FINANCIAL TIMES

December 12, 2011 9:08 pm

The summit will prove a footnote

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63a

At first glance, the outcome of last week's European Union summit looks historic. European states have agreed a plan that appears to be an important step towards fiscal and political union. Britain has refused to go along – and looks isolated and possibly on its way out of the EU.

If all this could be taken at face value, it would indeed be big stuff. But the outcome of the Brussels meeting is much more likely to end up as a footnote in the history books than a bold new chapter.

Markets and voters are increasingly refusing to obey the grand pronouncements issued by EU leaders at their ever more frequent crisis summits. Add to that the growing tensions between EU members, which go well beyond the isolation of Britain, and you have a formula for continuing confusion and disunity – rather than the decisive moment that so many commentators think they have witnessed.

Arcane discussions about treaty change and rows about Britain's place in Europe have been the stuff of EU summits for literally generations. There was a time when Europe could afford all of this. But with a debt crisis threatening to cause sovereign defaults, bank runs and the implosion of the European financial system, it was a peculiar time to stage yet another debate about the future design of the EU – fascinating subject though that is.

The only relevance that last week's debate had to the financial crisis is that investors were hoping that the announcement of a "fiscal compact" – involving much tougher supervision of national budgets in the future – might provide cover for the European Central Bank to buy

Italian and Spanish bonds until the crack of doom, or at least until more private investors could be persuaded back into the market.

The outcome here is unclear. Mario Draghi, the president of the ECB, has officially ruled out a vast expansion of its bond-buying programme. But the ECB has agreed to lend lots more money to European banks on easy terms – and they in turn will probably have their arms twisted to buy government bonds.

But loading up shaky European banks with otherwise unsaleable government debt is not a sustainable solution. It might succeed in preventing the European economy from suffering a heart attack.

The trouble is that the only alternative to a heart attack seems to be slow suffocation. The fiscal compact essentially commits all EU countries to tough austerity measures, without providing any permanent mechanism for transferring money from prosperous bits of Europe to those that are stuck in a semi-depression. A "transfer union" is still anathema to Germany.

The only immediate prospect offered to the indebted states of southern Europe is "internal devaluation" – for which read cuts in wages and pensions, higher taxes and much higher unemployment.

As economies worsen, voters are likely to revolt. Even under current circumstances there are huge doubts about whether last week's EU agreement will ever come into force.

The main ratification problems are likely in countries where the economies are doing relatively well, and where voters fear that they will be dragged down by Europe's debtor nations. Both the Swedish and the Dutch governments currently lack a clear parliamentary majority – and need the votes of opposition parties to get the new agreement through. But in both countries the main opposition party has already said it will reject the new treaty.

Ratification in Denmark, Finland and the Czech Republic is also far from certain. Ireland will probably have to have a referendum on the new deal – and has a long record of rejecting EU treaties, even in good times. President Nicolas Sarkozy of France had a good summit – but may lose power in a few months and the main opposition candidates have rejected last week's agreement.

As ratification problems mount, against a background of economic stagnation or worse, last week's clear picture of an isolated Britain and a Europe pushing towards unity will become much more blurred.

For German fiscal hawks, the really important division now in Europe is between law-abiding northern European countries with sound economies and southern European countries that are viewed as corrupt and increasingly bankrupt. The Germans know that almost half the triple A rated countries in Europe are not in the single European currency. (These are Denmark, Norway, Sweden, Switzerland and Britain.) As for the triple A countries that do use the single currency, they have all just been placed on notice of a possible downgrade in their credit rating – a risk that is increasingly acute for France. If the Dutch, who are within the eurozone, join the Scandinavians and the British in refusing to join the new fiscal compact – German *angst* will only intensify.

As the Germans look anxiously towards northern Europe, so much of southern Europe is looking angrily at Germany. For although Britain provided a convenient lightning rod for much of the fear and rage in Europe, the economic crisis is provoking ill-feeling across the union. The French press spent the days before the summit agonising about "Germanophobia" in France, after a leading Socialist politician accused Mr Sarkozy of buckling to the Germans – and compared him to Édouard Daladier, the French leader who appeased Hitler in 1938. Such insults may seem mild before this crisis is over. And last week's summit will be seen not as decisive, but as one act in a long-drawn out melodrama – that still threatens to turn into a tragedy.

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