



Papandreou to Press Obama to Join EU Crackdown on 'Speculators'

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By Shobhana Chandra

March 9 (Bloomberg) -- Greek Prime Minister **George Papandreou** will press U.S. President **Barack Obama** to help Europe combat "unprincipled speculators," who he said have roiled financial markets and threaten a new global financial crisis.

"Europe and America must say 'enough is enough' to those speculators who only place value on immediate returns, with utter disregard for the consequences on the larger economic system," he said in a speech yesterday in Washington.

Papandreou, who is struggling to convince investors his government is serious about taming Europe's biggest budget deficit, meets Obama and Treasury Secretary **Timothy F. Geithner** today in his first U.S. visit since being elected in October.

"If the European crisis metastasizes, it could create a new global financial crisis with implications as grave as the U.S.-originated crisis two years ago," Papandreou said.

Papandreou and other European leaders such as French President **Nicolas Sarkozy** have blamed speculators for much of the surge in Greek **financing costs**, rather Greece's budget gap of more than four times the European Union limit. Germany and France are pushing for curbs on "speculators" who use derivatives to bet against Greek debt, officials in Berlin and Brussels said yesterday.

Papandreou singled out credit-default swaps as being particularly disruptive, saying their use to protect against a Greek default was the equivalent of allowing someone to buy fire insurance on a neighbor's house and then burning it down to collect.

'Scourge'

The swaps are a "scourge" that "haunts Greece and all of us," Papandreou said. U.S. and European regulators need to bolster regulations to curtail such activities, he said, or "a small problem could be the tipping point in an already volatile system."

The **euro** reversed gains against the dollar yesterday after Papandreou said the European sovereign debt crisis may spread. The 16-nation common currency traded little changed at \$1.3629 at 4 p.m. in New York after earlier strengthening as much as 0.6 percent to \$1.3705.

Some European regulators questioned the charges that "speculators" were behind the slump in Greek bonds. The German BaFin financial services regulator said yesterday there's "so far no evidence" of "massive" speculation in credit default swaps against Greek bonds.

Emergency Lender

EU leaders are also backing the creation of a lender of last resort that could come to a member's aid the way the International Monetary Fund helps governments struggling to finance their deficits.

"Our instruments are not sufficient," Merkel told members of the foreign press association in Berlin yesterday.

"The European Union must be able to respond to the challenges of the moment."

The **risk premium** to buy Greek 10-year bonds instead of comparable German debt, the European benchmark, has more than doubled since Nov. 10.

"Greece currently has to borrow at rates almost twice as high as other EU countries," Papandreou said. "So when we borrow 5 billion euros (\$6.8 billion) for five years, we must pay about 725 million euros more in interest than Germany does."

Budget Cuts

To try to convince the EU and investors that Greece was serious about trimming a **deficit** of 12.7 percent of gross domestic product, Papandreou last week announced a package of tax increases and spending cuts that helped the government sell 5 billion euros of bonds the next day. The Mediterranean country faces more than 20 billion euros in debt redemptions in April and May.

"We support the steps Greece is taking," said U.S. Secretary of State **Hillary Clinton** after meeting with Papandreou yesterday. "We commend the prime minister and his government for moving quickly to put in place the changes that are called for given the economic consequences of the fiscal situation he inherited."

Papandreou said Greece may have a "hard time" carrying out its austerity plan if improvements are "swallowed up by prohibitive interest rates." The measures have triggered widespread strikes that have disrupted transportation and public services and led to clashes on the streets of Athens.

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Greece's Papandreou Speaks About Financial Crisis

March 8 (Bloomberg) -- Greek Prime Minister George Papandreou speaks at the Brookings Institution in Washington about Greece's fiscal crisis. Papandreou said his country's debt woes could spread beyond Europe unless "unprincipled speculators" and "ill-regulated" financial markets are reined in.



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Brookings's Dervis Interview on Greece Debt Crisis

March 9 (Bloomberg) -- Kemal Dervis, director of global economy and development at the Brookings Institution and a former Turkish economy minister, talks with Bloomberg's Maryam Nemazee about Greece's debt crisis. Greek Prime Minister George Papandreou, drawing parallels with the 1947 fight to contain communism in Europe, called for trans-Atlantic cooperation to combat "unprincipled speculators" who threaten to bring a new global financial crisis.



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Armored Wolf's Brynjolfsson Interview on Greece, Gold

March 8 (Bloomberg) -- John Brynjolfsson, chief investment officer at Armored Wolf LLC, talks with Bloomberg's Margaret Brennan and Matt Miller about the Greece debt crisis. Brynjolfsson also discusses the outlook for gold prices.



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Jim Rogers Interview on Greece's Debt Crisis, Euro, Yuan

March 8 (Bloomberg) -- Jim Rogers, chairman of Rogers Holdings, talks with Bloomberg's Betty Liu, Jon Erlichman and Adam Johnson about Greece's fiscal woes. Rogers, speaking from Vienna, also discusses the outlook for the U.S. stock market, China's yuan and investment strategy.



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