72

FINANCIAL TIMES

EU treaty problems? Cameron is not alone.

December 14, 2011 11:51 am by Peter Spiegel

Finland's Jyrki Katainen, France's Nicolas Sarkozy, Germany's Angela Merkel and EU Commission's José Manuel Barroso at last week's summit.

This morning, we are fronting our newspaper with a story led by fellow Brussels Blogger Joshua Chaffin about the growing problems in multiple European capitals — not just London — with the nascent economic convergence treaty agreed to at last week's summit.

That story was written with a lot of help from our network of correspondents across Europe, and given space constraints in the dead-tree version of our report, we weren't able to go into all the detailed accounts we got from our FT colleagues. Here on the blog, we thought we'd provide a more in-depth taste of the potential hiccups ahead.

Let's start with the non-eurozone countries, where five EU members (Poland, Hungary, Czech Republic, Denmark and Sweden) have put off any commitment to signing the treaty until they get an actual text before their parliaments.

Our man in Warsaw, Jan Cienski, says that of this group, the ardently pro-EU Poles appear most likely to sign up. But he notes that the right-wing opposition inside Poland is making its opposition known – very loudly.

> *Prime minister Donald Tusk has said the Polish government is strongly in favour of the pact, and he is likely to get support from two left-wing opposition parties when the treaty comes before parliament. "It's not that matters went too far in Brussels, it's that they stopped too soon," Tusk told reporters on Tuesday.*

> *But there is a question of what sort of a majority is needed to pass the new pact. Treaties that cede sovereignty to other institutions need a two-thirds majority, which would allow the two right-wing opposition parties to block the measure. However, if the pact only applies to countries now in the euro, and thus not surrender any Polish powers, a simple majority vote may be allowed.*
>
> *Both right-wing opposition parties are strongly opposed; their supporters staged a march in Warsaw Tuesday to mark the 30th anniversary of martial law against the Solidarity labour union and to protest what they see as the threat to Polish independence from any new European treaty. There was also sentiment against what they saw as the government's overly close embrace of historic rival Germany.*
>
> *If a new treaty cannot be passed through parliament, the government could call a national referendum. Poland is one of the most pro-EU countries in the Union, but the referendum would need a turnout of at least 50 per cent to be valid – and Poles have proved to be reluctant voters.*

Jan also covers the Czech Republic for the FT, and as we noted in today's story, Czech prime minister Petr Necas (unlike his Polish counterpart) is taking no stance on the treaty as of yet, saying it would be politically irresponsible to commit to a "blank piece of paper". Jan reports:

> *Necas said that if the new treaty focuses on issues like budget deficits and public debt, there would be little problem in getting Czech support, but it would be more problematic if there are efforts to do things like coordinate taxes.*
>
> *Part of Necas's centre-right coalition consists of eurosceptics, but it is likely a majority could be cobbled together with the participation of the centre-left opposition Social Democrats. However, any treaty would still have to approved by Vaclav Klaus, the Czech president, who has long been hostile to any erosion of national sovereignty.*
>
> *Two years ago, Klaus was the last EU leader to ratify the Lisbon treaty, and he has already made plain his distaste for the outcome of the Brussels summit. Czech law sets no deadline for him to sign*

> *legislation approved by parliament, allowing him to drag out the process.*
>
> *"I think it's not necessary to jump aboard this new trend. [The aim] of this trend under way is to protect at any cost the bad project which is the common European currency," he told the mediafax news agency.*

Sticking with the new member states of central Europe, the FT's Kester Eddy in Budapest reports that Hungarian prime minster Viktor Orban's stance on the treaty has become something of a political hot potato at home. France's Nicolas Sarkozy, in the early morning hours after the summit wrapped Friday, announced that Orban had sided with the UK in opting out of the treaty, but Hungarian officials have since said Sarkozy got it wrong. The Hungarian foreign ministry put out a statement Tuesday that says, in part:

> *During and immediately after the European Council, confusing statements of European leaders and press reports suggested that Hungary was sharing responsibility with the UK for the failure to reach consensus on treaty change. Other sources claimed that Hungary first was unwilling to join the agreement but eventually changed her mind and made joining conditional on consultations with the Hungarian parliament.*
>
> *In reality, Hungary's position had been clear and coherent from the beginning....*
>
> *What the prime minister did not have mandate for was to commit Hungary to an intergovernmental agreement, outside the [EU] treaty framework, carrying elements of fiscal union and possibly entailing transfer of national sovereignty. Therefore PM Orban said that he would report back to the Hungarian national assembly in order to have the issue discussed.*

Kester reports that the statement was likely prompted by the savaging Orban took from the opposition for what they perceived as a U-turn Friday morning, arguing it put Hungary in a very bad light. He talked to Szabolcs Kerek-Barczy, director of the Freedom and Reform Institute, a Budapest think tank, who detailed the criticisms:

"Orban was hesitant in Brussels," Kerek-Barczy said. "First he vetoed – as a member of his delegation and Sarkozy both said – then he said he took a similar position as Sweden and the Czechs."

Kerek-Barczy also noted that Hungary is currently in negotiations with the EU and IMF for a line of credit, given the rapid rise in Hungary's borrowing costs, and argued Orban's equivocal stand with regards to the treaty could cost Budapest in the talks.

"I am convinced Orban believes that he is right, that he is fighting for Hungary's economic sovereignty, freedom," Kerek-Barczy said. "He thinks he is leading a war against aggressors and speculators who would like to conquer Hungary: the EU, the IMF, the Moody's of this world, and private investors as well."

Scandinavia is the other region where non-euro countries are second guessing the pact, particularly in Sweden and Denmark. Our Clare MacCarthy in Copenhagen notes that all Nordic coalition governments – including euro member Finland – are split down the ideological fault-line of "how much Europe we can stomach", and all may face problems with their parliaments:

Swedish prime minister Fredrik Reinfeldt said a decision on joining the pact was still pending, and would not be resolved until parliament debates the issue. His equivocation contrasted sharply with his deputy prime minister, Jan Björklund, leader of the europhile Liberal party, who issued a public plea for Sweden to sign up. "Our country must not be sidelined – Sweden belongs in core Europe," Björklund wrote.

Reinfeldt's centre-right government is a minority coalition that must woo the opposition Social Democrats on any EU deal. Their position is unclear.

In Demark, prime minister Helle Thorning-Schmidt reserved judgement like her Swedish counterpart but said she wanted the most inclusive agreement possible. Crucially, she claimed that Denmark would be unlikely to need a referendum on a new treaty because "we're not at risk of impinging the law on ceding national sovereignty."

> *Her centre-left government enjoys a majority but the Socialist Peoples Party (SPP), the junior coalition partner, has deep eurosceptic roots. The opposition Liberal Party has already signaled support for Danish accession but its votes might not be enough should the SPP rebel.*

It is not just the euro "outs" that are facing problems, however. In addition to Finland's shaky coalition, and the attack it faced in parliament this week from the anti-EU True Finns opposition party, other eurozone governments are treading on uncertain ground.

Even German chancellor Angela Merkel, the driving force behind a new treaty, appears to be facing growing uncertainty over whether her coalition partners, the centrist Free Democrats, will support the deal. Just this morning, Christian Lindner, general secretary of the Free Democratic party, unexpectedly resigned amidst a party-wide referendum on whether to support the eurozone's new €500bn rescue fund.

As Quentin Peel, our bureau chief in Berlin, has reported, the FDP is intensely divided over the new fund, formally called the European Stability Mechanism, and a split could severely destabilise Merkel's coalition:

> *Eurosceptics in the FDP forced the more pro-European party leadership to hold the vote, whose result will only be known in mid-December. If they were to win, it could spell the end of Ms Merkel's centre-right coalition, because a split on such a fundamental element in the eurozone rescue package would be impossible to ignore.*
>
> *For precisely that reason, most political analysts expect Philipp Roesler, the party leader, to see off the rebellion, but if Merkel were to make any further concessions on the size or use of the ESM, it could result in a close vote.*

The FT's Matthew Steinglass in Amsterdam notes the minority Dutch government of prime minister Mark Rutte is also finding things difficult, especially since he relies on pro-EU opposition parties to get any European measures through parliament — and that opposition has grown restless:

> *Rutte's centre-right government is fully behind the new intergovernmental fiscal pact, but he needs support from left-wing opposition parties to get any eurozone measure through – and they have uniformly attacked the deal for failing to make the €440bn rescue fund large enough.*
>
> *The left-wing parties have grown weary of repeatedly backing unpopular eurozone rescue measures that cost them voter support without ever resolving the crisis. But it is too early to say whether they would be willing to vote against the new pact and take the heat for toppling the government, or torpedoing a major eurozone initiative.*

In Ireland, our Jamie Smyth reports that Enda Kenny, the prime minister, is also under assault by opposition parties, who are trying to force a referendum on the new treaty. Given the withering austerity measures imposed on Ireland in their €85bn EU-IMF bail-out, such a referendum would likely fail:

> *Kenny has said the government will not make a decision on whether to hold a referendum until the final text of the treaty is agreed. But the leaders of the two main opposition parties – Fianna Fail and Sinn Fein – both called for a referendum to be held on Tuesday.*
>
> *Micheal Martin, leader of Fianna Fail, said he was surprised there was no clarity yet on whether a referendum will be held. "Given the nature of what people want to put into a treaty, I think there is no alternative but to consult the people on it," Martin said. "It seems to me that they are playing for time on that."*

Jan, our man in Warsaw, also covers Slovakia, where the government recently fell over another euro-related conflict – whether to give the eurozone's €440bn rescue fund more powers. The Slovak parliament eventually approved the measure, but not before the coalition government splintered, forcing new elections. Jan reports that the new treaty is likely to be equally divisive in Bratislava:

> *The new treaty would need to be approved by a constitutional majority of 90 members in the 150-vote parliament, which means the outgoing government will require the support of the left-wing opposition led by former prime minster Robert Fico. The outgoing prime minister, Iveta Radicova, has also said that any measure transferring powers to Brussels would have to be approved in a referendum.*

All in all, a tough road ahead for a growing number of potential EU signatories.

Tags: sovereign debt crisis
Posted in Economic governance, EU, Fiscal policy | Permalink

Back to top