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G20 to Discuss Impact of Ukraine Crisis on Europe's Economy

By The Moscow Times

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G20 is likely to discuss possible risks to Europe's economy from the crisis in Ukraine.

The world's financial leaders are likely to discuss possible risks to Europe's economy from the crisis in Ukraine, but there are no plans to mention it in the final document from their Washington meeting, two G20 officials said.

Finance ministers and central bankers from the Group of 20 developed and emerging economies will treat Ukraine at their two-day meeting later this week the same way as they have talked about past crises, a Russian G20 official said.

"There is no mention of the situation in Ukraine (planned for the G20 communiqué)," the official said.

"One way or another, the issue will be brought up during discussions but it will be approached from the point of view of risks the crisis in Ukraine can create for the region as a whole. This is

a traditional approach."

The G20 is also likely to talk about the planned International Monetary Fund, or IMF, program for Ukraine and about the crisis as a general geopolitical risk that would have negative effects on the European economy only if it escalates, another official involved in the preparations for the meeting said.

"It will appear in the discussion as geopolitical risk, but also because the Russians are there I don't expect that will be high in the discussions of the G20," the second official, a non-Russian, said.

Last month Ukraine won a $14 billion to $18 billion standby credit from the IMF.
The country's economy was thrown into chaos after popular protests in Kiev ousted pro-Russian president Viktor Yanukovich in February and Russia annexed Ukraine's Crimea peninsula.

"Of course there is concern, the tension escalated, but markets have more or less made the assumption that there will be a diplomatic solution so they can shrug it off," the second official said.

"If that is not the case and at a certain moment you have an escalation, then you could have a re-appreciation of the risk and then could be spillovers on us."

EMERGING MARKETS

The G20 communiqué will address problems in emerging markets and, possibly, measures to offset the impact from the tapering by the U.S. Federal Reserves of its monetary stimulus policy and "controversial" policies of individual countries.

"Much of the discussion will be devoted to the situation in emerging markets as it has become clear that many are faced with problems that are not caused exclusively by the Fed's policy," the Russian G20 official said.

"Many controversial decisions have been made by national authorities. Considerable attention may be paid to the situation in these countries and possible measures to overcome the negative consequences."

China's economic slowdown, money flight following the U.S. announcement last year that it would curtail its bond-purchasing and the standoff between Russia and the West over Crimea this year have pushed economic growth down across emerging markets.

European economy and strategies to ensure global sustainable and balanced growth will also be discussed.

"Despite recovery in the U.S growth, positive growth trends in Europe, it is obvious that developed economies will not be able to haul the situation alone without support,"
the Russian official said.

BRICS UNITED?

The failure of the U.S. Congress to approve IMF funding has held up reforms agreed in 2010 that would double the Fund's resources and give more say to emerging markets, such as the BRICS countries — Brazil, Russia, India, China and South Africa.

Russia has been pushing for the IMF to move ahead with the reforms without the United States but nothing has been formally floated for this meeting.

"At this moment there have been no options or proposals submitted," the Russian G20 official said. "The process has not moved off the ground."

But, he said, BRICS may be become united in their approach towards the IMF reforms after they meet in Washington.

"I think that some common approaches, positions will be developed which will allow ... some proposals," the official said.

The G20 overall is not eager to reach agreement and compromise, the official said. "There are a number of countries that are fine with the status quo."

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