioned.

The danger of the artificial efforts to unify Europe is that instead of harmonious coexistence and prosperity of nations, they will let the ancient genie of nationalism come out of the bottle again, bringing Europe back to where it was a hundred years ago. Preventing such a development within the planned European superstate will be extremely difficult and, in the real world of competing interests and priorities, virtually impossible.

In the case of a technical experiment, such as the Temelin nuclear plant, everyone is ready to discuss any maximum risks and demand all preventive measures imaginable in order to avoid a hypothetical accident. If such preventive measures (which in the case of technical experiment are also easy to measure) are not convincing, the public requires that they should not be put into operation.

The interesting thing is that with a huge political experiment, like the project of European unification, which has never been tested, we are told that there are no risks, and therefore no need for prevention; and the project is tacitly being put into full operation. At the same time, we are all asked to believe in its success. Meanwhile, potential risks for the whole population are a thousand times greater than those of Temelin.

The decisions about the future of the European Union therefore entail enormous responsibility. Do we want a superstate in spite of all the risks that it may imply? If not, what will happen to the existing project of European integration?

The assumption that a train in motion cannot, or even must not be stopped, is not acceptable. The destination of this train may be something that in heart none of us wants; or we may change our minds during the journey – and the emergency brake is usually an extreme and expensive way of getting off.

*Jiří Weigl
is the Chancellor of the Office
of the President of the Czech Republic*

The European Constitution is not a remedy for European economic troubles*

Petr Mach

Economists and politicians agree that Europe's economy has been suffering from a serious disease. In 2000 the Lisbon Agenda identified the symptoms of this disease – high unemployment and low economic growth.

In my article 1) I will argue that the Lisbon Agenda misunderstood the real cause of the underperformance of European economy, and therefore prescribed the wrong treatment; 2) I will show that now that the time for Lisbon Strategy is halfway through, the economic situation in Europe is even worse than it was in 2000 when the agenda was set, and that this is due partly to the wrong diagnosis of the disease; 3) I will argue that there is a direct link between the European economic underperformance and European legislation which allows the spreading of many of those bad and rigid policies that are the underlying cause of the slow growth and high unemployment in Europe; 4) I will argue that by extending majority voting in the Council of Ministers to other areas including labour legislation, the Constitutional Treaty actually extends the list of rigid economic rules that can be imposed on European nations from above. In my opinion, this can only hinder the dynamics and competitiveness of European economies.

Wrong diagnosis

I am afraid that the authors of the Lisbon Strategy failed to identify the real causes of the economic problems and, as a result, they prescribed a wrong treatment. In fact, the Lisbon agenda is a mixture of

* Speech for European Voice conference, Marriott Hotel Brussels, 24 June 2004.

recommendations, some of which may be good and some misguided. However, whether as a whole it is a good or a bad plan, it is above all a *plan*. Instead of relying on the spontaneous initiative of individuals and businesses, it only offers new social-engineering visions and recommends shifting public money in another direction.

The main objective of the Lisbon agenda, that Europe should become “the most competitive and most dynamic economy in the world by 2010,” might sound like an innocent or even a good idea to the people who have been living in the West for decades. But to those who used to live under the Communist rule in Central Europe, such slogans about catching up with the United States sound all too familiar. The difference is that instead of promoting information technology, the communist planners put more emphasis on heavy industry. Whereas coal and steel used to be the fashion fifty years ago, now it is computers. But the principle remains the same – the politicians believe that they are better qualified than the people in a free market to decide how much money should be invested and in what industries. This principle did not work under communism, and it will not work this time either.

If this is the case, and if the lack of Internet technologies and economic plans is not the real problem of the ailing European economy, what is Europe actually suffering from?

The truth is that economists recognized that the European economy was suffering from a disease many years before the Lisbon meeting, and they even gave the disease a name – “Eurosclerosis”.

Economists also identified the real causes of the disorder. Unlike the European Commission and the Council of Ministers who tend to believe that the problems of European economy can be solved by pouring more money into the IT industry, by connecting everybody to the Internet, by setting up “business incubators” or by encouraging “employee ownership schemes,” the economists pointed out that Europe’s slow growth and high unemployment were due to a rigid labour market, over-regulation and high taxation.

The problem with the European economy is not the poor judgment of private individuals and firms, who are reluctant to buy and sell on

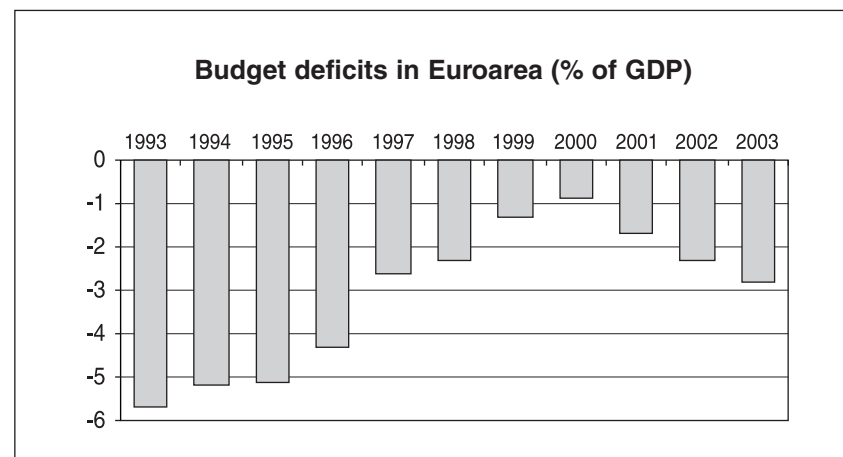
the Internet or unwilling to invest more into research and development.

European economy suffers from “Eurosclerosis”, i.e. rigid legislation that prevents people from changing flexibly their jobs, and puts a burden of taxes and regulations on businesses.

As long as the European leaders will believe that central action plans, incentives, subsidies and regulations are better tools for running the economy than the judgment of ordinary individuals entering contracts on a voluntary basis, the European economy will continue to ail.

The situation has become worse

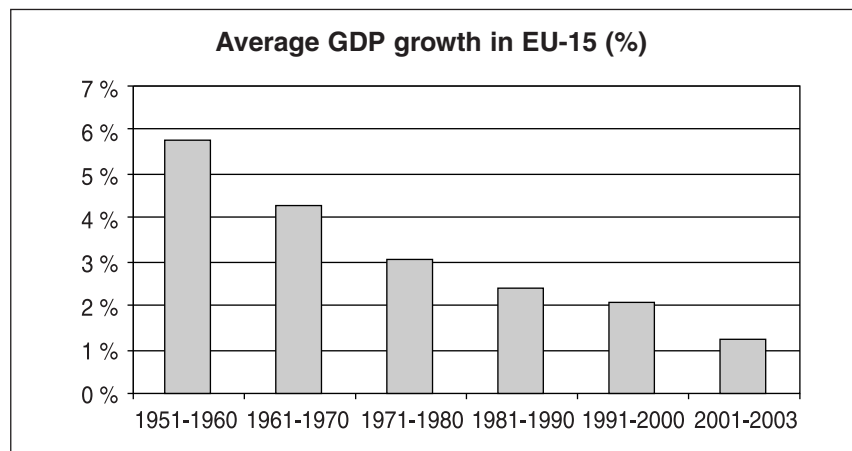
In 2000, the ministers who gathered in Lisbon were optimistic: the budget deficits were going down, unemployment started to decrease and a higher economic growth was predicted. Four years on, however, budget deficits are on the rise again.



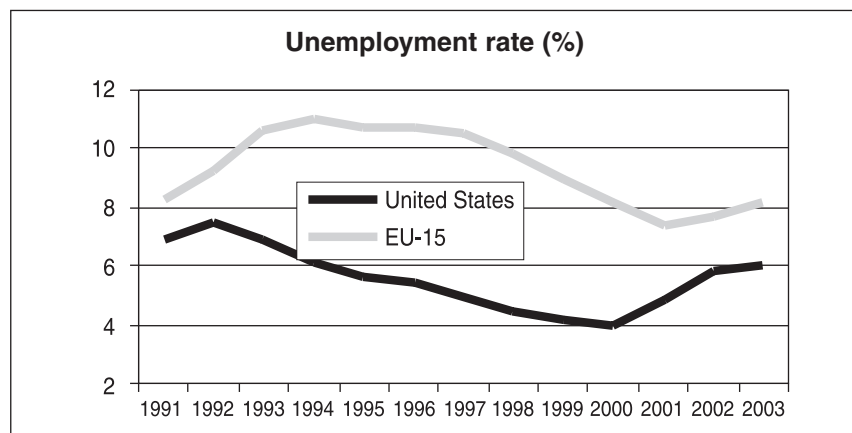
With a single currency and without effective sanctions, countries tend to behave as free riders – creating deficits at the expense of others. Since big countries, namely France and Germany, are not willing to comply with the Stability and Growth Pact, the discipline has become lax in other countries as well.

This has a negative impact on economic growth. The more money governments spend through budget deficits, the less is left in capital markets for private investors. What governments do is "crowding out" private investments, which translates into slower economic growth.

The economic growth had never been more sluggish. While in the 1970s the average growth rate in Europe was 4%, in the 1960s 3% and in the 1990s 2%, in the first years of the "Lisbon decade" European economy grew at a mere 1% a year.



Unemployment has started growing as well.

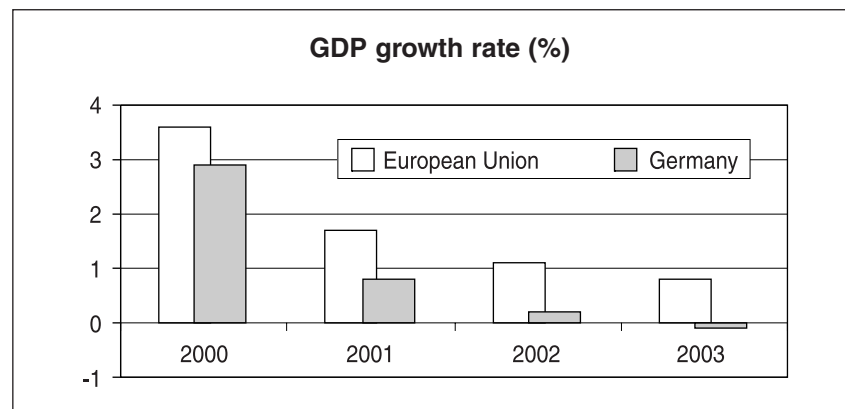
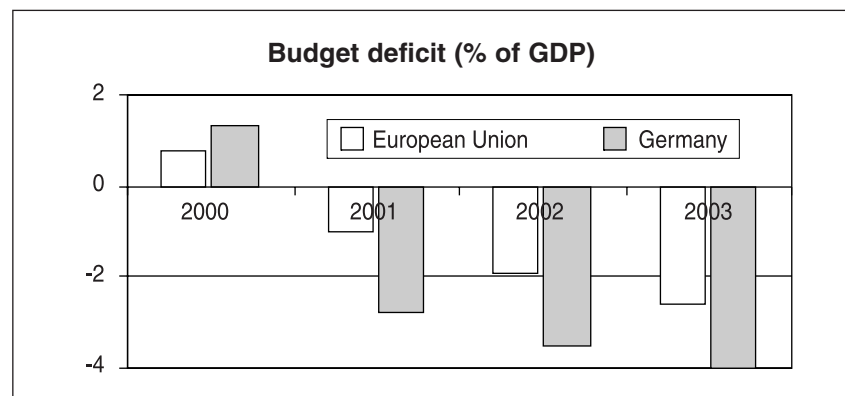


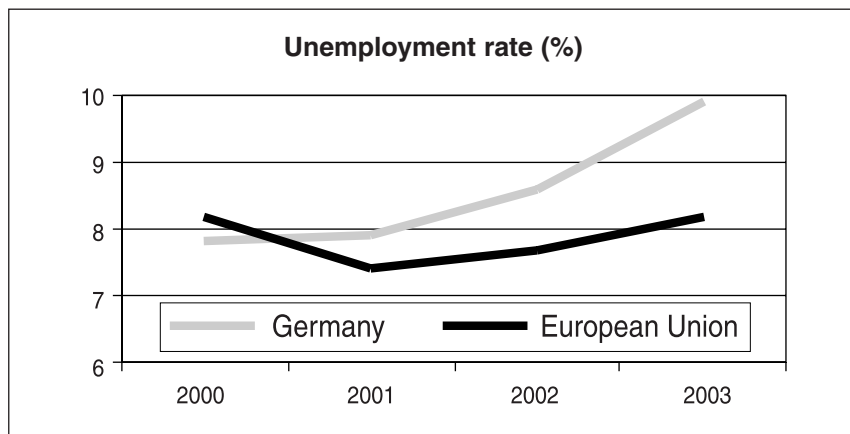
Had the objective of the Lisbon Agenda been that Europe should become "the least dynamic and competitive economy by 2010," we might conclude that we are on the right track.

What has bad performance to do with European legislation?

However, not all European countries suffer from eurosclerosis to the same extent. Germany, nick-named the "sick man of Europe", is doing worse than any other.

Budget deficits in Germany are high above the European average, its GDP growth is slower and unemployment higher than in most European countries.





Unfortunately it seems that instead of cutting taxes and getting rid of over-regulation, Germany is keen to impose its own high taxes and stringent regulation on other European countries as well.

This brings me to the main point of my paper. I argue that eurosclerosis is an infectious disease. The infection is spreading through European legislation. The germs of this disease skip successfully from Germany on other nations, through a dissemination process that is called harmonization of the Member States' legislation.

The usual way of protecting oneself against a contagious disease is quarantine. But Central European countries, instead of isolating themselves from the harmful European legislation, have been adopting it without any parliamentary debate, and thus continued to litter their legal systems with more regulations every day.

If European politicians want to deal with the economic problems, they must first of all understand that European economies face a disease called "Eurosclerosis", i.e. excessive regulation and a heavy burden of taxation; if they do understand it, they will be more likely to choose policies or laws which stimulate economic recovery. Then they must become aware that the disease is infectious; having understood this, they will be more cautious about ratifying a constitution that would actually encourage further spreading of harmful policies.

European Constitution – from bad to worse

The European Constitution is not the product of efforts to fight Eurosclerosis. It is not a set of rules written in order to prevent the dissemination of bad policies. It rather seems to be written with the purpose of making the introduction of new rigid rules even easier.

The European Constitution doubles the vote of Germany in the Council of Ministers at the expense of smaller Member States. Under the current system, Germany's representative in the Council holds 29 votes out of 321. The Constitution says that the votes of each Member State should be weighted according to the size of its population, which increases Germany's vote from 9 to 18%. In the new voting system, it will be even easier for Germany and France to go around the rules of the Stability and Growth Pact. These countries with more economic regulation than any other in Europe will then have more power to push through new environmental, labour and other regulations.

The European Constitution extends majority voting to more areas of decision-making. For instance it vests the EU with the power to set requirements regarding working conditions, or even involvement of trade unions in corporate management by majority voting (III-104). At this point I am happy to say that one of my main objections to the draft EU constitution disappeared. The clause on majority voting on taxes was dropped from the text last week at the IGC thanks mainly to the efforts of the British delegation.

Now, most taxes are no longer under the control of national governments, except for income taxes. Today, the only way in which the EU can impose consumption tax and VAT rates is a unanimous decision of the Council of Ministers. The German chancellor Gerhard Schröder claimed that the principle of unanimity should no longer be required for decisions on taxation, and that the EU should also have the power to set corporate taxes, possibly through majority voting.

The German and French negotiators at the Convention incorporated this idea into the Draft European Constitution. Fortunately it seems that this provision did not make it to the final version.

It is competition that matters, not agendas or strategies

I believe that tax competition is the only effective force that can make politicians cut taxes, and tax cuts are the only way to economic growth. So it is good news that the tax issue has been deleted from the Constitution.

However tax competition is only one specific example of competition in a more general sense, the one between different legal systems, which is an efficient tool of protection against bad legislation: where there is legislative diversity, good policies can be imitated and bad policies can be avoided.

During the Cold War the Communists, in order to prevent their citizens from “voting with their feet” for better legal systems, had to build the Berlin Wall and install barbed wire. The European Union, on the contrary, is based on the free movement of people. But if all European countries were constrained by the same regulations, what would be the advantage of moving freely across state borders?

Europe no longer allows competition in agricultural policies; there is no diversity in consumer protection regulations, no currency competition, and so on and so forth. If the new Constitution is ratified, competition in other areas will be very limited, too. In fact, the Member States will retain very little legislative sovereignty at all.

I am convinced that if European nations still have any antidotes against the degenerative Eurosclerosis, they should refuse to ratify the European Constitution. If the Constitution is ratified, it will mean that the European economy can hardly get any closer to the objectives set in the Lisbon agenda.

The advocates of the new system of voting say that without adopting it, the Council will find it hard to reach a consensus on new directives. But what if that is precisely what the European economy needs – fewer regulations and fewer directives?

We do not need more directives and more economic plans written here in Brussels. Neither new agendas, nor new strategies can restore the health of European economy.

A necessary (albeit not sufficient) condition of putting Europe’s economy back on the growth track will be to restore the competition between the legal systems in Europe. What we need is more national sovereignty and more individual freedom.

To put it simply, in order to be a *competitive* economy, Europe must preserve *competition* between its legal systems – in other words, it must not prevent its Member States from stimulating each other to offer better legislative conditions to businesses and individuals.

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European Constitution Weakens Small Countries

Marek Loužek

The draft European Constitution that emerged from negotiations of the European Convention was signed by the prime ministers and foreign ministers of the member states and was submitted to them for ratification. Although France and Netherlands have rejected it and the ratification has been stopped in practice in most member states, some European leaders believe that the European Constitution can be called into action.

Since the draft is still relevant, we should pay attention to it. The European Constitution represents a bold step towards the creation of a common state in Europe. This is a neutral statement with which everyone could agree, whether or not they agree with the draft. What would the European Constitution mean for the sovereignty of member states? Is it more favourable for large countries or small countries?

Death knell for sovereignty

One of the most significant changes compared to the existing treaties is that the draft constitutional agreement for Europe expressly imparts a legal personality to the Union, which is indispensable for the creation of a state. Although it is gratifying that it leaves "certain functions of a state" to its members (like territorial integrity, preserving internal order and security), the overall spirit and letter of the Constitution is simply to limit the sovereignty of the member states.

The competence of the Union is primary while the competence of the member states is practically secondary. National parliaments have the right to be informed of the Union's legislative proposals, which they may object to on the grounds that they go against "the principle of subsidiarity". In practice, however, such objections will be easily broken

since it is up to the Commission whether or not it considers any comments. The possibility of lodging a complaint in the Court is a weak consolation.

The European Constitution explicitly stipulates that it, together with Union law, is superior to the law of member states. It is no coincidence that the draft uses the typical federal terms of exclusive competence and shared competence. Member states are obliged to coordinate their economic policy and employment policy. The autonomy of national economic policies would be practically rendered null and void.

The provisions on a common foreign and defence policy are particularly menacing. Member states must support the Union's common foreign and security policy in the spirit of loyalty and mutual solidarity; moreover, actively and without reservations. This sounds the death knell for sovereignty. The idea that European countries could have differing opinions on international issues is considered inadmissible.

The legislation of the common state would consist of European laws, European framework laws, European regulations and European decisions. The European state should have a cabinet (Commission), a bicameral parliament (European parliament, Council of Ministers) and European courts. The president of the Union would represent the EU externally. Power would be shared with the Union's foreign minister.

The strengthening of majority decision-making in the union is ominous. Except where the Constitution provides otherwise, decisions would be taken by the Council of Ministers by a qualified majority. The number of areas where decisions are taken by qualified majority is expanded. A simple consensus of the representatives of the states (i.e. not national parliaments) can decide whether another decision will be included into the group of decisions taken by qualified majority, without changing the Constitution.

One of the most problematic passages is the article under which no Union legislative acts can be adopted without a Commission proposal, except where the Constitution provides otherwise. Translated into the

terms of a national state: laws may be submitted only by the cabinet and not by individual deputies. This provision reminds one more of a dictatorship than a democracy.

Perhaps the only item one could welcome is the obligation that the revenue and expenditure of the Union's budget be in balance. However, there will be strong pressure to soften the ban on deficit financing. Another sign of progress is that the Constitution allows a country to withdraw from the EU (at present this would have to be agreed upon by all members). An agreement on withdrawal would be concluded on behalf of the Union by the Council of Ministers, acting by qualified majority, after obtaining the consent of the European parliament. Withdrawal is thus conditioned.

The drawbacks of the Charter of Fundamental Rights are not so much in its content (it is mostly a reformulation of the rights that appear in the constitutions of most European countries), but in the fact that the Charter, along with the entire Constitution, is supreme to the rights of national states. Thus with reference to non-adherence or breach of the fundamental rights it will be possible to appeal to European courts. Furthermore, interpreting certain rights can be a sensitive issue, for example disputes about social legislation.

Voting power in the EU

Although it would seem that a quantitative analysis of decision-making procedures promises a greater chance for consensus than a quantitative analysis of the European Constitution, we have witnessed considerable confusion in this very area. Although proponents of the European Constitution present this document to be advantageous for all, the mathematics of voting is clear: the European Constitution reduces the weight of small countries. Let us take a look at the gains and losses on voting shares in European institutions.

The voting system in European institutions valid from the Treaty of Nice is not a simple one. The structure of votes in the European parliament is more a reflection of the population and the draft European Constitution does nothing to change it. A different mechanism kicks in

when voting in the Council, where decisions are taken according to weighted votes and an absolute majority of countries. Each country may furthermore request that a check is made to ensure that an approved decision corresponds to the wishes of the countries with 62 % of the population of the Union.

The table shows the breakdown of votes in the Council by accession treaty (Treaty of Nice without Romania and Bulgaria). We see that Germany, the United Kingdom, France and Italy have 29 votes each (9 % of votes in the Council), while the Czech Republic along with Hungary, Portugal, Belgium and Greece have 12 votes each (3.7 % of votes in the Council). If the European Constitution were adopted the large countries would increase their shares considerably. Germany would double its share of votes in the Council (18 %), France would increase its share to 13.5 %, Great Britain to 13 % and Italy to 12.8 %.

If we count voting shares in the Council according to the European Constitution and the situation today we come to surprising conclusions. Although Spain and Poland at the intergovernmental conference in December 2003 were among the toughest advocates of the voting system under the Treaty of Nice, neither country after adopting the European Constitution would see any fundamental change in their share of votes in the Council because the system in place up to now mirrors the population.

Spain according to its population would have 8.8 % of votes in the Council, while today it receives 8.4 %. Poland's share does not essentially change (8.5 % instead of today's 8.4 %). The unwillingness of Poland and Spain to agree on the European Constitution can therefore be interpreted rather as a fear that when assembling voting coalitions these countries would probably stand on opposite sides of the fence than to other large countries.

Smaller and small countries on the other hand by adopting the European Constitution would clearly suffer in terms of voting weights in the Council. The Czech Republic's influence in the Council compared to its previous weight would drop by two fifths (2.2 % instead of 3.7 %). Also ominous would be the drop in influence of small countries -

Table. Number of votes in the Council under the Treaty of Nice and the draft European Constitution

	Votes in Council according to Nice		Population		Relative gains and losses
	A. Absolute	B. Relative	C. Absolute (mil.)	D. Relative	E. Ratio of D/B
Germany	29	9.0%	82.5	18.1%	2.01
France	29	9.0%	61.4	13.5%	1.50
Great Britain	29	9.0%	59.5	13.0%	1.44
Italy	29	9.0%	58.2	12.8%	1.42
Spain	27	8.4%	40.3	8.8%	1.05
Poland	27	8.4%	38.8	8.5%	1.01
Netherlands	13	4.0%	16.2	3.6%	0.9
Greece	12	3.7%	11.0	2.4%	0.65
Czech Republic	12	3.7%	10.2	2.2%	0.59
Portugal	12	3.7%	10.2	2.2%	0.59
Belgium	12	3.7%	10.1	2.2%	0.59
Hungary	12	3.7%	9.9	2.2%	0.59
Sweden	10	3.1%	9.0	2.0%	0.65
Austria	10	3.1%	8.1	1.8%	0.58
Denmark	7	2.2%	5.4	1.2%	0.55
Slovakia	7	2.2%	5.4	1.2%	0.55
Finland	7	2.2%	5.2	1.1%	0.5
Ireland	7	2.2%	3.9	0.9%	0.41
Lithuania	7	2.2%	3.7	0.8%	0.36
Latvia	4	1.3%	2.3	0.5%	0.38
Slovenia	4	1.3%	2.0	0.4%	0.31
Estonia	4	1.3%	1.4	0.3%	0.23
Cyprus	4	1.3%	0.6	0.1%	0.08
Luxembourg	4	1.3%	0.5	0.1%	0.08
Malta	3	0.9%	0.4	0.1%	0.11
TOTAL	321	100.0%	456.2	100.0%	1

Source: Accession treaties, draft European Constitution, author's calculations

Slovakia, Ireland, Finland, Lithuania, and Latvia. Slovenia, Estonia and Cyprus would register a drop to as much as a third, a fifth or less than a tenth of their original influence!

When one considers that it is the small countries that suffer the most under the draft European Constitution it is surprising that a number of these supported it (Slovenia, Hungary, Czech Republic). This indicates that either the governing political elites placed greater emphasis on the qualitative aspects of decision-making or else were not aware of the actual impact of the quantitative effects. From the point of view of small countries, agreeing to the European Constitution is sheer national masochism.

Conclusion

The draft European Constitution if ratified by member states or otherwise implemented in practice would be a bold step toward a European federation. It is beneficial for large countries that want to dominate the Union, but less so for smaller countries or those with a tradition of relative independence (Britain, Scandinavian countries). Adoption of the European Constitution would have a symbolic meaning in that it would create external signs allowing one to comprehend the Union as a state.

The European Constitution would markedly limit the sovereignty of member states. The Union would have one president, one foreign minister, one foreign policy (and possibly even one defence policy) and one economic and social policy. Accession to the EU was a surrendering of part of a country's sovereignty to the benefit of the greater European whole. Adoption of the Constitution would be even harsher: it would mean a definitive end to state sovereignty of the member states.

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Myths of the EU reflection period

Jiří Brodský

The referendums in France and the Netherlands decided the fate of the Treaty Establishing a Constitution for Europe and started the so-called 'reflection period', which should be used to determine the further course of the European integration process. The results of the referendums in the two founding Member States made it clear that the Constitutional Treaty, as prepared by the Convention on the Future of Europe, is not the course European integration should take. Despite this, the reflection period has been characterised by a number of both unintentional and deliberate misinterpretations. The referendums, the ratification of the Constitutional Treaty, the process of enlargement, and the EU itself have been wrapped up into several myths. These myths are unfortunately not virtual. They were not artificially created merely for the sake of academic debate. They form a part of the current political discourse in Europe. They have been presented as self-evident. They have become familiar and almost unquestioned. The reflection period should first be used to uninstall these myths. It should be used to demythologise the European integration process and to decide where to go next.

Myth No. 1:

The French and Dutch referendums failed

Referendums do not fail. It is only what you put to the referendums that can eventually fail. Whether one likes it or not, the referendums in France and the Netherlands rejected the Treaty Establishing a Constitution for Europe. Their results should be respected and should be taken seriously. To say that the referendums failed implies that the

politicians were not capable of convincing the French and Dutch electorate of the benefits of the Treaty; it implies that the politicians didn't 'sell' the Treaty well. It implicitly implies that those who participated in the referendums didn't really know what they were voting about and, as some self-anointed analysts argue, that the voters did not, in fact, say 'No' to the Treaty but rather to their domestic political representations or that they were expressing their dissatisfaction with the current economic and social policies in their respective countries.

We should be wary of such judgements. French and Dutch citizens have participated in the project of European integration since its very beginning. Every family in France received a copy of the Constitutional Treaty before the referendum. The pre-referendum campaigns in France and the Netherlands were thorough and informed. They weighed up the pros and cons of the Treaty and were much noticed by the citizens.

Myth No. 2:

Those who voted 'No' to the Constitution are anti-European

Let it be said once and for all – those who do not applaud everything that is proposed or agreed by the European Union are not anti-European. Nor are they less European than those who are in favour of a particular policy initiative, EU Treaty or legal act. Those who voted 'No' to the Constitution did not apply the brakes to the process of European integration; they just put up a no-entry sign before one of the side streets. The Dutch and the French voters thus did not bring 'the European project' – whatever this may mean – to an end, as is often wrongly interpreted.

Myth No. 3:

The European Union is in crisis

Looking at the history of European integration, the EU/EC/EEC has been said to be in crisis whenever a Treaty has not been ratified in some Member State(s), whenever unanimity has not been reached where it is required, whenever the EU has been incapable of agreeing on

something or – more specifically – whenever Member States have not accepted what the Commission or some EU-related supranational institution/bureaucratic body has proposed. The EU has interestingly been given the 'crisis' label whenever the idea of building a 'State of Europe' has seemed discredited; whenever supranational initiatives have not been on the winning side; whenever European integration has not seemed to evolve towards 'an ever closer union', towards a federal statehood or towards the illusionary 'higher' European-wide democracy. The empty-chair crisis of 1965, the first referendum on the Maastricht Treaty in Denmark, the first referendum on the Treaty of Nice in Ireland or the referendum on the single currency in Sweden are more than illustrative examples of this fact.

The European Union is not in crisis in the wake of the French and Dutch referendums on the Constitutional Treaty. Those who say the EU is now in crisis use this argument only in order to revive the ratification process of the Constitution. They need the reflection to be just 'a period'; they are afraid of constant reflection and democratic accountability. Valéry Giscard argued that if the Constitutional Treaty is not ratified unanimously by all the Member States, "there is no plan B". Since the Treaty was rejected in France and the Netherlands, there is no need for the ratification process of this Treaty to continue. Let us not discredit the process of European integration by implying that it is a one-way street that has to be followed by all the Member States.

Myth No. 4:

The ratification of the Constitutional Treaty must be revived and must continue

The EU has a unique chance not to throw itself into crisis by the theatrical and absurd repetition of referendums in states which did not or will not ratify the Constitutional Treaty. Why should the ratification process continue? In order to point the finger at France, the Netherlands and eventually other countries, and to make their citizens vote on the Treaty again and again until it is ratified? The history of the second referendums in Denmark and Ireland is a sad warning in this respect. It

is difficult to quantify the extent to which the second vote has disturbed the legitimacy of the integration initiatives that followed, but let us not play with expressed popular opinion; let us not undermine the seriousness of European integration and its positive effects, connected primarily with liberal opening-up.

Myth No. 5:

We are building Europe

One might suppose it is so obvious that it goes without saying – Europe is not the same as the European Union. Yet the political reality is different. Countries applying for membership of the European Union have to be European and nominees for Commissioners have to prove their ‘Europeanness’ in order to qualify for the post. The European Union is often substituted for Europe, not surprisingly by those who live in the European Union and favour supranational forms of integration, or by those who think they own the keys to Europe, labelling those who oppose them as anti-European. These people think they have a monopoly to speak for Europe; they live comfortably isolated from the reach of the electorate and standard democratic mechanisms. They usually speak about building Europe and want to homogenise, standardise, compete and shut off at the continental level. They want to bring ‘Europe closer to its(!) citizens’ through the Treaty Establishing a Constitution for Europe(!).

Myth No. 6:

European identity has to be built

Those who are building Europe aim at building a European identity – i.e. not the natural feeling of belonging to the European continent, which undoubtedly exists and doesn’t need to ‘be built’, but an imposed quasi-identity artificially established above nation states. This quasi-identity is supposed to spring from the EU law, EU anthem, EU flag, EU institutions, EU currency, Day of Europe, EU citizenship, EU territory (which is not identical to Europe!), European Voice in our mail boxes, Euronews on our TV, from the existence of the ‘.eu’ internet domains,

Euroelections, Eurospeak, Euronetworks, Euroregions, or Euroconferences full of Eurovisions.

Myth No. 7:

The EU has to be communicated to its citizens

Such a European identity cannot be based on the non-existent European people and it thus has to be based on communicating the EU to the citizens of EU Member States, on gaining self-assuring support from the electorate, or just on making sure that the citizens know what the EU is doing, what the EU political elite wants it to be, what a new legal act, policy, or treaty is about. This campaigning is a bad substitute for democratic accountability. It tries to artificially fill in the existing democratic deficit – the wide gap between the EU Member States’ citizens and EU political elite – by letting the citizens know about goods they might have not wished to order. The European Parliament’s plan to spend € 235 million under a separate budgetary heading ‘Europe for citizens’ is an example of a wasteful initiative for which there is no demand. Commissioner Figel said that this initiative should “develop into a sense of belonging to the EU and of a European identity.” Should the citizens’ money be thrown into such campaigns or the actual EU initiatives responding to everyday problems which give legitimacy to the EU and the integration process as such?

Myth No. 8:

The Union can be ever close and ever wider at the same time

The founding Treaties prescribe the European Union to be ever closer, but the Member States have never taken the time or effort to define when the Union will be close enough and when the EU will be wide enough. It should be obvious that the EU cannot be ever wider and in the same respect it cannot be ever closer. There is a trade-off between the Union’s enlargement and degree of integration. In other words, it is impossible to have more Member States and a more unified/rigid European Union at the same time. The process of

deepening can only proceed at the expense of widening and vice-versa. This is the basic point of departure for defining which form integration should take in the future. While intergovernmentalists tend to support a less unified organisation of European states and thus further enlargement, the supranationalists tend to argue for the process of widening to stop (sooner rather than later, even after the accession of Romania and Bulgaria) and advocate a closer Union between the current Member States. This paradigm should be noticed in the current discussion on the further course of European integration and, to be fair, it should be said that those who support an ever-closer Union do not support the continuation of enlargement, because – by definition – the two processes cannot run parallel to each other in the same direction.

Myth No. 9:

We should be afraid of accession of countries such as Ukraine or Turkey

The process of the enlargement of the European Union has to continue after the accession of Bulgaria and Romania. This doesn't imply that it should continue hastily. Enlargement is the EU's most effective foreign policy tool. It has a sell-by-date because the EU cannot be territorially all-inclusive, but this policy tool exists and it should be used. It is in the interest of the current Member States for the EU to expand and unroll its borders to countries such as Ukraine or Turkey. Not only is this a unique chance to anchor these countries firmly among the European democracies, but it is also a promising quality of the EU Member States' bilateral relations with these countries. Moreover, "it may turn out that in such a European Union there are more choices than the simple yes-or-no to another mega-treaty." (Bielecki, Jan Krzysztof: *Something Ends, Something Begins*, p. 46, "On the Future of Europe", Ministry of Foreign Affairs of the Republic of Poland, Warsaw 2005)

There could be more space for variable geometry or concentric circles of countries with different levels of integration among themselves, but this is precisely how the EU already operates today. Not all the Member States are members of the Economic and Monetary Union, not

all of them are included in the Schengen area, not all of them have adopted the Social Charter, not all of them can have their labour force moving freely across the EU, not all of them participate in the international missions which have military and defence implications, etc.

Myth No. 10:

The EU has to be stronger – or more unified – in order to stand up to the political and economic challenge from China, India, oil-rich Arab countries and a robust United States

It has always been easier for parts of Europe to unite 'against' something rather than 'for' something. The European identity, and also the process of European unification (as a form of integration), has been conceived or interpreted with respect to creating a necessary counterweight to totalitarianism, the United States, Asia, or globalisation. This conception of European integration should be abandoned. The EU is not here because of "le défi américain" (because of the necessity to challenge the US dominance). The EU does not need to be big and more unified in order to compete with the rest of the world.

We should uninstall these myths about the European integration process and delineate the future of the European Union in a qualitatively different way.

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