

Merkel and Sarkozy push Greek deal

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France and Germany have agreed on a eurozone rescue mechanism for Greece, giving a major role to the International Monetary Fund while leaving member states to lend most of the funds needed if Athens cannot raise them on capital markets.

The 16 eurozone leaders were meeting in Brussels on Thursday night to finalise the deal reached earlier in the day by France and Germany on the principles of any rescue.

Under the accord reached between President Nicolas Sarkozy and Chancellor Angela Merkel, Athens would, in the event of "very serious difficulties", receive co-ordinated bilateral loans from its eurozone partners as well as IMF assistance.

The majority of the money would come from the eurozone. According to a person close to the talks, the proportion of funding might be one-third IMF and two-thirds eurozone.

The agreement between Paris and Berlin pulls the eurozone back from the brink of what would have been a damaging row over how to help members with debt difficulties and may help stabilise financial markets and the currency.

The aid would be subject to assessments carried out by European Central Bank. and the European Commission, ensuring that the European Union retained control of the terms of the rescue. However, Berlin has won agreement that the IMF contribution would be "substantial".

Any decision by the 16 countries in the eurozone to lend money to Greece would have to be unanimous, according to the text of the agreement, thus in effect giving Germany a veto.

The Franco-German agreement was presented to the other 14 eurozone leaders gathered in Brussels for a 27-nation European Union summit, but some elements could yet be revised to accommodate their objections.

If the rescue plan is triggered, eurozone members would provide loans according to their capital shares in the European Central Bank, ensuring that Germany would make the largest contribution.

Buttressing efforts to calm financial markets, the ECB announced it was abandoning plans to raise its minimum collateral requirements at the end of this year.

The unexpected move relieved the pressure on Greece, which could have seen its bonds excluded from ECB liquidity-providing operations if the country's credit ratings were downgraded further.

Some of the most contentious issues between Paris and Berlin do not appear to have been fully resolved under the terms of their accord.

"The main points of difficulty were how much Greece has to bleed before these bilateral loans are triggered, and how far we can go to agree future sanctions," according to an official close to the talks.

France and Germany also have sought to commit their fellow European Union members to the formation of an "economic government" for the Union, to promote stronger co-ordination of economic policy.

According to Thursday night's text, it would "increase the role of the European Council in economic surveillance and the definition of the EU growth strategy."

That would include both the fiscal supervision of budget deficit recidivists that Germany wants, while possibly giving France the means to comment on macro-economic policies in the different member states – including Germany.

UK prime minister Gordon Brown claimed on Thursday night that he was the original author of the Franco-German proposal for an EU economic government.

Mr Brown believes the EU needs more high level macro-economic governance, similar to the G20 model that he helped to promote at last year's summit in London.

Fonte: Financial Times, London, Mar. 25th 2010, Europe, online.

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