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Merkel's Party Votes to Allow Exits From Euro

By Brian Parkin and Tony Czuczka - Nov 14, 2011 6:53 PM GM

German Chancellor [Angela Merkel](#)'s Christian Democratic Union party voted to allow euro states to quit the currency area, endorsing the prospect of a move not permitted under euro rules.

The resolution, which requires the assent of Merkel's two coalition partners before becoming policy, is part of Merkel's push for closer political ties and tighter budget rules in the European Union, with euro countries setting the pace. The drive is her answer to the debt crisis that began in [Greece](#) in 2009 and last week toppled governments in Athens and [Rome](#).

"We're not throwing anybody out," Finance Minister [Wolfgang Schaeuble](#) said in an interview with broadcaster Phoenix from the CDU national congress in Leipzig today. "But if a country can't carry the burden or doesn't want to carry the burden, and the Greek people have to carry a heavy load, then we have to respect the country's decision."

Aiming for more a deeply integrated 17-nation euro area sets Merkel on a collision course with the 10 non-euro countries in the EU and raises the possibility of a Greek exit. Merkel and French President [Nicolas Sarkozy](#) first mooted the prospect of a state leaving the euro last month when they said then-Greek Prime Minister [George Papandreou](#)'s planned bailout referendum would be a vote on euro membership. He went on to scrap the ballot, then stepped down as premier.

Cameron Clash

Merkel's drive for closer union sets up a potential tussle with fellow European leaders at a summit on Dec. 9 that is due to discuss an overhaul of the EU's guiding treaty to bolster the euro. Prime Minister [David Cameron](#) has pledged a U.K. ballot on any changes to EU rules that mean a shift in power to Brussels. Cameron is due in Berlin for talks with Merkel on Nov. 18.

The euro states have squabbles of their own, which threaten to derail plans to speed implementation of a permanent bailout fund next year, one year earlier than the original July 2013 date.

“Some things speak in favor of trying to speed it up, but at the moment the situation isn’t easy,” Schaeuble said. Agreement on the structural changes needed for “fiscal union” is the priority.

CDU delegates in Leipzig backed a motion that included a clause permitting euro exits without exclusion from the EU. Once government policy, [Germany](#) would still need to persuade its EU partners to approve changes to the bloc’s guiding treaty to allow a country to leave the euro.

‘Something Quickly’

With Germany pushing for treaty changes to move toward closer union, “we have to realistically expect that at the moment we have to get something quickly for the 17” euro members, Schaeuble told reporters. If all 27 EU members “want it, then gladly.”

Stocks and the euro declined as [Italy](#)’s borrowing costs increased to a euro-era record at an auction today and German bunds rose. The Stock Europe 600 Index fell 1 percent at 5:50 p.m. in [Frankfurt](#) and the euro declined 0.9 percent to \$1.3628.

Merkel, in an hour-long speech to more than 1,000 CDU delegates, said the task at hand “is to complete the economic and currency union in [Europe](#) and, step by step, create a political union.” The goal is “a breakthrough to a new Europe,” she said. At the same time, she repeated her rejection of joint euro bonds.

Merkel’s message is “a warm-up for the big quantum leap” toward a two-track Europe, Carsten Brzeski, an economist at ING Group in Brussels, said by phone. “If you wait for the Brits, you’re going to spend a lot of time at the station and the train will never come. If you want to do the quantum leap, you can only do it with the euro zone.”

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