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Business World News New treaty to save euro splits European Union by [Ahtasham UI Haq](#)

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Business World News New treaty to save euro splits European Union:

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Leaders of 23 European countries desperate to save the shared currency agreed on a new treaty.

Leaders of 23 European countries desperate to save the continent's shared currency agreed in all-night talks Friday to surrender some sovereignty in a new treaty but failed to get all 27 European Union members to join in.

The split between those in the new treaty and those outside rattles the foundations of a union created to foster peace and prosperity across a bloodied Europe after World War II. The EU has struggled to unite to stem a 2-year-old spiral of debt that started in Greece, has plunged the eurozone into crisis, and now threatens to send the global economy back into recession.

Even after Friday's long-awaited deal, watched by governments and markets worldwide, the European leaders have huge hurdles still ahead. They are meeting again later Friday to work out what exactly their new treaty will contain and how violators of its strict budget rules will be policed. They want it written by March.

Asian stocks deal tumbled Friday as investors grew increasingly pessimistic that European leaders would conclude this week's crucial summit without finding a solution radical enough to fix the debt crisis.

Britain, which doesn't use the euro, led the push against a treaty tying all 27 EU countries to tighter fiscal union, arguing that it would threaten sovereignty and London's esteemed financial services industry. Germany and France, the eurozone's biggest economies, had pushed for a 27-nation accord.

French President Nicolas Sarkozy laid the blame at the feet of British Prime Minister David Cameron.

"David Cameron made a proposal that seemed to us unacceptable, a protocol to the treaty that would have exonerated the United Kingdom from a great number of financial service regulations," Sarkozy said shortly before dawn, after what he called a "difficult" dinner meeting had dragged through the night.

"We couldn't accept this. We consider to the contrary that part of the troubles of the world come from the lack of regulation of financial services," Sarkozy said. "If you want an opt-out clause to not be in the euro and ask to participate in all decisions of the euro ... and even criticize it, this is not possible."

Cameron defended his stance.

"What was on offer is not in Britain's interest so I didn't agree to it," he told reporters in Brussels.

"We're not in the euro and I'm glad we're not in the euro," he said. "We're never going to join the

euro and we're never going to give up this kind of sovereignty that these countries are having to give up." The French president said work was proceeding on an "intergovernmental accord" among the 17 countries that use the euro plus as many as six others, not counting Britain, Hungary, and so far undecided Czech Republic and Sweden.

Swedish Prime Minister Fredrik Reinfeldt signaled after the meeting it was unlikely his country would join the accord.

"It would be very odd signing up to a treaty pointing out as if we were a eurozone country," he told The Associated Press. "And that was never the aim."

The governments signing onto the new treaty will have to agree to allow unprecedented intervention in national budgets by EU-wide bodies.

According to a statement issued after the meeting broke up, governments participating in the agreement will need to have balanced budgets which is counted as a structural deficit no greater than 0.5 percent of gross domestic product

and will have to amend their constitutions to include such a requirement.

The treaty will include an unspecified "automatic correction mechanism" for countries that break the rules, the statement said.

In addition, countries that run deficits larger than 3 percent will face sanctions. To prevent such deficits, countries will have to submit their national budgets to the European Commission, which will have the authority to request that they be revised. Countries will also have to report in advance how much they plan to borrow.

But Cameron threatened to complicate the new 23-member treaty. "The institutions of the European Union belong to the European Union, belong to the 27" member states, he said. The new treaty would rely on the European Commission and the European Court of Justice to enforce its rules.

Despite the challenges ahead, European Central Bank chief Mario Draghi said it was a good result for the eurozone, and German Chancellor Angela Merkel praised it. "I have always said the 17 states of the eurogroup have to regain credibility," she said. "And I believe with today's decisions this can and will be achieved."

The summit meeting in Brussels was viewed as a critical step in the effort to save the euro. The currency is losing the trust of the international financial markets, who fear that some debt-laden euro countries may ultimately be unable to pay their debts.

That doubt means that the governments of countries viewed as in a precarious state must pay higher interest to borrow the money they need to carry on and that, in turn, makes their budget deficits even worse and can be unsustainable in the long run.

EU officials believe that one way of regaining market trust is to beef up the financial governance overseeing the eurozone countries and their budgets. Any intergovernmental treaty will be an effort to ensure that national budgets are brought into balance and large debts are not run up again.

And the officials believe another way to regain the trust of investors is to have enough money on hand to guarantee that eurozone countries won't default on their debts.

Toward that end, Herman Van Rompuy, president of the European Council, said the eurozone, together with some other EU countries, would provide up to €200 billion (\$268 billion) in extra resources to the International Monetary Fund, to be used to help countries in dire straits. Non-euro countries Sweden and Denmark already said they would contribute some extra money.

Sarkozy also said the EU's two bailout funds, meant to rescue countries having trouble refinancing their debts the European Stability Mechanism, or ESM, and the European Financial Stability Facility, or EFSF would be managed by the European Central Bank, though the details still need to be worked out.

The failure to get agreement among all 27 EU members came despite a marathon negotiating session. The 27 EU presidents and prime ministers began their talks at 7:30 Thursday evening and continued past 4:30 a.m.

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