

BELGIUM AGREES ON A 2012 BUDGET AFTER THE RATING CUTS



Belgium's political factions reached a deal to reduce the leaderless country's budget deficit, bringing it closer to finishing the new government after 531 days of post-election brinksmanship. Elio Di Rupo, who is the president of the French-speaking Socialist Party and who has also led the coalition negotiations between six of the country's political parties, thrashed out the accord between the Dutch-speaking north and French-speaking south fueled speculation that the country could break up. Yesterday, Belgium's rating was cut one step to AA by S&P, which said the cost of bailing out Dexia SA (DEXB), a lack of policy consensus and slowing growth will make it harder to reduce the euro region's fifth-highest debt load. Caretaker Prime Minister Yves Leterme has called for a deal between the six parties that were involved before Nov. 28, when Belgium plans to raise as much as 2 billion euros (\$2.7 billion) from a bond offering. "It's the markets that made them finally wake up," said Karel Lannoo, who is the chief executive officer of the Centre for European Policy Studies in Brussels, in a phone interview. "It's good that the market did this, because no one else managed to convince them--not the electoral." The "main stumbling block to forming a government" has now been removed, he said. Belgium faced sanctions from the European Union for failing to tackle the shortfall in its public finances. Last week, EU Economic and Monetary Affairs Commissioner Olli Rehn reiterated that Belgium must take action to meet their goal. Today, Central Bank Governor Luc Coene today urged euro-member governments to take action to restore financial markets' confidence in the public finances. Coene told Het Belang Van Limburg that the European Central Bank and its Belgium counterpart can take steps to restore the functioning of government bond-markets. "This budget meets the multi-year commitments of Belgium towards the European Union," said the negotiators, in a joint statement on the deal. "It will reduce the deficit in our country to 2.8 percent of GDP in 2012 to break even in 2015." The deal, which does include 11.3 billion euros in savings and new taxes, "brilliantly passes the European test," Alexander De Croo, who is the leader of the Flemish Liberal part, was quoted as saying by the Belga news agency. "Its a compromise budget," Laurette Onkelinx, who is a French-speaking socialist lawmaker, told Belga. "We've tried to have a budget satisfying each other, but there would be no agreement if everyone did not have water in his wine." Just three days ago, King Albert declined Di Rupo's request to stand down from leading the negotiations and urged the six parties to complete the discussions and form a government. The King is "pleased that agreement has been reached" on the new budget, the royal palace said in an e-mailed statement. "Accordingly, he has instructed" Di Rupo "to form a government as quickly as possible." Di Rupo, 60, had sought to quit after the Liberals from both sides of Belgium's linguistic divide refused to accept his earlier plans for a 2012 budget.

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