

By . Tim Shipman and Lucy Buckland . Last updated at 4:00 PM on 16th January 2012 . Coup: George Osborne's deal with China will pour billions in the UK economy (pictured in Hong Kong today) British taxpayers face footing the bill for more rescue money for the International Monetary Fund if euro is to be prevented from derailing the world recovery. George Osborne admitted that there was a risk of the economy contracting if Europe suffered a deep downturn as forecasters suggest that the UK is already in recession. The chancellor said he would go to MPs for their approval if the IMF made a 'strong case' for more money. 'If I felt it was a decent request by . the IMF, then, of course, I would be willing to go to Parliament and . make that request,' he said. 'Britain . has always been prepared to provide the resources in the past and will . be willing to provide the resources in the future if there is a strong . case.' He also criticised the single currency zone leaders for doing too little to secure confidence. 'I think what the euro needs to do is show convincingly that it can . stand behind its currency,' he said, adding: 'We haven't actually seen . much evidence of the pooled resources needed by the euro to actually . provide confidence to the market that they will stand behind their own . currency.' He was speaking at the start of a tour of the Far East where he announced plans to make London a key global trading centre in the Chinese currency. Far East markets fell slightly on opening today after the weekend downgrades of France and some other European economies. But there were rises in London and Europe, indicating the dealers expected the news. He predicted that high-tech and luxury exports from Britain to China would surge as the country grows. 'I think Britain can come into its own as providing the kind of things that a richer economy of consumers is more likely to need,' he said. In a speech to Hong Kong businessmen, Mr Osborne announced plans to develop London as the Western hub for trading in the Chinese currency, the renminbi. 'London is perfectly placed to act as a gateway for Asian banking and investment in Europe, and a bridge to the US,' Mr Osborne said. Huge achievement: The deal struck by the Chancellor in Hong Kong, pictured, will make London the biggest trading hub for Chinese currency outside China . 'It reflects London's strength in . product development, its regulatory structure and the depth, breadth and . international reach of its financial markets. 'A richer, stronger Asia is an . opportunity for the world, not a threat — we should be bold enough to . say it and to explain it to our own populations.' Mr Osborne yesterday reaffirmed that . the Government would be prepared to make extra funding available to the . International Monetary Fund (IMF) alongside other G20 nations 'if there . is a strong case' but again stressed the cash must go to 'countries, not . currencies'. 'If I felt it . was a decent request by the IMF, then, of course, I would be willing to . go to Parliament and make that request,' he said. 'It wouldn't . ultimately be my decision, it would be a decision of Parliament. 'But . let me be very clear, I would not do that with Britain acting alone, . like other big G20 countries, and we are very clear this is not a . substitute for eurozone providing money for dealing with its own . currency.' His words come amid fresh warnings from two separate sources that the economy is in fact slowly edging back into recession. The . Ernst and Young Item Club warned the recovery is 'paralysed' by the . eurozone debt crisis and predicted growth of just 0.2 per cent this . year. Both the Ernst and . Young and the Centre for Economics and Business Research say that gross . domestic product shrank in the final quarter of last year and will fall . again in the first three months of 2012. A recession is defined as two consecutive quarters of contracting output. The Chancellor made his symbolic turn . East in an attempt to show the Government is doing all it can to boost . growth, while chaos continues to reign in the eurozone. Speaking . during his visit, the Chancellor blamed little evidence of the 'pooled . resources' needed to instil confidence in the eurozone. In a speech to Chinese businessmen in Hong Kong he promised to throw open the doors of UK plc to Asian investors. Under . the agreement, the Chinese have agreed to keep their trading floors in . Hong Kong open for five hours longer so that trades in currency can . continue while financiers in London are at work. The . deal is a major vote of confidence in the City at a time when it has . been under attack from Britain's European partners, particularly France, . seeking to curb its influence. Hours after this deal, which experts say will bring billions to the City, Mr Osborne sharpened his talons on the state of Europe and the Eurozone. Despite . pledging the UK would 'weather the storm' he said greater confidence . was needed in the Euro to put an end to unstable markets. He . said: 'I think what the euro needs to do is show convincingly that it . can stand behind its currency,' he told BBC Radio 4's Today programme. 'We . haven't actually seen much evidence of the pooled resources needed by . the euro to actually provide confidence to the market that they will . stand by their own currency. 'There's . lots of good signs that they are getting there and there are various . summits planned for the next few months to ensure those resources are . there. 'But I think that is . what they need to do as well as resolve the Greek situation, I would . say almost more so than the downgrading. 'The ongoing uncertainty about how . they are going to write off some of the

private sector debt in Greece is . an almost greater source of instability in the eurozone.' Mr Osborne said the most recent predictions by the Office for Budget Responsibility, which issues official forecasts, showed that Britain would have a negative quarter of growth but would not go into recession. He told BBC Radio 4's Today programme: 'That's their forecast, but they were the first to say that it is very uncertain and one of the biggest risks to the British economy is the further deterioration of the eurozone crisis. 'I said openly at the end of November to the House of Commons when I made my autumn statement that if the eurozone were to go into a deep recession, that would have a real impact on the British economy. Warnings: George Osborne said the eurozone needs to work harder to instill confidence it will stand by its own currency . 'I'm . confident the British Government is doing everything it can with a very . difficult inheritance, facing a very difficult international situation . to get Britain through this, to weather the storm.' Turning . to his deal with China the Chancellor said exports to the country from . Britain were up 'dramatically' over the last two years and demand for . services and high-technology products would only grow in the future. 'I think Britain can come into its own as providing the kind of things that a richer economy of consumers are more likely to need,' he told BBC Radio 4's Today programme. Mr Osborne said 'enormous' Chinese savings meant there were opportunities for investment in British public infrastructure projects. He said: 'There a limit on how much the UK can borrow. 'But it is also the case that there's an enormous accumulation of Chinese savings and a lot of those savings have ended up in investments in government debt, particularly American government debt, US Treasury debt. 'I think those savings could be used in investing in British infrastructure, transport projects, energy projects and the like.' Coup: George Osborne's deal with China will pour billions in the UK economy . The UK is now the largest source of foreign direct investment to China from within the EU and UK goods exports to China rose by 20 per cent last year, and 40 per cent the year before that. Trade in the renminbi is growing rapidly. Ukip leader Nigel Farage blasted the Chancellor for being prepared to 'gamble' on offering more money to the IMF. He said: 'Once again the Chancellor uses this fudge phrase of 'countries not currencies', which will hardly fill the British public with confidence that the UK will not guarantee more British money to the IMF to support failing eurozone countries. 'The fact that the Chancellor is also prepared to go to Parliament in order to get support to offer more money should alarm us greatly. 'We are constantly told that the UK is broke, yet the Government seems prepared to gamble on offering more money to the IMF. This is something that British taxpayers will find hard to swallow.' While Prime Minister David Cameron's official spokesman said the Chancellor was merely setting out the Government's position on a possible increase in UK funding for the IMF. 'He said if there were a strong case for additional resources, then he would be willing to take that case to Parliament,' said the spokesman. 'At the moment, there is a limit of £40 billion, of which £30 billion has already been subscribed. There is a headroom of £10 billion. If we went beyond that, we would require parliamentary approval. 'We have always said that we are supporters of the IMF and that the IMF should continue to play its traditional role of global backstop, providing stability to the world economy.' 'If the IMF believes it needs more resources, and there is a strong case for that, then the UK would play a role. That is a consistent UK Government position. We clearly benefit as a country from the IMF playing that role in supporting stability in the global economy.' Finance ministers of the G20 group of the world's biggest economies, including Mr Osborne, are expected to discuss the level of IMF resourcing when they meet in Mexico next month.end . Mr Osborne's speech marks the start of a push on the economy. David Cameron will outline his plans for responsible capitalism on Thursday.