

European Leaders Agree to New Budget Discipline Measures
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BRUSSELS — All but two European Union countries agreed Monday to new and tougher measures to enforce budget discipline in the euro zone, but the bloc still showed few signs of producing a comprehensive solution for the sovereign debt crisis or a credible plan to revive fragile economies across Europe's weakened Mediterranean tier.

The meeting of 27 European Union heads of state and government here in Brussels was aimed at completing the text of a so-called fiscal compact for the 17 nations relying on or intending to join the euro zone — with only Britain and the Czech Republic opting not to adopt the measures.

After a meeting lasting seven hours, the leaders also issued a declaration calling for a new push to restart growth and combat joblessness across the Continent.

But a number of politicians and analysts said the pledge by the European leaders to create new jobs was mostly empty, and others complained that the proposed rules to keep deficits under control contained little to actually help nations with high borrowing costs.

The summit declaration also skirted the continuing problems in Greece, where a second bailout is being held up by the inability of the government in Athens to complete a deal with private holders of Greek bonds over the losses they should accept.

Until Athens and its private-sector creditors can agree on a \$132 billion writedown on Greek government debt, the International Monetary Fund and the European Union are not prepared to sign off on a further bailout. Chancellor Angela Merkel of Germany said the Greek situation would not be addressed until after representatives of Greece's so-called troika of creditors — the European Union, the I.M.F. and the European Central Bank — report back on their investigation into what will be needed for Greece to manage its finances on its own.

Nicolas Sarkozy, the French president, told a news conference at the end of the summit that there would be a "definitive agreement" on the private sector's involvement in reducing Greek debt in coming days. After Monday night's summit meeting, informal

talks continued between the Greek prime minister, Lucas Papademos, and European officials.

Despite the various other problems to deal with, an agreement on the fiscal compact could clear the way for Germany to accept stronger efforts by the European Central Bank to support ailing countries and a more comprehensive bailout fund aimed at protecting Italy and Spain against the risk of default.

"It is an important step forward to a stability union," Mrs. Merkel told reporters. "For those looking at the union and the euro from the outside, it is a very important to show this commitment." Britain, which clashed openly with France and Germany last month over the pact, did not give any ground Monday and was joined by the Czech Republic, which also elected to stay outside.

"We are not signing this treaty," David Cameron, the British prime minister, said. "We are not ratifying it. And it places no obligations" on the United Kingdom, he said.

He added: "Our national interest is that these countries get on and sort out the mess that is the euro."

Mr. Sarkozy sounded philosophical about the Britons' intransigence. "There are different degrees of integration and everyone is free to choose where they stand," he said.

While European leaders agreed to bring a permanent bailout fund into existence earlier than previously foreseen, they postponed any final decisions on its ultimate size and how it will be financed. The International Monetary Fund has been pressing Europe to commit enough money to provide a credible backstop that would insure that Italy and Spain could pay their bills and continue to finance their debts.

Germany backed away from a suggestion that it wanted the government in Athens to cede temporarily control over tax and spending decisions to a new, all-powerful, budget commissioner before it can secure further bailouts. Italy won its battle to restrict the scope of the fiscal compact, which calls for making it easier to impose sanctions against countries that break European Union budget rules. The text said the compact would make it harder to block sanctions against countries that exceed annual deficit targets but that the same tough system would not apply to nations with excessive overall debt, like Italy.

The compact will come into force in those nations that agree to its terms once 12 euro zone nations have ratified it. That would prevent the project being held up if one or two nations hold referendums on the deal.

Still, impatience with the German focus on belt-tightening loomed large over the summit meeting.

"You don't have to be an economics professor to know that if you have zero growth you are not going to sort things out," said Martin Schulz, the president of the European Parliament. Critics of austerity point to Greece, which is being strangled by a vicious cycle of deficit cutting, declining tax revenues and more budget cutting, while making little if any progress on its overall budget deficit.

Guy Verhofstadt, leader of the centrist liberal and democrat group, and a former prime minister of Belgium, took a similar stand.

"The new agreement consolidates fiscal discipline but omits completely to address the other side of the coin — that of solidarity and investment that will create jobs and growth," Mr. Verhofstadt said. "E.U. leaders should act instead of producing more paper."

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