
JUNCKER: IF WE ACCEPT THE ITALIAN BUDGET, 'COUNTRIES WOULD INSULT US'

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European Commission President Jean-Claude Juncker told Italian media on Tuesday (16 October) that he could not accept the extra spending budgeted by the Italian government because other member states would insult the institution if it did.

Juncker sought to tone down the war of words between Brussels and Rome, following the submission of Italys draft budgetary plan for next year, but he insisted that commitments made by Italy to reduce its massive public debt of 132% of GDP must be respected.

Italy should have included a structural adjustment of 0.6% of its GDP in next years budget. Instead, it submitted an expansionary plan that would increase its budget deficit to 2.4% of its GDP compared with the 0.8% target set by the previous government.

EU Commission prepares to reject Italy's budget

The European Commission will take the unprecedented step of rejecting a national budget later this month if the Italian government does not improve its announced deficit figures, EU officials told EURACTIV.

If we accepted the (deficit) overshoot * some countries would cover us with insults and abuse, accusing us of being too flexible with Italy, Juncker added.

EU officials had warned that the EU executive would strictly apply the rules with Italy this time around, following its loose supervision in recent years.

Since 2016, the Commission forgave Italy €30 billion in adjustments to balance its public accounts.

Euro area countries have to submit their budgets to the Commission by mid-October as part of the EUs framework to coordinate economic policies and monitor national expenditure.

Italian prime minister Guiseppe Conte told the Italian parliament on Tuesday that the extra spending was needed to boost investment in the country.

We are convinced that austerity is a path that can no longer be followed, Conte said.

Ministers press Italy to respect common rules in budgetary spat

Eurozone finance ministers and the European Commission called on the Italian government on Monday (1 October) to respect the EU's fiscal rules, saying the non-compliant budgetary plan announced by the third largest eurozone economy could destabilise the region.

However, his budgetary plan is expected to spark a strong reaction from fellow eurozone partners.

Euro area leaders will meet on Thursday, as part of a three-day summit starting on Wednesday to discuss various issues and meet Asian leaders.

Conte said that he expected to be interrogated by his fellow finance ministers. He added that Italy's membership to the EU was irrenunciabile

A senior EU official said that the Italian budget was not part of the official agenda, as euro area leaders will discuss the ongoing efforts to bolster the eurozone's framework.

But the disagreement between Italy and its eurozone partners could derail the efforts to complete the economic and monetary union, in particular its banking union.

EU leaders postpone completion of banking union

Despite previous promises to achieve results on eurozone reforms in June, EU leaders postponed until December an agreement on the backstop to wind down failing banks and did not include any date for starting discussions on a European deposit guarantee scheme.

Speaking to reporters after the Social Summit on Tuesday, European Council President Donald Tusk said that, despite the dispute, it was still possible to reach an agreement by December as leaders agreed last June.

We have to be realistic and frank. I am absolutely aware that the atmosphere will be more tricky than in June, he said.

But I think we can use the time before December to clarify the positions of some member states, he added.

Eurozone faces critical budget issue as Italy defies the rules

For the first time since post-crisis rules entered into force, all eurozone countries are to submit their draft budget plans to the European Commission, but the Commission could also make an unprecedented move itself: sending one of budgets back to where it came from, most likely, Rome.

During the same press conference, European Commission vice-president for the euro, Valdis Dombrovskis, recalled that the Commission had already warned in a letter to the Italian government that its draft budget represented a significant deviation from the adjustment path agreed with its EU partners.

He explained that the Commission would request additional information within a week. If Rome continues to exclude any adjustment, the Commission would issue a negative opinion in two weeks. Rome would have three weeks from that moment to rewrite its budget.

This is what we need: a respectful dialogue between Italy and the European Commission, Tusk added.

Kaynak/Source: