

FINANCIAL TIMES

May 24, 2012 2:01 am

European leaders delay key decisions

66

By Peter Spiegel and Hugh Carnegie in Brussels



European leaders put off any decisions on shoring up the region's banks at a late-night summit on Wednesday despite rising concerns that instability in Greece was undermining confidence in the eurozone's financial sector.

Instead, the heads of the EU's main institutions were given the task of drawing up proposals for closer fiscal co-ordination in time for another summit next month, including plans that could include a path towards a

Europe-wide deposit guarantee scheme and, in the longer term, commonly-backed eurozone bonds.

Herman Van Rompuy, president of the European Council, cautioned that even the June plan would be limited to "building blocks" and "working methods" towards economic integration and not specific proposals towards a banking union or mutualising eurozone debt.

"These ideas on stronger, stricter banking supervision and resolution were only mentioned. We did not have a real discussion on it, but we will work on them in the upcoming weeks," said Mr Van Rompuy.

Support appeared to be building for deposit guarantees commonly backed by all 17 eurozone members, which some officials believe are needed to prevent bank runs that could follow a Greek exit from the euro. François Hollande, the new French president attending his first EU summit, said he backed his Italian counterpart, Mario Monti, who has proposed such a plan.

Brussels blog



Enda Kenny, the Irish prime minister, said there was also "strong support" for using the eurozone's new €500bn rescue fund to inject capital directly into teetering banks, a proposal opposed by Germany but considered by many as essential for helping cash-strapped sovereigns shore up their financial sectors.

Instead of firm decisions, leaders voiced repeated assurances that they wanted Greece to remain in the eurozone, but emphasised

The FT's Brussels team look at the EU's 'informal' summitry

any new government in Athens had to live up to the terms of its €174bn bailout.

“If I were to talk about the hypothesis of a Greek exit from the eurozone, it would send a signal to Greece and to the markets,” said Mr Hollande. “I would rather say that France and Europe want Greece to stay in the eurozone. We want you to respect your commitments but we want to take steps to show you that we want to restore hope. That is in the interests of Greece, the eurozone and the global economy.”

The failure to decide on a clear path forward for Greece, Europe's banks or eurozone bonds reflects continued, deep divisions over how to respond to the mounting crisis caused by the possibility of a Greek exit. Officials said there had not been any in-depth discussion about Greece during more than six hours of deliberations.

Instead, most of the session focused on a “growth compact” consisting of ways to spur investment in large-scale infrastructure projects. But even there, no decisions were made on such proposals as injecting €10bn in new capital into the European Investment Bank.

Mr Hollande gained most of the attention by continuing his surprisingly aggressive push for eurozone bonds, making clear his disagreement with Angela Merkel, the German chancellor, at a post-summit press conference.

“For now, Germany's line of thinking is that euro bonds, if I give the most optimistic version, could only be an end point, whereas for us they are a starting point,” he said. “It's true that there is a difference.”

Additional reporting by Joshua Chaffin and Alex Barker

Printed from: <http://www.ft.com/cms/s/0/81d5eab0-a539-11e1-b421-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© THE FINANCIAL TIMES LTD 2012 FT and 'Financial Times' are trademarks of The Financial Times Ltd.