

WORLD NEWS

Berlin and Paris agree summit plan

93

Working group to forge joint positions

Sign of thawing ties between two

By Gerrit Wiesmann in Berlin, Hugh Carnegie in Paris and Peter Spiegel in Brussels

Germany and France have agreed to work together on drafting initiatives to combat the eurozone crisis, a move set to allay fears that the governments of Angela

Merkel and François Hollande were set on a collision course over remedies.

Two months after a tense EU summit in which the French president championed growth as an alternative to the German chancellor's mantra of austerity, the countries' finance ministers yesterday announced a working group that would seek to forge joint positions ahead of meetings and summits.

After hosting Pierre Moscovici, his French counterpart, in Berlin, Wolfgang

Schäuble, German finance minister, said they had formed the group to work on European banking union, fiscal integration, and growth and competitiveness issues. "We want to take joint decisions," Mr Schäuble said.

The two ministers met as German business sentiment in August fell for the fourth consecutive month. The Ifo Institute's index reached its lowest level in more than two years amid concern among companies that the eurozone's largest economy

was following the rest of the bloc into a downturn.

Germany and France's decision to seek closer cooperation is the clearest signal to date of thawing relations between Berlin in Paris - or the conservative Ms Merkel and the socialist Mr Hollande - since French voters ousted Nicolas Sarkozy in May. Mr Sarkozy and Ms Merkel had forged a close political *entente* in more than two years of crisis-fighting.

Since taking office, Mr Hollande has been at pains

to distance himself from such a close political relationship.

Under pressure from his Socialists, he has worked to weaken perceptions of German dominance by building ties with Mario Monti, the Italian premier, and Spain's Mariano Rajoy.

But French officials say the Franco-German relationship remains the vital core of the eurozone and insist Mr Hollande has forged a good working relationship with Ms Merkel - sentiments shared by Berlin

officials. "It is back to the tried and tested method" of co-operation, said one.

"We want to bring together our points of view, which are not far apart, to make France and Germany the pillars... of a solution that is structural," Mr Moscovici said, promising to "intensify exchanges" ahead of the EU summit in mid-October.

The working group will also prepare the implementation of agreements between the eurozone and Greece and liaise with

Spain about its bank recapitalisation. Mr Schäuble and Mr Moscovici will meet every two weeks.

However, whether Ms Merkel and Mr Hollande will raise the frequency of their meetings remains to be seen. Mr Hollande's early practice of avoiding pre-summit meetings with the chancellor had been welcomed by several smaller EU countries.

Additional reporting by James Wilson in Frankfurt

Eurozone help, Page 9

ECB seeks to ease bond fears

By James Wilson in Frankfurt

A senior European Central Bank official has revealed further aspects of the bank's planned intervention in eurozone sovereign debt markets, attempting to counter the concerns of Germany's Bundesbank about the policy.

With the ECB ready to resume purchases of sovereign bonds, Jörg Asmussen said the central bank would decide "in full independence" how and when it would buy debt on secondary markets. His comments appeared to play down the idea that the ECB would buy bonds on a quasi-automatic basis when yields of troubled countries hit certain levels.

Mr Asmussen, in a speech at a Bundesbank event in Hamburg yesterday, also said the ECB would intervene only in parallel with action from EU bailout funds, and would buy only shorter-dated debt. The bank would set up its programme to dispel concern about its having "preferred creditor" status, Mr Asmussen said - something he admitted had increased doubts among private investors about buying sovereign bonds.

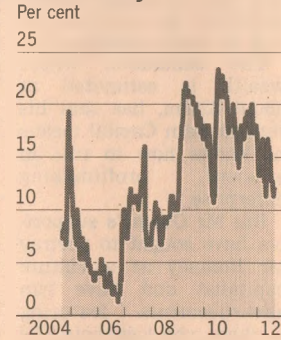
Mr Asmussen said ECB intervention would be conditional and insisted the bank would not implement eurozone measures. He urged investors to stay with the bank with which they were familiar.

Fishing for votes

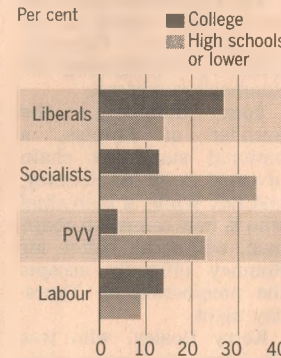


Geert Wilders, second from left, campaigns at a fish market. With the eurozone crisis uppermost in voters' minds, the PVV leader has changed tack

Support for the PVV has varied widely



Dutch party support by level of education



Source: Maurice de Hond