German Chancellor Angela Merkel commemorates the centenary of the massacre of 1.5 million Armenians by Ottoman Turk forces, during a regular session of the German lower house of Parliament, Bundestag, in Berlin, Germany April 24, 2015. REUTERS/HANNIBAL HANSCHKE

(Reuters) - Chancellor Angela Merkel defended Germany's BND intelligence agency on Monday against accusations it illegally helped the United States spy on officials and firms in Europe.

In her first public comments on a scandal that has gripped Germany for weeks, Merkel said it was still unacceptable for friendly nations to spy on each other - a reference to her dismay over reports the NSA had tapped her cell phone up to 2013.
She ardently backed BND cooperation with the U.S. National Security Agency in fighting terror even as Germany’s top public prosecutor launched an investigation. Spying on behalf of the NSA has upset many in Germany where surveillance is a sensitive issue due to abuses by the Nazis and East German Stasi.

"We've quite correctly got controls on the BND in parliament and I consider that to be absolutely essential," Merkel said, adding that her office stood ready to answer all its questions.

"But on the other hand, intelligence agencies are working to ensure the public’s safety and the German government will do everything it can to ensure that it can carry out its job.

"And this ability to carry out its duties in the face of international terrorism threats is done in cooperation with other intelligence agencies, and that includes first and foremost the NSA."

Merkel said spy agencies had to cooperate with each other but conceded there is "an innate tension" between freedom and security. "Striking the right balance is my job," she said.

Interior Minister Thomas de Maiziere, a close Merkel ally and her chief of staff from 2005 to 2009, has faced calls to resign over the scandal. He has denied he lied to parliament about Germany's intelligence cooperation with the NSA.

The chancellery has said it had known of the NSA interest in spying on European defense firms since 2008, even though parliament was told in 2014 it had no information about that.

BND president Gerhard Schindler rejected charges leveled by opposition politicians that the BND had committed treason by assisting the NSA. Revelations by former NSA contractor Edward Snowden that Washington carried out large-scale electronic espionage in Europe have provoked outrage in Germany.

"I emphatically reject the accusations of treason," he said at a panel discussion in Berlin. "It's totally absurd." He also said Germans had the wrong impression about the cooperation with the NSA. "The BND isn't a compliant tool of the United States."

(Additional reporting by Noah Barkin and Andreas Rinke; Editing by Tom Heneghan)