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## **EURO FINANCE MINISTERS AGREE SPAIN, PORTUGAL VIOLATING BUDGET RULES**

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Eurozone finance ministers have agreed Spain and Portugal are in violation of budget rules. Any potential penalties are likely to be soft in order to avoid an anti-EU backlash or hamper economic growth.

Eurozone finance ministers on Monday agreed that Spain and Portugal are in violation EU budget rules, potentially setting the stage for unheard of penalties being imposed on the euro currency users.

The eurogroup finance ministers agreed with an assessment issued last week from the European Commission, the EU's executive, that Madrid and Lisbon failed to live up to their commitments to slash their budget deficits.

The issue will now go before the all 28 EU finance ministers on Tuesday.

"The eurozone members tomorrow ... will vote to support the commission's recommendation unanimously," said Jeroen Dijsselbloem, who heads the 19 finance ministers from EU countries that use the euro currency.

Once the decision is made, the Commission will have 20 days to prepare penalties.

Spain and Portugal are expected to submit a request for no sanctions within 10 days. Such a request would come with pledges to improve their budget outlook.

Following the UK vote to leave 28-member bloc, there is pressure on the EU to avoid stoking euroscepticism by penalizing Madrid and Lisbon.

Portugal is considered a strong reformer, while Spain has been embattled by two recent elections and political uncertainty. The political environment within both countries has made it difficult to push through further budget cuts. The two Iberian nations had enacted extensive austerity measures as part of bailout agreements reached during the eurozone crisis, and have since faced widespread popular resistance.

Under EU rules, the bloc's executive may impose fines of up to 0.2 percent of GDP if a eurozone member repeatedly ignores the 3 percent of GDP deficit limit. It has never slapped sanctions on a country, even as other countries have gone over the budget cap.

EU Economy Commissioner Pierre Moscovici said the EU was not looking to punish countries, noting there exists an "intelligent" way to impose rules without hampering growth in Spain and Portugal.

French Finance Minister Michel Sapin said on Monday any action against Portugal should be soft. "Portugal has made enormous efforts in the past years. It does not deserve excessive discipline," said Sapin.

Defending his country's deficit slashing, Spanish Finance Minister Luis de Guindos said he was optimistic the commission would avoid "the sheer nonsense that a fine against Spain would signify."

Led by Germany, some other eurozone members have called for the budget rules to be more stringently imposed.

Spain and Portugal have been under the EU's excessive deficit procedure since 2009.

Spain has cut its budget hole in half from nearly 10 percent in 2012. However, it remains off the 4.2 percent target set by the commission and above the 3 percent EU threshold.

Portugal was slashed its budget from nearly 10 percent of GDP in 2012 to 4.4 percent last year, but that also misses targets and the 3 percent limit.

<http://www.dw.com/en/euro-finance-ministers-agree-spain-portugal-violating-budget-rules/a-19394327>

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