

EU to expand lending for small firms

Reuters

NICE: European Union finance ministers agreed this weekend to take a measured response to the economic downturn, freeing up extra lending for small companies but shunning public spending on a large scale.

At the end of a meeting here Saturday, the ministers said that the EU's public lending arm, the European Investment Bank, would double the quantity of loans it made available to small and midsize companies as it became harder to obtain financing from banks.

EU ministers asked the EIB to provide €30 billion, or \$42.04 billion, over a three-year period in loans, about twice what it would normally allocate.

The ministers pledged at the same time not to copy the United States, which has spent billions on tax rebates to fight stagnation, something that the German finance minister, Peer Steinbrück, said would be a waste of money in Europe. The French economy minister, Christine Lagarde, host to two days of talks with ministers and central bank chiefs from the 27 EU countries, defended that choice.

"We're not simply adopting a 'wait and see' policy, we are not going to sit on our hands," Lagarde, whose country holds the EU's rotating presidency, told a news conference. "We need to make sure that our economies perform well."

Jean-Claude Trichet, the European Central Bank president, said the prior-

ity was to tackle rising inflation brought on by soaring oil and food prices in the past year. He said big pay demands would make a bad situation worse.

Comments from the head of Gesamtmetall, the German employers association for the engineering sector, will have caused unease at the ECB.

The head of Gesamtmetall, Martin Kannegiesser, told Reuters that the association had promised a "considerable" wage rise for workers in a coming wage round. "Of course there will be a wage rise," he said. "It won't be one that will hover around 2 percent."

Separately, ministers said they had agreed that national regulators should take the lead in the supervision of multinational banks and insurers.