

Red tape makes EU the best club to be excluded from

By : John Blundell

November 06, 2005

THE universal badge of nationhood used to be diplomatic recognition. Now the test of independence is simpler. Is your football team accepted for international matches?

We are all familiar with places we barely know of popping up in the fixtures. Belarus, which few could locate on the map, knocked Scotland out of the World Cup. Worse, they did it at Hampden Park, Glasgow. Where exactly is Azerbaijan?

The Federation of International Football Associations (Fifa) will accept Montenegro and Kosovo the moment they are independent. This is likely to occur in 2006. Montenegro is currently the junior partner of an unhappy combination with Serbia. Kosovo is in a strange limbo administered by the United Nations, but neither Albanian nor Serbian. There is a third candidate not quite ready to be recognised – Transdnestre, or Bessarabia, stolen from Romania by Stalin. It ranks even beneath Moldova, its impoverished cousin nation.

We can do more than wish these two new members of the European fraternity well – we can offer them clear tips towards their future prosperity and peace. The details may be complex but the essence of wise policy seems to me to be pretty obvious – free trade, low taxes and the rule of law. It will not be difficult for these infant states to beat the UK and the rest of the European Union on low tariffs and modest taxes. The rule of law may be elusive as it seems to need cultural roots or habits.

The Kosovo Trust Agency is just completing its ninth wave of privatisations. Vineyards and hotels are being auctioned off from the debris of the Yugoslav state. Kirk Adam, director of privatisation, has incorporated a strand that delights me – 20% of all privatisation proceeds go to the Kosovo workers involved. Suddenly liberalisation is vividly popular rather than obscure financial engineering.

Already the Baltic nations, Estonia, Latvia and Lithuania have jolted the complacency of our own UK regime of high and complex taxes. The Baltic delight in flat taxes is sweeping westwards. They have already converted Russia, incredibly, to a 13% rate. The central paradox of low flat taxes is that the revenue rises as people trade far more and lose the incentive to evade.

In the Heritage Foundation's Index of Freedom, Estonia, only 10 years out of the Soviet Union, counts as the fourth most prosperous nation, per capita, on the planet. That deserves an exclamation mark. Its neighbours Latvia and Lithuania score creditably, too. Present poverty is no bar to rapid prosperity. When I was in Montenegro recently I was struck by the height of the men. Surely all their future goals will be headers. The opinion polls run strongly in favour of

secession from Serbia. It will be amicable. Next year we will have two new European states.

If the authorities in Kosovo and Montenegro want an assured tax harvest then I commend them to have no tax above, say 15%. Some may argue this is wimpish. The Biblical tithe may be more wise. The state should cease to be in the equality business. It must let citizens deploy their flair and skill where they will. Latent entrepreneurship seems to be universal. People just need the opportunity to show what they can achieve. Low taxes in both infant European states will ripple through to their neighbours. Tax returns should be quick and easy, not needing special expertise.

The EU is slowly strangulating itself in thickets of regulation. In every case the intention is benign – like the French 35-hour week. In every case it is a slow-motion catastrophe. There is no need to emulate the Brussels craze for ever more detailed regulations for every corner of life. Kosovo and Montenegro have endured troubled pasts under the Ottomans then the Hapsburgs and later the Federal Republic of Yugoslavia. Socialism and mercantilism will corrupt public agencies. What is needed is an unambiguous escape from the past.

A crucial part of a happy nation is that its rules of conduct conform to the canons of the rule of law – that they apply universally, are applied without partiality and are predictable or knowable by citizens. This means the courts, ever seeking to refine the rules of justice, describe much of the law rather than the posers of politicians with their strange partial agendas. Kosovo could no longer endure life under the partial and unjust rule of Belgrade. **The test of both Kosovo and Montenegro may be expressed easily – will their Serb citizens feel safe?**

A great many new states pursue symbolic and invariably fatuous quests. They do not need showpiece steel mills or coal mines. They do not need flagship airlines. They do not need shipyards or car plants. They need to discover by the subtle discovery procedures we call competition where their “comparative advantages” lie. My hunch is that both can trade well on their beauty. This can seem almost facetious but tourism is by far the most rapidly growing industry in the world. Both have the sunshine and mountains and meadows to attract it all. Montenegro's beaches are already popular.

In both new nations big, though unmeasurable parts, of their economies depend upon smuggling and other black market ventures. Avoiding the honest economy ceases to be rewarding when taxes are low and contracts are legally enforceable.

Applicant nations to the EU used to send admiring civic groups to Germany to be inspired and emulate German bureaucracy when they returned home. I think these trips should still be promoted but with the alternative lesson – avoid the overrestricted commerce of the Germans.

It can sound callous but the relative poverty of Montenegro and Kosovo are a sort of asset. They

can trade into the EU on far cheaper prices – including wages. Poland, Hungary and the Czech Republic did this so rapidly they are now at or near the levels of their long established EU neighbours. The major employment in both territories remains farming. The high tariff walls of the EU's agricultural policy will remain a barrier which even joining the EU has not resolved for the new east European members. **Accession to the EU is regarded by the policy elites as vital. I disagree. It is those European nations outside the torrent of directives from the European Commission that are thriving. It is neither an accident of nature nor history that the three most dynamic economies of the continent are Iceland, Norway and Switzerland – all non-members.**

Cynics may argue that the new membership of Turkey, Croatia, Bulgaria, Romania and Moldova will so throw grit into the machinery of Brussels' autocrats that it will grind to a halt. Kosovo and Montenegro can enjoy a process that is not permitted within proximate range of the commission ... elections or democracy. Yes, there is a toothless entity called the European Parliament but nobody in authority listens to it.

I urge these two new footballing names to nourish democracy. It is strange but politicians competing for our votes seems to be as healthy for a nation as traders competing for our money. **The wise philosopher Sir Karl Popper said the only important part of democracy was the ability to sack a government.** He is correct. It keeps them alert.

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