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Merkel faces up to stormy parliament

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By Gerrit Wiesmann in Berlin and Quentin Peel in Brussels



Chancellor Angela Merkel returned to a stormy German parliament on Friday after backing new measures to prop up weaker eurozone economies at a summit in Brussels.

Hours after eurozone leaders agreed to inject capital directly into Spanish and Irish banks, and to help lower Italian borrowing costs, Ms Merkel faced criticism from lawmakers as the Bundestag debated ratification of the European Stability Mechanism, the bloc's new rescue

fund, and a new EU treaty enshrining fiscal discipline.

Late on Friday evening, the Bundestag passed the fiscal compact with 491 of 608 votes cast and the ESM with 493 of 604 votes, giving Ms Merkel a comfortable two-thirds majority which she needed for passage of each bill.

The opposition Social Democrats earlier summoned Wolfgang Schäuble, finance minister, to attend an emergency meeting of the Bundestag's powerful budget committee, with senior lawmaker Carsten Schneider demanding he explain Ms Merkel's "180-degree about-turn" from previously blocking direct cash injections.

Dissatisfaction was also voiced by members of Ms Merkel's coalition, who worried she might have compromised her principle of giving aid only with tough conditions.

Wolfgang Bosbach, a lawmaker from Ms Merkel's Christian Democratic Union and long-standing opponent of eurozone aid, said summit decisions about direct bank aid and readier help to lower sovereign-bond rates had seen Germany "finally and irrevocably" abandon the EU's no bailout clause.

Ms Merkel left Brussels insisting she had reached "a good compromise" and German taxpayers' money would not be committed in the eurozone without strict conditions.

She said there was no increase in the amount of Germany's financial guarantees in the eurozone rescue funds, and no retreat on Germany's refusal to contemplate jointly guaranteed eurobonds as a way to help finance the most debt-strapped eurozone member states.

She said the commitment to use eurozone rescue funds to buy sovereign bonds for countries facing market pressure would still be subject to conditions.

“I insisted that the current procedures should be maintained, and I think we found a good compromise,” she said.

“There will be conditionality,” she added. A country such as Italy would have to apply for market intervention and sign a memorandum of understanding based on the European Commission’s recommendations before bond-buying would be approved in the primary market.

Ms Merkel singled out the agreement on banking supervision by the European Central Bank as a key result, saying: “I have great faith in the ECB, because the ECB has a great interest in having healthy banks.”

Facing criticism that the German parliament was being asked to approve establishment of the ESM after its rules had been changed, the chancellor said that all the changes would be subject to further Bundestag votes.

Ms Merkel told the Bundestag that the summit decisions were “good and sensible”, even if she had to concede that “differing communications” from various eurozone leaders about what exactly had been agreed had “led to a whole number of misunderstandings”.

Jürgen Trittin, parliamentary head of the opposition Greens, said allowing the rescue funds to directly recapitalise banks and to buy sovereign bonds were the right moves. “These are positions Ms Merkel always rejected and which she now has had to accept,” he said.

Herman Gröhe, CDU general secretary, said the summit agreement in Brussels maintained the government’s guiding principle of “only letting mutual responsibility [for others’ debts] come after the institution of political controls”.

Norbert Barthle, a senior Christian Democrat, also said summit decisions had “no bearing” on Friday’s votes in both the lower and upper chambers of parliament. “Many hurdles” had to be cleared until banks could apply for direct capital injections – and the Bundestag would first have to approve this new instrument when ready.

Otto Fricke, a senior Free Democrat, said the agreements by EU leaders could “only become law if the Bundestag passes them”. Some ideas being touted at EU level continued to be “wishful thinking”, while “others will prove hard to implement”.

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