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News Analysis: Can history be written in Cannes for G20?

By Xinhua writer Miao Xiaojuan

CANNES, France, Nov. 3 (Xinhua) -- "History is being written in Cannes," read posters dotting the streets of the French resort city, where leaders of world major economies gathered for the G20 meeting.

Probably not the exact kind of history President Sarkozy had in mind before Greek Prime Minister George Papandreou threw a time bomb on Europe's latest efforts to draw a line under the escalating debt crisis.

With the Greek premier's surprise call earlier this week for a referendum on fresh aid packages for Athens, it seems the eurozone's debt crisis has hijacked the two-day summit which had been designed for a larger map of global growth and stability.

As the world stands on the brink of a new global recession, it is still almost a "mission impossible" for some troubled countries to head off the threat once and for all through Cannes summit.

ALL EYES ON GREECE

Global markets shocked and spiraled down to panic after Papandreou on Monday announced an unexpected call for referendum and a vote of confidence.

Under dark clouds hang over the eurozone and rare rains which hit Cannes, the summit has been overshadowed by the latest drama of the crisis that has plagued the region for almost two years.

On the eve of the summit, French President Sarkozy and German Chancellor Merkel jointly urged Greece to hold the referendum as soon as possible while vowing to accelerate the implementation of the deal reached last week in Brussels.

U.S. President Barack Obama, who arrived in Cannes earlier on Thursday, also declared that the most important task for this summit is to tackle the crisis in Europe.

All these came with little surprise to experts around the world. Michele Chang, professor of political economy with Brugge-based College of Europe, noted that the debt crisis in Europe was the biggest threat to the global economy at the moment.

"The last package is not enough to satisfy markets while the Greece's planned referendum presents an unexpected challenge," she said.

Papandreou told reporters late Wednesday night that the referendum might take place on Dec. 4.

An answer of "no" could lead to a disorderly default of Greece and be devastating for the general Europe without a Plan B, experts believe.

Daniel Kaufmann, senior fellow with the U.S. think tank Brookings Institution, also said an urgent damage control was needed to safeguard the minimum of confidence in the European financial system.

"This summit has become a crisis summit, similar to the London summit in 2009 when the world was very close to financial meltdown. Now the world is facing a crisis again," he added.

CAN G20 BE THE SAVIOR FOR GREECE?

Steven Dunaway, a scholar with the New York-based think tank the Council on Foreign Relations (CFR), believes that Europe holds the key to the question of whether a double-dip recession may develop in the coming years.

"It will depend largely on whether the eurozone can avoid a major blow-up and renewed financial crisis," he said.

However, all the experts interviewed by Xinhua have denied the possibility of the debt crisis being fixed through the G20 summit.

"The hard work must be done by the nations and the solution to the eurozone debt crisis will not be found in the G20 but internally," Prof. Chang said.

The White House has made it clear that the U.S. can help guide Europe through its crisis but it was ultimately Europe's problem to solve, while Sarkozy said on Wednesday that Europe had "done everything we could" to keep Greece, and that it was up to Greece to "decide if they want to stay in the eurozone with us."

The EU could still help if it may provide the Greek population with a more positive, long-term trajectory, said Fabian Zuleeg, chief economist with the Brussels think tank European Policy Center.

"Only if there's light at the end of the current long and dark tunnel will the Greeks be willing to carry on," Zuleeg said in an email interview with Xinhua.

Meanwhile, Pieter Cleppe, head of the Brussels office of the London-based think tank Open Europe, said there will be attempts to woo non-European countries in the summit to finance for the eurozone bailouts.

"But it won't be wise to throw good money after bad, as the eurozone's strategy of continuing bailouts is clearly not working," Cleppe said.

WHAT ELSE FOR THE SUMMIT?

As often as it might have been forgotten, this year the top leaders gathering in Cannes are supposed to discuss a wide range of global cooperation issues in areas such as guaranteeing food security, restraining commodity price volatility, reforming the international monetary system, and fighting corruption.

"Corruption is also one important reason why Greece has been faced by a major financial

crisis. Our research shows that OECD countries that have had higher levels of corruption tend on the average to have much larger fiscal deficits," said Kaufmann from Brookings Institution.

"Economic and political stability in developing countries is important for global stability, and yet many industrialized countries are not meeting their commitment to aid development," he added.

Dunaway with the CFR notes that political hurdles in each of the major economies appear to continue to constrain the scope for the needed policy actions.

"In the end no major joint actions will be taken by the G20 and the global economy is most likely to continue to limp on with slow growth in the advanced countries and a slowdown in growth in the emerging ones," he insisted.

The drama centering on Europe itself also has a controversial agenda that has not even been agreed internally among the European Union member states, the introduction of financial transaction tax. Most experts expect no positive result of this proposal from the summit.

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