

Economist Petr Mach: joining the EU will be a mistake

The focus of today's edition of Economics Report is the Czech referendum on European Union accession. On Friday afternoon Czechs will begin going to the polls to decide that fundamental question 'to join, or not to join'. The Czechs' answer, either way, will have a profound effect on the future of the country for generations to come. So far, all indications are that Czechs - like their neighbours in Poland and Slovakia - will vote to join the EU. A Stem survey released this week has predicted that around 78 - 80 percent of those who come to the polls, will say yes. Not all, of course, support joining the union. In a last gasp effort to sway voters to say "no", one non-parliamentary party - Ceska pravice, meaning The Czech Right - released a book of essays in the weeks leading up to the referendum, arguing why Czechs should turn the EU down. Contributions to the book, which is titled 'No, No, No - the only positive choice', include articles by Martin Riman, a Civic Democrat MP, London-based commentator Benjamin Kuras, and young economist Petr Mach, the head of Prague's Centre for Economics and Politics. I sat down with Dr Mach this week to discuss some of the reasons for voting "no".

My first question addressed whether he believed referendum turn-out would be high:

"I agree with the estimate that about 60 percent of the voters will come to the referendum. But I don't believe that 80 percent of them would vote for joining the EU. Joining the EU would be disadvantageous for this nation."

If it is such a bad idea why is one country after another saying "yes" in the referendums?

"There is strong government-funded propaganda and the governments around this region use tax-payers' money for promoting just one opinion - that it is necessary and advantageous for this nation to join the EU."

Once individual governments have signed on for their countries to eventually join the EU, once the process is begun, you almost can't say "no".

"We are still a sovereign country we can say "no" and that is what the question is about. We can join, or we can become an independent nation. There are countries which are in Europe that are not in the European Union. Croatia, Iceland, Norway, Switzerland. I believe it is possible to be outside of the European Union, in Europe."

In your opinion, how much sovereignty do Czechs really stand to lose if they join?

"There is a theory of sovereignty which says that sovereignty can not be shared, or pooled. If we agree that the Czech Republic would accept all legislation approved at the European Union level, it means we would give up our sovereignty to the European Union."

Again, the question is, why does anybody join at all?

"Many people who want to vote for joining the EU say we would be worse off if we don't join, just because the EU could impose trade barriers for our exports. It sounds kind of like blackmail to me. As if the EU were silently saying 'if you won't join us then you will hardly be able to trade with us.'"

If the Czechs don't join the EU, in your opinion is it really economically viable that they will be able to go it alone?

"If we don't join the European Union all the treaties that we have with the European Union will still be valid on May 1st, 2004. It means visa-free travel in European states, it means a possibility to export and import at low, or even without, tariffs... So, it depends whether these conditions would be changed or wouldn't be changed. The European Union promises, and also government politicians in the Czech Republic believe it would not impose high trade tariffs to the Czech Republic. I believe this because there are many foreign companies in the Czech Republic. An

example is Volkswagen owning Czech car-maker Skoda. It is not in their interest that the European Union would impose high trade tariffs for importing, in this case, Skoda cars from the Czech Republic. I think that this situation, that European companies own factories in the Czech Republic is a better guarantee than anything else."

In your article you also suggest the Czechs would have more to offer, actually, that they would be able to use the situation of being one of the few countries to stay out of the European Union to their advantage. It has an aspect of 'speculation': that Czechs would be among the few who weren't in, that they could offer all kinds of different incentives, tax breaks, and so on.

"Of course, that depends on who will be running the country, what policies would be chosen. If this country set low taxes and low barriers, it would be beneficial for us, since for many investors it would be more advantageous to go invest in the Czech Republic if the conditions for their businesses were different - and better - than in the EU."

If the Czech Republic stayed out and the Czechs were able to determine their own rules of the game, isn't there a danger of companies coming in and trying to exploit that situation? Viewing the Czech Republic again as a kind of dumping ground and a place for cheaper labour...

"This is quite natural for companies to use those advantages and comparative advantages. I do not see anything wrong about that."

Psychologically though - if the Czechs don't join they will be lumped together - inevitably - with eastern states, which they spent a long time trying to get away from. Russia. Belarus. The Ukraine. Could that not be damaging somehow?

"I think that the situation now, fourteen years after the fall of the Iron Curtain, is quite different. Countries like Ukraine, like Russia, are now fast-growing countries. Faster growing countries than the Czech Republic. Both countries established the system of a flat-tax with a low 13 percent tax rate. And, they are deregulating their business environment, and their standard of living is going up very quickly. But, of course, there are still prejudices in the Czech Republic towards Ukraine, towards Russia. But, the same prejudices exist in Germany, in Austria, towards the Czech Republic, for example."

What do you see as a negative aspect of not joining?"

Economically of course there is the danger that the European Union could impose trade barriers. That is the biggest danger of not joining. But, I don't believe that that would happen."

In many ways won't the Czech Republic still become an island culturally? Wouldn't this country benefit from becoming part of something bigger than just itself?

"I think that the Czech Republic benefits from its openness, that it has displayed for fourteen years. We don't need to join this bureaucratic and political structure, to benefit from cultural exchange."

You're not in any sense an idealist about the European Union, say the idea of forming a larger body based on the principles of prosperity and peace...

"A better guarantee of prosperity and peace would be free co-operation among sovereign states, and not making a bureaucratic decision-making body."

If the Czechs do join - and it seems that they will - is there any aspect that you see as positive about joining?

"The main positive aspect of joining the EU is trade without tariffs between the main European states. That's the main positive aspect, and I would almost say, the only positive aspect. On the other hand, we must realise that what is called a free market in the European Union, is not really a free market. Instead of import quotas they have outright production quotas and other barriers."

And for interested Euro-sceptics, or Euro-realists if you prefer, you have one more day or so to read up on reasons for voting 'No' before the question becomes moot. The book, however, is only available in Czech.