

A FLAWED SUMMIT

The amateur dramatics of David Cameron and the UK government conveniently distracted immediate attention from the shortcomings of last week's nocturnal summit with its consecration of prolonged austerity as the kernel of this new compact for the seventeen euroland countries and the nine in the 'coalition of the willing.'

Two elements needed to solve the sovereign debt crisis are still absent; the financial firewall has been shored up a little through diverse acrobatics but without any clear undertakings from the European Central Bank, which appears to have forgotten that its core task above all others must surely be to preserve the currency it administers. And, most importantly, there is no concrete plan for growth- not merely no plan, but hardly a mention at the summit. Without a programme for growth, social, industrial and infrastructure investment, and strong support for research, technology and innovation, there will be no sustainable strategy for tackling the debt. Cuts, retrenchment, austerity alone will not bring this crisis to end.

As to Britain's 'veto', it merely highlights the defective strategy being pursued in London. Even if one were to accept that the aims of the UK government were legitimate- sheltering the financial sector from further intrusive regulation, or defending the single market, Cameron came home less than empty-handed.

By forfeiting the right to negotiate an EU Treaty before even the calling of an intergovernmental conference, the government ensured that the summit was a quadruple failure for Britain. First the UK will have no influence on the final form and content of the new intergovernmental 'budgetary' treaty; if the UK had stayed in it could at every stage fight its corner, paragraph by paragraph (a talent at which British negotiators have always excelled). Second, the UK has achieved an isolation so melancholic that even our most traditional 'friends' like the eurosceptic Czechs and the Hungarians have abandoned it. Third, even Britain's established reputation for diplomatic competence is undermined by the crass failure to prepare the ground, - springing a text on the institutions and the other member states at the last moment, and by rejecting out of hand the procedural compromise of a Protocol (a kind of Treaty-lite) offered by European Council President Van Rompuy. Fourth it confirms the message to the Americans and others that doing business with Europe means working with Berlin, Paris and Brussels, not London. The business community may well begin to draw the same lesson.

Cameron's excuse that he reacted late because the Franco-German proposals were only tabled earlier in the week is doubly lame; a fully engaged government might well have thought it best to take the initiative rather than just reacting to proposals from others; and it has been clear for two months at least that some form of Treaty change was going to dominate this summit's agenda.

As to special pleading for the banks, financial services, hedge funds etc., nothing has changed. EU financial regulation is and will continue to be decided by qualified majority. There was no veto on that; there will be no veto- quite rightly because financial services regulation is part and parcel of internal market rules.

The only thing that changes is that the 26 will now develop the habit of working together over the broad range of economic policy, and that the voice of the most economically liberal, free market, high finance-friendly member state will no longer be heard. One would have to be exceptionally naïve to imagine that the 26 will refrain from discussions about any aspect of EU economic and social legislation simply out of consideration for a government that has of its own free will boycotted their meetings.

Some hotheads appeared to be threatening that the 26 would not be allowed to use the EU institutions for managing and policing their budgetary treaty. In fact the organisation of the Commission and its services is a matter for the Commission president not for individual governments. The Commission often has work subcontracted to it which is not the business of every single member state. And the Legal Services are confident that the European Court of Justice could be given jurisdiction over the new Treaty, under its existing terms of reference. Britain would be even more ill-advised to pursue any attempt at sabotaging the compact agreed in December.

Even the last fall-back of the apologists for this curiously self-defeating strategy- that this was necessary to buy off the eurosceptic Tory backbenchers- has been discredited before the end of the first weekend. The anti-Europeans in the Tory party have now had their first 'victory', and are already salivating for more. One third of the Tory backbenchers want the UK out of the EU, and will settle for nothing less. Appeasing them will not work.

In the end, the UK's situation remains a sideshow. The main event is securing the future of the currency. The December summit made progress on one important plank required to resolve the debt crisis by charting a path toward shared responsibility for budgetary discipline. But the path itself is steep, and many questions remain about the final form of the compact, and the ratification procedure. And the other elements- the firepower to protect the currency and a credible growth strategy- will certainly require further emergency summits in the weeks and months to come.

2011 was the year when Europe's sins of omission and commission caught up with it; overcoming this dismal legacy in 2012 will require more courage and resilience and rapidity of reaction from the continent's leaders.

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