

Entering the EU is no Challenge

Notes for a panel discussion

Most of the institutions that have the European integration on their agenda receive either EU or Czech taxpayers' money through different government agencies. They are therefore strongly pro-EU. The Center for Economics and Politics, where I work, receives no government money, which leaves us independent of official opinions.

I am convinced that the debate about the EU in the Czech Republic is generally biased. An evidence of this presumption is also the title of this panel discussion - *Entering the EU - challenges and benefits*.

Not the *costs and benefits*, as an unbiased debate would require, but *the challenges and benefits*. It is based upon the assumption that there are only the benefits, and the challenges that we must cope with. It is taken for granted that we are to join the EU and that we will enjoy the benefits and will overcome the challenges. It is taken for granted that there is no other option than to join the EU. But for the Czechs the crucial question is not *how* to cope with the challenges, but *whether* to join. Moreover, why to use the word *challenge*? Is not *challenge* only a politically correct word for a *problem*?

As an economist I can discuss this subject only considering the *costs* and benefits. And as every step in human life, the supposed joining the EU *does have* the costs as well as the benefits. Contrary to my fellow speakers, I am convinced that the costs are greater than the benefits and joining the EU would be harmful for the Czech Republic.

An analogy

What is the enlargement of the EU similar to? Imagine that the United States offered Mexico and other Central and South American countries membership in the Union, provided that the newcomers would adopt the US legislation including all environmental or sanitary regulations, including the tax rates on cigarettes, alcohol and gasoline, etc. The new members would be allowed to trade their goods within the whole federation, but each country would have set production quotas for agriculture products. I think that this would be reasonable neither for Americans nor for Mexicans. Americans would not be happy that the Mexicans can vote in the Congress about the laws that influence your life, and the Mexicans would not be happy if you control how many and what crops and cattle they can produce.

I guess that if this would be the state of affairs, the Mexicans would soon hate Americans for the political domination and Americans would hate Mexicans for living at American expenses. Guess what would be results of this.

Common budget

Within the European Union, each member country pays some contribution to the EU budget. On the other hand, each country receives subsidies from the EU. There are countries, which are net contributors to the EU budget, such as Germany, and countries, which receive more than they pay, such as Greece or Portugal.

How does the EU finance work from the point of view of a Czech taxpayer?

If the Czech Republic joined the EU, a Czech taxpayer would pay taxes to the Czech national budget. Then the Czech Republic would pay contribution to the EU budget. Then the EU would pay compensation back to the Czech Republic, and eventually the Czech government would pay subsidies to its subjects. This money-go-round is absolutely useless. There are huge transaction costs and it opens door for corruption at all the levels.

From my point of view, I prefer that there be no taxes to finance the EU and no subsidies from the EU.

There used to be some logic in the EU finance. It used to be that the richer countries paid more and poorer countries received more. This principle was called solidarity, or a key for poor to catch up the rich. But this is no more valid,

since the wealthier Portugal or Greece will receive more than the Czechs. Thus if the Czech Republic joins the EU, it would become a second-class member.

The Czech government agreed with the EU that for the first three years of membership, the Czech Republic would receive more than pay. But the negotiated net profit is ridiculous – some \$20 per person per year, which is less than that of Portuguese or Greeks. For the other years, Czechs will probably become net contributors. That is the amount for which the EU wants to buy Czechs' Yes vote.