

What Should Be Made of the Swedish Decision?

Sweden, with a majority larger than expected, rejected the introduction of the euro. More than 56 per cent of those who voted decided they would rather not be part of the common monetary area. The clear “no” was apparently not affected by the murder of the Foreign Minister, an avid supporter of the common currency for Sweden. The loud and resounding rejection of the euro implies as well that Denmark and Britain will not have referenda on the adoption of the euro any time soon. If Sweden had adopted the euro, it was hoped, this would have created a wave of support for the common currency on which the Danish and British governments might have sailed easily into the euro haven. Now, instead, this idea (or illusion) has to be given up, confounded in the British case by further domestic troubles. It is doubtful that Tony Blair will be able anytime soon to convince his fellow citizens to trust him again.

In order to calm feelings and not to further incite negative sentiments about “Brussels” the Commission has been quick to accept defeat in Sweden. Although declaring its chagrin about the refusal to introduce the euro, it will not press Sweden to fulfil the “*acquis communautaire*”, the common set of rules and institutions that any member state has to introduce, of which the euro is a part and thus in principle mandatory for EU membership. Only Denmark and Britain have been able to negotiate exemptions for themselves in this particular respect. All others however, including Sweden and the future members of the EU, are legally forced to introduce the common currency. Before this they need to have been members for two years of the exchange rate mechanism, the ERM II, which ties their exchange rate into a close band *vis-à-vis* the euro, and to fulfil the other criteria for EMU membership. But since there is no obligation to enter the exchange-rate mechanism at a particular date, not adopting the euro remains a possibility for all non-members. Despite the rhetoric there is thus no force that can bring new members into the euro zone. The reluctance by some to adopt it might also be due to the fact that the initiators of the common currency have failed to create a procedure by which members can leave it. A once-and-for-all decision is obviously less easily taken than one that can be reversed, even if only at a cost.

While the Swedish result is seemingly a defeat to the idea of an ever deeper European Union, it is also an incentive to review the idea that monetary union is necessarily part of the larger Europe. Even now there are some countries that consider the euro (and other parts of the EU *acquis*) as too much a loss of sovereignty as to be compatible with their own national interests and which are not gladly (if at all) willing to surrender ever more political power to Brussels. Whether rejecting further steps of European integration is in all cases an economically sensible decision is another question – it is at least a political reality. Sweden for one is likely to suffer economically from its decision. But resisting the euro has more than anything else become a way of showing local politicians and those in Brussels that they are demanding too much of their electorates.

Therefore, the Swedish referendum has made clear that the EU will have to find ways to deal with those members that only wish to accept part of the *acquis communautaire* but not all of it. A European Union composed of 25 or 30 member states that become ever more divergent in terms of economic development and cultural background will have to accept that some want more integration, while others want less. This calls for reviving ideas about something like “variable geometry” or “Europe at different speeds”. Europe would then invariably become a continent with a core group of countries that go further in terms of common economic policy, that might create common armies, and that allow free movement of people. And not even all of the more ambitious countries would have to

choose the same integration packages. Why should one currency be needed to have a common defence policy? Why should free movement of people be a condition to have a common currency?

Others, not necessarily, but likely, geographically more at the fringes would be part of the common Europe but limit integration to a better free trade area, with restrictions on economic cooperation, no common external policy, and no full and free movement of people. It is otherwise hardly imaginable that states from the former Yugoslavia and the former Soviet Union, or Turkey, Bulgaria and Romania can ever become members of the European Union as they aspire to. There will either have to be serious talk about the (geographical) "limits of Europe" or a concept of how to design a Europe with differentiated degrees of integration.

At the same time, however, it must be ensured that integration will not become a "Europe à la carte" where you choose what you like and let others carry out the not so pleasurable tasks. Variable geometry, or whatever one might like to call it, can only work if limited degrees of integration also imply limited solidarity among the members, as well as limited voting rights on some matters. If one part of the larger Europe prefers to restrict itself to a larger free area, this would imply fewer economic benefits but also fewer obligations for them, politically and otherwise.

Thus, a clearer separation between pure public goods, where all have to contribute to avoid free-riding by some members, and the not so essential parts of European integration, like a common currency, is needed. How else should the Union deal with those who want to contribute to the public good and how should it deal with those that want less integration? What such a system could look like and what would be defined as really inseparable obligations and rights of membership needs to be worked out by the member states.

A discussion about the design of an ever larger Europe is long overdue in official Europe. And worse, this question is only imperfectly addressed in the Convention, which confines itself to a discussion about voting rights, qualified majorities and power-sharing among Commission, Parliament and member states. While these are surely matters that have to be dealt with by the Convention, it and the member states are avoiding a serious discussion about whether further members will really necessarily have to adopt the whole acquis. Apart from acknowledging that not all would like to do so, it is already now apparent that the current members are not fully enthusiastic about extending free mobility of persons and the Common Agricultural Programme to the newcomers. After all, it should not be forgotten that most members have conspicuously introduced the euro without a referendum. And those referenda which did take place mostly led to the rejection of the euro. Only the French public, with a very thin majority, accepted the Maastricht Treaty.

Therefore all sides would benefit if a serious discussion could begin about what should be really indispensable parts of the common policy framework for current members and further additions to them, and what parts should be free to choose or to reject. The Swedish referendum should be seen as a reminder of, and hopefully be the trigger for, such a necessary discussion. If it is not forthcoming in due time, we shall probably hear more such "noes" in the not so distant future, given that most member states are likely to subject the results of the Convention to a referendum. Since there will be more members of the EU unable or unwilling to accept the whole package, either Europe will find a way to deal with this or De Gaulle's statement that Europe "will be through a common money or will not be at all" will be confirmed in its negativity for a significant part of the larger Europe.

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