

Europe asks U.S. to help bolster IMF in quick plan

By Stephen Castle

BRUSSELS: European governments on Friday urged the United States to sign on to a 100-day deadline for action on strengthening the International Monetary Fund, reshaping the structure of global financial governance and imposing greater regulation on the sector.

European Union leaders called for the international summit meeting in Washington next week to lay down a swift timetable for decisions to cope with the global financial meltdown, which threatens to bring about an even more acute economic downturn.

Under the European plan, leaders at the Washington meeting would agree to consider concrete measures to strengthen the financial system at a second international meeting at the end of the 100-day period.

The declaration by European governments seeks to put pressure on President-elect Barack Obama to make decisions on global financial structures early in his term of office. However, the 27 EU nations, whose leaders met in Brussels, watered down several French proposals that would have urged the United States and others to sign up to a series of specific reforms next week.

In doing so, the accord among the Europeans on Friday was an implicit acceptance that, when leaders of the G-20 group of economies gather in Washington on Nov. 15, they would be unable to reach consensus on detailed measures.

European expectations of the Washington meeting had been high. Several leaders compared it to Bretton Woods, the international conference that created the post-World War II financial structures.

But with the United States to be represented by President George W. Bush, and limited discussion with leaders of emerging economies, Europeans now accept that agreement on a range of principles — and a timetable — is the most that can be achieved next week.

Nicolas Sarkozy, the president of France, which holds the EU's rotating presidency, said that he had spoken to Bush and Obama and added that the world "could not wait" until the inauguration of the next president on Jan. 20 before taking some action.

Meanwhile Prime Minister Gordon Brown of Britain highlighted the need for governments to bolster the real economy and try to prevent a deep recession taking hold.

"Coordinated action on interest rates should be complemented by action on fiscal policy," Brown said.

The Washington meeting, Brown added, will come at a "decisive moment for the world economy," adding that "the decisions we take in the next few months will reshape our world for a decade or more."

The past week has seen intense diplomacy among EU nations both about who should go to Washington next week and how detailed a plan Europeans should push for there.

Sarkozy presented the Washington summit meeting as a unique opportunity for Europeans to mold the debate because the era of the dollar as the only global currency had "come to an end."

But the agreement on Friday was significantly less specific than an earlier draft paper considered by European finance ministers.

Reform of the IMF has, however, emerged as a central preoccupation among European leaders. Sarkozy said there was not yet consensus among Europeans about how far the remodeling of the IMF should go, however.

Some nations see the IMF as the central bank of central banks, others as the repository of a large stabilization fund and others as an agency that would warn nations if their approach was threatening international stability, Sarkozy said.

The 27 nations agreed, though, that the IMF should become the "pivot of a renewed international system" and should co-ordinate more closely with the Financial Stability Forum, which aims to promote international financial stability through information exchange and cooperation in supervision and surveillance.

Some EU diplomats were skeptical that the United States would agree to commit itself to

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specific measures during a time of political transition.

"You need to have the U.S. on board," said one diplomat, speaking on the condition of anonymity because of the sensitivity of the issue.

"The new administration will be in place only after Jan. 20, and if there is a 100-day period, that leaves only a small amount of room for maneuver."

The principles put forward by the Europeans on Friday include regulation, "or at least oversight," of all financial institutions, accountability and transparency, new approaches to risk assessment, and a central role for the IMF.

A reference to "international economic governance" disappeared from

the draft text after a dispute between France and Germany.

The government in Berlin took the view that this might imply too great a role for the EU in economic affairs at the expense of national governments and an independent European Central Bank.

Britain made sure that a call to harmonize capital adequacy requirements was deleted. It opposed parts of the EU proposal to legislate in this area.

Meanwhile, Sarkozy supported Spanish efforts to win a seat at the Washington meeting.

Because France is a member of the Group of 8 and holds the European Union presidency, it has two seats at the meeting and would give up one of them to Madrid if Bush, who is the host, agrees.