
EUROPEAN COMMISSION ACCEPTS ITALY'S REVISED BUDGET PROPOSAL

- 20.12.2018

Deutsche Welle (19 December 2018)

Italy has promised to reduce its deficit targets for the next three years. Italian Prime Minister Giuseppe Conte said the long awaited agreement allowed his government to honor its main commitments and boost the economy.

The European Commission has reached an agreement with Italy on its budget plans, after months of Brussels resisting Rome's intentions to exceed EU rules on government borrowing.

Italy agreed, as part of the compromise, to lower its deficit target for 2019 from 2.4 to 2.04 percent of gross domestic product (GDP). The government's projections now operate on the basis of economic growth predictions that the EU considers more realistic.

European Commission Vice President Valdis Dombrovskis said the plan, though "not ideal," allows the commission to avoid legal action against Italy "provided that the measures are fully implemented."

Italy and EU reach an agreement

The commission said it had been reassured by new fiscal measures provided by Italy's populist government and decided to accept their budget offer rather than recommend launching legal action called "excessive deficit procedures."

Italian Prime Minister Giuseppe Conte hailed the agreement when addressing the Italian parliament on Wednesday, saying he had resisted calls for even greater cuts and had protected key measures in the budget.

"At the end of tough negotiations, conducted with tenacity, we have reached a point of sustainable equilibrium, sticking to a higher (deficit) figure than that deemed appropriate by Europe," Conte told Italy's upper house.

As a share of national economic output, Italy's debt level is the second highest in Europe, after Greece, at over 130 percent of GDP. The commission can implement sanctions when countries breach, or are at risk of breaching, the deficit threshold of 3 percent of GDP or have a government debt level above 60 percent of GDP. That said, the majority of EU members, including Germany, exceed the 60 percent target for total national debt.

The country's new government □ comprised of a coalition between the far-right, euroskeptic Lega

party and the left-leaning, anti-establishment Five Star Movement □ initially sought sweeping budget measures including tax cuts, early retirement measures and the establishment of a universal basic income.

Kaynak/Source: