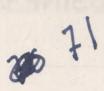
AY-SUNDAY, AUGUST 18-19, 2012 9



## Merkel sides with E.C.B. on help for weak states

FRANKFURT

But Finnish official suggests that leaders are preparing for euro split

BY JACK EWING AND DAVID JOLLY

In a signal that August vacations are ending and it is time for European leaders to start grappling with the sovereign debt crisis again, Angela Merkel, the German chancellor, has expressed cautious support for measures to support Spain and Italy, while a Finnish official has suggested that euro zone leaders are preparing for the worst, including a p- ble breakup of the currency bloc.

Jor European stock indexes advanced Friday after Ms. Merkel backed a statement by Mario Draghi, the president of the European Central Bank, that the bank would do whatever it took to preserve the euro.

In contrast to some members of the German Parliament, Ms. Merkel expressed no objections to plans by the E.C.B. to buy bonds to hold down borrowing costs for stricken countries, if certain conditions were met.

Speaking late Thursday at a news conference in Ottawa with Stephen Harper, the Canadian prime minister, Ms. Merkel appeared to show her openness to such action by the E.C.B. and the euro zone rescue fund, the European Stability Mechanism.

A benign attitude toward bond interventions by Ms. Merkel could be significant, especially as she and other leaders resume efforts to control a crisis that threatens the common currency and has hurt growth around the world. François Hollande, the French president, is scheduled to visit Ms. Merkel in Berlin on Thursday. Antonis Samaras, the prime "The breakup of the euro does not mean the end of the European Union. It could make the E.U. function better."

minister of Greece, is to visit on Friday, amid speculation that Ms. Merkel may agree to ease the harsh conditions imposed on the country in return for aid.

Germany has been the main obstacle to efforts to take financial pressure off countries like Spain and Italy, because many Germans believe they would wind up paying for the irresponsible spending behavior of others.

Political leaders have been expressing the same resolve expressed by Mr. Draghi for more than two years, Ms. Merkel said in Ottawa. "European heads of government also feel a duty and have a duty to do everything possible to preserve the common currency," she said. "In that respect the European Central Bank, despite its independence, is fully following the same line."

Mr. Draghi's professed determination to act has helped to restore calm to the fragile nerves of euro zone investors who feared that the problems of Spain and Italy would overwhelm the bloc's resources. But there is widespread skepticism over whether Europe can muster the political will to save the euro.

<sup>(O)</sup> have to face openly the possibility a euro breakup," Erkki Tuomioja, foreign minister of Finland, told The Daily Telegraph in an interview published Friday in Britain.

The issue of bailing out weaker euro zone members has been a divisive one in Finnish politics, with one euro-skeptic party, the True Finns, gaining almost one-fifth of the seats in Parliament by virtue of its opposition. While Finland could in theory block new bailout measures, so far officials have been content to criticize anything that smells of a weakening of will on demands for austerity before falling in line with Germany. "It is not something that anybody —

"It is not something that anybody even the True Finns — are advocating in Finland, let alone the government. But we have to be prepared," said Mr. Tuomioja, a member of the Social Democratic Party, one of six parties in the governing coalition. "Our officials, like everybody else and like every general st<sup>off</sup>, have some sort of operational plan fan ay eventuality. But let me add that the breakup of the euro does not mean the end of the European Union. It could make the E.U. function better."

In response, Finland's European affairs minister, Alexander Stubb, a member of the National Coalition Party of Prime Minister Jyrki Katainen, told Reuters on Friday that Mr. Tuomioja's "speculation does not reflect the government's position." The euro, Mr. Stubb added, is "an economic and political project to which we are 100 percent committed."

Bond purchases by the E.C.B. have been criticized by the Bundesbank, the German central bank. But Ms. Merkel appeared to take a softer position, noting that the E.C.B. had made it clear it would buy bonds only if political leaders did their part.

David Jolly reported from Paris.