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Schäuble leads race to head Eurogroup

By Peter Spiegel in Brussels, Neil Buckley in London and Gerrit Wiesmann in Berlin

Germany's Wolfgang Schäuble has emerged as the frontrunner to take over the powerful Eurogroup of eurozone finance ministers, prompting criticism that Berlin controls too many European economic agencies and sparking a diplomatic land grab for other high-profile posts.

Mr Schäuble, who would stay as Germany's finance minister, has risen to the top after signs that Angela Merkel, the German chancellor, is actively backing his candidacy behind closed doors, say senior officials involved in the talks.

The growing consensus around Mr Schäuble has come as other leading candidates have been gradually eliminated. The term of Jean-Claude Juncker, the Luxembourg prime minister, in the chair ends in June but there had been growing sentiment to ask him to stay on as others were ruled out.

Mr Juncker's reappointment is viewed by some as untenable amid an unexpected push by northern, triple A rated countries to put another Luxembourger, central bank governor Yves Mersch, on the six-person executive board of the European Central Bank, a job originally earmarked for a Spaniard.

Candidates

Wolfgang Schäuble, German finance minister: Now has backing of Angela Merkel, German chancellor, making him the frontrunner. Officials say some peripheral countries object to his appointment but only France has the power to block, and Paris's opposition has waned.

Jean-Claude Juncker, Luxembourg prime minister: Although he wants to leave when term is up in June, senior officials believe he could be convinced to stay. The appointment of fellow Luxembourger Yves Mersch to the ECB's executive board next

The Eurogroup has emerged as one of the most important European Union institutions during the sovereign debt crisis, with the ministers meeting almost weekly at its height to set policy on bailouts, rescue funds and eurowide fiscal policy. The Eurogroup president and Olli Rehn, the European Commission monetary chief, have evolved into quasi-finance ministers for the single currency.

Mr Schäuble's rise has again pitted triple A countries against the shakier south, especially since Germans head two other top European agencies – the eurozone's €440bn rescue fund, chaired by Klaus Regling, and the European Bank of Reconstruction and Development, headed by Thomas Mirow.

Berlin had signalled that it was willing to give up the EBRD post when Mr Mirow's four-year term ends this year, ceding to Philippe

week could prevent reappointment.

Mario Monti, Italian prime minister: For many, the perfect candidate. Respected economist from a southern country highly regarded in the triple A north. But he has said doing the job alongside his current duties is impossible and officials said he was never a serious candidate.

Jyrki Katainen, Finnish prime minister: Like the current chief, a prime minister from a small eurozone country with experience as a finance minister. But he was rejected as too hardline for peripheral countries and his appointment would put two Finns in the eurozone's most powerful jobs. Olli Rehn, the European Commission's monetary chief, is Finnish.

Jan Kees de Jager, Dutch finance minister: Because the eurozone's triple A rated countries are relied on heavily to finance bailout loans for struggling countries, most candidates under consideration come from there. The Dutch are close German allies and hold no top jobs but De Jager's government could soon fall and senior officials said other ministers believe he is too abrasive.

Maria Feckter, Austrian finance minister: Like De Jager, a finance minister from a triple A country without many other top jobs. But Thomas Wieser, an economist and veteran of Austria's finance ministry, was just named permanent head of the "euro working group" of senior eurozone finance ministry officials. Also, Ms Feckter is not viewed as a firm hand. "She's a loose cannon," said one senior official.

de Fontaine Vive, the Frenchman who is number two at the European Investment Bank.

But Mr Mirow, a member of the German opposition Social Democrats, is trying to secure a second term without Berlin's explicit backing, complicating the transition. In addition, some of the EBRD's 65 countries are annoyed that the leadership of a non-EU bank is being dictated by eurozone jockeying, creating a potentially open contest for the job for the first time.

The UK is proposing Sir Suma Chakrabarti, a senior civil servant and former development official. Poland has put forward Jan-Krzysztof Bielecki, former prime minister, while non-EU member Serbia has proposed Bozidar Djelic, a former deputy premier.

The dust-up has thwarted Paris's ambitions: the French government believed it had secured the EBRD job after striking a deal to allow another German, Werner Hoyer, to head the EIB.

The EBRD uncertainty has put the focus on Mr Regling, who was expected this summer to head the European Stability Mechanism, a new permanent €500bn eurozone rescue system. Two senior officials said Ms Merkel was willing to give up the ESM job if Mr Schäuble becomes Eurogroup head.

Mr Regling's potential demise has led to a scramble to replace him, with several officials saying Xavier Musca, chief of staff to Nicolas Sarkozy, the French president, and former head of the French treasury, had emerged as a dark-horse candidate.

Other officials however said Spain could be awarded the job because of its loss of the hoped-for ECB post to Mr Mersch. Luis de Guindos, the Spanish economy minister, said this week that Madrid would be willing to cede the ECB job as long as it was able to put someone in one of the other upcoming openings.

Additional reporting by Ralph Atkins in Frankfurt