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Finnish foreign minister raps euro pact plan

By Michael Stothard in Helsinki

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Finland's foreign minister says a proposed new European fiscal treaty for the is "unnecessary and harmful", raising fears that one of the few triple A rated countries left in the bloc could try to block the new rules.

Erkki Tuomioja said in an interview with the Financial Times that Finland should not sign the proposed treaty enshrining a fiscal compact, and that "the majority of [the Finnish] parliament has the same view as I do".

He said the treaty, which would requires members to reduce their structural deficits to below 0.5 per cent of gross domestic product, was "about Germany's domestic policy needs" and "we should not be taking orders from anybody."

Finnish officials said Mr Tuomioja, whose Social Democratic party is the junior member of Finland's ruling coalition, did not speak for the government.

Finland, which is holding a presidential election this weekend, is one of a clutch of northern European countries which has become increasingly eurosceptic in the past two years amid mounting resentment over taxpayer-funded rescues of more fiscally profligate parts of the European Union.

Public anger over the single currency helped the anti-euro True Finns party win nearly a fifth of the vote in parliamentary elections in April last year, up from 6 per cent in the previous poll.

The result, together with the increasingly eurosceptic stance taken by the Social Democratic party, has caused sleepless nights in Brussels, where the Nordic's country's commitment to European integration was previously taken for granted.

Finland is also the only eurozone country that requires approval from its national parliament to take part in bail-outs: it called into question the proposed rescue package for Portugal.

True Finns were excluded from government after weeks of negotiations by a six-party pro-EU coalition but this administration has faced domestic pressure to take a hard line on Europe. Opinion polls show that the True Finns are still well supported in many areas.

The presidential election, which holds its first round on Saturday, is dominated by debate over the EU. The clear favourite, Sauli Niinisto, is performing well partly because of his euroscepticism.

The Finnish president has powers over the country's foreign and security policy.

Mr Tuomioja, playing to a developing anti-EU theme, wrote in his blog that "the whole compact is at best unnecessary and at worst harmful, and Finland has reason to oppose the whole treaty and at least remain outside it".

But he also told the Financial Times that there was a good chance that the fiscal compact would still be ratified by the Finnish parliament eventually, as many MPs would conclude that it was be better to sign up to something flawed than be out all together.

After last Friday's downgrades by Standard & Poor's, Finland is one of only four euro members with a triple A credit rating. Its guarantees are needed for the EU bail-out fund to borrow cheaply from international markets.

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