



10 DOWNING STREET

Prime Minister

I hope you
find time to read
the two good
articles on your
Budget Speech in
this week's Economist

CDI

24/4

Britannia greets Europa



Margaret Thatcher's view of the EEC may be prosaic, but it is far from parochial

THOSE who think Mrs Thatcher's speech in Bruges on Tuesday was a predictable diatribe against European unity do her an injustice. Predictable the speech was not: it was a thoughtful, elegant essay on the Europe Britain would like to see. Nor was thinking Thatcher as intolerant of Europe as off-the-cuff Thatcher can be. She showed a willingness to take the Community seriously and to accept that Britain's future is inextricably bound up with that of the EEC (see page 61). Had such a speech been made in the early 1970s by Mr Edward Heath, the only passionate European who has ever been a British prime minister, it would have sounded visionary; it is a measure of Europe's blithe new mood that, to some continental ears, it sounded grudging and negative.

The Bruges speech fairly reflects the extent to which the British have come to terms with the EEC. Even the Labour party is starting to take an interest. Travel has broadened horizons, if not minds. When Heysel or Düsseldorf are a bus-ride away, and Marbella a couple of stops beyond, young Britons see continental Europe as a part of their world more naturally than their parents do.

True, the Europe Mrs Thatcher wants differs significantly from the Europe of Mr Jacques Delors. It is not a Europe in which, as Mr Delors thinks, the Community will soon handle 80% of economic and social legislation; nor one in which an "embryo European government" (Mr Delors's phrase) has a role. In her defence of a Europe of "independent sovereign states", Mrs Thatcher set out a more achievable prospect for the mid-1990s than Mr Delors has done, and did it without painting herself into a corner over particular concessions of

sovereignty that will be needed before then.

If her realism sounds churlish, that may be because some of Britain's EEC partners prefer to keep their opposition to Mr Delors's vision to the small print. It is easier to speak warmly of European unity, while attacking its detailed implications round the conference tables of Brussels, than to question the broad concept. Perhaps because, almost alone among Europe's heads of government, Mrs Thatcher can expect still to be in power in the mid-1990s, she and her ministers have insisted on treating Europe's proposals as plans, not dreams.

That sceptical scrutiny ought to be welcome in Europe. So should the different perspective that a British prime minister can bring to the Community. Mrs Thatcher's speech was one that no other European leader could have made, precisely because Britain has for so long looked beyond Western Europe. Britain has more political commitment to deregulation and free markets than any other European country; more interest in stopping the EEC's drift towards protectionist rules for trade and finance; more understanding of the fragility and importance of America's commitment to Europe's defence.

Mrs Thatcher's perspective would be even more welcome if she were more realistic about the better parts of what the EEC is trying to do. Much of its 1992 policy is not dirigisme run riot, but embodies things she holds dear: more choice and competition, minimal central rules, fewer barriers. She could be more candid about the inevitable consequences of 1992. A more open European market will require some mutual sacrifice of power by EEC governments—and sometimes at the commission's bidding.

Just one big open family

FROM OUR BRUSSELS CORRESPONDENT

WHEN Mrs Margaret Thatcher delivered her speech on the future of the European Community she likened herself, self-mockingly, to Genghis Khan. To many European federalists in her audience in Bruges on September 20th, the likeness was too painfully real to be funny. Firmly but eloquently, Mrs Thatcher set out her opposition to anything resembling a United States of Europe. She offered instead the picture of a happy family of neighbouring nations drawn together by common interest, but mindful of their differences and reaching out to their friends in the rest of Europe and America.

It is a view that many ordinary folk, and not just in Britain, will find reassuring. It will also delight governments like Denmark's, which shares Mrs Thatcher's abhorrence of federalism and "identikit" Europe. East Europeans, fearful that a post-1992 single market in the Community will deepen the East-West divide, are no doubt grateful for being remembered. "We shall always look on Warsaw, Prague and Budapest as great European cities," she said.

But the first, loud reaction was critical. Those most upset are the federalists who believe in a United States of Europe. They are few in number: a large portion of them were in Mrs Thatcher's audience at the College of Europe in Bruges, a den of federalism if ever there was one. Far more important is what might be called the "Delors camp", which stops short of aiming for federal government in Brussels but wants a lot more power transferred from national governments to the EEC.

Mr Jacques Delors is the increasingly outspoken president of the European Commission. It was his rash comment that within ten years 80% of Europeans' economic and social legislation would be decided in Brussels that gave the British prime minister the ideal clay pigeon to shoot down. Mr Delors is unrepentant but angry, especially at the caricature she draws of his ideas. "We have not successfully rolled back the frontiers of the state in Britain", Mrs Thatcher exclaimed, "only to see them reimposed at a

European level, with a European super-state exercising a new dominance from Brussels."

Mrs Thatcher has also disappointed the "something-for-everybody" school. For such people, 1992 is all about give and take: you accept the bad bits to get at the good bits because you reckon, on balance, you will be better off in the end. Now they see Mrs Thatcher running off with the bits she wanted—deregulation of transport, freeing of capital movements—while preventing the others from getting some of the things they want: more monetary integration (France),



A certain idea of Europe

European labour laws and the abolition of frontiers (most of Britain's partners).

Yet all, friend and foe alike, should be grateful to Mrs Thatcher. First, for setting out clearly the issues at stake in the next stage of Project 1992. Second, for spelling out a clear alternative to the Delors interpretation of 1992. The Thatcher version has five "guiding principles":

- Willing and active co-operation among independent sovereign states.
- A "practical" approach to EEC problems (notably its profligate farm policy).

- Encouragement of enterprise through deregulation.
- A single market open to the world, not a protectionist Fortress Europe.
- More action by European nations to contribute to their own defence, through NATO.

Mrs Thatcher is on solid ground with most of these principles, even if not all of them are designed to make her popular. She insists, for instance, that if there has to be a European company statute it should contain the "minimum regulations". This points to conflict ahead with the countries that are keen on making worker protection and consultation part of the 1992 project.

The real question-mark over the Thatcher approach to 1992, however, is whether it is flexible enough to meet the practical, economic objectives it claims to espouse. Mrs Thatcher opposes the abolition of frontier controls on the ground that they are needed to check terrorism, drug-running and illegal immigration. She may have a point. Yet she drew no distinction between such barriers and the customs procedures that are one of the biggest material and psychological barriers to the creation of a single market. The Eurocrats have always feared that if controls remain for one purpose they will be allowed to linger for others, such as payment of VAT and excise duties.

Mrs Thatcher is also against replacing today's plethora of VAT rates with two broad bands, as the European Commission proposes. Britain stands almost alone in resisting the idea that VAT differences must narrow significantly if the free movement of goods across EEC frontiers is ever to become a reality. Mrs Thatcher pooh-poohs the notion of a European central bank. She may be right to do so. But she will not even admit that currency stability is a prerequisite for an effectively integrated market, and bring sterling fully into the European Monetary System.

Mrs Thatcher is in no way turning her back on the EEC. But she denies that the Community has any exclusive claim on European loyalties. In this she goes even further than General de Gaulle. The general's imperial regard stretched from the Atlantic to the Urals. For her, the EEC is part of a still wider community: "that Atlantic Community—that Europe on both sides of the Atlantic—which is our greatest inheritance and our greatest strength." Back to the drawing board, Jacques Delors.