

## **EU Membership: A Mixed Blessing?**

*Nowadays there are many discussions and voices about the European Union (EU). The theme is very current because of the ten new countries which joined the EU on 1 May 2004. But this will not be the last step in the life of our continuously growing organisation: according to forecasts, Romania and Bulgaria will join in 2007, and Turkey and other countries from South East Europe are also awaiting the much-desired membership.*

### **Two Sides to Every Coin**

The small economic organisation – established in 1957 and comprising only six states – has become four times bigger and must face new challenges and questions. While the potential new countries are celebrating their possibilities and politicians declare this moment as an extraordinary success for their citizens, we can not be sure that a majority of inhabitants knows exactly what they undertake.

The ideal picture has already been depicted many times: the EU is strong economic entity, which has the capacity to redistribute goods and support the developing part of the world. It is able to enhance the standard of living, push down the unemployment rate and provide a safety net for the members.

But, the coin always has two sides. To form an accurate opinion, we should break through the surface and “dig down” to the roots. We must investigate the whole organisation; get to know her aims, operations and history. We also should take a look at the advantages and disadvantages of membership and ask a magical question: *qui prodest?* It means, who is it useful for?

The purpose of this article is to shed light on the other side of the story; to build critical and discerning thinking and to stir up the readers: the glorified and blessed membership contains hidden and unmentioned disadvantages, or worded in a different way – the process has also a shadowy part. This essay will assist in forming an educated opinion about the EU question.

## Preamble in the Distant Past

The thought of a unified Europe is rooted far in the past<sup>1</sup>. The name can be traced to one of the famous persons in Greek mythology: Europa was the name of the queen in Phoenicia who was kidnapped by Zeus and taken to the island of Crete. After the Persian wars, the Greek peninsula and later the whole continent began to be known as “Europe”.

In the Middle Ages Pierre DUBOIS created a conception about a “peace system”, which was further developed by George PODĚBRAD, a Czech king in the XV<sup>th</sup> century, outlining the rules of peace maintenance.

In the Modern Age, we should mention Abbé DE SAINT-PIERRE for his image of “eternal peace”, which was criticized by Jean Jacques ROUSSEAU. Jeremy BERTHAM raised the thought of “European fraternity”; Immanuel KANT imagined a Europe consisting of “federal states”. SAINT-SIMONE’s writing started a debate about the social and economic integration of the European states.

In the 1930s – before the World War I – countries focused on internal problems because of the overproduction crisis. High customs and taxes were raised and the free trade of goods was prohibited. States tried to benefit from their colonies and form a closed trade system; the countries without colonies required the redistribution of the African territories.

The most famous and best-known work of this time is *Paneuropa*, written in 1923 by Richard COUDENHOVE-KALERGI, who argued for the “Federation of European States”. According to KALERGI, the Soviet Union (USSR) wanted to annex Europe and the United States (US) intended to buy it. The federation was the only chance for the continent to maintain its independence.<sup>2</sup>

## Development of the EU

After World War II the demand increased for a stronger connection amongst the countries, which could help to keep a distance from the US and to create a balance against the USSR. Meanwhile, it became clear that Europe could not be restored after the war without any help from the US. The Marshall Plan proposed \$28 billion in aid, and the US eventually approved \$17 billion for this aim.

The European Community was established in 1957 with the approval of six countries: the Benelux states (Belgium, Netherlands and Luxembourg), France, Germany and Italy. “European Union” as the official name has been in use since 1993, when the contract in Maastricht renamed the organisation. The founding document proclaimed the aim of the union: to reach the “common market” conception.

The states undertook to address economic policy and hoped to be able to increase the standard of living and decrease unemployment. EU trade is based on liberty and the free market, which contains four basic laws: the free movement of goods, service, capital and workforce. To enhance the effectiveness of its realisation, the customs union and the law harmonisation were also appropriated.

The organisation of the European Union started to grow; in 1973 three countries joined: the United Kingdom (UK), Ireland and Denmark. In Norway, on the other hand, people refused the affiliation by referendum.

Then Greece in 1979 and Spain and Portugal in 1986 became members. The ex-GATT (General Agreement of Trade Tariff) states – Austria, Finland and Sweden – won the right to full membership in 1995.

And last year, after a long and thorough selection process, the EU decided to affiliate ten new countries: the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

## Economic, Political and Philosophical Background

Competing interests played an important role in EU integration. Marshall Aid was necessary for Europe because of the vast devastation during the world war. On the other side, also an important circumstance is the fact that only Europe had the potential to be an economic balance and commercial partner for the “New World”.

Without this financial injection the economy of the world could not have prospered. Considering this conception, the United States estimated the alternatives and decided to make this investment.

This potent supporter inspired economic collaboration amongst the European states. The financed countries had to make concrete steps for the promotion of capital, service, goods and commerce. The EU is primarily an economic organisation – the first aim was to help each other by the integration.

1 See SZALAYNÉ SÁNDOR Erzsébet, *The Public Legal Foundations of the European Union*. 2003.

2 See KECSKÉS László, *European Community Law and Law Harmonisation*. Budapest, 2002.



Political interests are also present in EU history. The EU was the solution for the German–French contradiction; it was the prerequisite to the higher contribution. Since Cardinal RICHELIEU a thesis had been followed, according to which only a weak Germany could warrant the safety of France.

SCHUMANN abandoned this principle, with the idea that collaboration between the French coal and German steel industries provides a guarantee for the military industry. (Without these two components, navy products could not be manufactured.) This French–German alliance was the ancestor of the EU organisation.

In the beginning, the United Kingdom shied away from membership. The island country wanted to accept only such a trade market that would not cramp its contribution to the Commonwealth and preferred commerce with these members. Later the UK changed her policy and petitioned for membership. DE GAULLE twice refused its application (1963, 1968); he was afraid of increasing US pressure due to UK adherence.

After some years the economic background changed: the UK

became the potential balance to nearby Germany, so POMPIDOU – the French prime minister – approved the EU extension, and the UK became a member in 1973.

The nine-country alliance started to reduce customs, tackle the economy and support trading. Except for Italy, the states were approximately on the same level. In the '80s Greece, Spain and Portugal were added; these countries' economies were much less developed than the former members'.

The explanation for this expansion was the new markets: the Iberian Peninsula contains more than fifty million inhabitants, and Greek membership opened up new prospects on the Balkan Peninsula.

## Heritage and New Environment

The austere economy forced privation on people, and the scarcity of goods opened never-before-seen markets for multinational firms. The negotiated equality at the borders did not mean fair competition.

On the European Union side there were profitable, experienced business corporations with vast equity; and on the other side there were domestic companies suffering from the lack of experience.

The inhabitants of the formerly communist countries longed for the standard of living in developed countries, and this wish led to rash decisions serving the short term and personal interests instead of the long term and public prosperity.

After the collapse of the communist system, political positions changed. The USSR had to give up the formerly occupied territories and the system finally crashed down. From the political unrest, new states quickly (re-)emerged in the Central and Eastern region of Europe.

These countries re-won their political and economic independence, but their first steps were very limited: living standards were low, they did not have strong operating connections to the Western states, the exploited economy was weak and the public sector had a monopoly position everywhere.

The know-how and the practice were missing; the refused Marshall Aid and the faulty economic policy for forty years created a critical situation. The vast debt basically determined their future.

These countries desired financial support similar to the Marshall Aid, since they had not had any support after the world war, because the Soviet Union had prohibited them from accepting subsidies.

But in the meantime interests had significantly altered, and nei-

ther the United States nor the EU members wanted to provide significant help or to forgive the loans. The EU continuously approached ex-communist countries and gave them allowances in the trading, but the actual solution was delayed.

## Lack of Real Alternatives

For the Central and Eastern European countries there was not a real alternative choice for the future. Membership became the ideal and desired state because of the strong, developed economy and high standard of living.

On the theoretical level three potential alternatives came up: a) The Central and Eastern European countries should strengthen their connections and collaborate amongst themselves. This thought was the redefined option of the unsuccessful past, which was refused by every country.

This model could, however, have been realized amongst some of the countries which had stronger historical connections: eg. Hungary, the Czech Republic, Poland and later Slovakia could have formed a league.

This concept could not have outweighed, however, the actual power of the EU, but an important aspect was that the effectiveness of a small alliance is always more than that of individual countries.

Other options were: b) to make a strong connection with the United States and to develop Hungary as representative of American commerce; or c) to find an ally in the Far East, eg. Japan. The problem in the cases of b) and c) is that the Magyar culture and lifestyle is European, and it would be almost impossible to disregard the reactions of the neighbouring countries.

These states had to face the fact that EU affiliation contains some surprises, and the economic level of the new members will be largely disregarded. A new principle started to be framed: that the country which is not a member of the EU will pass up streamlined development.<sup>3</sup> The EU is not good, but there is not a better choice. That is why every country started to knock on the door to be admitted into the EU.

3 See HORVÁTH Zoltán, *Handbook of the European Union*. Budapest, 2001.

## The Ten New Hires

The EU started long discussions with each of the candidates. Several options were outlined regarding the date of admission and the number of new members. (While Helmut KOHL declared in 1990 that Hungary could be a member in five years, the date was postponed continually.)

At first the EU planned to pick up three or five new countries into the organisation. But the vast increase in members would necessitate a new leadership system in the EU with regard to elections and functions. Ultimately the EU decided to enlarge the number of candidates in the first round and face up to the fact that the increase required the reform of the election system.

The main points for admittance to candidacy were economic criteria (the candidate must be able to keep up with development in the EU); stable democracy (human rights, protection of minorities, safety of political environment); and ability for compliance with the “*acquis communautaire*” (to perform the obligations of members and to adapt the legal political and monetary system to the EU prescription).

Romania and Bulgaria were originally in the second extension round. These countries, however, are more underdeveloped than their rivals and according to the EU report, their membership could hamper the development of the members.

The recognition of Turkey is similarly being held up by human and minority rights problems. Excepting Turkey, the population grows by twenty-nine per cent, the arable land area by fifty per cent, the employees in the agricultural sector by hundred per cent—but the GDP rises by only nine per cent.

## Evaluation of Membership

The decision of the EU to affiliate ten candidates is not astonishing. The extension is a strategic step and the political background is not predictable. The extension is a good warranty against the Soviet Union by controlling this intermediate terrain, and the EU borders will move Eastward for safety's sake.

The economic recession is extending and the unemployment rate is not decreasing significantly. EU economic politics is based on liberal market policies. The new markets of the ten new members forecast hopeful scenarios.

EU membership provides a higher guarantee for capital investments; customs and borders disappear, decreasing costs of products. As minimum wages are fixed by legislation, branches and subsidiaries can be moved further East.

Arable land is also cheap, and the new members cannot prolong indefinitely restrictions on land purchases by foreigners. The new members theoretically gained full rights in the EU, but they were forced to submit to many compromises, among them the following:

In the agricultural sector, many subsidies cannot be sustained for the new members, or the appropriated amount is smaller than for the original members. The work force cannot take jobs in many countries for three–seven years because of limitations placed on employment to prevent massive immigration.

The streamlining of investments is also a one-way process because the new countries have only a few strong firms, and the poor agricultural worker cannot buy acres either in Western or in Eastern Europe.

Because of agricultural reform and restitution, many new owners sold land very cheap, which also became an engine of speculation. In Hungary much of the Western precinct of the country is owned by Austrian and German proprietors who employ the ex-owners of the fields.

The prospect is no better in the banking or financial sector. In the early '90s foreign experts accelerated the privatisation of the public sector, pronouncing that it is necessary to launch the economy.

Allowing Western European investors was also highly advised, and they were the only potential buyers for the unusable firms and properties. The businesses were guaranteed success: after the austere economy, the poor people desired high-volume production and logos from the West.

According to many economists, privatisation was naturally connected to corruption and bribery. Multinational firms exploit their employees and the environment. They produce and sell goods which are not competitive at home or are damaging to the health.

The process is irreversible: the rate of foreign investment rises and the control of the government decreases. The strong business interests and the vast amount of loans just consolidate the influence of lobbies at the governmental level.

The environmental issue is very similar to the South American condition, where countries have to approve lot of decisions which are not appropriate for them, but loans restrict and narrow their possibilities.

This is the price of membership. The IMF (International Monetary Fund) and the World Bank assist with this process, and the slogan of “sustainable and continuous development” helps to maintain an ever-renewable demand for goods.

Finally, standardisation and formalisation do not necessarily support the traditions which belong to the nation. In the unified EU, “the geographical borders will be changed by the national borders.”<sup>4</sup>

## Standardisation

EU members undertake to transfer their sovereignty to the EU, and the governments of the members undertake to follow the directions established by the EU. This standardisation comprises the unification of the law, economy, customs and commerce.

The aim of this standardisation is to decrease differences amongst the states and to cut the extra costs of diversity. The central control hides the danger that if the lobby interests are able to affect the leadership, the whole of Europe must comply with faulty decisions favouring the leading power.

The sharing of power, the administrative system and the delegation of authority in the EU is different from the classical principle worked out by MONTESQUIEU: the legislative, executive and judicial powers are not separated, which could provide a guarantee against misuse.

In the EU, these branches are mixed among the Committee, Council and the Parliament; only the judicial (Court of Justice) is quite separated. The democratic system is represented by the Parliament, which takes precedence in decision-making.

But the make-up of the Parliament does not faithfully represent the population of constituent countries; the system is advantageous for the smaller states, which could lend it an air of illegitimacy. The exact tasks of the various institutions are being developed, but it is very strange that a prominent organisation like the EU does not divide the branches of governance.

## Final Remarks, Uncommented

Without investors and capital, the possibility of development is nearly excluded; with the influx of foreigners, we will be servants in our country. What can we do to step out of this pre-determined process?

<sup>4</sup> ORBÁN Viktor, *Speech in the Parliament of the European Union*. 25<sup>th</sup> September, 2004.

The answer is not easy. First we should integrate society and strengthen commitment to each other and to the country. Then we should build a society based on science: to prefer useful and usable knowledge, to raise the level of study and focus on flexibility.

We must manage the sources very well and not squander them. Strategic decisions must always overrule individual interests and short-term projects. The way is very long; we can only hope we will manage.

The Constitution of the EU has been now accepted, but an explicit reference to Christianity was left out.

Agriculture is a very critical point for the EU; and its budget has been continually increased. The main supporters of this system gave up in order to resolve the souring deficit. This branch is absolutely not competitive, and the new members have mainly strong agricultural products. They cannot count on equal support compared to their Western colleagues.

It has been rumoured and confirmed that Hungary was not assertive enough in the preparation process. The country did not apply for abolishment of the vast sum of loans, just to mention one example.

The Spanish declared that they would not necessarily support the extension of the EU because they will not be able to apply for as much funding from the EU budget in the twenty-five-member EU.

The new members can be net payers in the EU budget (meaning they will pay more money into the joint budget and get less support) because they do not have experience in applying for the money. On the flip side, EU grants need their own sources from investments, and the new members lack equity in this area.

#### **Suggested Reading**

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