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Interview with Yves Bertoncini

“The European Council and summit of December 2011”

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Before Friday’s EU summit president Sarkozy said that Europe is facing „an extraordinarily dangerous situation”. Was he right?

He was partly right. If we look at European media coverage of the current crisis, we can see that the situation is very difficult. But in the French media, this situation is even more exaggerated for at least two reasons. First France can lose its AAA rating. Secondly mister Sarkozy is probably running for reelection in May, and one of the supposed weaknesses of his countercandidate, François Hollande, is the fact that he is not very experienced. It is a political game: Nicolas Sarkozy has an interest to underline that in a very violent crisis, France needs a statesman.

But the situation in the eurozone is serious. Was that summit enough to save the euro?

A one-day summit could not solve all of our problems, but it was a positive step in the right direction. Especially the promise of the so-called “budgetary pact”. Another smaller thing was the guarantee given to private investors that they will not participate again in default situations similar to the Greek one.

On the other hand there was no agreement to boost the firepower of the European Financial Stability Fund (EFSF), no decision about the ECB. That should worry investors.

Exactly. It is what I just wanted to say. We heard promises of structural reforms in the medium run, but we can still expect a so called “bazooka” from the ECB and maybe the creation of the eurobonds. So far the ECB knows what to do. It has intervened a lot since the beginning of the crisis, and its interest rates are now very low: 1 percent. The ECB is still buying bonds on the secondary market and will do it in the future. That was also one of the goals of this summit: to tell the ECB, which is an independent institution, that governments will be more serious in the future, and that if it could intervene more, that would be very helpful. The European Stability Mechanism (ESM) will be also put in place earlier - in 2012, rather than in 2013. What is even more important: the amount of money provided by the ESM could complement, and not replace, the amount of money provided by the EFSF – the door has been partly opened. A European contribution to the IMF has been announced. Only the eurobonds were not mentioned during that summit, which was a pretty bad signal.

Now European leaders will present the new fiscal pact to national parliaments over the coming months. Can this deal get through all 26 parliaments?

I see beyond your question a political question...

This crisis is political.

Of course, it is a political crisis, and coming back to your question, ratification of this pact will be easy in some countries, like Germany, but harder in other countries. Public opinion will be asking what the real content of this treaty is. If we look at the present situation, we already have a "six-pack", so the reform of the stability pact has already been made and voted and will be implemented next year. My interpretation of the new fiscal pact is that the EU control will be active only when they will be a risk of excessive deficit. That will be a very overall control. I can't imagine that for example Brussels orders France to spend less on education. That will still be a decision of each member state.

If a country has more than 3 percent deficit, automatic sanctions will be triggered. Also member states have to rewrite their constitutions to say that they will have balanced budgets. Could this fiscal austerity alone solve the crisis?

It is true that the "golden rule" for deficit is new for some countries, including France, but this is logical. If EU manifests solidarity, it also demands more control above member states. Of course austerity is not enough. We also need stimulus of growth. The declaration of *Notre Europe*' Steering Committee from November was entitled "[Austerity, but also growth](#)". Now the balance is not right. If you look at the last EU summit there were very good proposals by the Polish presidency to restore growth; unfortunately they did not call the attention, because this summit had different goals.