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# Blair calls on Germany to stand by euro

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By Lionel Barber in Jerusalem

Tony Blair has delivered a stark warning of a popular backlash against austerity policies in the eurozone ahead of this Sunday's re-run election in Greece.

"You look at what the Greeks are being asked to accept: it's beyond tough," Mr Blair said in an interview with the Financial Times in Jerusalem.

The former long-standing UK prime minister, a self-professed pro-European, said the risk of unrest applied to Europe as a whole.

"In the end, what people will ask is: 'Is the single currency worth it if that's what we're being asked to accept'."

Mr Blair's said the remedy should be a "grand bargain" between Germany and the rest of Europe to rescue the single currency. This would involve a pooling of European debt and a new push for growth, matched by deficit reduction through pension and welfare reforms.

His intervention follows Spain's request last weekend for a European bailout of its banks of up to €100bn. Mr Blair acknowledged that commonly issued eurozone bonds or debt redemption would meet opposition in Germany, but the eurozone's favoured policy of structural reform and fiscal austerity had run its course.

There are fears that the outcome of the Greek election could trigger further turmoil in financial markets. The popular far-left party Syriza has pledged to halt interest payments on the country's debt and revoke the terms of its bailout.

Mr Blair praised Chancellor Angela Merkel for her "courage" and "steadfastness" during the crisis, but Germany now had to make "an unequivocal commitment to stand behind the single currency" and be ready to inflate its economy. In return, the rest of Europe had to give credible commitments to rein in deficits.

He added that the euro would survive in some form even if the present 17-member set-up collapsed. The euro was central to Europe's ambitions to be a power on the world stage: "I have no doubt that the single currency makes sense."

Mr Blair steered clear of directly endorsing a Europe-wide banking union, as proposed by José Manuel Barroso, European commission president. But he made clear that Britain had to play an

active role in negotiations on the next phase of European integration, even though he refused to say whether this would involve a referendum.

“I am not going to criticise the prime minister . . . But If Britain were absent, we would be opting out of an incredibly important decision. The important thing is this: Britain has got to put itself in a position where it can play a part in what will be a reconstruction of Europe.”

Mr Blair's proposals will cause unease in the UK coalition government where Conservatives are loath to sign up to an economic union. The government says it is opposed to making British taxpayers liable for recapitalising eurozone banks or putting big British banks under the watch of an EU authority.

Mr Blair stepped down as prime minister five years ago this month, after 10 years in Downing Street. He currently runs an international advisory business which helps to fund several charities, including an interfaith foundation. He is also special representative of the Quartet supporting economic development in the occupied Palestinian territories of West Bank and Gaza.

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