

Dutch premier calls for EU enforcer with power to eject euro miscreants

By Peter Spiegel in London and Matt Steinglass in Amsterdam

The European Union should appoint a new budget tsar with powers to dictate taxes and spending in eurozone countries and who could ultimately adjudicate whether countries should be kicked out of the euro, the Dutch prime minister has argued.

Writing in the Financial Times, Mark Rutte and Jan Kees de Jager, his finance minister, said the new "commissioner for budgetary discipline" should have the authority to impose painful penalties on profligate eurozone countries, including the withholding of EU development funds.

But if countries continued to flout EU demands for spending

restraint, Mr Rutte's plan would force them to submit their budgets to the commissioner, who would have power of veto. Over the long term, Mr Rutte said, the eurozone should force countries to leave the euro if they did not abide by the commissioner's ruling.

"Countries that do not want to submit to this regime can choose to leave the eurozone," Mr Rutte and Mr de Jager wrote. "In the future, the ulti-

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mate sanction can be to force countries to leave the euro."

Mr Rutte's minority government is facing an increasing bail-out backlash and his hard-line rhetoric may be intended to shore up his position domestically. His cabinet governs with support from Geert Wilders' far-right Party for Freedom, which opposes all aid to Greece and terms it "throwing money over the dikes".

However, senior European officials say the Netherlands has become one of the most demanding countries in the negotiations over Greece, meaning domestic Dutch politics have a big influence over eurozone debates.

On Wednesday, Eyangelos Venezelos, Greek finance minister, announced a 20 per cent cut in government employees to

meet international demands for a tougher austerity programme. International lenders had quit Athens last week following disagreements over whether Greece was implementing the measures demanded by the EU and International Monetary Fund. At risk was an €8bn aid payment needed by the end of the month.

European stock markets rallied on Wednesday, with Germany's Dax up 4 per cent and the CAC 40 in Paris 3.6 per cent higher. Greek bonds, however, continued to sell off.

Additional reporting by Richard Milne

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Comment

Leaving the eurozone has to be the ultimate sanction

Mark Rutte and Jan Kees de Jager

The eurozone is in stormy waters. The turmoil in the financial markets shows no sign of abating. Tackling the debt crisis is complex and calls for several immediate measures. But amid our hectic day-to-day efforts to fight the crisis, we need to ask how we can guarantee a stable euro and prosperous Europe in the long term.

What is to be done? Our answer is that we must anchor the agreements we have made more firmly and take tougher action to enforce them.

We all know the saga of the past decade. Strict budgetary rules were laid down in the stability and growth pact, a no bail-out clause was included in the relevant treaty. So far, so good.

But the main cause of the current problems is that some countries played fast and loose with the very rules designed to guarantee budgetary discipline. Other countries allowed that to happen, and this took place at a time when the financial markets were being rapidly integrated. The result is that acute financial problems can spread from one country to another at lightning speed.

So what is to be done now? We must return to the anchors of the eurozone. The rules are still valid, but all participants must abide by them. If the eurozone is to survive in its present form as a stable currency union that supports the internal market and our prosperity, there needs to be radical break with the past.

Much has already been done. For instance, countries must clarify their budgetary plans at an earlier stage, look further ahead and be able to answer critical questions. This will make it possible to intervene sooner if necessary. We welcome

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these steps. But more is needed.

What we propose is twofold, and builds on the ideas already put forward by the French and German leaders. First, we call for independent supervision of compliance with the budgetary rules. Second, we believe that countries that systematically infringe the rules must gradually face tougher sanctions and be allowed less freedom in their budgetary policy.

Independent supervision requires a commissioner for budgetary discipline. His or her powers should be at least comparable to those of the competition commissioner. The new commissioner should be given clear powers to set requirements for the budgetary policy of countries that run excessive deficits. The first step is to require the country concerned to make adjustments to its public finances.

If the results are insufficient, the commissioner can force a country to take measures to put its finances in order, for example by raising additional tax revenue. At this stage sanctions can also be imposed, such as reduced payments from the European Union cohesion and structural funds, or higher contributions to the EU budget.

The final stage will involve preventative supervision, and the budget will have to be approved by the commissioner before it can be presented to parliament. At this stage, the member state's voting rights can also be suspended.

Countries that do not want to submit to this regime can choose to leave the eurozone. Whoever wants to be part of the eurozone must adhere to the agreements and cannot systematically ignore the rules. In future, the ultimate sanction can be to force countries to leave the euro.

That will require a treaty amendment and is therefore a measure for the longer term. It is not a sanction that can be applied at the present time. The measures we are proposing are designed to avoid a situation in which the ultimate sanction has to be imposed.

To sum up: an agreement is an agreement. From now on we must prevent countries from violating the rules with impunity and leaving other countries, which do observe the rules, to foot the bill. The agreements already made do not have to be scrapped. But the eurozone needs to introduce mechanisms to ensure that compliance with agreements is an automatic reflex rather than a political choice.

If we want to ensure a stable euro and a prosperous Europe in the long term, we must have the courage to provide the original architecture of the eurozone with firm anchors.

The writers are respectively prime minister and finance minister of the Netherlands