

ad N

U.K. backs Germany's effort to support euro

BERLIN

Cameron won't block effort by Berlin to punish states that exceed deficits

BY STEPHEN CASTLE
AND JUDY DEMPSEY

Setting the stage for another significant change to the European Union's rule book, Britain suggested Friday that it would not block efforts to allow more sanctions against countries that break the euro's rules, like Greece.

David Cameron, Britain's new prime minister, added however, that he would agree to such a move only as long as any change in the treaty would not transfer power from London to Brussels.

Speaking in Berlin alongside Chancellor Angela Merkel, who is pushing for tough new punishments for straying nations, Mr. Cameron removed what could have been a hurdle to altering the treaty, which lays out E.U. rules.

If Berlin gets its way, the European Union will embark on yet another effort to re-write its rule book just months after the introduction of the Lisbon Treaty, which was supposed to be the last such change for a decade.

The talks came as Germany's two houses of Parliament approved measures allowing the country to contribute to a nearly \$1 trillion bailout aimed at stabilizing the euro and propping up European nations that are swimming in debt.

By endorsing legislation that provides for loan guarantees of up to \$184 billion, Germany offered a sign to jittery investors that Europe's largest economy was committed to trying to solve the Continent's debt crisis. Financial markets seemed to stabilize after the vote.

The lower house of Parliament, the Bundestag, approved the European bailout measure by a vote of 319 to 73, but 195 lawmakers abstained, signaling their displeasure with how Mrs. Merkel has handled a crisis that has tested the credibility of the euro. Later Friday, the Bundesrat, the upper house that is represented by the 16 German states, approved the package.

Mrs. Merkel wants a treaty change to create legal certainty behind a new structure under which eurozone countries that exceed deficit and other economic ceilings can be stripped of E.U. subsidies or voting rights.

Although Britain is outside the euro, all 27 members of the Union would have

The E.U. will open another effort to re-write its rule book.

to agree to re-start the process of re-writing E.U. rules. On Friday Mr. Cameron made clear that his bottom line was that London not lose power to Brussels — something he has promised would trigger a referendum in Britain.

“We don’t want to see a transfer of power from Westminster to Brussels,” he said. “If there was a treaty that proposed that, obviously it would be subject to a referendum, but we don’t believe that is going to happen — is likely to happen.”

“Do we want the eurozone to be strong, to be stable, to sort out the issues and problems that it has and issues that it has so that there is good growth in all of Europe? Is that in our national interest? Of course it is and of course we understand the desire on the part of the German government to make sure that the eurozone works well.”

Mrs. Merkel said that German ideas had been suggested “where a treaty change plays a certain role,” though she added that there was no agreement on that as yet.

In Brussels, meanwhile, there were signs of early support for Germany’s push to punish countries that fail to balance their books.

The E.U. president, Herman Van Rompuy, said at a news conference Friday that finance ministers had discussed the possibility of changing E.U. treaties as part of efforts to ensure budgetary discipline and greater convergence between E.U. economies.

“Some people defended this standpoint; others would wish to reject it,” Mr. Van Rompuy said, referring to the question of whether treaty changes would be required.

Even so, he encouraged governments to work “within the framework of the current treaties,” saying that would allow “more rapid progress.”

At another news conference, the finance ministers of France and Germany, Christine Lagarde and Wolfgang Schäuble, also encouraged governments to use the existing rules to ensure speedy reforms.

They were speaking after the first meeting of a task force that comprises officials from the European Commission and member states. It was formed this year by Mr. Van Rompuy with the aim of resolving the crisis in the eurozone and to redraw rules governing the economic management of the bloc.