

Merkel: debt crisis mustn't endanger economy

Written by Administrator
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German Chancellor Angela Merkel reacts as she attends a debate about a bailout package for Greece at the German parliament Bundestag in Berlin on June 10, 2011.

AP

BERLIN — German Chancellor Angela Merkel said Saturday that it's important to avoid doing anything that could endanger the global economic upswing as Europe battles the debt crisis in Greece and beyond.

Merkel's government is willing to grant Athens further aid but wants Greece's private creditors to share the burden — something the European Central Bank opposes.

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Still, the head of a group that represents German private-sector banks signaled readiness to discuss the proposal.

A strong recovery in Germany, Europe's biggest economy, has yet to be dented by debt woes elsewhere in the 17-nation eurozone.

Asked in her weekly video podcast whether the crisis could endanger Germany's upswing, Merkel replied "if we don't act right, that could happen, but that's exactly what we want to avoid."

"That's why we say that we cannot simply allow an uncontrolled bankruptcy by a country," Merkel said, adding that Europe needs to see how it can help struggling countries improve their competitiveness and also allow them to reduce their debts.

She didn't mention Greece by name.

"We must do nothing that endangers the global upswing as a whole and would then put Germany in danger again," she added.

Merkel recalled that the German economy contracted by nearly 5 percent in 2009 following the global financial crisis — "there hadn't been anything like it in decades, and anything like that absolutely has to be prevented from recurring."

Merkel's finance minister, Wolfgang Schaeuble, is pushing for Greece to get more rescue loans only if investors agree to get repaid seven years late on their Greek bonds.

That would give the country more time to get a handle on its euro340 billion (\$491 billion) in debt.

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That demand is meant to rally support among the public and, particularly, lawmakers in Merkel's center-right coalition — some of them restless at the idea of giving Greece more money.

However, the ECB says Greece must not change the terms of its debt in ways that put it in official default.

Ratings agencies have said that a bond repayment that materially disadvantages bondholders would be considered a default.

Germany has remained vague about key details, such as interest rates and any collateral provisions.

The general manager of the Association of German Banks gave Schaeuble's proposal a cautious welcome, signaling that banks might be prepared to go along with it — though he also stressed it is important "to see that we don't endanger financial market stability."

"The concept must be made more concrete," Michael Kemmer said on Deutschlandfunk radio.

At the moment, "several important details, are missing, so that we can't say at the moment that this is suitable and we can participate."

"In principle, it is something we can talk about," he said — though he stressed that any solution must be voluntary.

Greece owes German banks some euro10 billion.