Spain unveils new savings plan in struggle to meet EU standard

MADRID, Aug. 5 (Xinhua) -- As its latest move to rebalance strained public finances and a step toward meeting European Union's (EU) limit on deficit-to-GDP ratio, the Spanish government Friday announced a new belt-tightening plan that could save the country 102 billion euros by 2014.

The new package includes 65 billion euros of tax hikes and spending cuts contained in a July austerity package, with 35 billion euros to come from a hike in sales taxes while the public sector, health and education will all be affected.

Along with the release of the savings plan, the country, which recently has become a primary source of concern amid the escalating eurozone debt crisis, also set the deficit target for 2013 and 2014, 4.5 percent and 2.8 percent respectively.

The EU has long-standing rules that members' deficit should be no larger than 3 percent of its GDP. However, the various stimulus measures and large-scale tax cuts taken by many EU countries in recent years, usually joined with lax spending before the onset of the global financial crisis, have landed them in bulging budget deficits.

In July, Brussels said Spain must bring down the public deficit to 6.3 percent of its GDP this year from 8.9 percent in 2011, when it badly missed its 6.0 percent target, and it should meet the EU deficit standard in 2014, a year later than previously requested.

Speaking at a Friday press conference after a cabinet meeting, Spanish Prime Minister Mariano Rajoy said the measures to cut spending and increase national revenue are "neither nice nor popular," but something necessary to meet the EU target.

"We do not promise miracles. It is a huge task but not an impossible task," he said. The spending cuts will not likely affect pensioners as Rajoy confirmed that the government intends not to lower pensions next year based on current data.

As for an unemployment benefit program due to expire later this month, the prime minister said the government had not yet decided whether to extend the monthly payment of around 400 euros to those without a job for a long time.

According to figures by the Spanish National Statistics Institute, the country's unemployment reached 24.63 percent in June, the highest level in Europe.

The Spanish prime minister also said he had not yet made any decision regarding additional measures being planned by the European Central Bank to ease market concerns that have driven borrowing costs for Spain and Italy to unsustainable high levels.

The EU's fourth largest economy has secured a 100-billion-euro life line from the European Union for its struggling banking sector but investors fear that with its borrowing costs rising, it may need a full bailout.

"I want to know what these measures are to see if they are adequate. Then I will take the best decision for the general interest of the Spanish people," Rajoy said.

Coinciding with the announcement of spending cuts, Spain's rail workers Friday staged a one-day strike to protest a proposed restructuring of the sector, causing the cancellation of some 500 trains.