

EUROPE'S POWER BROKERS



Six power brokers who hold
Europe's fate in their hands

The Deciders

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THE EDITOR: NIKOLAS BLOME

Nikolas Blome is one of the most powerful journalists in Europe. Chief political correspondent and deputy editor of Bild, continental Europe's most widely read daily newspaper, he commissions stories that attract some 12 million readers.

Few newspapers have been as influential in shaping German public opinion as the tabloid-style Bild, which has run inflammatory headlines and colourful front page articles about Greek waste and corruption that are deeply sceptical of Europe's rescue attempts.

"Greece is one of the most important issues we've dealt with in the last couple of years and because it affects the euro it's an issue that touches everyone," said Blome, 48, who defends his conservative political views in a weekly TV talk show.

He bristled at the suggestion that Bild has tackled Greece harder than other newspapers in Germany. "It's not just a topic for Bild newspaper. It's a topic for every newspaper."

Bild began reporting extensively about Greece early, running heavy coverage two years ago that some analysts say reinforced the German government's initial reluctance to intervene in the country's meltdown.

For Germans who have seen many of their social welfare benefits scrapped in a decade of belt-tightening, stories about Greek tax dodgers and pensions paid for years to dead people were incendiary. Bild's articles stoked public anger in Germany and fuelled taxpayer opposition to big bailout cheques.

"We were sceptical from the very start. The essential problem is that new multi-billion euro rescue packages are only short-term help. In my mind the problem won't be fixed with constant rescue programmes," Blome said.

The paper, he said, has a "clear editorial consensus that Greece is not going to be rescued the way this is going and that it



CAMPAIGNER: Blome, chief correspondent and deputy editor of German newspaper Bild, believes Greece should leave the euro. REUTERS/BILD/HANDOUT

should probably leave the euro zone at least for the time being. Greece needs a currency devaluation, a new currency, a new drachma. That's the fastest and best way to restore the country's competitiveness. That's a view shared by everyone at the paper."

Bild has given a lot of space to Hans Werner Sinn, president of the Ifo institute think tank and a leading economist who regularly calls for Greece to leave the euro zone. Once isolated and viewed as somewhat absurd - Finance Minister Wolfgang Schaeuble criticized his opinions as nonsense - Sinn's views are more mainstream now, thanks in part to Bild.

The paper's coverage has also touched on the comical. Stories demanding that Greece sell its islands and its Acropolis to raise money made it into newspapers and broadcasts in scores of different languages

around the world and prompted several German politicians to demand Greece sell public assets.

"We didn't want to make fun of the Greeks with that story but we wanted to point out in a striking way what the problem is," Blome said. "If you're serious about reducing debts, then start privatizing. Then you've got to sell off public assets, just like other countries are doing. But Greek politicians felt that we were attacking their sovereignty. What nonsense!"

Blome, whose earlier career took him to Brussels as a correspondent, said many political leaders in Germany agree with Bild's take.

"There are a lot of people (in the government) who tell us privately that in the long or short term Greece is going to have to leave the euro zone. The government's official policy is, of course, different."

Blome said he and Bild editors realise a Greek exit from the euro zone could well lead to more turbulence - one of German Chancellor Angela Merkel's main arguments against it - but believes the current proposals won't work.

Bild, he said, is no more campaigning than any other German newspaper.

"I can't really identify with that 'campaign' accusation," he said. "What's true is that we've tackled this issue a lot and we have a clear opinion. If that's a campaign, go ahead and call it that. But also call the coverage of the (conservative) Frankfurter Allgemeine Zeitung a campaign, and the same goes for the (liberal) Sueddeutsche Zeitung newspaper, and Der Spiegel magazine."

Whatever else, Blome hopes Greece gets back on its feet.

"I hope they get a government that understands that there can't be any more money from other euro zone countries. I hope Greece gets its act together. But I don't think they're going to do it inside the euro zone."

THE CRISIS MANAGER: JOERG ASMUSSEN

Putting out fires is nothing new to European Central Bank board member Joerg Asmussen. His dad ran the local fire brigade when he was a boy: a round-the-clock job that required a cool head.

Now, the 45-year-old German official is considered one of the most efficient crisis managers in the euro zone, a veteran of Europe's sovereign debt and wider financial crises and a key government advisor on future challenges facing the region.

Still, he told Reuters: "Hectic people make me nervous."

His approach is to stay calm, gather data and evaluate, to determine his goal and decide how to get there.

"A good crisis manager is not hectic himself," he said. Decisions must be made "calmly, even if you are under pressure."

"You've got to know in advance exactly what your bosses want...and when you reach a point where you touch the line, you've got to pick up the phone," Asmussen said. "You can't shy away from getting someone out of bed at 2 a.m."

That calm under fire is one reason why Asmussen has enjoyed a meteoric rise through the ranks since joining the German finance ministry as a junior advisor in 1996, and why he counts among his patrons Chancellor Angela Merkel and Finance Minister Wolfgang Schaeuble despite his membership of the opposition Social Democrats.

Asmussen was appointed German deputy finance minister in mid-2009 and since January has worked at the ECB, where he is responsible for the bank's international and European relations - code for crisis management.

So far he has shaped policy as a back-room negotiator but is now becoming more visible.

"You get one task. If your bosses think

you've done reasonably well, you get the next," he said.

Asmussen's first portfolio at the finance ministry was the 1997 Asian financial crisis, which he says prepared him well.

"The Asian crisis was a good learning phase because of the cooperation with people who had known this kind of thing for a long time," he said. "Back then Juergen Stark and Klaus Regling headed the finance ministry's crisis team."

Personal contacts are crucial.

"The chemistry among the key players is extremely important. Independently of all the empirical data that you can study, you need to have a gut feeling for the people you're dealing with because sometimes you're operating all around the globe."

In his last years in the finance ministry, there were few German crisis meetings without Asmussen - either in the second row or in the room next door - on topics from Germany's banking rescue fund to the panel that decided carmaker Opel's future.

"Every minister and head of state or government has about five people he or she really trusts. There are always a hundred people who say they've spoken to the minister who wants this or that and that's why we have to act. My experience is those who have really spoken to the minister don't say it."

Aside from the daily fire-fighting, Asmussen thinks Europe's medium-term future poses more challenging questions.

"Further integration, fiscal union, banking union, democratically legitimate political union - we've got to achieve that and we have to have an open public debate on that because those are basic questions of our social order. You can't do that in the back room."

“You get one task. If your bosses think you've done reasonably well, you get the next.”



CRISIS MANAGER: Asmussen, ECB Executive Board member, says decisions should be made calmly. REUTERS/ALEX DOMANSKI

His job, Asmussen said, is not all that different from his father's.

"If there was a fire anywhere on Christmas Eve, the phone would ring and my dad would go to work."

His own family is relaxed about his duties, says Asmussen, even though he missed the birth of his second daughter because of the 2009 financial crisis, and interrupted his summer holiday last year to attend a crisis meeting in Brussels on Greece.

And despite the pace, he finds it easy to switch off.

"Whenever I have the opportunity to sleep, I sleep well. At most my two daughters keep me awake."

THE SHERPA: ANTONIO JOSE CABRAL

From his office on the 13th floor of the European Commission, Antonio Jose Cabral can look out over the rooftops of Brussels' 'European quarter' and the institutions tackling Europe's debt crisis - if he finds the time.

As senior adviser to Commission President Jose Manuel Barroso and his chief diplomatic envoy, or 'sherpa', to the G20 countries, Cabral is a critical behind-the-scenes player in Europe's crisis-management machinery.

A 24-year Brussels veteran who began his career in the Portuguese central bank and finance ministry, Cabral has spent the past two years as Barroso's point-man



VETERAN: Antonio Cabral, senior adviser and chief diplomatic envoy to Commission President Jose Manuel Barroso, keeps track of a wealth of information. **REUTERS/LAURENT DUBRULE**

analysing and trying to solve the spiralling problems that have struck down Greece, Ireland and Portugal and now threaten Spain and Italy.

It is a job that requires attention to developments in financial markets and the mood in capitals across Europe, keeping Barroso "permanently informed", briefing him ahead of meetings with heads of state and government, and liaising with his global G20 counterparts, from Washington to Mexico City.

"Days are long, and there is a consequence to that," he said wryly, adding after a pause: "Nights are short."

This year alone he visited Mexico half a dozen times to prepare for this week's G20 in Los Cabos, where the euro zone and Greece were central to the discussions.

For Cabral, managing the crisis requires distilling a wealth of information down to its essence. It is about focusing sharply on the immediate, while never losing sight of the longer-term vision of economic and political integration that some of Europe's leaders are trying to bring about.

At the same time, the role involves explaining in detail the actions Europe is taking, especially to G20 colleagues, and reassuring them that efforts are moving in the right direction.

"It works with persuasion, patience... there are different levels," he said, explaining that he has just had a meeting with his South Korean counterpart, then held another with his own staff on how to negotiate a better position for the EU in the G20 communique - which was intensively haggled over.

Paintings and photos of Lisbon hang on the walls of Cabral's quiet, orderly office. His desk is laden with blue A4 files. A volume entitled "The Euro" sits on a cabinet shelf among books on art and history. A fan of Tintin, Cabral owns several rare editions

of the Belgian boy reporter's adventures.

Asked which moment during the crisis gave him most cause for concern, he paused before replying: "So far I have been able to sleep well". But then he mentioned the G20 summit in Cannes in November 2011, when Greece looked on the brink of leaving the euro zone, and the turbulent weeks that followed.

"The last two months of 2011, they were difficult," he said, listing concerns about the amount of debt Europe was due to issue, new governments in Spain and Italy, doubts about Greece's debt restructuring deal and the euro zone's financial 'firewall'.

"The pressure was immense," he said. "I advised President Barroso at the time that the concerns were a bit overdone, and I think reality showed that it was the case."

Asked whether he has ever been worried that the euro might collapse, there was no hesitation: "Never. That I have never doubted and I continue not to doubt. That's not only my conviction, but my determination."

Cabral was already a senior official in Brussels when the euro was introduced and regards economic and monetary union as part of his DNA. But he is careful to check the dreams of policymakers with the hard reality of integration.

"Having a vision is okay, but if you do not blend vision with realism, you might be adding to the problem rather than the solution," he said, explaining that steps needed to be carefully thought through before they are taken, even if they seem obvious.

"We must do it in a way that we are not trapping ourselves."

Barroso, he said, is a fast learner who has immersed himself in the complexities of international finance.

"Sometimes I tell him he can get rid of me because he knows as much as I do at this point," said Cabral. "But I think my presence is useful."

THE PROTESTOR: IVAN AYALA

It has no formal structure, no clear leaders and no official spokesperson. Yet the “Indignados” movement remains a potent force in Spain, where protests against the handling of the economic crisis continue.

In mid-2011, the Socialist government of Jose Luis Rodriguez Zapatero began sinking billions of euros into Spain's failing banks and imposing spending cuts, the likes of which had not been experienced for at least a generation.

Tens of thousands of people reacted by camping out and rallying for weeks in town squares in spontaneous protest against the country's economic and political system. That helped spark the global “Occupy” movement.

Ivan Ayala, a 31-year-old university researcher in macroeconomics, joined the Indignados (Indignants) movement, as it became known, soon after protests began.

Frustrated with Spain's political parties, he started going every day after work to Madrid's main square, Puerta del Sol, to participate in the movement.

A year on, the Socialists have been voted out, but unemployment is still around 25 percent and the country has accepted a 100 billion-euro bailout for its banks. Ayala continues to meet at least twice a week in a public square to debate economic policy with the group, also called 15-M after its May 15 beginning, which continues to organise regular demonstrations against banks and the government.

While 15-M is not a political organisation, Ayala sees it as a social force holding politicians to account, affecting public policy and giving a voice to hard-up taxpayers and the unemployed. He likens it to social movements of the past, such as that demanding votes for women a century ago.

The group has achieved some concrete change. After months of 15-M protests against evictions of poor families who had defaulted on their mortgages, the government

cajoled banks into signing up to an ethical code intended to delay evictions by two years in cases of families with no income.

Ayala, who runs his own business in Madrid exporting ethical products such as food and make-up, is sceptical that the euro zone's promised bailout of Spanish banks will stem the crisis. Like many critics of the euro project, he believes its foundations are flawed because of the diverse nature of the economies it has sewn together.

“Independently of the financial crisis, the euro crisis would have happened - it has just brought it forward,” he said. “The solution would have been to not have gone into the euro.”

He likened Spain's membership of the single currency to “sleeping with a gorilla”.

“The gorilla is Germany, which has a different income, a different economic structure, very strong industry. Spain enters in this context and loses all its economic tools like the exchange rate.”

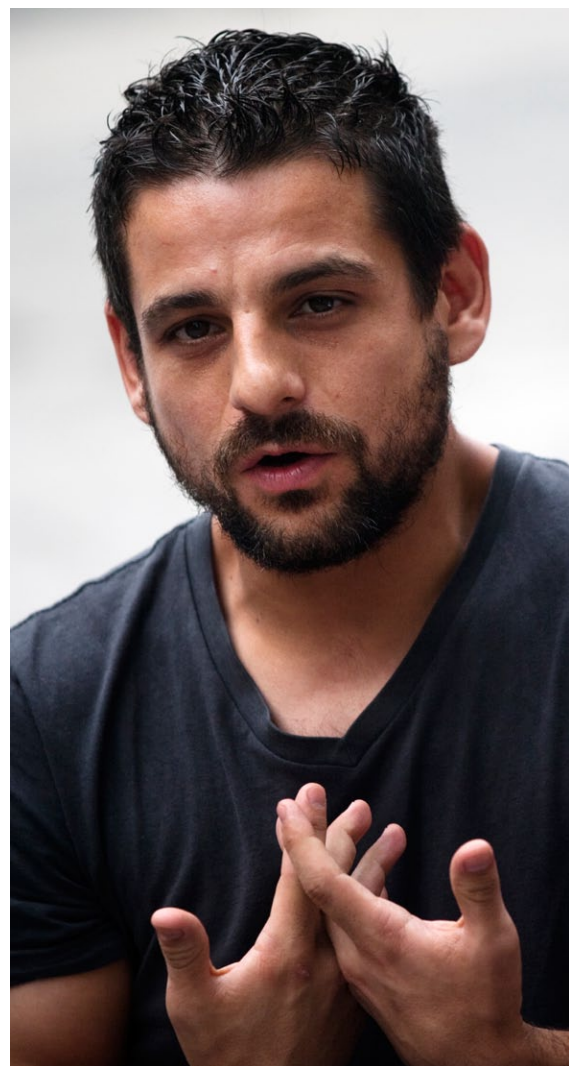
Without giving the ECB the power to buy sovereign debt on the primary market, austerity measures in the region will fail to stem the crisis and could lead to the break-up of the euro zone, Ayala said. He views the prospects for Spain as grim.

“As Europe is at the moment, the euro is impossible to maintain because Spain is condemned to two, three lost decades, as Latin America was. I think they are going to throw Spain out of the euro and in the end it will be a relief.”

Without the ability to let its currency devalue, there is a risk Spain will have to force salaries down to levels intolerable for a country where one in four is already jobless.

Ayala and other Indignados are not prepared to let that happen.

Most recently, 15-M raised money to file a legal case against Spain's fourth largest bank Bankia, being bailed out by 23.5 billion euros of public money. The case names



SCEPTIC: Protester Ivan Ayala, a 31-year-old university researcher, does not believe the bailout of Spanish banks will stem the crisis. **REUTERS/SUSANA VERA**

former Bankia chief Rodrigo Rato, who is also a former Spanish economy minister and former managing director of the IMF.

“We need to go to politicians' homes, to shout, to bang pots and pans in front of all those politicians we suspect of having followed or following austerity policies that remove doctors or education,” Ayala said.

THE BANKER: DOUGLAS FLINT

If fixing the euro zone crisis requires an accountant's precision and calmness, the new head of the global banking lobby group is in a good position to help.

Douglas Flint holds the chairmanship of the Institute of International Finance (IIF), which represents more than 450 financial firms and led creditors in the deal to restructure 206 billion euros of Greek debt this year.

The 56-year-old Scot, also chairman of HSBC, is seen as a low-key networker with strong contacts across the banking industry and in governments after 17 years at Europe's biggest bank, which has operations in 85 countries.

Far removed from the brash image of big-spending bankers, he was once reported by Britain's Times newspaper as saying: "He who shouts loudest shouldn't necessarily get noticed."

Flint took the IIF role from Josef Ackermann, the former boss of Deutsche Bank, who joked in his departing speech that his timing "might be perfect" as he handed over the reins.

Ackermann was the key go-between as German Chancellor Angela Merkel put pressure on Greece's creditors to take bigger losses.

With no end in sight to the euro zone crisis the IIF is likely to remain a central player. Flint believes restoring confidence in the euro zone project is crucial, and leaders need to get citizens to "buy into the vision."

"People want austerity and they want growth, so part of it is leading people to the understanding it's not a toggle switch between austerity and growth," he told Reuters shortly after taking over as IIF chairman, at a meeting in Copenhagen.

Though Flint was criticised for his role supporting HSBC's disastrous 2003 purchase of U.S. sub-prime lender Household - saddling the bank with billions of dollars



LOW-KEY: Head of global banking lobby group the Institute of International Finance, Douglas Flint, says European leaders must restore confidence in their vision. REUTERS/BOBBY YIP

of losses - the bank avoided government bailouts and emerged from the crisis in better shape than rivals thanks to its prudent approach to capital and liquidity. It is now undergoing its own austerity programme, cutting costs to boost profits.

Flint is also regarded as an expert in complex regulatory and accounting issues. He has served on the International Accounting Standards Board (IASB) and in 2008 co-authored a report, "Containing Systemic Risk", with Goldman Sachs

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Bank USA Chairman Gerald Corrigan.

It will serve him well in the current environment. Regulatory changes are fast approaching and euro zone governments are clamping down hard in an effort to make their lenders watertight in the event of any further financial storms.

Flint has been a vocal critic when he considers reforms to be going too far. But he also sees that there is work to do.

"The benefits of the single market and a material economic union - to have a one-stop negotiation with the other significant unions like the United States, Asia, Latin America and the Middle East - are so obviously apparent," he said.

"The challenge is to lead people to understanding there are difficult choices. We want all the benefits of the single market and now we might have to address some of the bits that haven't been finished."

THE NETWORKER: JENS WEIDMANN

The telephone in the office of Bundesbank President Jens Weidmann rarely stops ringing.

With two secretaries and a special advisor on hand, he takes only the important callers himself. But these days almost all the callers are important: German Chancellor Angela Merkel, fellow central bank governors and top foreign politicians all want Weidmann's views on the future of the euro zone.

He hardly gets a chance to come up for air between talks with decision makers in Europe and central bankers in the United States wanting to know the latest developments. Such calls can turn into heated debates.

"Critics on the other side of the Atlantic are of the opinion the ECB (European Central Bank) should follow the example of the Federal Reserve and buy more government debt. But we are not a federal state and not even the Fed buys debt from California or Florida," he said.

Four years of uninterrupted turmoil has turned a rigid routine into spontaneous clusters of emergency conference calls and rapidly-arranged get-togethers. Weekends and late night calls have become part of the routine, putting a strain on officials.

Weidmann's predecessor, Axel Weber, and his compatriot Juergen Stark - the ECB's chief economist at the time - decided to quit last year in protest at the ECB's purchases of troubled euro zone debt.

Others, like Weidmann's former ECB colleague, Jose Manuel Gonzalez-Paramo, whose term on the Executive Board expired in May, look forward to re-adjusting their work-life balance, which Gonzalez-Paramo said was tilted "in the wrong direction".

"You really don't know whether you have a weekend or not," Gonzalez-Paramo said. "You go somewhere and you stay all day long on the phone or on your laptop.



HOTLINE: The new German central bank (Bundesbank) president Jens Weidmann is regularly telephoned by European and U.S. decision makers. **REUTERS/KAI PFAFFENBACH**

This, I hope, is for some time at least over."

Weidmann has frequently said that he had no plans to follow in his colleagues' footsteps.

With growing doubts whether the euro zone can survive in its present form, planning for the worst case has become essential.

The Bundesbank has reactivated the task force it used in 2008 to manage the rescue of German banks IKB and Hypo Real Estate. Weidmann's advisers gather information about German banks' exposure to Greece - and to Portugal, Spain and Italy, the countries seen as most vulnerable if Greece left the euro zone.

The Bundesbank president stays in close contact with his ECB colleagues, including ECB President Mario Draghi and executive board member Joerg Asmussen, who has known Weidmann since their university days.

Despite the personal connection - and even though the distance between the

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Bundesbank and the ECB is less than five kilometres - the two central banks sometimes seem worlds apart. Weidmann is known as a hard-liner and often clashes with colleagues and politicians trying to push the ECB beyond its legal limits, such as asking it to back-stop governments to ease pressure from financial markets.

Short-term gains brought about by stretching the ECB's mandate may come at a high cost of lost credibility, he fears.

"Financial markets change their mind every other week. One day they demand more, the next day they complain about the consequences," Weidmann said.

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