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G20 works on plan to help EU economies

By Chris Giles, Hugh Carnegie and Peter Spiegel in Cannes



Nicolas Sarkozy, Angela Merkel and Barack Obama at the G20 Summit of Heads of State and Government in Cannes

Leaders of the world's largest economies worked into the night to agree a comprehensive package of measures to defuse the eurozone crisis, after a tense day in which Greece dominated the Group of 20 summit.

As negotiators prepared to go into what officials thought would be all-night sessions, the G20 was seeking to augment an action plan for growth and jobs that was already on the table with additional tasks and funds for the International Monetary Fund.

After dinner on Thursday, officials said the "Frankfurt group" – France, Germany, European Union officials and the IMF – would be joined by Barack Obama, US president, for a further crisis meeting, since they did not have sufficient time on Thursday morning to complete discussions.

President Nicolas Sarkozy told journalists: "It is vital the eurozone sends the world a message of credibility". Saying part of the additional discussions would attempt to build a rapid firewall to stop contagion in the eurozone, he added, "Viewpoints are coming together between Europeans and between Europeans and their partners".

The French president's words were echoed by Mr Obama. "The most important aspect of our task over the next two days is to resolve the financial crisis here in Europe," he said.

Leaked drafts of the G20's proposed action plan for growth and jobs contained repeated commitments from countries with current account surpluses to invigorate domestic demand and help balance the world economy. It also contained a pledge by Italy to eliminate its budget deficit by 2013. None of these policies, however, represented new commitments or policies by these countries.

Italy has repeatedly denied it would need to seek IMF support to finance its debts.

Mr Sarkozy also expressed confidence that Italy's economy was robust as long as it implemented its proposed reforms. "The issue is not around the content of the package proposed, but whether that package can be implemented. We are now working together with the Italian authorities to look at that more closely".

British officials said that overnight some of the discussions would seek to amplify the IMF's resources to fight the financial and economic crisis. But George Osborne, UK chancellor, said that "no one has talked about any other countries in Europe requiring an IMF programme".

The leaked draft G20 communiqué suggested leaders were still thinking about new IMF short-term credit lines for countries with credible economic policies that were hit by the fallout from the economic crisis.

One British official said that having a better-resourced IMF should help. "It would be a global boost to confidence that the IMF, if needed, has enough resources. It's not a substitute for the eurozone dealing with its problems."

Some non-eurozone countries in the G20 expressed frustration with the continued crisis. Dmitry Medvedev, Russian president said: "Europe should aid itself, the European Union has everything for that today – the political authority, the financial resources and the backing of many countries".

But more leaders simply urged Europe to implement its plan agreed last week rapidly without offering direct assistance to Europe. Hu Jintao, Chinese president, said he hoped the existing plan would work. "Europe is the world's largest economy, and there won't be global economic recovery without European economic recovery... We hope Europe will be fine".

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