Preservation of National Identity and Interests in the Enlarged EU

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I. Introduction

Nation state is product of 19th century as historical category. What will happen with it in 21st century in Europe with dominance of the EU as supra national entity in form of (con) federation? EU membership does not require special protective activity for its richest and largest member states as their identity is strongly implanted in population, protected by the sheer fact of size and economic power and without danger of extinction. What about small and less developed members of EU? Is coalition among them strong enough to prevent disappearance of national identity or they need active approach, based on national interests, to protect themselves from assimilation. This question is even more relevant and critical for even smaller and poorer newcomers to the family of EU members. Should they care about their identity, express their national interest and act accordingly?

EU membership is desired goal for all acceding countries and solution without serious alternative for several reasons (economic, social, political, security). It was voted for in referendums in all candidate countries besides Cyprus, where it is decision of Parliament. But it could have some negative side effects, one of them being the threat of membership to their national identity and national interests. To mitigate them, it is important for new member states to be well prepared and to choose the best possible way for

1 One nation = one country does not hold always, and if not, in multinational states nationality is not the same as citizenship.
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accession. The goal should be that the new members enter the EU as equal partners as possible to old strong members, rejecting the position of periphery as the only solution for them in enlarged EU. They should strive to come as close as possible to centers of the EU achieving the position of semi-periphery (Wallerstein, 1974) at least in some fields of economic, social life, ethnicity. In cost benefit analysis the welfare of population, nations includes preservation of national identity. The proposed EU Constitution declares preservation of cultural diversity as one of main principles and not amalgamation. Therefore, it is in national interest to retain some elements of economic, social and political sovereignty to the degree old strong EU members do.\(^2\) For achieving this goal economic foundations are needed to execute the proper strategy.

Different strategies have been applied by different 10 new EU member countries in the process of their accession. Most countries used shock therapy to liberalize economy totally thus selling all their best economic units (blue chips) and even natural resources to rich foreign countries, predominantly existing EU members and to lesser extent to the USA. Slovenia, on contrary, opted for a gradual approach of transformation and transition. It still has a possibility to obtain position in the enlarged EU similar to existing small and less developed members. The quick all out “reformists, liberals and transformers among new member states, however, gave up economic instruments to follow their own economic and social, political strategy, even if they would like to have one. They are destined to become inferior members in the periphery of enlarged EU.

The goal of this paper is to deal with the solution to the problem of preserving national identity in national interest as relevant element of welfare of population in accessing countries and (and, to that extend, in existing small and less developed EU members). First, basic notions of national identity and interest will be defined and placed in theoretical framework. Second, presence of these notions (“national” against “European”) in EU constitution will be reviewed and formal criteria for deciding on substance of na-

\(^2\) Similar strategies are relevant and executed by small and poorer existing members of the EU as showed by Katzenstein (1986).
tional interests in different fields of life will be proposed. Third, these criteria will be applied to economic sphere of life and at the end, to other sphere of life. The intention is to define which solutions are in national interest to preserve national identity and thus achieve the optimal welfare of population, which is possible under available resources.

II. Theory: Definition of National Identity and Interest

Speaking about national identity is generally acceptable in public (media, politicians) and proper. Opposition would mean rejecting common history, cultural developments of nation; creating new creature “European”. But, speaking about national interests could quickly be described as nationalistic in pejorative sense and therefore improper (not so if European interests or regional interests are in question ?), not global enough and against the concept of unified Europe as federation ? How can we reconcile these antagonisms ?

There is a strong connection between (national) identity and (national) interest. If identity means being aware of common historic experience, culture, set of values, beliefs then interest means explicitly expressing needs, desires which help to preserve, protect and underline identity. After knowing who we are we conclude what we want. Or, what we want depends strongly on who we are. Next step, after being aware of identity and expressing want we want, is the action based on national interest to preserve or support, enhance national identity. For that reason we will continue with speaking about interests as expressed views on (preserving, enhancing) national identity.

Without having exact criteria to evaluate which of the two or more opposite view, activity, substance (answer) is in national interests and which is not, (political) power is used as instrument of prevalence. Not what, but who decides is relevant and prevails. Can it be done better ?

As several solutions are proposed on similar level of concrete life as supporting national identity and being in national interest it is crucial to decide which among them is the “true national interest” ? For solving this problem
we propose, first, a step back in direction of abstraction, which means creation of criteria (elements) for evaluation what is national interest, and second, application of these criteria on proposed concrete answers, solutions, views in different fields of human life to decide which among them is really in national interest and which is not. Value judgments will remain in definition of national interest, so that it is necessary to stress and be aware that this exercise has limited ability to solve the problem. But a step further from un-fruitful polemics on equal level could be made with application of criteria for evaluation what really is in national interest (to preserve national identity).

How to define elements (criteria) for notion of “national interest” per se or national identity and what relations are between the two? There are two words in definition, “interest/identity”, and “national” and each deserves special theoretical attention.

a) Identity/Interest

Different fields of science and even different schools within each science give different definitions of “interest”, specific only to their line of thought. Aggregate (integrated) definition is needed if desired criteria have intention to be widely applied in all fields of human life.

Interest is active relation of individual to the environment (Bibic, 1972).

In theory relations among major concepts are defined by structuralists as following causal chain (Wendt, 1999):

IDEAS (common historical and natural heritage, culture, tradition, memory, values)

IDENTITIES include trust, opinion, beliefs, awareness: who agents are, self-consciousness,

INTERESTS: include what individuals want, wish, need. It is special relation between subject and object in which subject is in more or less intensive relation with object (having and showing interest is first step for activity to express it),
NEEDS (objective interests), PREFERENCES (tastes, desires)
Functional imperatives, agent should adjust to them;
Need to be fulfilled if individual is to reproduce himself
Desires are sub-species of beliefs, that is desirable beliefs how to achieve the goal.
ACTION (behavior of subject, agent; activity to fulfill needs, preferences)
This is a causal chain: ideas define identity which defines needs and preferences and they cause action. Historical background and common experience create, define ideas of people (in certain geographical area). These ideas define identities of human beings, knowledge who we are (self-awareness, subjectively explicitly recognized). Identities define interests, what we want or need, and these are cause for our action, which means to implement interests which express our identities, created a long ago in the historical process of common experience.
Definitions of categories:
• identity = whatever makes the thing what it is,
• interest = active relation to environment,
• sovereignty = exclusivity, originality, supremacy.
Defense mechanisms of small states against drowning in the EU 25 are (Igličar, 2002): legal institutions (language, cultural and natural heritage); monuments and memorials, settling of geographic area, especially the border regions.

b) National
Interest is related only to man in the form of active self-awarness. Individual interests can be transformed into collective (group) interests and then general interests. These are public, if expressed within country, and na-
tional (state)\(^3\), if expressed in relation to other countries. Several criteria exist for aggregation of individual interests into general as for instance common interests defined by education (economists, lawyres), employment (truck drivers, nurses), sex (women, men), class (workers, elite). Important criteria is geography/demography. By it individual interest are merged into family interests, and further to village, city, region, state (national), country, continent, all human on earth interests.\(^4\) As institutional borders were the strongest for the state (country) in 19\(^{th}\), 20\(^{th}\) century with the formation of national state as historical category, national interests became the most important. But, with globalization it is easy to image that supra-national entities will become stronger (for instance the EU, the USA) and their interest more important. That aggregation to the new supra-state entity with geographically more distant center (for the EU Brussels, for instance) with more general interest it has to take into account as average, will have no doubt reaction in the form of revival of sub-national interests as specific on regional or village, community level, where they can be better identified easier and fulfilled, for reasons both of distance and need to make all actions proper on average for all population in this supra-national entity.

c) Synthetic definition of criteria for national interest

**Micro level of individual**

National interest is basically common interest of nationals. It is type of general interest, but a new quality, more than only sum of individual interest of nationals. Activities, statements, views which reveal and support national interest and thus fulfill needs, desires of nationals helping to preserve

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3 In Anglo-Saxon tradition and language nation state is dominant form, so that there is no difference between nationality and citizenship. The opposite is in continental Europe with multinational states a usual form. Therefore national interest means in fact the state interest for Americans and it is accepted as benign notion, while national interest in continental Europe very quickly obtains malign, pejorative co-notation of nationalism due to negative historical experience which ended with the war on several occasions.

4 For purpose of this study the most important is division between national and European interest with sub national (commune) interest emergin as reaction to surrendering national to European interests.
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and (re)affirm national identity and which enable individual interests to contribute to general interest, are the ones that (Bibić 1972):

- enable development of human working abilities and his creativity, economic, technological abilities and personal creativity (art and culture, sport) and achievements,
- increase and develop of human needs and desires, and their expansion for and by informing educated individual;
- enable satisfaction of these increased needs and desires, activities which with higher degree of satisfaction of enlarged volume of needs (and desires) increase human welfare.

In summary, activity, solution, statement is in national (micro) interest if enables development of human productivity and creativity, expansion of its needs and desires and increasing degree of their satisfaction.

**Macro level of (national) state**

General interest is public on intra-country level and national in inter-country level.

Public interest is general interest as sum of individual interests of citizens, which are legitimated by the state or qualified as such in internal life of community even without blessing of the state. Its creators are the state, non-formal civil groups, factors of idea and sub-consciousness (Bučar, 1969).

General interest of one country against others obtains the form of national interest if contributes to:

- preservation of country and its physical survival,
- independence and autonomy of country,
- geographic integrity of country,
- welfare of citizens,
First three elements are included as criteria by realists (Morgenthau, 1995), the last two added by structuralists (Wendt, 1999) among the theorists of international relations. The last two indicate that structuralists, in difference to realists, give priority to idea over power in international relations.

**Synthesis of micro and macro**

Elements of micro and macro definition of national interest could be synthesized in one: only in an independent, integrated (national) state can their nationals freely develop their productivity and creativity, recognize new needs and increasingly satisfy them. This possibility can increase general welfare of individuals which adds to their self-esteem.

**d) How to reject the notion of “nationalism” in defining national interest?**

First, we extend (expand) the set of individuals, living in the country, which interests are generalized (taken into account to form general interest as the largest common denominator) from members of single nationality to formal citizens of the country (which can be of different nationality) or, even further, to all permanent residents in the country, which due to their permanent residence take care of environment they live in and pay taxes for commonly fulfilled needs and desires (education, health, protection of environment, culture, sports). And not only natural persons, they it can be legal persons too. If they are established with the head office in the country and thus final decisions are made in the country, at the same time by the people who permanently live in the country, even if they are not nationals or even not citizens of the country, they will strive for legal, business, ecologic, social environment in the country, which will be of interest of all residents and firms in the country.

Thus, from the notion of “Blut und Boden” as criteria for common national interest (blood and area interconnected) we have just relaxed condition of

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5 Some of my student think that expansion of general interest taken into account to permanent residents goes too far (and should be stopped at least at citizenship) because permanent residency is easy to obtain and loose (change) and its obtaining does not
“Blut” through expanded definition of national = residential interest. What about “Boden”, area? First, it is not flexible, because it does not move around. Second, the only one who can move to achieve the best match between Blut und Boden are human beings – individuals. People, nations, leaving in certain area as predominant in the history developed certain values, culture, behavioral characteristics (that is identity) known for that area. Now, individuals, legal entities (firms, etc.) can move around the world (in that sense Europeans can travel and settle in each EU member state and establish firm there) to find the environment, country, area, which is the best fitted to their desires and needs (interests) for reasons not only of nature and climate, but also values, behavior, regulation (elements for natural and legal persons) and therefore decide to establish permanent residence there. Newcomers should accept the existing rules, behavior there, not force their own values to override the existing old identity of residents in the area. They can not expect from old settlers to change identity or, if not, to move and make space for newcomers. This way both elements, blood and area, can be harmonized and made adequate (homogeneous) to each other.

**e) Newcomers as close to the center of enlarged EU as possible**

Discussion on preserving national identity through following national interests in activity of accession to the EU among 10 newcomers can be elevated to entirely confirmative level, not negative exclusion of interest of other, no matter how increased crowd, group of people they are.

In positioning accessing EU countries in the enlarged EU (and for that purpose the same holds for the small less developed present members of EU) Wallerstein’s theory of global village is used in which there are three regions center, semi-periphery and periphery. The role of periphery in global village is characterized extremely negative by Wallerstein (1974), (much more than “outer region” which does not belong to global village), not only for worse living conditions but also because of its exploitation by the center; semi-periphery is somewhere in between and center concentrates all the require knowledge of language, history as precondition, neither identification with historical, heritage and thus do not preserve existing national identity.
goods of life standard, production quality and welfare on general. It was also observed by Wallerstein that in 16th century, for which this segmentation was given, elites in periphery try to be recognized and equal to elites in the center thus “selling interest of their regions” to get points in the center and alienating themselves from their own population in the periphery.

Analogy can be used for enlarged EU as global village. It is in national interest of newcomers to the enlarged EU to strive to be as close as possible to the center or at least semi-periphery and not to remain only neglected and exploited periphery. It means for individuals on micro level enabling productivity growth and conditions for expansion of creativity at home (in the country), possibility to increase needs and desires and increasingly satisfying them in home country: good schools, theatres, sport events available at home, not only on TV from centers or by traveling to the centers to enjoy them. For the country on macro level it means retaining some degree of economic (and social) sovereignty (independence, autonomy, integrity) with possibility to decide on its strategic priorities and ability to realize them with available instruments.

How to achieve this, after accession is decided, is strategic question to choose the optimal way for affirmation of residents’ interest of people in the acceding small country. This way, it is not anymore nationalism but positive, affirmative effort to achieve the most equal position possible for newcomers in the enlarged EU. On comparative level, it is position presently experienced by existing small less developed members of the EU (Greece, Portugal), although even they should strive to improve their position to come closer to the center of the EU.

For this to achieve, country needs it own strategy of economic and overall social development and instruments to execute it. As most macro instruments will be yielded to Brussels and Frankfurt, micro instruments are needed in the form of at least some strong blue chips in real and financial sector retained under domestic control (or at least with decision-making process with final decisions made in the country), that is in majority domestic ownership.
It is clear that all countries could not be center as London, Berlin, Vienna Rome, but in certain areas of life they should become closer to the center. The story is similar to the intra-country regional policies. But, structural funds of the EU are not sufficient instrument to achieve this goal of equal regional, inter-country development due to limited amount of funds and restrictive definition of purposes they can be used for. Their main weakness is that the purpose they could be used for is determined by Brussels and not by receiving countries and their under-developed regions themselves, so that sub-national interests are not sufficiently taken into account.

In creation of the EU, forces for further integration should come from below as freely expressed interests, not being imposed from the authorities and elites above (in manner of regionalism). This will prevent from making mistakes, made in history, as for instance creation of super-national countries (world wars, conflicts on one hand, and collapse of such entities as Soviet Union or Yugoslavia, on other hand).

**III. Identities and Interests in the Constitution of Europe**

To what extend and in what form are basic categories national identity and interest values, identities, interests and actions present Constitution of Europe ? The goal is to find out how much is national identity preserved and national interests taken into account against the possibility to force European identity and pan-European interests as wider geographic and demographic entity. Is there a plan to create through amalgamation in the time a united “European nation” (for instance, as it was in the past during 45 years of socialist Yugoslavia intention of leaders to create “Yugoslav nation” with final outcome well known) ?

Several articles (provisions) in proposed Constitution of Europe deal with the term (national, European) identity, (national, European) interest, values, and other with term identity and interests of Europe. Detailed overview shows the following:
Article 3: The Union’ objectives

Paragraph 3: The Union shall respect its rich cultural and linguistic diversity, and shall ensure that Europe’s cultural heritage is safeguarded and enhanced (intra EU).

Paragraph 4: In relations with wider world (inter-relation EU and rest of the world), the Union shall uphold and promote its values and interests (peace and security, sustainable development, solidarity, mutual respect among people, free and fair trade, eradication of poverty, protection of human, especially children’s rights, strict observance of international law, including principles of UN Charter).

Article 4: Fundamental freedoms and non-discrimination

Paragraph 2: … any discrimination on grounds of nationality should be prohibited in the field of application of EU Constitution…

Article 5: Relation between the Union and Member States

Paragraph 1: The Union shall respect national identities of member states, inherent in their structures, inclusive regional and local self-government. It shall respect their essential State functions, including territorial identity and integrity of the State…

Article 8: Citizenship of the Union

Paragraph 1: Citizenship of the Union shall be additional to national citizenship, it shall not replace it.

Paragraph 2: Citizens of the Union shall enjoy….the right to vote and stand as candidate in elections to European parliament and municipal elections in their Member State of residence under the same conditions as nationals of the state…

Article 9:

Paragraph 1: The limits of Union competences are governed by the principle of conferral. The use of Union competences is governed by the principles of subsidiarity and proportionality.
Some competences are exclusive (with primacy of the Union’ law), some are shared; some policies are coordinated, some are common (foreign and security), some actions are supporting, coordinating and complementary, some can be given by Council of Ministers under flexibility clause.

Article 18

Paragraph 1: The Union shall be served by a single institutional framework which shall aim to advance the objectives of the Union, promote its values and serve interests of the Union, its citizens and member states (But, what prevails if conflict of interests appears among the three levels ?)

Article 43

Paragraph 1: Enhanced cooperation among Member states of the Union , possible where the Union does not have exclusive competences, shall aim to further the objectives of the Union, protect its interests and reinforce its integration process.

Article 49

Paragraph 4: A European law shall lay down the general principles and limits which, on grounds of public or private interest, govern the rights of access to documents of the Union.

The Charter of Fundamental Rights of the Union

Preamble

The Union contributes to the preservation and to the development of common values (human dignity, freedom, equality and solidarity; principles of democracy and the rule of law) while respecting the diversity of the cultures and traditions of the peoples of Europe as well as national identities of their Member States and their organization…

Article II-17: Rights to Property

Paragraph 2: No one may be deprived of his or her possessions, except in the public interest ... regulated by law insofar it is necessary for the general interest…
Comment

According to proposed Constitution EU respects diversities among member countries in culture, language and national identities of member states (intra-relation). EU will expand its EU values, common heritage, identity, to the rest of the world (inter-relations). It means that they already exist as commonly accepted, but what if they are in conflict with some national identities, values, interests? Most of articles are written as if differences in identities and interests among different levels of aggregation (member state: EU) do not exist, while local, private interests are scarcely mentioned as existing. Promotion of the EU values, interests can create conflicts within EU and outside it. Even bilateral cooperation among member states is restricted. In that sense and with the regard of subject of this study Constitution of Europe is desired wishful thinking how it should be in ideal world without taking into account its realities.

However, citizenship or even permanent residence rather than nationality is important for elections, which is according to proposed concept in this paper.

IV. Application of National/Residential Interest to the Economy

After theoretical criteria for deciding on residential interest are defined and the strategic goal established (for 10 newcomers to become as equal as possible members of enlarged EU), and after presence of these concepts in Constitution of the EU is reviewed, we come to the question arises on how to implement them in everyday life.

a) Theoretical reasons to take into account national/residential interest in the economy

Several economic theories support the view that national (resident) interest should be taken into account for preserving national identity and also indicate in what form it should be done.
1. Theory of small states in Europe and world markets (Katzenstein, 1986) emphasizes great adaptability of small countries of Europe to external shocks. Similar adaptability will be needed by large countries as due to present globalization they are all becoming small countries in the world markets. Small states have developed two models: socio-corporative model (Austria) and liberal corporative model (Switzerland) as the way to preserve their sovereignty and independence in globalization processes. Accessing countries should learn from models of behavior of these small members of the EU how to preserve national identity, sovereignty, by following national/residential interests.

2. As long as the large countries in the EU follow strategy and policy of affirmation their national interests (more or less consciously and organized), and this way deform Pareto optimum solutions of fully competitive markets in general equilibrium theory it is right for small countries (accessing and existing EU members) to find the same “second best solutions” for achieving optimum for themselves. Ignoring foreign country intervention strategies and activities as if they do not exist and acting with full liberalization of entry, market and ownership as first best would no doubt lead small countries in the inferior position against foreign (neighboring) countries.

When larger members of EU do not allow free entry to their markets, do not want to sell their “blue chips” to foreigners, make import restrictions for sensitive products (agriculture, textiles, steel, chemicals), small ones should react in the same way to protect their relatively independent position. It will be illusion to expect that big ones will follow the example of small ones in liberalizing fully their economies by feeling obliged to small countries to copy them.

3. Prisoners dilemma in game theory (Rasmusen, 1993) states that non/cooperation of partners in the judicial process (due to lack of trust between them) leads to the worst possible solution (highest prison sentence) for each of them and thus both of them together. Cooperation between the two (each saying that they did not commit the crime and that partner did
not either) and trust (hoping that other partner will not blame first one for crime) will, on contrary, lead to the smallest sentence for both.

Analogy in the economy: cooperation in horizontal and vertical direction within country instead of confrontation among decision makers and executioners (firms, individuals) will lead to higher benefits for each of them and them all together. Individual in-tolerances, selfishness and envy are obstacles for optimal cooperative solution in the country’s economy.

Thus economic authorities (government, central bank) should cooperate with their blue chips as they are only remaining instrument for executing of domestic economic policy measures as macro policies are given up to Brussels and Frankfurt. For example: monetary policy measures (interest rate, exchange rate) can be executed by largest bank market maker which is market leader; building infrastructure as roads can be executed only by large building companies with their business plans to do that at home, not somewhere abroad. It is up to blue chips to direct and use domestic accumulation for investment at home, because, at the end, cost-benefit analysis of projects retains qualitative elements of decision making. All externalities (social, ecological,) cannot be quantitatively validated in exact amount of profit to help choosing the best alternative. This is the only way that domestic authorities retain some real decision making power to be able to execute their policies through blue chips as micro instruments.

But for that to happen, authorities should support micro units to flourish in domestic hands, not sell them to foreigners or keep them under hostile, non-competitive domestic legal environment. Support means enabling them to grow and develop, similarly (and not better, selective, with preferential treatment) as their foreign competitors are treated at their home country or abroad in host country. Instead, frequently authorities restrict domestic blue chips in their business activities (for instance, in the case of banks, with higher restrictions on credit expansion, higher reserve requirements, restrictions on capital investment). They should allow mergers and acquisitions of domestic enterprises and financial institutions to become large enough to use economy of scale and scope as competitive edge against foreign competitors.
4. Coase’s theorem (1939) in property rights theory states that, whatever is the starting distribution of property rights, if there are not too strong frictions in the market, property rights will be eventually finally (re)distributed in the way which enables the most efficient use of property (highest possible profit returns).

Table 1: Percentage of Leading Micro Units in Majority Domestic Ownership, 2000

<table>
<thead>
<tr>
<th>Country</th>
<th>Commercial Banks</th>
<th>Insurrance Companies</th>
<th>Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.K.</td>
<td>100%</td>
<td>100%</td>
<td>88%</td>
</tr>
<tr>
<td>Germany</td>
<td>100%</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Austria</td>
<td>90%</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Italy</td>
<td>89%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Ireland</td>
<td>80%</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Portugal</td>
<td>80%</td>
<td>80%</td>
<td>70%</td>
</tr>
<tr>
<td>Greece</td>
<td>80%</td>
<td>40%</td>
<td>66%</td>
</tr>
<tr>
<td>Norway</td>
<td>90%</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Croatia</td>
<td>0%</td>
<td>50%</td>
<td>66%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0%</td>
<td>20%</td>
<td>78%</td>
</tr>
<tr>
<td>Hungary</td>
<td>10%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>Poland</td>
<td>10%</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0%</td>
<td>20%</td>
<td>70%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>66%</td>
<td>100%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: Dun & Bradstreet, Bloomberg; internal resources

Therefore, it is OK for small countries to give themselves a chance and retain at the start some of their blue chips in majority domestic ownership (and final business decisions made at home) to be able to execute domestic economic strategy. Market will finally lead to changes in ownership structure if results of the initial property rights distribution will not be optimal. Authorities need only to eliminate frictions on capital market to the level, experienced by other (large, developed) competitive countries in the EU.
As illustration from year 2000, it is clear from the table that the old EU-15 members, even the poorest, still keep majority of leading blue chip companies in real and financial sector in domestic ownership, while 10 newcomers to the EU (8 of them countries in transition) sold them to foreigners. Only Slovenia has still a chance to decide which way to go: to join the old EU winners with own material foundations or new EU members - losers under foreign economic domination.

5. At the end, psychological elements are relevant for the process of following national/resident interest to preserve national/resident identity. Among usual weaknesses of people in small countries, for Slovenia, as an example, two are especially critical for purpose of this study, which indicate their complex of “smallness”: envy of the first neighbor resident (not so much of distant foreigner in the neighboring country) and lack of self-esteem and self-confidence. They frequently lead to decisions which are in benefit of foreign countries and damage domestic residents only to prevent domestic neighbor’s increase of welfare. They frequently make domestic people subdued servants to foreigners.

Small countries need to proclaim explicitly and follow in action their national/residents interest which is for large and richer countries un-usual, not understanding and not necessary, taken as self-understanding. Their large size prevents them to be in danger regarding identity, although globalization is starting to make big countries small even in this sense.

b) Implications for the Economy

Basic rule in formulation of economic strategy for acceding countries and later as already members of the enlarged EU should be to behave as equal, as winners, not as subordinated losers. Accession countries should follow the strategy and behavior of small and less developed EU members (Portugal, Greece, Ireland), and not subordinate to the dictate of developed EU member states. For that purpose:

a) Vertical cooperation (among decision makers in economic authorities and economic micro units) and horizontal cooperation (among decisions makers in micro units themselves) is preferred to conflict, confrontation
between them. It is struggle of elites, where political elite surrenders,
looses power much of its power to the new center (Brussels, Frankfurt), not
so directors, managers of domestic firms. The latter are becoming thus relatively more important to the former in the future. One reaction of envy dom-
estic politicians could be to limit power of domestic businessmen, for in-
stance by enabling and forcing the sale of domestic blue chip companies to
foreigners. Similarly, some managers are rather sold with their companies
and work for foreigners than becoming subordinated second to fellow citi-
zen manager through domestic merger, acquisition or takeover.
b) It is necessary for new EU members to enter the EU on the side of win-
ners not losers. For that to happen they need to retain some of the blue
chips in majority domestic ownership at least for the start of EU mem-
bership. This is exactly what existing old EU-15 are doing, even the smallest
and poorest among them (Table for illustration). This way they will be able
to execute their own economic strategies with own priorities. New EU
members should use their geo-strategic privileged position in their neigh-
borhood outside the EU. They should use it as backyard in which they
will expand economic activities of their blue chips (and thus economy as a
whole) to be large and strong enough for the struggle in highly competitive
EU market. Similar is experience of small less developed EU members as
Portugal (Latin America), Greece (Balkan), Ireland (Irish nationals in the
USA and all around the world), Scandinavian members of EU (Baltic coun-
tries, Russia).
c) Foreign direct (and portfolio) investments are desirable in acceding and
small less developed EU members countries, but first of all as green field
investments and acquisitions of loss-making domestic companies and fi-
nancial institutions. Selling all best blue-chips to foreigners would mean
giving up “major horses for competition in the EU” and therefore forgetting
the idea of executing some country specific economic and social strategy if
it exists. That means losing sovereignty more than necessary and more than
present EU members do. Accessing countries should follow the example of
smallest and least developed EU members which keep majority of blue
chips in domestic ownership and do not want to sell them altogether. If a
reason for selling is lack of own capital and human resources, it is still bet-
ter to borrow capital and to engage good managers (even if retired) from
developed countries than surrendering ownership, which can be done only
once and then for good.

d) Due to technical progress in globalization process optimal size of micro
units is increasing. To make domestic economic units competitive in EU
and world markets mergers and acquisitions among themselves and their
expansion abroad is needed to achieve economy of scale (minimum aver-
age total costs) and economy of scope. For that to happen, cooperation
among domestic managers and owners and authorities, not confrontation
among them, and strategy of expansion into neighborhood abroad (if do-
mestic market is too small) are needed.

It is a hypocrisy of European Commission to fight domestic mergers and
acquisition in the small EU members from the position of anti-monopolistic
policy, but at the same time enabling the large European corporations to
enter all domestic markets and, thus, in fact create pan-European monopo-
lies (breweries, banks, etc..). In fact, this creates even more monopolistic
structure of the EU market than if internal mergers will be allowed. Many
examples exist to illustrate that, for instance in banking intervention of
Brussels against mergers in Greece, Sweden, Ireland, but at the same time
in favor of European giant international banks to enter and expand even
more. Such policy could be understood and defended to certain extent only
as a creation instruments for the whole EU for execution of its economic
strategy in competition with the USA and Japan on world market. But, it is
un-acceptable for small EU members, old and newcomers.

e) There are several dimensions to implementation of equal opportunity
approach of small, acceding countries to big and rich EU members. For in-
stance:

- managers and people on general in small EU member states (old and
  new) should get a chance to manage their own companies and to prove
  themselves as able decision makers and workers in the international
  (European) environment, similarly to managers of micro units in large
  and rich EU members;
small EU members should also get some EU institutions with seat in their countries.

V. Final Definition of Interest for Preservation of Identity of Permanent Residents in the Country – EU Member State

a) Concluding guidelines

Small and poor new EU member countries should adjust themselves and follow the example of present small, less developed EU members in their strategies to achieve the highest possible welfare for its permanent residents. They should liberalize as much as big countries do and sell their blue chips to foreigners as EU members do. Market will correct if initial structure of ownership proves wrong, but, at least domestic forces should get a chance to prove themselves in wider scene. Within small country there should be cooperation between decision makers, authorities and managers for common goal instead of conflict. Envy and lack of self-confidence would make newcomers immediately inferior to old EU members and their countries periphery of enlarged EU.

Small countries (old and new members of EU, especially less developed) should retain some blue chips in domestic ownership, or even more important, should be able to make final decisions at home in their residents’ interest. They should conduct economic policies to fulfill domestic economic strategies, where their goals differ from the EU average (ecology, social protection) and could not be realized by the necessary “average” measures of Brussels.

Strategic goal of permanent residents in the new EU member countries (and the old small poor EU members) in present globalization and regionalization processes in the world is to get the country as close as possible to the centers of the EU and make its residents (inhabitants) as much as possible equal-rights citizens of the first class (and not second class) in the EU and in the world. This should be a guideline for negotiators in accession process
and after accession. An effort should be made to retain some sovereignty from the EU with activities outside the borders of EU, for instance with independent actions in the UN or other activities in wider world.

Within such strategic orientation in the country’s interest are those activities, decisions, statements, views (passive and active reactions) which will bring forward at highest degree possible the working and creative capabilities of permanent residents of the country in all areas of human life. With them they will increase the spectrum of their needs and degree of their satisfaction and with it improve their welfare. They will achieve the quality of life as close as possible to the centers of “global village” named the EU, while in some domains (field) even surpass them, as for instance in cultural, ecological or social awareness. At the same time, they will achieve with their statements, positions taken, behavior treatment of equal partner, admiration and respect of residents from the center, which will contribute to the increase of self-esteem of residents in the small country. Part of affirmation of self-esteem is in realization of some independent interests of permanent residents of the country, their sovereignty, outside of the EU in the wider world scene, for instance in the UN and its specialized organizations, so that inhabitants of the country would not be blindly subordinated to only one center. Even such freedom increases welfare of its practitioners.

b) Application to non-economic sphere of life

The application of abstractly defined elements of term residential (national) interest into everyday life of individuals (residents, nationals, citizens) is a complex and difficult task. Therefore, next only some thoughts about procedure how to do it.

The question appears how to decide, act, to affirm (bring forward) interest of permanent country’s residents (demographic component) and to achieve the level of welfare closest to the centers of global village (EU)? On one side there are elements of more passive acceptance of environment, represented for instance in cultural, ecological, social, economic quality of habitat (environment where we live). On other side, are efforts to create conditions for possibility of more active engagement of people (residents) in dif-
ferent areas such as the economy, science and education, art and culture, sports, etc.

In economic field, activities (views) fitting the most the criterion of resident interest are the ones with which the acceding countries will at the highest possible degree accede as equal economic partners and not subordinated peripheral members of the EU. For that to happen, they need to define their own economic strategies to follow their specific interests (in Slovenia, for instance, it is defined by protection of ecological, social and eth- nical levels above standards in the EU as related to the level of country’s economic development). But, it they want to execute strategies and not only proclaim them as wishful thinking, they need instruments for implementation. With economic macro-policies surrendered to Brussels and Frankfurt they need strong domestic micro pillars. These could be only “blue chips” from real and financial sector in majority domestic, or better permanent resident’s, ownership or, even more precise, in such corporate governance arrangements that their final decisions are made in the country according to their national (state, resident) interests. In that case, decision-makers which are permanent residents, will not decide for activities which are against the interest of the environment (country) they live in.7 With having some blue chips in domestic ownership and with exploiting optimally geo-strategic position of domestic country (which means using neighborhood region as interest zone and “domestic” backyard, where country can economically prosper and draw resources to be powerful enough in harsh competition at the EU/world markets; for instance, Slovenia should use its position between East and West and with Yugoslav Successor States as interest zone) it will be possible to fulfilling its economic interests.

In non-economic spheres of human life should be included as criteria for affirmation of resident interest ecologic, health and social protection, dis-

7 Consistent derivation of resident interest principle, which, by the way, does not necessary cover all the elements of preservation of national identity, while »resident's identity« is too vague term, would mean that interests of permanent residents in the country should prevail over interest of nationals if they live permanently abroad and/or do not cherish their national identity.
semination of knowledge with education and implementation of technical progress, advancement of arts and culture, protection of language, preservation of national heritage, expansion of sports and recreation, democrati- zation of media and information freedoms, and other similar activities, views, solutions, which will bring country as close as possible to the highest standards in centers of global village, that is highest possible welfare of its permanent residents.

These spheres of human life differ between each other as some require less from the human being – only willingness of passive acceptance of the benefits of quality, while the state institutions through its mechanisms and the civil society should supply (offer) them. Here are for instance ecological protection of nature, social protection of individual. In other activities individual should exert more active role. Science and education, art and culture, sports and recreation require for optimal success (fulfilling residents interest in the form of their highest possible welfare) active participation, not only passive reception. Recreation and amateur engagement with these activities increases the quality of life of majority of permanent residents in the country, while professional success in art and cultural events, achievements in science, success of countrymen and women in world sport competitions means a very strong identification factor for permanents residents of acceding and smaller EU member countries (especially for newly independent country as for instance Slovenia).

It is not enough for improving the quality of life just to watch on TV the best operas and performers, best sport events and layers, best scientists and their work only or by traveling to centers to see them (Vienna, Paris, Berlin, London), as presently more and more determined by the power of money. It is not satisfactory that nationals play and perform only abroad.

Instead, at least in some niches, in some fields, excellent good opera houses, theatres, sport teams should be organized in home country so that they can be admired alive and will contribute to the welfare of domestic people including increase in their self-esteem. In strategic sense, due to lack of capital and human resources in the small less developed countries in comparison with developed large members of EU it is of utmost impor-
tance for smaller less developed EU members to prioritize among activities and fields and develop in niches of their comparative advantage the world standards and competitive qualities. Selection is necessary.

If the goal of maximization of general (resident) interest and satisfaction (welfare) is to be achieved, the strategy should be to choose the activities, solutions, which will help to develop new needs and desires and higher degree of their satisfaction, which will lead to higher welfare and self-esteem of domestic people.

Critical question is, however, whether or not Slovenia and other acceding countries as well as small and less developed EU member countries will have enough time and power to use the additional creative impulses which come from the membership in new (rich) club of EU (and for some as Slovenia, additional impulse comes from the pure fact of the independence for the first time in the history), or they will be drowned in supra-state entity of enlarged EU before they will have a chance to use successfully these impulses.
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