

FINANCIAL TIMES

November 20, 2011 10:46 pm

33

Cameron and Merkel edge closer on EU reform

By Quentin Peel in Berlin, Elizabeth Rigby and George Parker in London

Angela Merkel, the German chancellor, has agreed to consider “constructively” proposals made by David Cameron last week, including the scrapping of some European Union labour laws, as part of any treaty change talks.

The European working time directive, which sets limits on working hours, is understood to be one possible area of compromise that will be studied. It has long been opposed in London for interfering with UK’s labour laws and the previous Conservative government negotiated an opt-out but that is under threat.

In exchange, the UK prime minister has agreed to give a fair wind to Germany’s plan for a swift and limited treaty change to reinforce budgetary discipline within the eurozone, according to people informed about their talks in Berlin on Friday.

Although the two leaders emerged from their meeting with clear differences, in particular over a German-backed plan for a financial transaction tax to be introduced in the EU, officials in Germany said both tried to clarify their positions, in order to reach an agreement on possible treaty change.

German officials said relations between the two leaders were much better than portrayed in the media and both were keen to reach agreement before the European Council meeting in Brussels on December 9, when the subject of possible treaty change will be considered.

Mr Cameron is understood to be anxious to avoid any procedure that might trigger a referendum in the UK. Ms Merkel explained that Germany wants swift and limited treaty change to strengthen the rules of the eurozone.

The German chancellor accepts that the British prime minister is under immense pressure to deliver some sort of repatriation of powers should there be a treaty change, to placate the febrile mood on his eurosceptic backbenches. Germany, like many other EU states, also has problems with the working time directive.

Mr Cameron also wants some kind of agreement to safeguard the single market, and especially financial services, if the eurozone does deepen its co-operation.

Tensions between Mr Cameron and his backbenches over the prime minister’s approach to Europe were further exacerbated on Sunday when Lord Heseltine, who heads the government’s regional growth fund, said Britain will join the euro one day.

The former deputy prime minister, a long-time supporter of the single currency, said he believed Franco-German “determination” will secure the euro’s future and pave the way for Britain to sign up.

“I think we will join the euro,” he told the BBC’s *Politics Show*. “I think the chances are the euro will survive because the determination, particularly of the French and the Germans, is to maintain the coherence that they have created in Europe.”

The remarks drew scorn from some eurosceptics.

“He is as wrong on the euro as he was on Margaret Thatcher,” said Mark Pritchard, secretary of the 1922 backbench committee.

Boris Johnson, the London mayor, also waded into the debate, remarking that it was a mistake for the prime minister to back plans for the 17 eurozone countries to share closer fiscal links.

Instead the mayor, speaking to the Sunday Telegraph, proposed that the eurozone should be split into two parts, the financially strong and the weak, or eurozone countries should be allowed to leave the single currency and devalue with the option of returning later.

Printed from: <http://www.ft.com/cms/s/0/e6f1dcc8-1395-11e1-81dd-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2011 FT and ‘Financial Times’ are trademarks of The Financial Times Ltd.