

**[Criticism of the Greek Economy and Finance Minister's views on Europe, Free Trade and Economic Expansion, August 2008]**

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**LIBERALISE AND OPEN THE UNION AND THE STATES**

Mr. Alogoskoufis', Greek economy and finance minister's, article ("Trade Freely and Expand", WSJ, weekend edition August 8-10, 2008) calls for a fruitful discussion on a number of counts. It is very proper, almost a textbook case statement of "oughts". However, one of the most basic problems in the EU is the disparity between words and actions – there is something in the "European vision" that seems to cultivate a systemic misalignment between propriety and reality. This is a mighty issue of reliability as well as efficiency, the single major problem that has to be effectively addressed by the EU if it wants to be taken seriously macrohistorically by the rest of the world.

Take the case of the Lisbon Treaty. The EU is not a sovereign state but a treaty-bound open set of sovereign states. Unanimity for at least all vital subjects is of the essence for such unions and the only pragmatic factor ensuring cohesion and durability. Ireland's rejection of the Lisbon treaty must mean the end of it, and the start of a new round of genuine deliberations for another pact based on different, sounder and mutually acceptable principles and arrangements, not of a sham circle of compromising give and take for revamping the old material with changed wordings. You cannot pretend that Ireland's decision is a minor issue, because it doesn't suit you – and, worse, act on such pretence. It is also a question of popular accountability. "Ireland is a small country" is irrelevant. Besides, Ireland is a leader ranking 3<sup>rd</sup> in economic freedom (2008 Index of Economic Freedom, Heritage Foundation and Wall Street Journal). What more important than that, esp. in a primarily economic union?

Full freedom is further implicated as well. And here we have in Europe another serious problem. The culture in Old Europe is not very deeply libertarian, in the real and American sense. This curtails the possibilities of optimal individual self-realization and reduces maximalization of performance and outcome. A heavy regulatory framework and an entrenched tradition of state dirigisme suppresses in the Continent social and economic fluidity, discourages innovation and risk-taking entrepreneurship, relies more on distribution than on competition, and creates, in countries with no mature and deep rooted commitment to the rule of law, conditions for neofeudalism and standing corruption.

A look at the bare facts is revealing. Just one country of the EU ranks free in the Index of Economic Freedom – Ireland, the rejector of the Lisbon Treaty. 12 more are mostly free, while 12 are moderately free and 2 mostly unfree. Both in terms of wild disparity and of average rating this is hardly an “island of freedom” picture as Mr. Alogoskoufis would have it.

Greece scores particularly low, at the bottom of the 27 EU countries (third last), and just above (0.1 points) the line of demarcation from the mostly unfree states. She ranks no. 80 in the global list, with a rating of 60.1 which owes much to chiefly trade and monetary freedom (81.0 and 78.5 respectively), while the rates for government size, investment freedom, financial freedom, and labor freedom are disappointingly low (57.8, 50.0, 50.0, 50.0, 54.3 respectively). Freedom from corruption is an abysmal for a developed country 44.0. (Tunisia scores 46.0 in this respect). Greece trails below all other countries in the broader Balkan-Asia Minor-Caucasus geopolitical field (overall economic freedom):

Armenia 70.3

Georgia 69.2

Hungary 67.2

Albania 63.3

Bulgaria 62.9

Romania 61.5

FYRO Macedonia 61.1

Turkey 60.8

Slovenia 60.6

Greece 60.1

Only Azerbaijan (55.9) and Croatia (54.6) score lower. (Serbia’s, Montenegro’s and Bosnia-Erzegovina’s scoring is unavailable).

Even worse, Greece is generally stagnant in that crucial overall indicator, actually lying today behind her score in 1995. Compare and contrast her performance as against that of some other countries in the following table.

Year

Greece

Germany

Ireland

Lithuania

Estonia

Georgia

U.S.A.

1995

61.2

69.8

68.5

\*

65.2

\*

76.7

1996

60.5

69.1

68.5

49.7

65.4

44.1

76.7

1997

59.6

67.5

72.6

57.3

69.1

46.5

75.6

1998

60.6

64.3

73.7

59.4

72.5

47.9

75.4

1999

61.0

65.6

74.6

61.5

73.8

52.5

75.5



2000

61.0

65.7

76.1

61.9

69.9

54.3

76.4

2001

63.4

69.5

81.2

65.5

76.1

58.3

79.1

2002

59.1

70.4

80.5

66.1

77.6

56.7

78.4

2003

58.8

69.7

80.9

69.7

77.7

58.6

78.2

2004

59.1

69.5

80.3

72.4

77.4

58.9

78.7

2005

58.0

68.6

78.6

70.7

75.3

58.1

79.8

2006

59.7

71.4

82.1

71.8

74.9

63.5

81.1

2007

58.3

71.5

82.6

71.5

78.0

69.3

80.9

2008

60.1

71.2

82.4

70.8

77.8

69.2

80.6

Greece and Germany alone from this group seem to be self-satisfied with their degree of economic freedom – Germany with some more justification and tendency to amelioration. Ireland, Lithuania, Estonia and (most remarkable) Georgia are highly dynamic in their determination to liberalize. U.S.A. although occupying permanently one of the top positions in the list (taking also into account its size, importance and global integrating role), shows healthy signs to improve on an already excellent standing.

Progress, knowledge and prosperity go with freedom. This can again be seen in the case of the EU- correlating disparities and averages among all such relevant areas. We in Greece lag particularly behind in all these respects. Teacher, teach yourself. Drastic structural liberalizing reforms are imperatively needed in the public services, in economy, in education and research, everywhere. Timid mending of a few malformations will simply not do. If anything they will more probably aggravate the situation – empirical studies have supported this theoretically expected inversion of the normally positive correlation between freedom and sustainable progress. The EU must learn to live with greater freedom in a globalized world-system. New countries that join it do push on the whole in the right direction, if simply because they are in greater need and urgency to go on with the overpowering march of history. Therefore the issue of integration

versus expansion is a pseudo-dilemma that simply hinders the reform agenda of the EU. Enlargement helps integration – the right and sound one, the libertarian integration, not the one of the vested interests of old Europe. We should not wait to resolve the question about the Lisbon Treaty before proceeding as fast as possible with admittance of new countries that are patiently waiting to get over European small politics which standardly follows a perverse order of priorities: first comes microbalancing of diverse interests within a general protective framework, then empty dreams and visions, and last committee talk on strategic options . More than everything, talk about “parallel” roads to be followed by the aspiring countries with a view to different (kinds of) partnerships (temporary or permanent) to be achieved by them, should be avoided, and the idea that aspiring countries can be kept long or forever in the waiting list by offering them possibilities of correlation other than full membership has to be definitively abandoned. Such ideas and talk simply diminish the credibility and reliability of the EU as an open group of cooperating sovereign states with a pre-reform, liberalizing agenda. What should be always be borne in mind is that we need in the EU the new countries as much, if not more, as they need us. This applies to the individual member states as well. Greece in particular would only have to gain from the incorporation within the Union of all neighboring countries in the larger geopolitical area. That, apart from other benefits, would also give more clout to the region's demand for a more open EU.

A country's determination to act positively in promoting the interests of its region should not be exhausted in expressing wishes as to the way the EU should proceed with its enlargement in the area, but actively in itself follow policies of coordination and cooperation with all the countries in the immediate vicinity and in the broader field, especially with those that are willing and able to move fast along the road of a free globalized world. Greece must immediately cultivate strong and durable ties with all her neighbours in that direction: the EU will follow suit.

Last but not least. From the minister's article totally absent is any reference to NATO. However, the very existence and continued function of the EU depended, depends and will depend in the foreseeable future on the USA and American global leadership, as the sustaining center of a globalized world of freedom. Questions in particular of EU enlargement should be systematically bound up with questions of NATO membership. If this indispensable linkage is left inoperative, or even in the background, both the EU and, to a lesser degree, NATO, will loose importance and, eventually, existence. America will have to pursue her universal mission otherwise, fulfilling her manifest destiny as the pivot of world history for the new era.



The current events in Georgia show dramatically what is at stake. They would simply have not happened if Georgia had become a NATO member at the Bucharest Summit. Responsibility for the events thus falls squarely on those allies that opposed last spring the immediate incorporation of Georgia and Ukraine in the military alliance for freedom. They served, unintentionally or in collusion with Russia, Russian aggressiveness. This is a very grave affair, pregnant with momentous consequences for the future. Now it becomes evident that the real, definitive role of the upholder of a free world order belongs to the USA alone, of right and might.

Good, able and decent people around the world, with a stake in freedom, are watching, holding their breath. Shall we have to put up with a new phase (be it shortlived) of equilibrating freedom and tyranny, and balancing powers of opposite characters but of the same valuelessness, or will America, joining principle and interest, strike at the root of the matter and prove for all to see that the new era of freedom is here for real and good? We trust in the \*New American Realism\*.