THE PRICE OF DOUBLE STANDARDS

By Adrian Wooldridge

Double standards can end up costing a great deal of money.

The European Union has bent over backward to admit Greece — first to what was then the European Economic Community in 1981 and then to the euro zone. The union has bent over equally far in the other direction to keep Turkey out. The current calamity in Greece gives us only a foretaste of how much of a disaster all these contortions will prove to be.

It is easy to see why the European establishment bent itself out of shape. Greece is the fountainhead of European civilization: the inventor of democracy; the home of Plato and Aristotle, Homer and Aristophanes; a country whose ancient ruins set civilized hearts aflutter. For the leaders who created the European Union out of the rubble of the Second World War, Europe without Greece was as inconceivable as America without Philadelphia would have been for the founding fathers.

By contrast, Turkey is the very embodiment of the "other," a word that conjures up images of barbarian hordes, war-related atrocities and enemies at the gates. Much of Turkey is in Asia Minor rather than Europe. Ottoman civilization owed more to the Middle East than to Greece and Rome. The Turks have a longstanding weakness for military dictatorship and brutal prisons. Europe's hostility to Turkey reached the heights of parody when it came to religion: a European elite that was so hostile to Christianity that it refused to mention the term in its voluminous constitution suddenly discovered that it could not admit Turkey because it is not a Christian civilization.

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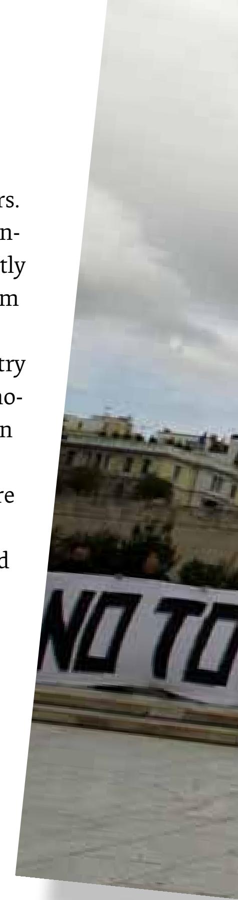
Europe will be paying dearly for these double standards for years. Paying literally. Few people believe that the current $41 billion in loans will be anywhere near enough to stanch the bleeding in Athens. The Economist magazine calculates that even on the basis of optimistic assumptions, Greece will need 70 billion euros or more in long-term official loans over the next few years and that its debt burden will peak at 150 percent of G.D.P. in 2014. And paying politically. The Greek problem has caused the biggest rupture in the Franco-German alliance — the alliance at the very heart of Europe — for decades. It has also done huge damage to Europe's reputation for sound economic management. That reputation has stood high since the introduction of the euro, one of the boldest experiments in monetary policy in history, a decade ago. But Greece's ability to cook its books and run a deficit of 12 percent rather than the permitted 3 percent has undone the work of years.

This is a damning list, to be sure. Yet it still understates the damage that Europe's double standards have done. The great debate between euro enthusiasts and euro sceptics has always been an argument about whether Europe is a bet on the future or the past. For euro enthusiasts, Europe is a bold bet on the future — an attempt to create a post-nationalist free trade zone that incorporates more than 300 million people. For euro sceptics, it is an exercise in nostalgia — a doomed bit to protect the European Eden from the advance of American-style capitalism. Europe's willingness to bet on Greece rather than Turkey is the best evidence to date for the euro-sceptic view.

The Greek economy is one of the most feeble in the advanced world. The World Bank's annual Doing Business survey ranked Greece 109th out of 183 economies, lower than a long list of underdeveloped countries. That global figure concealed some even more startling individual figures: Greece ranked 140th for ease of starting a business, 147th for ease of employing workers, and 154th for protecting investors. Trade union entitlements and labor militancy are so ingrained in Greece that the country's prostitutes recently went on strike, to protest unlicensed competition from Russian and East European immigrants.

Greece does not even count as a first-world country when it comes to the quality of its management. Nicholas Bloom of Stanford University and John Van Reneen of the London School of Economics have devoted a great deal of energy to producing an objective measure of the quality of management across the world. They put the United States and Germany in first and second place, respectively. They put Britain, France and Italy in the middle of the field. But Greece comes near the bottom — below Brazil and just about level with China and India.



This is an astonishing result for a high-wage country. But again it understates the extent of Greece's problems. China and India are home to world-class companies like Huawei in China and Infosys in India as well as a mass of poor performers that drag the average down. Greece has almost no world-class firms. The economy is dominated by small low- or no-innovation firms. And the informal barriers to entry are so high that few people are becoming entrepreneurs. The annual Global Entrepreneurship Monitor research program ranks Greece as one of the world's least entrepreneurial countries.

Greece's withered private sector goes hand in hand with a bloated government sector. Last year, even as the world plunged into recession, Greece hired 29,000 public-sector workers to replace the 14,000 who retired. The government sucks up a disproportionate share of the country's talent. Bright young Greeks still crave the security of a job in the civil service rather than the travails of a life in the private sector. It also smothers business under a heavy weight of taxes and regulations. Workers enjoy long holidays and absurdly early retirements. Civil servants are inefficient and frequently corrupt. Transparency International puts Greece 71st on its global clean-government index. The average Greek family pays nearly $2,000 a year in bribes.

If Greece is the weakest of the developed-world economies, Turkey is one of the strongest of the emerging-world champions, a country on its way up rather than its way down. The World Bank ranked Turkey as No. 73 in its Doing Business report, a result that puts it ahead of such emerging-market champions as India and China. Turkey is producing some regional giants like the Sabanci Group (which has annual sales of $12 billion) and Koç Holding (which controls more than 100 companies). It is also producing some exciting entrepreneurs, a striking number of them young women.

Turkey is certainly not Germany; agriculture still ac-

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counts for 30 percent of the economy. But Istanbul is one of the most exciting cities in either Asia or Europe — a city with a sophisticated business class, a thriving entrepreneurial economy and a vibrant sense of optimism — and the overall economic trend is upward. The International Monetary Fund predicts that the Turkish economy will grow by 3.7 percent in 2010, significantly faster than most European countries.

The Turkish government has also been as responsible as the Greek government has been profligate. It has created a stable economic environment in which businesses can invest with some confidence. It has also conducted the world's greatest experiment in reconciling Islam with democracy and secularism. Turkey's ruling Justice and Development Party (the AKP) is an avowedly Islamic party. But so far it has done nothing to undermine Turkey's commitment to secularism, let alone weaken its faith in democracy. Turkey is thus a beacon to the wider Islamic world.

A bold bet on Turkey would have had innumerable benefits. It would have linked Europe's fate to a rapidly growing emerging market. It would have soothed relations between Europe and the Muslim world — and between official Europe and its growing Muslim populations. And it would have spread stability outward from Europe to the wider region, enhancing Turkey's economy, throwing grappling ropes to central Asia, and dragging Iraq and Iran further into Europe's sphere of influence.

But Europe's cowardly bet on Greece has had exactly the opposite effect, rewarding failure, punishing success and projecting a defensive, crouching, backward-looking image of the European Union. The Greeks were rewarded for their laxness with membership in a currency zone defined by a strong euro and rock-bottom interest rates. They responded by going on a decade-long spending binge, public as well as private, that left their economy even weaker. The Turks were punished for their willingness to reform with an avalanche of snubs and sneers. The French president, Nicolas Sarkozy, recently declared, "I do not believe that Turkey belongs to Europe for a simple reason: because it is in Asia Minor."

Turkey has now been freed from its longstanding European fixation. A decade ago, young Turks were obsessed with membership in the European Union and distressed by its refusal to grant them full membership. Today, they treat it with a shrug. They are convinced that the future is being shaped elsewhere — in the emerging powers of India and China rather than in the Old World that clutched their old enemies, the Greeks, to its bosom. That is yet another of Europe's losses in this whole sorry affair.

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