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DRAGHI COURTS BUNDESBANK IN BID TO AVOID THE FATE OF TRICHET'S ON BOND PURCHASES

Mario Draghi knows that he can't afford to repeat Jean-Claude Trichet's mistake. Only a month into his term, as the European Central Bank president, Draghi is being careful not to alienate Bundesbank chief Jens Weidmann, who is a vocal opponent of the ECB's bond purchases. As Europe's sovereign debt turmoil enters what may be its decisive days, Draghi must keep Germany's central banker onside for any expansion of the ECB's crisis-fighting role, say that economists from Bayclays Capital to Societe Generale SA. ''Draghi is likely to be very conscious and aware of the Bundesbank's perspective,'' said Julian Callow, who is the chief European economist at Barclays in London. ''It's going to be a hard act for Draghi to balance strong views for dramatic action and calls for Weidmann for a more cautious approach.'' Draghi, age 64, may need all the diplomatic nous he's accrued in a career that began under that tutelage of Stanley Fischer at the Massachusetts Institute of Technology and has taken him to Italy's finance ministry, the boardrooms of Goldman Sachs Group Inc. and now the 35th floor of the headquarters of ECB's Frankfurt. As he pushed the governments toward a fiscal union to secure a lasting solution to the debt crisis, Draghi has signaled greater central bank intervention could be the quid pro quo. ''I the ECB see governments are moving in this direction, and this is not enough to restore market confidence in the short term, more ECB action to provide confidence will probably come,'' said Marco Valli, who is the chief euro-area economist at UniCredit Group in Milan. Trichet had to learn the hard way how important it is to have the Bundesbank's support. As the euro region faced the risk of splintering over the weekend of May 8-9 last year, Trichet cajoled almost all of the Governing Counsil into entering bond markets for the first time to try and put a lid on soaring yields. Hours later, the Bundesbank President Axel Weber criticized the move, robbing it of the legitimacy only Germany, who is Europe's anchor of stability, can bestow. Six months later Ireland was forced to seek a bailout, Portugal followed in April, Greece is negotiating a debt haircut, and the yields on Italian and Spanish bonds last month rose to a euro high of 7.4 percent and 6.7 percent respectively, even as the ECB continued to buy them. Data that was compiled by Bloomberg showed that the euro-area governments have to repay more than 1.1 trillion euros ($1.5 trillion) of a long- and short-term debt in 2012, with about 519 billion euros of Italian, French and German debt maturing in the first half alone. Weidmann, age 43, has said that the ECB can't become a lender of last resort for euro-area governments because that would exceed its mandate and erode its independence. He has backing from the German Chancellor Angela Merkel, who fought off French entreaties for the ECB to do more.