

15/7/2011

## American roulette

The US flirts with financial suicide

# Merkel warned on bail-out impasse

DS

3001

IMF fears Greek doubts will weaken eurozone

Tremonti says disaster will not spare 'first class'

By Peter Spiegel in Brussels and Guy Dinmore in Rome

Pressure mounted on Angela Merkel, Germany's chancellor, to decide quickly how to include private bondholders in a €115bn (\$163bn) Greek bail-out as Italian officials and the International Monetary Fund warned that continued uncertainty would undermine the eurozone.

The warnings came as growing fears the stalemate could drag on through the summer forced Rome to pay very high rates on €3bn of bond sales.

Although Thursday's Italian auctions were oversubscribed, rates on one €1.72bn sale of 15-year bonds hit 5.9 per cent – a full percentage point higher than one month ago and near levels at which many analysts calculate Italy's debt burden would become unsustainable.

Rating agencies, international lenders and Italian leaders all blamed the market turmoil on the inability of eurozone officials to finalise the Greek deal, which is being held up by German and Dutch demands that Greek bondholders shoulder some of the burden of a rescue.

Giulio Tremonti, Italy's finance minister, called the Greek standoff a "crisis moving through the world like a mutant" and appeared to compare the Germans to first-class passengers on the Titanic.

"Today in Europe there is an

appointment with destiny. Salvation does not come through finance but from politics. But politics cannot make any more mistakes," Mr Tremonti said. "Just as on the Titanic, not even first-class passengers can save themselves."

Mr Tremonti was speaking during a parliamentary debate over a new €45bn austerity package, which was approved by the senate and sent to the lower house.

Ajai Chopra, deputy director of the IMF's Europe department, was equally blunt, saying European leaders "need to come to closure" on the bondholder debate because markets believed they had so far provided an "insufficient response".

"What we need and what's lacking so far is a European solution to a European problem," Mr Chopra said. "What's critical now is for Europe to dispel the uncertainty that's being created."

European officials have been discussing a French proposal to hold a summit to tackle Greece but Ms Merkel has resisted, saying it should only be held if a new rescue programme was ready to be finalised.

Speaking in Abuja, the Nigerian capital, Ms Merkel said Germany wanted to reach agreement quickly, but any solution must be "sensible".

*Additional reporting by David Oakley in London, Alan Beattie in Washington and Quentin Peel in Berlin*

**Budget set for fast-track, Page 3**  
**Editorial Comment, Page 8**  
**Blame Silvio's antics, Page 9**  
**The Short View, Page 13**  
[www.ft.com/italy](http://www.ft.com/italy)