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Brussels sees only Italy and Greece missing euro goal

FROM MICHAEL DYNES IN BRUSSELS

THIRTEEN European Union countries, including Britain, are on course to meet the key economic target for participation in the European single currency when it is due to be launched in 1999, leaving only Italy and Greece out in the cold, the European Commission announced yesterday.

Painting a rosy picture of the prospects for the single currency, the Commission said that all 13 countries should have reduced their annual public deficits to less than 3 per cent of gross domestic product, thereby meeting the main economic criteria set by the Maastricht treaty.

The Commission's annual spring forecasts predicted that Germany and France, the economic powerhouses of economic and monetary union, will just meet the criteria this year, with public deficits of exactly 3 per cent of GDP. Similarly, Spain and Portugal would squeeze past the 3 per cent mark, while Britain's public deficit is forecast at 2.9 per cent.

The forecasts brought alarming news for Italy, one of the countries most eager to be in the first wave of single currency members. Brussels predicted that it would have a 3.2 per cent public deficit for this year, which will fuel existing fears of a conspiracy among German bankers to delay the participation of Rome in the single-currency experiment.

Although the Commission said that there was a fair chance Italy would be able to meet the 3 per cent target by next year, when the decision will be made on who joins the first wave, the forecasts nonetheless implied that this was unlikely.

Publication of the Commission's forecasts, which independent financial analysts insist are drafted under political pressure, were delayed for more than an hour because of a protracted debate among the commissioners. It is understood that Emma Bonino, the Italian Commissioner, was furious over the Commission's pessimistic view on Italy.

Dismissing suggestions that the Commission had massaged the figures to put the best possible gloss on the prospects for the single currency, Yves-Thibault de Silguy, the Economic and Financial Affairs Commissioner, said he believed "that a majority of member states will meet the requirements for participation in the euro".

Asked how it was possible for Germany and France to meet the 3 per cent target when other international forecasters, including the International Monetary Fund, had predicted they would have public deficits in excess of 3 per cent, M de Silguy insisted: "There is absolutely no question of any sort of trading or tinkering with the figures."

Defending the integrity of the Commission's forecasts against a barrage of hostile questioning, M de Silguy said "any government can cry, moan, roll on the ground or whatever. It seems to me that the first duty of the Commission is to safeguard the credibility of the Commission and its departments" from political pressure.

M de Silguy also said that any postponement of the single currency would be legally and practically impossible, because any delay to the 1999 timetable would precipitate legal action from large banks and businesses which have invested billions in preparation for monetary union.