G-20 Defers Move On Aid for Europe

By SUDEEP REDDY, MATINA STEVIS and COSTAS PARIS

MEXICO CITY—Officials from the world’s leading economies deferred for months key decisions on international aid for Europe as they awaited more euro-zone action to fight the Continent’s debt crisis.

Finance ministers and central bankers from the Group of 20 advanced and developing economies, after a two-day meeting here, indicated they anticipate an agreement to expand Europe’s rescue fund next month.

That move “will provide an essential input in our ongoing consideration to mobilize resources” to the International Monetary Fund, the G-20 officials said in a joint statement Sunday.

The lack of significant progress effectively punts further discussion of new international support until the G-20 ministers’ next gathering in April. Officials hoped that could lead to a final, confidence-boosting agreement at a summit of world leaders in June.

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European leaders this week plan to discuss combining money left in a temporary bailout fund with a permanent facility launching this summer, to create a combined €750 billion ($1 trillion) fund that could support struggling economies such as Italy and Spain. But Germany’s reluctance is likely to push that decision later into March, or further into the spring.

At the same time, the IMF wants to expand its lending capacity by $500 billion to almost $1 trillion by raising money from its member nations. Together, the European and IMF funds could
provide $2 trillion in rescue capacity to guard against further global turmoil.

"The global economy is not out of the danger zone," IMF Managing Director Christine Lagarde said. "There are still major economic and financial vulnerabilities."

The European crisis has left the G-20, which serves as a board of directors for the world economy, pushing off other debates about longer-term problems. Officials here touched on other concerns such as currency volatility and imbalances between advanced and developing nations. But worries about growth in the short run make nations reluctant to make longer-term moves.

"There's a vicious circle here where each is waiting for the other to do the right thing," Bank of Canada Gov. Mark Carney said at a conference for the Institute of International Finance, a banking group, alongside the G-20 meeting.

Former Mexican central banker Guillermo Ortiz said Europe's short-term problems had "hijacked" longer-run concerns, and called Europe's bailout of Greece "badly conceived, badly designed and badly implemented."

Euro-zone officials are trying to implement Greece's latest rescue deal in the coming weeks. German lawmakers will debate the controversial plan on Monday, and Greece also must complete other steps, including a debt restructuring with private-sector bondholders.

European Union economics chief Olli Rehn said Greece's deal still faces "implementation risks" due to "lack of political unity and weak administrative capacity." He said the European Commission, the EU's executive arm, would be installing its own officials at Greek ministries to provide technical assistance and monitoring on a permanent basis on the ground in Athens.

Talks were continuing with the IMF to share the burden of the Greek bailout. The fund had contributed roughly one-third of Greece's first €110 billion bailout, but it has signaled that its participation will be lower in the second €130 billion rescue. Its contribution was said to be roughly 10%, or €13 billion, with the matter expected to be discussed March 13 by the Fund's executive board.

Ms. Lagarde said Tuesday the IMF wouldn't decide the amount of its financing for Greece until the second week of March, after euro-zone leaders discuss whether to strengthen their emergency rescue funds—an effort seen as the IMF trying to pressure Europe to build a bigger firewall.

Nations outside the euro zone are holding back firm commitments to the IMF until Europe expands its firewall.

Officials said the amounts "being circulated" at the meeting are that China would contribute around $100 billion, and Japan would contribute around $50 billion. Chinese and Japanese officials and a spokesman for the IMF declined to comment.

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