

Greece loses EU voting power in blow to sovereignty

The European Union has shown its righteous wrath by stripping Greece of its vote at a crucial meeting next month, the worst humiliation ever suffered by an EU member state.

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A woman walks through the Athens stock exchange lobbyPhoto: REUTERS

The council of EU finance ministers said Athens must comply with austerity demands by March 16 or lose control over its own tax and spend policies altogether. If it fails to do so, the EU will itself impose cuts under the draconian Article 126.9 of the Lisbon Treaty in what would amount to economic suzerainty.

While the symbolic move to suspend Greece of its voting rights at one meeting makes no practical difference, it marks a constitutional watershed and represents a crushing loss of sovereignty.

"We certainly won't let them off the hook," said Austria's finance minister, Josef Proll, echoing views shared by colleagues in Northern Europe. Some German officials have called for Greece to be denied a vote in all EU matter until it emerges from "receivership".

The EU has still refused to reveal details of how it might help Greece raise €30bn (£26bn) from global debt markets by the end of June. Investors are unsure whether this is part of Kabuki play of "constructive ambiguity" to pressure Greece and keep markets guessing, or reflects the deep reluctance by Germany to be drawn deeper in an EU fiscal union. Greek bonds sold off as ten-year yields jumped to 6.42pc, but the euro rallied to \$1.3765 against the dollar as broader issues resurfaced in currency markets.

Jean-Claude Juncker, head of the Eurogroup, hinted that ministers have already agreed on a support mechanism, should it be necessary. It will most likely involve by bilateral aid by eurozone states. He said proposals for an IMF bailout - backed by Britain - were "absurd" and would shatter the credibility of monetary union.

Many Germans disagree, including Otmar Issing, once the backbone of the European Central Bank. He said an EU rescue for Greece would be fatal, arguing that unflinching rigour is the only way to hold monetary union together without political union.

Tuesday's EU verdict amounted to a thumbs down on Greece's earlier austerity efforts, viewed as too reliant on one-off measures and too light on spending cuts. Greece must reduce its deficit from 12.7pc of GDP to 3pc in three years. Greek customs officials expressed their anger by kicking off a three-day strike, the first of many stoppages set to culminate in a general strike next week.

However, premier George Papandreou has won support from key political parties and a majority of the people. Greece may yet surprise critics by mustering its Spartan Spirit.

<http://www.telegraph.co.uk/finance/financetopics/financialcrisis/7252288/Greece-loses-EU-voting-power-in-blow-to-sovereignty.html>