

EU President's secret bid for economic power

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REUTERS

Van Rompuy: 'In our intertwined economies, reforms must be coordinated'

The new President of the European Council, Herman Van Rompuy, is using the financial crisis sweeping the eurozone to launch an audacious grab for power over national budgets, leaked documents reveal.

The Independent has seen a secret annexe to the letter being sent by Mr Van Rompuy to European Union heads of government inviting them to the summit to be held tomorrow in Brussels. In an early and muscular assertion of authority over national governments and over the EU Commission, the Van Rompuy note states: "Members of the European Council are responsible for the economic strategy in their government. They should do the same at EU level. Whether it is called co-ordination of policies or economic government, only the European Council is capable of delivering and sustaining a common European strategy for more growth and more jobs."

Mr Van Rompuy states that "the crisis has revealed our weaknesses", adding: "Budgetary plans, structural reform programmes and climate change reporting should be presented simultaneously to the Commission [his italics]. This will provide a comprehensive overview."

An EU source explained: "It has become clear to everyone that this economic crisis can't be solved by individual member states, such as Germany helping out Greece. What we need is the same kind of mechanism that we have now imposed on Greece in order to monitor and survey eurozone countries. So the idea is to put all European economies under surveillance. You can expect some important decisions to be taken this week."

In a highly unusual move, the president of the European Central Bank, Jean-Claude Trichet, has broken off from a meeting of central bank governors in Sydney to return to Europe. Pressure on the euro eased, on hopes that the presence of the EU's senior economic policymaker would appease the markets.

Rumours that the French and German governments are ready to bail out Greece have been rife. The Greek Prime Minister George Papandreou will meet French President Nicolas Sarkozy tomorrow.

Mr Papandreou's centre-left government has announced a four-year austerity plan to tame its vast budget deficit. However, doubts remain about its chances. In a tragic-comic touch, Greece's tax collectors went on strike last week. Today all flights to and from Greece will be grounded by air-traffic controllers and strikes will also hit hospitals and schools.

Although not directly affected, as sterling is outside the eurozone, Gordon Brown will be worried that any weakness in the European economy could endanger the UK's recovery.

The concern being felt in the highest circles of the EU about the "contagion" sweeping through Greece, Spain and Portugal is also clearly displayed in Mr Van Rompuy's confidential note: "The crisis has revealed our weaknesses. Our structural growth rate is too low to create new jobs and to sustain our social systems."

Referring to the fact that the EU has no way to resolve a budgetary crisis that affects other members states, Mr Van Rompuy goes on: "Recent developments in the euro area highlight the urgent need to strengthen our economic governance. In our intertwined economies, our reforms must be co-ordinated to maximise their effect."

The European Stability and Growth Pact and the Maastricht Treaty were designed to prevent the sort of fiscal crisis that the eurozone is currently experiencing. Bailouts were ruled out as the treaty made it illegal for any nation to assume the debts of another.

The Maastricht rules – limiting member states to an annual budget deficit of 3 per cent a year and an overall national debt to a GDP ratio of 60 per cent – were swept away during the financial crisis. Even during the boom years, nations routinely disregarded them. In the future, Mr Van Rompuy states, "we will focus on the impact of national policies on the rest of the EU with special regard to macroeconomic imbalances and divergences of competitiveness".

The financial crisis comes as the EU's three presidents jockey for position. Mr Van Rompuy is permanent President of the European Council (the job once thought tailor-made for Tony Blair), while the Spanish premier, José Zapatero, is the President of the Council of the European Union and José Manuel Barroso is President of the European Commission. President Barack Obama recently snubbed a proposed spring EU-US summit out of frustration at having to deal with the confusing troika.

The summit will be held away from the usual redoubts of the Euro bureaucracy, in Brussels' Solvay library. "Van Rompuy wanted to create a far more intimate atmosphere without an army of advisers," a source said. "There are a lot of tensions between member states right now, which is why he decided to get them to talk in an open, friendly setting, starting with aperitifs. The idea is to have a proper brainstorming session and hear everyone's thoughts."

<http://www.independent.co.uk/news/world/europe/eu-presidents-secret-bid-for-economic-power-1894549.html>