

Europe's federal imperative

Five months after Prime Minister Michel Rocard first took office, his honeymoon is evidently coming to an end. Public sector workers are up in arms again over low pay and poor conditions and his own socialist supporters are not making life any easier. But Mr Rocard remains driven by the ambitions of a political ideal which have long set him apart, both from traditional socialists in France and from traditional liberal thinking; and the central theme of that ideal is a very clear-cut vision of a united Europe.

"I am clearly a European federalist," he fired off in immaculate English when we met him in his first floor office, overlooking the garden of the Hotel Matignon. "If we are not federated within 20 or 30 years, our generation will be guilty in front of the world."

Some French cartoonists gently mock Mr Rocard, depicting him as a Boy Scout (as he once was), but there is nothing wishy-washy about his political prescriptions. During a two-hour interview, Mr Rocard spelled out his convictions on tax harmonisation in Europe, on the need for monetary co-operation and why the Germans are being difficult, and the case for a larger European role in the disarmament process. At home, he outlined his domestic dilemmas arising from the squeeze on public spending, his new definition of what socialism means in France today, and the looming political fracture over immigration and the rights of immigrants.

On every issue, Europe is the determining framework for Mr Rocard's thinking. It starts with his vision of the role the European model can play

Mr Rocard's new French socialism is committed to the free market — with social justice

in leading the way towards human rights and social justice. What sets Europe apart, for Mr Rocard, is not just its high level of economic development, nor its political pluralism, but its systems of social protection.

Unfortunately, Europe risks missing its opportunities in two ways. The first is that the public spending which is the counterpart of the European model has become politically unpopular; and the second is the resistance to political and economic unity on the part of West Germany and Britain.

Of the two, the British problem is the most obvious, but the German problem is the most immediate and threatening. Of Mrs Thatcher's view of the European Community as a confederation of nation states, Mr Rocard was coolly dismissive: "This is a respectable thesis, but I think it is archaic. If that is the way it is, we shall be gently colonised by products and technology from both sides of the Pacific Ocean. Europe needs renewal, and this means a capacity for us to work together."

Mr Rocard said that he would welcome the adhesion of Britain as a full member of the European Monetary System (EMS), but only on certain conditions. "If it becomes really European, that would be very useful; but it would equally be harmful, if its presence were still a source of paralysis. But if you wait until your reserves of oil are finished, you will be in a far worse position. The nuisance capacity of Britain in this respect is not significant, I'm sorry."

He made it clear that his main pre-occupation was with West Germany and the need for Bonn to revise its nationalistic economic policies. "Germany is taking risks," he said. "We are now in an interdependent system. What happens outside the country, especially in other European countries, cannot be neglected. But the Bundesbank is obviously more worried by the relationship between the dollar and the D-Mark."

"The German population is already diminishing by 0.5 to 0.6 per cent a year, so if you have a gross national product which grows by zero, it means the per capita growth is 0.5 to 0.6 per cent. They don't need growth. Whereas the other member states, and France most because of our strong demography, still need growth — a good 10 years for the Dutch, and 20 to 25 years for us."

Mr Rocard explained the attitude of the Bundesbank partly by its constitutional autonomy from Bonn, but partly by the make-up of its governing board, which was constituted by representatives from the Länder.

The French government would continue to call for the constitution of a European central bank and would make the required concessions to German sensibilities to get it. "It is an absolute necessity," said Mr Rocard, "and we shall concede that it has to be politically autonomous, to reassure the Germans. I do not believe that monetary authorities can escape any relationship with political authorities; you cannot fight a war without the central bank working with the government. But Europe deserves some sacrifices..."

But Mr Rocard warned that West Germany's partners were being "hampered" by Bonn's policy on interest rates, which he said were creating the conditions which "might lead within a few years to a crisis in Europe."

At the same time, Mr Rocard emphasised that, in his opinion, the Franco-German special relationship "remains the key" for both France, Germany and Europe.

"There is now, since Gorbachev and the INF Euromissile treaty, a new situation in which there is a demand for conventional disarmament, and therefore a demand for the participation of European countries in the process. This has created an open situation, in which we can begin to work on some more solidarity in the way we speak about defence. We are facing the double necessity of entering the arms control process, and of increasing our European capacity to uphold our part in a balanced alliance with the United States."

Unless the Europeans succeeded in speaking and acting together, however, Mr Rocard did not believe that there would be serious progress in conventional arms control. "In terms of defence, we are ridiculous," he said. "300m Europeans praying to be defended by 230m Americans from 230m Soviets, whose standard of living would not lead one to suppose that they are better than us."

In the case of defence co-operation with Germany, Mr Rocard highlighted the project for a joint Franco-German brigade now in the process of being established. "The key issue is, can we find a way between the integrated Nato doctrine for conventional forces, which is the doctrine of flexible response and forward battle, and the French doctrine which says that conventional forces are only required to allow some time for the nuclear strike decision. The pertinent answer lies somewhere in between."

Mr Rocard expressed deep regret over the failure to agree on a single European fighter programme for the 1990s and blamed his own country for the costly fiasco.

"This is the consequence of what is wrong in my country's national mentality: France behaved in these negotiations with a claim to direct and control the whole process, which was just not possible." If the four other countries broke with France, he said, it was "France's fault for having badly conducted the negotiation".

"The Rafale will be expensive, but we shall build it," he said, referring to France's alternative fighter. He is still hoping to salvage some degree of co-operation between the Rafale and the four-nation European Fighter Aircraft (EFA) project. "I think a good solution would be to find common armaments for these two planes, the same radars for some missions, perhaps the same engines; and possibly a common policy for exports, and even a joint management system for the two projects. My government is ready for any intelligent solution."

Mr Rocard's outspoken views on the Rafale project have caused immense controversy in France. His views on fiscal policy in the European Community, and especially his rejection of Commission proposals for the harmonisation of value added tax, have caused just as much dismay in Brussels. But Mr Rocard's objection to the Commission plan is based on a Cartesian argument, for the role of public spending and the special characteristics of the French economy.

France is squeezed on two fronts, according to Mr Rocard. Despite its policy of budgetary rigour, it must ensure adequate revenues to sustain state spending on public services, which are threatened by rising costs and declining standards. At the same time, France is suffering from a serious deterioration in its visible trade balance and one of Mr Rocard's top priorities is to avoid any tax changes which could undermine further French industrial competitiveness.

As the standard-bearer of France's new socialism, Mr Rocard is firmly committed to the principles of the free market, tempered by the claims of social justice. "The socialists," he

said, "have chosen a free economy, open to the outside, mainly private, and in which even the public sector has its own decision-making autonomy; so then we are in a competition process of who is best at management."

Value added taxes in France are among the highest in the Community. But the competitive constraint means that Mr Rocard gives a much higher priority to the reduction of direct taxes on companies, on individuals and on savings, than to the harmonisation of indirect taxes, which would imply a sharp cut in French VAT rates and loss of state revenues.

Mr Rocard maintained that France would have to cut its taxes on savings within the next two or three years, to coincide with the liberalisation of capital movements in the European Community. "But this is a question of FFr 15bn to FFr 18bn, let's say between £1.5bn and £1.8bn. So when somebody comes in from outside and tells me to cut VAT, I just say: 'Give me some time to look at it!'"

As it is, Mr Rocard is acutely conscious of the deterioration of the infrastructure and the fabric of public services. "I don't think our countries nationally will keep their social cohesion in a situation in which progressively the quality of the services given by any public authority, central or local, is diminishing; in which the school system and the health system are in huge crisis, in which the only way out is personal financial success which compensates for the lack of public service."

"But we are living with a public which feels that we spend too much on the state, and this will probably last for some more years; I hope not until the point of complete decay..."

Mr Rocard's preoccupation with the quality of public service goes hand-in-hand with his determination to avoid "religious wars" and to "de-dramatise and de-symbolise" the political choices facing France today. He has adopted a low-key approach to the new wealth tax, which he is introducing as part of President Mitterrand's electoral manifesto, but at a far lower rate than the earlier socialist wealth tax of 1982. "I wanted to create this tax," said Mr Rocard, "but in non-devastating conditions; FFr 4bn is not an enormous sum."

Mr Rocard believes that the traditional causes of conflict between left and right in France - including the Church and Money - have lost their earlier virulence. Instead, however, he fears that the issue of immigration poses a new threat to the political life of the country. "This is the day-to-day conflict; this is the main problem in France." Pointing to the contrast in birth-rates between Europe and Africa, Mr Rocard speculated that "within 30 years, Spain, Italy and France might have 15 to 20m new immigrants".

As we sat listening to him expound his views on the present and his vision of the future, we could have been tempted to wonder whether the new Socialist Prime Minister is not, after all, too good to be true. Yet his views and his visions have made him one of the most popular politicians in France for two decades. If there is a new consensus to be forged in France today, Mr Rocard is bound to play a key role in forging it.