

# The Telegraph

## France signals EU treaty change to avert Brexit, warns on euro survival

'We mustn't close the door to the British if what they are demanding from other member states is acceptable,' said French economic tsar Emmanuel Macron



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France has opened the door to full-blown treaty changes in a bid to keep Britain in the EU, warning that it would be grave mistake to disregard the legitimate demands of London.

Emmanuel Macron, the French economy minister, said creative ways can be found to amend the EU treaties and stop a European "Brexit" crisis from spinning out of control.

"We shouldn't turn a treaty change into something traumatic or taboo," he said, speaking in London on a visit to promote France's "industrial renaissance".

- **France and Germany are still the biggest threats to an EU superstate**

“We mustn’t close the door to the British if what they are demanding from other member states is acceptable,” he said.

Mr Macron said it is not beyond the wit of man to craft a “win-win deal” that addresses Britain’s worries about the status of the non-euro members, increasingly untenable as the core countries press ahead with ever closer integration.



French economy minister, Emmanuel Macron Photo: Bloomberg Finance

The comments came a day after French president Francois Hollande met David Cameron for a brain-storming session at Chequers. There appears to be a coordinated move by Paris to defuse an unnecessary clash with Britain.

Mr Macron said changes to the UK’s membership terms could be lumped together with euro reform in a broader EU accord, giving Mr Cameron the coveted imprimatur of full treaty change.

“The first step is for the British government to clarify its requirements. The question is: ‘What exactly do you want?’” he said.

France seems determined to keep Britain in the EU, not least because the two countries are working **tightly together** in foreign policy and defence. Nobody wants an avoidable fight with the UK when eastern Europe is rebelling over migrants and the EU itself faces an existential crisis.

Yet there are limits to French appeasement. “An a la carte Europe is not feasible. It would progressively kill the European idea,” he said.

Mr Macron had even **tougher words for Germany**, warning that the eurozone will disintegrate in a storm of populist revolt unless Berlin drops its vehement opposition to fiscal union and large transfers to the poorer regions.

The former Rothschild banker said the currency bloc is fundamentally unworkable without a joint budget to back it up and will leave debt-stricken countries on the periphery in permanent trouble.

"If we don't move forward, we are deciding the dismantling of the eurozone. We have to choose: is it a fixed exchange system or a monetary union?" he said.

### *We have to exit this religious war*

Emmanuel Macron

He called the struggle over the euro a new **Thirty Years** war in Europe between Calvinists and Catholics. "The Calvinists want to make others pay until the end of their life. They want reforms or no contributions toward any solidarity. On the other side are the Catholics, largely on the periphery," he said.

"At every eurozone summit, at every Eurogroup, we have this same dilemma between member states. We have to exit this religious war," he said.

Mr Macron has repeatedly argued that Germany's one-sided approach to the aftermath of the euro crisis is what has pushed the region into a deflationary vortex. Vulnerable countries are being forced to go through harsh reforms and budget cuts with little economic solidarity in return.

It is a gift to "demagogues", able to capitalize on seething resentment against Brussels - a clear allusion to the Front National's Marine Le Pen, currently leading French opinion polls at 29pc with vows to restore the French franc.

Mr Macron said the design flaws of EMU have led to a situation where the eurozone's inner core is sucking the lifeblood out of the rest of the currency zone. "The periphery will never converge without fiscal transfers," he said.

He called for an EMU treasury and investment arm with powers to raise taxes in order to cope with asymmetric shocks hitting any one area, perhaps through the tithing of VAT payments.

Unemployment costs should be "mutualised" through some sort of joint insurance scheme. The whole structure could be built on the current bail-out fund (ESM), under the executive control of an EU super-commissioner, answering to a eurozone parliament.

Such plans are anathema to Germany, where all major parties are opposed to any form of "transfer union". They know from hard experience how much it has cost over the last quarter century to bail out the old East Germany within a currency union.

German experts say the cost of propping up half of Europe in this fashion would be greater than the reparations burden imposed on Germany at the Versailles Treaty in 1919. Such a move would destroy popular consent for the euro project.

Otmar Issing, the European Central Bank's first chief economist and an iconic figure in Germany, warned **earlier this month** that any move towards an EMU treasury and budget would require a constitutional amendment in Germany backed by a two-thirds majority in both houses of parliament. "The chances of political union are close to zero," he said

He said it would be "dangerous" to transfer control over tax and spending to the EU federal level before full political union has been established on democratic foundations. Attempts to slip through such changes by the back door would be fatal.

Diplomats say the strategic trade-off is for France to give up some degree of sovereignty while Germany accepts some degree of fiscal burden-sharing, but a deal looks remote.

Mr Macron is currently launching a blitz of "Thatcherite" reforms in France, much to fury of the Left-wing of his own Socialist Party. His "Macron Law" is an assault on red tape and vested interests, applauded and reviled in equal measure as the first step in a root-and-branch reform of France's archaic welfare model.

There have been attempts before to bring France kicking and screaming into the 21st century but this time the forces of the status quo are on the back foot. They cannot mobilize protests. "The difference today is that we don't have people out on the streets. People are perfectly aware of the situation we are in," he said.

Asked about Volkswagen's manipulation of emissions data, Mr Macron said it was outrageous conduct but so far appears confined to VW, and does not in itself change the strategic debate in Europe about clean diesel.

As for the instant market contagion to other car makers on European bourses, his answer was a wave of Gallic contempt. "It's ridiculous," he said.