Germany and Italy near to blows over euro

Tuesday, 07 August 2012

German politicians from across the spectrum have reacted furiously to warnings by Italy's Mario Monti that Bundestag control over EU debt policies threatens to bring about the "disintegration" of the European project.

"We must make it clear to Mr Monti that we Germans will not shut down our democracy to pay Italian debts," said Alexander Dobrindt, secretary-general of Bavaria's Social Christians (CSU).

Bundestag president Norbert Lammert said parliament's integrity cannot be subordinated to the ups and downs of the markets. Free Democrat (FDP) leaders said Italy's unelected prime minister is playing with political fire by trying to circumvent democratic legitimacy.

The dispute comes as relations between Germany and Italy touch the lowest ebb since the Second World War, with Il Libero publishing a front-page picture of Chancellor Angela Merkel under the headline "Fourth Reich".

"The tone of the debate has turned dangerous. We must be careful that Europe does not rip itself apart," said German foreign minister, Guido Westerwelle. He himself fanned the flames over the weekend, saying he was "categorically" against further expansion of the EU rescue machinery or bond purchases by the European Central Bank. "I can't imagine that a majority of the Bundestag will back unlimited debt liabilities," he said.

The outburst leaves it unclear whether Germany will agree to activate the eurozone rescue fund (EFSF) on acceptable terms if Spain and Italy request bail-outs, the political trigger needed for ECB bond purchases under the "Draghi Plan". Mrs Merkel and finance minister Wolfgang Schauble back ECB action but revolt within her coalition threatens to spread beyond a hard core.