U.S. Prods Europe On Debt Crisis

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FRANKFURT, Germany (AP) — U.S. Treasury Secretary Timothy Geithner is darting across Europe with a stark message: The continent's leaders must act quickly and convincingly to defuse a debt crisis that is threatening the global economy.

His visit this week comes on the eve of a summit of European leaders Friday that could yield a plan for resolving the crisis. Optimists hope a deal would persuade investors to lend to countries, like Italy and Spain, that are straining under crushing debt burdens.

Geithner's trip to five European cities is the most visible part of a broader drive the United States has been making, publicly and privately, to nudge Europe to resolve its crisis.

The United States has plenty at stake.

A still-fragile U.S. economy remains vulnerable to any financial contagion that might erupt in Europe. If banks that are sitting on piles of European government debt cut off lending, the global economy would suffer. The flow of U.S. exports would slow. A panic could send stocks tumbling worldwide.

And with Obama facing re-election in less than a year, the outcome of Europe's crisis carries risks for the president personally.

Besides Geithner's trip to press European officials, the U.S. government is acting in other ways:

— The Federal Reserve took a leading role last week in crafting a plan with other central banks to make it easier for banks to borrow U.S. dollars and continue lending. The move is a short-term fix that doesn't lighten Europe's debt load. But it excited investors, who drew hope that the top economic powers can jointly resolve the crisis.

— Obama met privately last month with the leaders of Germany and France to discuss the crisis at a summit of world leaders in France. Through such personal diplomacy, Obama has been sending an overarching message: Do whatever it takes to fix the crisis.

— Vice President Joe Biden, on a trip Sunday to Greece, the first country felled by the debt crisis, warned that time is running short for European leaders.

— The United States, the biggest contributor to the International Monetary Fund, is supporting the fund's bailout programs for Greece, Portugal and Ireland.

Speaking Tuesday in Berlin, Geithner said: "I am here in Europe to emphasize how important it is for the United States and the global economy as a whole that Germany and France succeed, alongside the other nations, in building a stronger Europe."

Analysts say the administration is arguing that Europe must unite behind a single solution that leaves no eurozone nation behind.

German Chancellor Angela Merkel and French President Nicolas Sarkozy have called for changing the European Union treaty to centralize spending and borrowing decisions for the 17 countries that use the euro.

Many analysts say the European Central Bank or the IMF must then respond by providing more financial aid. Germany, in particular, has opposed more aid without a guarantee that all eurozone nations will adopt binding budgetary limits

"The Americans are doing to the Europeans, and especially the Germans, what the Germans are doing to the Greeks and the Italians — that is, holding their feet to the fire to get them to do something," said Thomas Kleine-Brockhoff, a senior director at the German Marshall Fund in Washington.

Europe, with its potentially vast impact on the U.S. economy, is a political wild card for Obama. He could face voters with the highest unemployment of a sitting president seeking election since World War II. Unemployment, now at 8.6 percent, was 7.8 percent when Obama took office in January 2009.

"I'm spending an awful lot of time making trans-Atlantic calls," Obama said at a fundraiser in New York last week.

Those calls have gone mainly to Merkel and Sarkozy, heads of the biggest economies in Europe and the largest in the eurozone. They follow meetings Obama has held with European leaders at various summits and at the White House.

An example was Obama's trip last month to the French Riviera for a summit of the Group of 20 leading industrialized and developing economies. Greece's debt crisis overshadowed the summit. The day he arrived in Cannes after an overnight flight, Obama met separately with Merkel and Sarkozy.

Then, after a working dinner, Obama, Merkel, Sarkozy and other eurozone leaders huddled again to discuss options. Obama was the only non-European in the meeting.

And it was Obama who ordered Geithner to Europe this week as leaders weighed the latest ideas to try to stabilize the continent's crisis.

On Tuesday, Geithner met with Merkel's finance minister, Wolfgang Schauble, and was to speak with Sarkozy in Paris on Wednesday.

He is also to meet Wednesday with Spanish Prime Minister-elect Mariano Rajoy Brey

and end his trip with a stop in Italy for talks with its new prime minister, Mario Monti. This week, Monti unveiled a tough spending plan designed to bolster investor confidence in Italy's ability to ease its budget woes.

Though Europe's crisis remains beyond Obama's direct control, the White House says his role in trying to shape the outcome has been an assertive one.

One senior administration official familiar with Obama's talks with Merkel and Sarkozy said the president has offered ideas based on his experience dealing with troubled assets, bank recapitalization and government interventions during the U.S. financial crisis. The official added that Obama has stopped short of dictating a solution.

The official, who wasn't authorized to discuss Obama's private conversations with leaders, spoke on condition of anonymity.

"The European crisis has got to be one of the frustrating scenarios for the president," said Heather Conley, a European expert at the Center for Strategic and International Studies.

"On the one hand, the outcome of this crisis, one way or another, is going to have a profound impact on the U.S. economy and the global economy for quite some time. On the other, he can do very little. ... What the president wants is to see this resolved. Quite frankly, the White House is probably fairly agnostic about how it's resolved. But fix it."

And advice from the president has its limits, said Bruce Stokes, a senior trans-Atlantic fellow for economics at the German Marshall Fund. For one thing, Germany may be tiring of the U.S. push, Stokes said.

"There's a bit of frustration with us, in the sense that they keep bringing up: 'How is it that you're telling us what to do when you have such debt problems of your own?'"

Referring to the 2008 U.S. financial crisis, Stokes said, "We have an experience where we acted massively, and we wish they would do that. In the history of these crises, you need to act massively and quickly, and the Europeans have done neither."

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