



## Will Europe Listen to US Treasury Secretary on Growth?

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As Treasury Secretary [Jack Lew](#) kicks-off his first official visit to Europe, analysts said efforts to coax euro zone leaders to pursue growth-generating policies may fall on deaf ears.

In a press release, the U.S. Treasury said Lew will use his trip to discuss "economic developments in Europe and policies to boost global growth and promote financial stability."

Economists and political scientists said Lew will leverage whatever influence he can to persuade euro zone leaders to support growth measures, as the Treasury becomes increasingly concerned about the impact the region's recession could have on the U.S. economy, particularly on its exports.

*(Read More: [Why Only Obama Can Save Europe Now](#))*

"I have to believe that at the top of Mr. Lew's agenda will be an exhortation to Europe's leaders to back off draconian austerity, in favor of policies that will generate positive growth," said Nariman Behraves, the Boston-based chief economist at global research firm IHS.

"The latest data on Europe looks dire, and we – and other forecasters – are lowering our growth outlook for the euro zone. The recession will be deeper and longer."

*(Read More: [Euro Zone Sentiment Dips in April on Cyprus Woes](#))*

Lew, who landed in Brussels on Monday morning, will meet with European Council President Herman Van Rompuy, as well as [Jose Manuel Barroso](#), Olli Rehn and Michel Barnier from the European Commission, before travelling to Frankfurt on Monday evening to meet with European Central Bank President [Mario Draghi](#). On Tuesday, he will make a flying visit to see the finance minister of Germany.

"Jack Lew will push for measures to support growth and steps to promote a more expeditious resolution of the financial sector problems that have left many euro zone economies mired in recession," Eswar Prasad, professor of trade policy at Cornell University and a former economist with the International Monetary Fund (IMF) said.

*(Read More: [Lew Faces Balancing Act on Europe Visit](#))*

"Through their effects on trade, financial markets and business confidence, continued weaknesses in the euro zone economies could act as a drag on the U.S. economy, as well as the global economic recovery," he added.

"Since it remains a major market for U.S. exports, persistent economic weakness in Europe could make it harder to achieve the ambitious exports targets set out by President Obama," he added. In 2010, Obama promised to double U.S. export growth over five years and create two million jobs in the process.

However, Nicholas Spiro of Spiro Sovereign Strategy in London warned that with market sentiment towards the euro zone comparatively high, European leaders might be little concerned by Lew's views.

"The only thing that gets euro zone policymakers moving is the markets and right now markets are comfortably numb," said Spiro.

"Spain and Italy's sovereign bond markets are the two twin proxies for sentiment towards Europe and they are proving extraordinarily resilient... If you look at what has been thrown at the government bond markets of Spain and particularly Italy over the last couple of months - a [political stalemate](#) to end all political stalemates,

a dangerous precedent-setting bank bail-in in [Cyprus](#), economic fundamentals which are going from bad to worse - it is remarkable how Spanish and Italian bond markets have performed."

(View: [Italian Government Bonds](#))

In addition, Spiro said that the U.S.'s political and economic situation left Lew in no place to lecture euro zone leaders.

"The U.S. political system is as dysfunctional as the euro zone's... The U.S. fiscal situation is considerably worse than the euro zone as a whole... More importantly the Republicans and Democrats are knee deep in partisan warfare. That diminishes the authority of the U.S. to give advice or to lecture the Europeans."

(Read More: [Why US Jobs Are Going to Get a Lot Worse](#))

Prasad agreed that Lew could find he has little real clout with European leaders.

"Jack Lew is likely to receive a warm welcome in Europe, as he is perceived as an influential member of [President Obama's](#) inner circle. However, he will have little leverage other than his powers of persuasion to push for euro zone countries to get their act together and face up to some harsh economic political realities in confronting different aspects of the crisis and tackling their root causes," he said.

Lew's trip to Europe follows his first official visit to [Beijing last month](#), in which he met with China's new leadership team, including [President Xi Jinping](#).

- By CNBC's [Katy Barnato](#)

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