

Josef Joffe looks back at the quest of the EC Twelve for a marriage of true minds in 1992

An elderly lady with a rough bunch of suitors

PORTRAIT

Europa

LADY Europe: she who once took the bull, a.k.a. Zeus, by the horns, is looking dishevelled and she is clearly limping into the New Year. Of course, on January 1, she is expected to take a huge leap forward. That day will see the premiere of the fabled "Single Market", which is a somewhat barren term for a historic revolution.

Among the EC Twelve, all remaining economic barriers are supposed to disappear in one big bang - something Europe has not known since the Continent began to crystallise into nation states in around 1200 AD.

Goods, people, capital and services are supposed to travel freely, from 1 January, from Cork to Calabria; from the Aegean to the Atlantic. A dentist from Denmark will be able to set up his drill and chair in Greece provided he can say "open your mouth" in the client's native tongue. British insurance companies will be able to sell their policies in the sheltered market of Germany. And French *crème fraîche* will not have to sneak past national pasteurisation laws to make it into Europe's dairy displays.

So why is Lady Europe limping? Because 1992 has not been a good year for her. She took a beating on the way to the ratification of the Maastricht treaty, almost breaking a leg in Denmark.

She has been wandering aimlessly around the Balkans, dodging bullets from Serb, Croat and Muslim assault rifles.

And right now she is being beaten up by France, supposedly one of her most ardent suitors. Barely had the EC come to a trade compromise with the United States when the French whipped out their veto club. "You will not consort with the enemy," the French have been screaming, just because she had the temerity to let the US have a few more soya beans.

Europe's ailment has a familiar cause. It is the creeping re-nationalisation of policy across the board. Nowhere has the disease proved more virulent than in matters of money. The Germans have a saying: "When it comes to money, friendship stops." The point is obvious: compared to other possessions, money goes most fiercely with "me" and "mine", and that makes it hard for "we" and "our" to prevail.

The point was driven home

The key provision of the treaty is monetary union by the end of the decade. But only inveterate optimists would bet that, by the end of the year 2000, their wallets would contain nothing but Ecus.

The Exchange Rate Mechanism (ERM) was supposed to be the dry run for monetary union, and the dry run has ended in disaster. Let's recall the basic idea behind the ERM. By chaining all our currencies together in a system of fixed exchange rates we would force all member states to conduct more or less the same fiscal and monetary policy at home.

That, at least, was the theory. But, in practice, the dry run of the ERM ran into the wall of national preoccupation. And the message of September was:

You can fool some of the markets some of the time, but not all of them all of the time.

The immediate cause was towering German interest rates, which were themselves caused by a governmental strategy beloved by democracies around the world: if you have to spend more, don't tax, but borrow.

REUNIFICATION was costing Bonn about Dm200 billion per year. That was fuelling inflation which led the stern-faced governors of the Bundesbank to step in like holy avengers to jack up interest rates.

And so money kept pouring into Germany, putting horrible pressures on the weaker currencies. After desperate resistance, Britain and Italy hoisted the white flag and bolted from the ERM. Others, such as Spain and Portugal, were forced into devaluation, and though the French are still holding on, their monetary Maginot Line is crumbling.

And so the grandest vision of Maastricht has been blurred by fog this year.

Is there anything else in the Maastricht treaty that could give Lady Europe a lift? Again, the theory is more enticing than was the practice in 1992. Another key provision is a common foreign and security policy. As Lady Europe turns her gaze in that direction, she can hardly suppress her sobs.

In the Balkan wars, Europe has impressed the expansionist Serbs not with her power and purpose but with her sheer impotence. After countless tries at brokering a ceasefire, Europe simply threw up her hands and then dumped Bosnia into the lap of the UN. Individual nations such as France and Britain have allowed their soldiers to don blue helmets, but the EC has not been able to act as one.

Where they did act, they fell back on the tried and trusted Nato. Along with the Americans, various nations have committed combat ships to enforce the

thing but self-defence and defence of the alliance.

How about a common defence? There are lots of ideas and institutions but they do not turn the many into one. Earlier in 1992, Paris and Bonn unveiled a common "Eurocorps". This latest offspring of Franco-German togetherness is supposed to be the "core" of a European defence, but the more Atlanticist Europeans regard the child as a bastard who might frighten off the Americans.

There is always the Western European Union (consisting of only nine European Nato members). But that venerable institution looks like a comatose Sleeping Beauty. So many princes have tried to kiss it awake and yet the poor child goes right back to sleep.

And this is why Lady Europe is not only limping but weeping. Not that we don't love her. We do. And, what is more, we want and respect her. In fact there is nobody who does not want her to spring back to full bloom imme-

contract 250 pages long. In the meantime they have got into trouble with their families' back home and the problems range from soybeans to Eurofighters, from unwanted guests flooding in from abroad to affairs of money where, as the Germans say, friendship and love have to take a back seat.

Do we have some consoling thoughts for Lady Europe? Yes. We ought to point out to her that she has stumbled and fallen for 40 years and yet recovered each and every time. Over-ambitious schemes were pruned back and replaced by more realistic designs.

In the meantime Lady Europe's sway has grown and grown. The number of her adherents has increased from six to 12. Her realm has expanded from a modest coal and steel community to full-blown Customs union and then to an ever more integrated market, the largest trading bloc in the world.

Will Lady Europe's realm ultimately encompass money,

