

# Merkel Tries to Get Greek Talks Back on Track

By Marcus Bensasson

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With Greece's fate in the balance, European finance ministers converge on Luxembourg with little hope for a deal as German Chancellor Angela Merkel seeks to restore calm to increasingly rancorous exchanges.

Tensions are running high as Greek Prime Minister Alexis Tsipras turned to the classics to paint himself as a leader of stature ready to rebuff a bad deal come what may. He's been on a tear, accusing creditors of nefarious intentions, and will meet with Russian President Vladimir Putin during a decisive week for the debt-ridden nation sliding towards insolvency.

It may come down to Merkel, leading a country that is the largest contributor to Greece's bailout fund, to steer the conversation back to common ground and realistic goals in a speech to German lawmakers. Monitoring the state of play closely is Federal Reserve Chair Janet Yellen, who warned of an spillover effect in the U.S. if a resolution isn't reached.

Heading into Thursday's meeting -- billed as a last chance to seal an agreement on as much as 7.2 billion euros (\$8.1 billion) in bailout aid -- optimism was in short supply.

"We would be helped if there would be a bit more honesty in the debate on Greece," European Commission Vice President Frans Timmermans said at news conference in Brussels.

Officials from the Netherlands to Portugal are anticipating a breakdown in talks. The government of Ireland, itself once a recipient of aid, is just the latest euro member making contingency plans for a Greek default or ejection from the euro, a person with knowledge of the matter says.

## Market Gloom

The Athens Stock Exchange, among the year's worst performers, fell for a fourth consecutive day to its lowest level in almost three years after Tsipras said he was willing to "say the great no" in the countdown to an expiration of Greece's financial lifeline on June 30.

Tsipras showed little inclination to change his tone with talks between Greece and its lenders hitting a wall. He penned an opinion piece in German daily Der Tagesspiegel railing against anyone who says German taxpayers are paying for Greek wages.

On the eve of the euro-area gathering of finance chiefs, German Finance Minister Wolfgang Schaeuble -- one of Greece's sternest critics -- told a parliamentary hearing that his government is bracing itself for the worst. That sentiment was broadly shared by others, too.  
EU Summit

That puts the onus on European Union leaders to disentangle the contentious issues such as sales-tax rates and pensions at a June 25-26 meeting in Brussels, mere days before Greece's bailout program expires. That will also be when Merkel and Tsipras will come face to face.

Merkel, who has been managing the European debt crisis from its incipience late in 2009, has sought to take the rhetoric down a notch and stay positive at a time the German electorate is fed up with the situation in Greece.

The mixed messages coming from Greece don't help. Greek Finance Minister Yanis Varoufakis, who regularly calls for debt

relief, said his government's strategy to stay in the euro is "to bombard our partners with logical proposals" and to reach "an honest agreement."

## Capital Controls

Gabriel Sakellaris, the Greek government spokesman, reiterated on Mega TV program ONline late Wednesday night that there was no chance of capital controls, a scenario some envisage should a deal stay elusive.

From across the ocean, Yellen is taking stock. In response to a question about Greece at a news conference, the Fed Chair saw “the potential for disruptions that could affect the European economic outlook and global financial markets” if the dueling sides don’t come to an understanding.

“Make no mistake, had it not been for Greece, the Fed would almost certainly have raised rates,” said **Bernard Baumohl, chief global economist at Economic Outlook Group LLC** in Princeton, New Jersey.

Russia, on the outs with the EU and the U.S., has been developing its own separate relationship with Greece. Tsipras will fly to St. Petersburg to discuss his country’s dire finances with Putin. The last the two men met was back in April.

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