

FABIUS WILL USE FRANCE'S EU PRESIDENCY TO GIVE FINANCE GROUP 'GREATER VISIBILITY'

Paris to seek more Euro-11 influence on single currency

By Robert Graham in Paris

France, backed by Germany, is to use its imminent presidency of the European Union to boost the influence of the Euro-11 group of euro-zone finance ministers over the single currency, according to Laurent Fabius, the French finance minister.

"We intend to reinforce the role of the Euro-11 and give it greater visibility," Mr Fabius told the FT in his first newspaper interview after two months in office.

In a first step - France takes up the EU presidency next month - the Euro-11 will hold an informal dinner on Sunday night in Luxembourg before the Monday meeting of EU finance ministers.

France is anxious to convey to the markets an impression of leadership of the euro after

months of weakness in the currency.

Plans to strengthen the Euro-11 will cause unease among the countries outside the euro, especially Britain.

The British government is happy with using the committee as a forum for discussing the euro, but any move towards establishing the Euro-11 as a decision-making body would be fiercely resisted.

London has argued all significant macro-economic policy decisions should be hammered out within Ecofin, the group of 15 EU finance ministers.

Mr Fabius was careful not to tread on the role of the European Central Bank in managing monetary policy. But he pointed out: "The euro is not just a monetary sphere. It also has political implications.

"The Euro-11, as a political and economic steering group of the countries that share the same currency, has a part to play in fostering a better understanding and co-ordination of the economic fundamentals of Euro-land."

The 11 have used a pre-Ecofin dinner in the past but much of the impetus behind forging a politico-economic role for the Euro-11 was lost with the sudden resignation in November of Dominique Strauss-Kahn as French finance minister.

The weakness of the euro, - coupled with the prospect of at least Greece joining the single currency in the near future, has increased pressure to recover the momentum set in motion by Mr Strauss-Kahn.

Mr Fabius said: "We want to make this a regular feature so as

to co-ordinate our policies more closely."

There is as yet no agreement whether a communiqué or declaration should be issued after such informal sessions attended by ministers and only one aide.

Mr Fabius says boosting the Euro-11 will be an important goal of the forthcoming French presidency of the EU.

It will also be a demonstration of the Franco-German desire to "deepen" co-operation among member states in specific areas ahead of enlargement.

One of the first concrete issues the Euro-11 will face is that of an improvement in co-ordinating their statistics and key economic indicators.

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Fabius sees himself as problem-solver

By Robert Graham in Paris

After scarcely two months at the helm of the French finance ministry, Laurent Fabius has shown he has lost none of his political skills during his long period out of office.

Mr Fabius, who served as prime minister from 1984 to 1986, has defused the issue of overhauling the finance ministry, which led to the downfall of Christian Sautter, his predecessor, and achieved an honourable compromise with the Communists and hardline Socialists over how to tax stock options.

He is now steering a tricky political passage over the forthcoming award of France's third generation mobile phone licences, between the advocates of a potentially lucrative auction and supporters of a "Franco-French" solution, which would protect national champions: a decision is due next week.

Having inherited the ministry almost three years into the administration of prime minister Lionel Jospin - and with two years left before a general election - the 53-year-old former Socialist premier has limited scope to initiate big ideas. In his first newspaper interview, Mr Fabius emphasises he has to take a very pragmatic stance.

"My job is problem-solving," he says. "Problem-solving is the role of a minister: it requires intuition and leadership - otherwise the job could be done by any civil servant."

This approach has tended to contradict the numerous commentators who forecast that the long-standing factional rivalry between Mr Fabius and Mr Jospin would create an uneasy co-existence. Fabius loyalists account for a quarter of the Socialist deputies; but the new finance minister has sought to be a team player.

"More jobs; less taxes" is his snappy mission statement. This is short-hand for saying that economic growth and the fall in jobless should now be sustained by easing the fiscal burden and more



Laurent Fabius: uses the phrase 'more jobs, less taxes' as his mission statement

the private sector," he says, believing this to be an element favouring reform.

He is focusing on building up the pension reserve fund started last year. The next step, he says, will be to decide whether the government transfers just the dividends of state stakes in companies or the shares themselves. The forthcoming telephone licence monies are also likely to be used to swell the fund.

Arguably Mr Fabius's political weight will be more noticeable in the short term on the European stage. He has assumed the task of raising the profile of the euro-11 group of countries during the forthcoming French EU presidency and giving greater political backing to the single currency before its full introduction in 2002.

"We intend to reinforce the role of the euro-11 and give it greater visibility," he says. He is well aware that ever since the sudden resignation of French finance minister Dominique Strauss-Kahn in November 1998, efforts to develop the euro-11 as an informal co-ordinator of macroeconomic policies in the euro-zone have been disappointing.

"The euro is not just a monetary sphere; it also has political implications," he insists. Thus he wants to see the euro-11 develop into a steering group. Working closely with the Germans, the reinforcement of this grouping is intended to be an example of the Franco-German aim to deepen co-operation within the EU in specific areas.

To set a real example, Mr Fabius will have to meet criticism from France's euro-zone partners that too little is being done during a period of high growth to cut the budget deficit and trim public spending. He shrugs off this criticism: "France is playing its part in reducing its budget deficit and complying with the stability pact - some countries are ahead of us, others behind."

But this is a polite way of defending the fact that the government is already in an electoral mode.

emphasis on the supply side.

His task is helped by unemployment, which fell last month below 10 per cent, and the level of household confidence. Indeed he observes: "France is changing more rapidly, more deeply, than conventional wisdom abroad has perhaps yet to fully realise."

On the jobs front he has two concerns. "There are problems at two ends of the spectrum - we have a shortage of well-qualified people in the very high technology field and a surplus of older people used to unskilled jobs or young without any training." As for taxes, he wants

to lower social charges to ease employment costs.

He has yet to commit himself on whether the government will make a broader fiscal gesture to gain middle class votes. But he seems anxious to break down the antagonism between the government and the business community fostered by the imposition of a 35-hour week. "I have good ties with the business world," he says unashamedly.

Yet this has not stopped him getting on well with Martine Aubry, the labour minister, who has cultivated the support of the unions and promoted the 35-hour

week. The tussle between finance ministry and labour ministry, the two big ministerial fiefdoms, was a large feature of the first two years of the Jospin government.

As part of being a team player, Mr Fabius has dropped in public discourse the "Blairite" ideas he floated out of office. He has been especially cautious over whether the sensitive issue of pension reform should be tackled head on before the next election.

"Public attitudes seem to be evolving towards acceptance of the need to bring the public-sector pensions systems more into line with

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