



The Costs of Uniting Europe

An honest discussion about the benefits and downsides of European integration is very necessary.

By Dalibor Rohac
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Ten years since their country joined the European Union on May 1, 2004 – and only weeks before European Parliament elections – only 34 percent of Czechs trust the EU, compared to more than 50 percent just three years ago. Though well-known for their euroskepticism, the Czechs are not alone. Never since the eight eastern European countries, together with Malta and Cyprus, joined the European Union have the levels of distrust in EU institutions been so high across the continent.

This is a paradox, as the advantages brought by the European integration should not be taken for granted, especially in the "new" Europe. Just 25 years ago, the prospect of being a part of the Schengen space, and being able to shop, invest or work anywhere in the EU would have sounded phantasmagorical to most denizens of USSR-dominated Eastern Europe. The eastern enlargement was in many ways a mutually advantageous move, as it provided western European companies with new investment opportunities and unleashed migratory flows that have an economic boon for the host countries – most notably for the United Kingdom.

For the "new" Europe, the most important benefit of membership predated the enlargement. The prospect of being a part of the EU served as a justification for otherwise contentious economic and institutional reforms, including the privatization and deregulation of utilities and energy. Perhaps offering a realistic prospect of EU membership to Ukraine today could have the same effect, garnering support for reforms that the country urgently needs.

But there have also been downsides to the membership on which most politicians prefer to be silent. EU structural funds, once seen as the silver bullet for poor post-communist economies, crowd out the private sector, especially in the area of transport and logistics, where private companies that have been doing profitable business without any government support suddenly face competition from new EU-funded firms.

Worse yet, EU funds have bred waste, cronyism and corruption. In 2013, Slovakia's Ministry of Social Affairs spent 100 thousand euros of an EU grant to combat unemployment to purchase pens and disposable raincoats. While relatively trivial in size, it seems representative of the waste that has been unearthed by journalists.

It may not be a coincidence that corruption in many eastern European countries has gone up since 2004. Slovakia, for example, ranked 57th on the 2004 edition of Transparency International's Corruption Perception Index. By 2013, it moved down to 61st place. The Czech Republic, in turn, fell from 51st to 57th place. The situation is even worse in Romania and Bulgaria, where the checks on corruption and outright theft are even weaker. In 2008, the European Commission had to suspend the disbursement of any aid because of the extent of corruption and organized crime that surrounded the inflow of EU funds.

European institutions are seen as distant, opaque and lacking democratic accountability. Far too many EU policies – most prominently the Common Agricultural Policy or the stringent privacy rules on the Internet – are damaging to competition and growth. It is not a coincidence very little innovation in the area of the Internet is coming out of Europe. As Jerry Brito, an economist at George Mason University's Mercatus Center, wrote, “[w]hile the rest of the world has their foot firmly on the gas pedal, Europe is constantly pulling on the emergency break.”

Make no mistake – Eastern Europeans understand that there is a lot to be gained from EU countries working more closely together. Just think about how much stronger the EU's response could have been to the recent events in Ukraine. Simultaneously, though, both the "old" and the "new" Europe is overdue to have an adult conversation about the flaws of the current model of European integration – about its waste, overregulation, moral hazard and its democratic deficit.

Unfortunately, thoughtful criticism of European integration has become an increasingly difficult and unenviable task, as much of the discussion has been conflated to a simplistic "pro-European" versus "euroskeptic" dichotomy. Critics of particular EU policies are often branded as anti-European and marginalized in public discussions. And, in all fairness, too many self-styled "euroskeptics" are doing their cause a disservice by aligning themselves with nationalists and xenophobes.

Across the EU, the results of the European election will likely be consistent with the deterioration of public trust in European institutions. The gains of anti-EU populists, with their distinctly nationalistic and xenophobic undertones, are disturbing but not altogether surprising. If mainstream politicians don't talk frankly about the benefits and costs of European integration, extremists will.

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