

European Finance Chiefs Hail Fiscal Compact and Call for Growth and Jobs Focus

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- Eurozone countries are on the verge of concluding an important fiscal convergence compact
- European finance and economics ministers said that Greece is nearing a debt-restructuring deal and is not likely to default
- The theme of the 42nd World Economic Forum [Annual Meeting](#) is *The Great Transformation: Shaping New Models*. For more information, visit <http://wef.ch/Davos>

Davos-Klosters, Switzerland, 27 January 2012 – In a session on the future of the Eurozone on the third day of the World Economic Forum Annual Meeting, European finance and economics ministers hailed the imminent agreement on closer fiscal convergence in Europe as a major step to restore confidence in their distressed economies. “We need a fiscal compact and we are revamping the economic structure of Europe,” said European Economic and Monetary Affairs Commissioner Olli Rehn. “Prevention is the name of the game and we want to prevent fiscal crisis and external imbalances that have happened in the past year with tremendous human cost.” Added Luis de Guindos Jurado, Minister of Economic Affairs and Competitiveness of Spain: “The vital element to restore confidence is the institutional framework we will put in place and the commitment of the countries. We have complete consensus that, in the future, we are going to avoid the problems that we had in the past.”

Ministers, however, acknowledged that there remains disagreement on key measures to address the debt crisis, including the concept of a firewall to prevent the spread of panic in the event that the situation spins out of control. On the issue of Eurobonds, the difficulty is that Europe must first create an appropriate structure for fiscal union, Wolfgang Schäuble, Federal Minister of Finance of Germany, pointed out.

The finance and economics ministers were upbeat about the prospects of concluding a debt-restructuring arrangement for Greece. Schäuble told participants that he is “quite optimistic” about a deal and does not expect Greece to default. The outlook is also positive for Spain and Italy, he reckoned. Rehn agreed that an agreement on Greece is “very close”.

François Baroin, Minister of Economy, Finance and Industry of France, welcomed efforts by the European Central Bank (ECB) to combat the crisis by providing unlimited funds to Eurozone lenders. “The ECB is considered independent,” Baroin stressed. “The unlimited liquidity for banks for three years has significantly reduced tensions in the European banking system and will be an important step to help confidence to return.” Looking ahead, he concluded, “We now have to think together about how we can support growth.” Guindos agreed: “Liquidity is not the final cure to the problems we have; it is a helping hand, but not a final cure. We have to put our houses in order. We have to bring to the fore the agenda of growth and employment.”

Notes to Editors

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