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Commission barks up the wrong tree

Just like a teacher with her less disciplined pupils, the European Commission has handed out its reports to the 12 EU countries it believes are guilty of macroeconomic imbalances. These documents – which will be discussed at the next European Council – include recommendations that, if not acted upon, could lead to the imposition of financial sanctions.

In principle, the decision to look at indicators that go beyond the fiscal position of the individual member states is welcome. The crisis was a product of private as well as public sector imbalances and it is only by recognising the importance of both that the eurozone can hope to find a way out of the woods.

But in spite of this encouraging step, the commission has failed to show it fully understands that imbalances are a two-way problem. Too large current account surpluses are as damaging as excessive deficits. And yet, when the commission chose which countries to single out for further analysis, it used criteria that are skewed against the countries in deficit.

As a result, for all the impressive paperwork produced, the reports say little about one of the eurozone's main problems: Germany's large current account surplus. This was – some would say unsurprisingly – just below the 6 per cent limit that is considered worthy of attention.

Having ignored the real elephant in the room, the commission could then concentrate on Brussels' all-time favourite – the fiscal state of individual countries. But even here, the analysis presented is not fully convincing.

Take the case of France. The commission seems determined to enforce the deficit target agreed for 2013. But this is barking up the wrong tree. France's priority should be to draw a medium-term plan of fiscal consolidation and structural reforms, not to rush through a set of immediate austerity measures that risk choking off its already struggling economy.

To be fair, Olli Rehn, the EU's economic affairs commissioner, opened the door to an extension of the 2013 deficit target for Spain, provided it presents a credible plan of fiscal consolidation. But while politically and economically wise, this move was somewhat overdue.

The message the commission is sending about Spain shows it can be sensible when assessing the problems of the eurozone. But until it is willing at least to identify all of the currency bloc's problems, it will do little to help to find a meaningful and long-lasting solution to the crisis.