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Trichet calls for greater unification of euro zone

FRANKFURT

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E.C.B. chief proposes ministry to oversee spending by members

BY JACK EWING
AND NIKI KITSANTONIS

Jean-Claude Trichet, the president of the European Central Bank, stepped up pressure on European leaders Thursday to do more to prevent future financial crises, suggesting that they create a central finance ministry to oversee spending by countries that use the euro.

"Would it be too bold, in the economic field, with a single market, a single currency and a single central bank, to envisage a ministry of finance of the Union?" Mr. Trichet said in Aachen, Germany, where he accepted a prize named for Charlemagne, who united much of Continental Europe.

His comments came as Greek government officials and visiting representatives from the E.C.B., European Union and International Monetary Fund continued efforts to agree on new austerity measures that would include faster sale of state assets, tax increases and cuts to public-sector spending.

Mr. Trichet proposal seemed designed to give E.U. officials more power to dictate such measures in the future.

Since last year Mr. Trichet has been urging European political leaders to make a "quantum leap" in the way that the euro area is governed, to avert grave crises like the one caused by Greek debt. Mr. Trichet has often expressed disappointment that leaders have not gone further.

His proposal may reflect frustration that the E.C.B. has often had to take the lead in coping with the crisis caused by Greece, including buying Greek government debt on the open market and becoming the country's biggest creditor.

Mr. Trichet has so far refused to consider allowing Greece to restructure its debt, but other members of the E.C.B. governing council seemed to tentatively entertain the possibility Thursday that owners of Greek bonds might contribute to a solution.

"We have never refused every form of private-sector involvement in Greece," Vitor Constâncio, the vice president of the E.C.B., said in Aachen, according to Reuters.

Mr. Trichet said Thursday that a European finance ministry would not necessarily oversee a large budget but would be responsible for monitoring national finances and intervening in extreme cases. The ministry would also monitor whether countries are pursuing the right policies to be competitive, and oversee the European financial sector.

He acknowledged that the creation of such an entity would require a change in the E.U. treaty, and that there would certainly be a lengthy debate before any such ministry could be created. National leaders are usually very reluctant to cede power to the Union.

Chancellor Angela Merkel of Germany said Thursday in Singapore that members of the euro area need to work together more closely, a possible indication she would be open to Mr. Trichet's proposal.

"We want to further deepen the coordination of the key areas of economic p·'icies," she said, Reuters reported.

, he enters the final months of his term as E.C.B. president, after several trying years as the euro area's de facto crisis manager, Mr. Trichet appears to be pushing harder for permanent changes to the way the Union operates.

In a speech that quoted thinkers ranging from Immanuel Kant to William Penn, Mr. Trichet said that countries in trouble should first receive financial support and help getting back on their feet.

"It is appropriate to give countries ar opportunity to put the situation rig'

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Trichet calls for a ministry to monitor euro countries

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themselves and to restore stability," Mr. Trichet said, according to a text of his remarks. "But if a country is still not delivering," he added, "I think all would agree that the second stage has to be different."

In that case, E.U. leaders should have more authority over the actions of other members, he said. For example, they might be given veto power over spending by a troubled country or its economic policies.

Mr. Trichet did not mention Greece by name, but his comments came amid increasing doubt that the country was making enough progress in selling state-owned companies and other assets, ending rampant tax evasion, and taking other measures to modernize the economy and get debt under control.

A press officer for the Greek Finance Ministry denied Thursday that Greek officials and European envoys were having trouble agreeing on details of a new austerity program. "The negotiations are continuing; they are going well and are due to conclude in coming days," said the press officer, who under ministry rules could not be quoted by name.

Late Wednesday, the ministry expressed irritation at the timing of a decision by the credit rating agency Moody's to downgrade Greek debt, yet again while the talks were under way.

"Moody's decision to downgrade Greece comes as representatives of the E.U., E.C.B. and I.M.F. are in Greece to evaluate the country's economic program," the ministry said. The three organizations, known locally as the troika, last year pledged €110 billion, or $159 billion, in loans to save the country from default.

A review by troika inspectors of the government's overhaul efforts, also due for completion in coming days, is to determine whether Greece will receive the fifth installment of the original loan package, valued at €12 billion. Talks are also under way about the possibility of a second rescue package for Greece, estimated at €60 billion.

The troika's review of Greece's progress is to be the focus of talks Friday in Luxembourg between the Greek prime minister, George A. Papandreou, and Jean-Claude Juncker, chairman of the Eurogroup, a forum for the 17 members of the euro area.

Public opposition to the Greek government's austerity drive has been increasing over the past week, with daily protest rallies in front of Parliament that have been small by Greek standards but are growing.

The rallies in Athens and other major cities have been modeled on a Spanish campaign that brought thousands of mainly young protesters to city squares and have been organized through social networking sites without the involvement of labor unions, which usually lead Greek demonstrations. The protests had been peaceful in Athens until Tuesday night, when hundreds of angry protesters blocked the doors of Parliament, obliging the police to escort lawmakers to safety through a back entrance.

The country's main labor union, which is known by its acronym GSEE and represents around two million private-sector workers, has called a 24-hour strike for June 9 to protest growing pain from austerity measures and unemployment that is touching 16 percent.

Current events, Mr. Trichet said, show that European countries "can experience crises caused entirely by the unsound economic policies of others."

Niki Kitsantonis reported from Athens.

Spain meets bond target

Spain sold €4 billion of bonds Friday, meeting the maximum target the Treasury set for the sale, Bloomberg News reported from Madrid.

The Treasury said it sold €2.75 billion of three-year bonds at an average yield of 4.037 percent, compared with 3.568 percent the last time the securities were auctioned on April 7 and 4.118 percent on the secondary market before the sale. It also sold €1.2 billion of four-year debt at an average yield of 4.23 percent.

Demand for the three-year bonds was 2.49 times the amount sold, compared with 1.79 times last month.