

## Berlin cools talk of Greek debt rethink 210

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The German government has played down the prospect of debt rescheduling for Greece, insisting that the onus is on Athens to fulfil the conditions of its existing bail-out programme.

Officials in Berlin refused to spell out what actions they might consider in order to provide further relief to Athens – hit by a further credit downgrade on Monday by Standard & Poor's – until they see the conclusions of a progress report on the programme.

An increasingly stormy political debate is raging in parliament and the media on eurozone rescue plans.

Wolfgang Schäuble, finance minister, was due on Monday night to address leading parliamentary spokesmen for the ruling Christian Democratic Union and Free Democratic party, its junior partner in power, as Greece's financial plight threatened to aggravate divisions over the future of the eurozone. On Tuesday, he will address the full CDU parliamentary group in an attempt to reassure backbenchers.

Opponents of further assistance to indebted nations have been vocal in demanding restructuring of Greek government borrowing before any further assistance can be given.

Senior parliamentarians from the CDU, the party of Chancellor Angela Merkel, and some influential economists nonetheless hold out the prospect of measures to improve the conditions for loans to Athens, in return for further Greek measures to reduce the country's massive debt burden.

The German government itself will not take any decisions on further measures until it sees the progress report on the present austerity programme from the International Monetary Fund, the European Commission and the European Central Bank, according to a spokesman in Berlin. Officials from all three institutions are in Athens preparing the report.

Martin Kotthaus, finance ministry spokesman, said there was "no discussion at the moment" about measures to improve Greece's conditions. He also said restructuring was "not on the agenda. All discussion [about it] is speculation".

Steffen Seibert, government spokesman, also rejected any suggestion that a Greek exit from the eurozone had been or was being discussed in any way. "You have heard the denials from all possible sides – especially from the Greeks," he said. "You should take these denials seriously."

German officials are at pains to stress the disadvantages of a debt restructuring because of its complexity, the danger of contagion within the monetary union and the likely consequences for the Greek economy and the wider European banking system.

The concern in government circles is that the backlash could grow if Greece is not seen to make greater efforts to keep to the debt-reduction measures in its austerity programme – and offer further concessions in exchange for any additional support.

Michael Meister, a deputy chairman of the CDU in the Bundestag, and financial spokesman, said on Monday that if Greece wanted to pay a reduced rate of interest on its loans from the eurozone it must take further action to reduce the risk of lending.

If Greece were to reduce the risk of lending, he said in an interview on German radio, "then its partners in the eurozone could consider whether to provide further interest rate reductions or consider the question of extending the term of their loans. So the question is: what can Greece do to reduce the risk?"

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And here they will have to bear in mind that any generous terms offered to the Greeks and Irish and Portuguese will quite possibly have to be extended to the Spanish and Italians as well.

Anyone discounting the disintegration of the single currency is doing so prematurely.

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