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G8 pledges initial \$20 billion to foster Arab Spring

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DEAUVILLE, France (Reuters) - Group of Eight leaders promised \$20 billion in aid to Tunisia and Egypt on Friday and held out the prospect of billions more to foster the Arab Spring and the new democracies emerging from popular uprisings.

Likening it to the fall of the Berlin Wall that changed Europe, G8 leaders ending an annual summit in France launched a partnership for North Africa and the Middle East that ties aid and development cash to progress on political and economic reforms by states which have thrown off autocratic rulers.

Tunisian Finance Minister Jalloul Ayed said French host President Nicolas Sarkozy had proposed a total of \$40 billion in financial support, though details were sketchy on whether this had broader backing and which countries might be eligible.

"He proposed -- and now plans are being made -- for meetings of finance and foreign ministers to be held between now and the start of July, to flesh out this program by country and by project," Ayed told a news conference.

In their statement, to be issued formally after the two-day summit in the northern resort of Deauville, G8 leaders signaled they "strongly support the aspirations of the Arab Spring as well as those of the Iranian people."

"The changes under way in the Middle East and North Africa are historic and have the potential to open the door to the kind of transformation that occurred in Central and Eastern Europe after the fall of the Berlin Wall," the G8 planned to say in a communique obtained in advance by Reuters.

They said special development banks "could provide over \$20 billion, including 3.5 billion euros from the EIB, for Egypt and Tunisia for 2011-2013 in support of suitable reform efforts."

Senior Egyptian and Tunisian officials met the leaders of the G8's seven Western powers plus Russia to underscore their need for massive international support for economies knocked out of kilter by the popular uprisings against long-serving authoritarian leaders. Tourism in particular has been hard hit.

"We are truly very satisfied with the very strong, clear and precise statements proffered by all of the G8 nations, and the financial institutions," said Tunisia's Ayed.

"It's very clear that everybody wants to help us."

In a report to G8 leaders on Thursday, the International Monetary Fund said the external financing needs of oil-importing countries in the Middle East and North Africa would top \$160 billion over the next three years.

The IMF says it can provide around \$35 billion to help stabilize countries' economies but the bulk of financing will need to come from the international community.

The World Bank on Tuesday unveiled \$6 billion in new funding for Tunisia and Egypt, whose revolts have inspired popular uprisings in Yemen, Bahrain and Syria. Demands for reform have also been heard from Morocco to Saudi Arabia.

END TO VIOLENCE

The movement for change has also left Libyan leader Muammar Gaddafi fighting to stay in power and G8 leaders demanded he stop violence against civilians and step aside.

"Gaddafi and the Libyan government have failed to fulfill their responsibility to protect the Libyan population and have lost all legitimacy. He has no future in a free, democratic Libya. He must go," the leaders said in their statement.

Russia signaled it was ready to mediate in the crisis, Moscow's special representative on Africa Mikhail Margelov telling reporters Russia had contacts in Gaddafi's entourage with whom it could negotiate his departure.

"We shouldn't talk to Gaddafi himself but with members of his cabinet, possibly with his sons. And we are making such contacts, so there is a hope for a political resolution," he said.

Asked to specify who Russia's main partner would be in such talks, he said: "Can you imagine, if I give you this person's name and his head were to be cut off the next day?"

"But yes, we do have people in Gaddafi's camp."

Earlier, President Barack Obama and Sarkozy said they were determined to stick with the NATO-led intervention in Libya to halt government forces' attacks on civilians.



"We are joined in resolve to finish the job," Obama said.

On Syria, the G8 leaders said they were "appalled" by the killing of peaceful protesters opposed to the rule of President Bashar al-Assad, and demanded authorities stop using force against them.

They also condemned violence against protesters seeking the removal of Yemen's President Ali Abdullah Saleh, and urged him to respect a pledge to stand down.

SUMMIT AGENDA

The world's current crises have forced their way on to the agenda of the Group, whose importance has diminished with the rise of emerging economies like China and India.

The G8 leaders, on Thursday discussed nuclear safety and the global economy, noting on Friday in their communique that the recovery was becoming more "self-sustained," although higher commodity prices were hampering further growth.

They renewed a pledge to wrap up talks this year on Russia's entry into the World Trade Organization and said the long-stalled Doha round of negotiations on global trade was a matter of "great concern" and that they would explore all options to get things moving.

The pace of world growth could affect the amount countries, many of which are implementing austerity measures at home to rein in budget deficits and trim public debt, are willing to stump up to help the Arab World's emerging democracies.

The European Union executive said it had added just 1.24 billion euros of fresh grant funding to an existing program that aims to help its neighbors across the Mediterranean.

The summit also backed the extension of the mandate of the European Bank for Reconstruction and Development into North Africa and the Middle East. The bank was created after the Cold War to help former Communist states become market economies.

With aid to Arab states dominating, the G8 also issued a special declaration saying it stood side-by-side with Africa and would intensify its efforts to achieve peace and stability, economic development and growth, regional trade and investment.

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