

The EC's internal market

Mrs Thatcher did Europe a service

By Josef Joffe

"EUROPE" used to be plain boring, but no more. Europe used to be a chummy Brussels bureaucracy without vision or élan — where powerful lobbies could quietly feed at the billion-ecu trough of subsidies, where a battle over a few pennies *mehr* or *moins* per ton of cereals provided the only copy that would make the front page. Bismarck's ancient dictum seemed endlessly vindicated: "Whoever speaks of Europe is wrong. It is but a geographic concept."

All that is still there, but suddenly there is also "1992", that magic date of the single internal market, lurking down the road just a few years hence. No more barriers to anything, a huge agglomeration of 320m consumers fused together in a single trading zone, an estimated growth effect good for about \$290bn and 5m new jobs. That, surely, is boring no longer.

Yet as usual in Europe, economics outpaces politics. Visions of greatness and growth have galvanised business above all. Many companies, especially in the US and Japan, are deploying their investment resources as if the single market already existed. Britain's GEC is playing with gargantuan cross-border alliances with Germany's Siemens and France's Compagnie Générale d'Electricité. All the big companies want to be in place when the last barriers have tumbled — and just in case the European Community decides to widen the moat that separates the Twelve from the rest of the trading world.

Still, that is not the real news. Big business has always acted as if frontiers did not exist. The concentration and cross-border extension of capital is as old as capitalism itself. The real news is that the politicians still have not begun to think about the fearsome implications of twelve turning into one. And the reason is self-evident: economics follows profits, but politics obeys the iron hand of leviathan, alias "national sovereignty," whose grip is harder to loosen than are trade restraints.

The internal market is hardly just a matter of cutting a bit of bureaucratic red tape

here or lowering a value-added tax there. It involves (at last count) the approval of some 300 common rules and regulations which governments have heretofore formulated in sovereign solitude.

Here's a partial list: within the EC, excise and value-added tax vary from zero to 38 per cent. Some key import restrictions vis-a-vis third countries have so far followed national fiat; thus the West German market is open to Japanese cars while there are virtually none in Italy, and we all know what happened to Japanese VCRs in Poitiers. Government purchases are theoretically open to all EC bidders; in practice, national "court suppliers" regularly prevail.

Many also suspect (correctly) that an internal market cannot really work without an internal currency — or at least its indispensable substitute which happens to be "harmonised" fiscal and monetary policies all round. Yet which European capital is going to relinquish those levers of macroeconomic management, given that the state of voters' pocketbooks makes or breaks governments at the ballot box?

And so 1992 is about politics, not economics — which is why Mrs Thatcher deserves applause rather than self-righteous harangues whenever she raises the issue of substance and sovereignty with regard to Europe's future *à douze*. Mrs Thatcher has been the first to press home what her Continental colleagues have carefully sought to avoid since Charles de Gaulle in the 1960s: the question "Which Europe — and how?"

Her answers, as delivered in Bruges last autumn, can hardly be alien to her Continental critics. The best path to Europe, she said, is the "willing cooperation between independent sovereign states." Does President Mitterrand really disagree? Second, "central planning and detailed control don't work." Not even Comrade Gorbachev would deny that, and certainly not Herr Kohl.

Third, "we cannot totally abolish frontier controls if we are also to protect our citizens and stop the movement of drugs, of terrorists, of illegal

immigrants." There must have been nodding heads throughout Europe's Home Offices. Finally, "Europe should not be protectionist;" that would be sheer "betrayal," given that the Treaty of Rome was conceived as "charter of economic liberty." While Europe's neo-mercantilists might swallow hard at that, the free-trading Dutch and Germans do not; their livelihood and prosperity depend on untrammelled exports.

Indeed, many of her Continental confrères are probably grateful to Mrs Thatcher. Having picked up De Gaulle's banner of *Europe des patries*, she has done them an essential service. In the old days, all the others could blithely genuflect before the altar of Europe, knowing perfectly well that the General would drive them back with a thunderous "Non!"

1992, however, requires not bent knees but signatures — and more honesty, to boot. Paradoxically, the demand for national sovereignty might even soar in the very process of relinquishing it for the sake of the internal market. If it is indeed achieved by 1992, it will do wondrous and pernicious things at once.

On the one hand, the internal market will accelerate what the great Austrian economist Joseph Schumpeter celebrated as "creative destruction." Cushioned enterprises will be swept away; consumers will profit from better choice and lower prices while capital will flow from sluggish sectors into more dynamic ones. And that is all to the good.

On the other hand, no Continental nation — whether ruled by leftish or rightish forces — will accept the downside of "creative destruction." The heavy hand of the state will intervene to protect the losers, an iron-clad tradition in all those cultures that have at best heard of, but rarely harkened to, Adam Smith. Every country has its own needs for protection. Multi-billion dollar subsidies for steel, agriculture and coal, owed to powerful voting blocs, will long outlast this millennium.

And so will the European nation-state.

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