The Tokyo Chunichi Newspapers
23 October 2011

As Europe's Eurozone seeks resolution to bring about an end to its interminable financial crisis, its latest summit, already postponed, must overcome deep divisions between France and Germany. European politics, built on the basis of consensus, are again struggling to keep up with the rapid, moment to moment changes of the market.

Nobuhiko Ariga

Jean Claude Trichet, the departing head of Europe's central banks this last week called for a ‘quantum-leap' in the Eurozone's governance. However, despite similar tub-thumping in the past, the Eurozone has repeatedly shown itself to be fragmented and inept in crisis management.

The latest wrangle to put pay to progress is that between France and Germany over how best to expand the EFSF. But it doesn't even take a powerhouse Eurozone state to bring the negotiation house down. Plans approved by European leaders at home, must also be approved by home parliaments. Slovakia, a tiny national in economic terms, came very close to undermining Europe's entire rescue plan when a parliamentary vote took down the coalition government there.

Some Eurozone leaders and Brussels’s bureaucrats are therefore looking at the possibility of centralising greater financial powers at the expense of sovereigns. A more centralised organ would not only be able to control wayward spending of the less disciplined states, but also coordinate a more rapid response in times of crisis.

“I think a solution like Trichet's could be very effective. But will it fly? Unlikely,” says Professor Featherstone of the LSE's European Institute, “The big problem will be Germany as its constitutional court has set very clear parameters to the extent to which Germany can participate in the Eurozone. It is more likely that a set of (weaker than Trichet's proposal) discipline measures already on the table [the six-pack] will be accepted but in many ways these are insufficient to fully manage the crisis."