

Leader's arrest could fetter IMF

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By **Paul Davidson**, USA TODAY

The weekend arrest of **International Monetary Fund** chief **Dominique Strauss-Kahn** could hamper efforts to prop up Greece and prevent its debt crisis from spreading.



By J. Scott Applewhite, AP
International Monetary Fund Managing Director Dominique Strauss-Kahn.

are scheduled to address Greece's tottering economy and a proposed bailout for Portugal in Brussels today.

The IMF said in a statement it "remains fully functioning and operational." Strauss-Kahn's lawyers, William Taylor III and Benjamin Brafman, said he will plead not guilty and "denies all the charges."

STORY: Police: IMF chief picked out of lineup

But experts say Strauss-Kahn, 62, will likely be forced to step down, leaving a vacuum as Greece, Ireland and Portugal struggle to avoid default. "It couldn't be worse timing," says Jan Randolph, a sovereign debt analyst for **IHS Global Insight**.

Greece received a 110 billion euro (\$157 billion) bailout from the **European Union** and the IMF last year after longstanding corruption and wasteful spending left it with a debt that's nearly 150% of its economic output. The rescue required the country to sell public assets to raise \$50 billion, crack down on tax evasion and slash its deficit.

Greece has made little progress, especially in

Enlarge

By J. Scott Applewhite, AP

International Monetary Fund Managing Director Dominique Strauss-Kahn.

Strauss-Kahn, expected to step down this year to seek the French presidency in 2012, was taken into custody on Saturday and charged early Sunday with sexually assaulting a maid in a Manhattan hotel.

The charismatic **IMF** head was to meet with German Chancellor Angela Merkel Sunday to discuss the Greek crisis. Eurozone leaders

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unloading its assets. Yet, Strauss-Kahn has supported doling out the bailout money or giving Greece more time to repay its debt, experts say. Merkel and other European leaders are more skeptical of further concessions until Greece lives up to the conditions.

"IMF support for Greece and other vulnerable economies in Europe can no longer be taken for granted," says [Eswar Prasad](#), a [Cornell University](#) professor and former IMF official. Anticipation of a Greek default or debt restructuring would raise interest rates across Europe, he says.

That's why Randolph says the IMF will continue Strauss-Kahn's policies.

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