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Merkel Presses for Sanctions on Euro Offenders Amid Resistance
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By James G. Neuger

Sept. 16 (Bloomberg) -- Germany pressed for tougher sanctions to prevent another euro-region debt crisis in the face of mounting resistance from Europe's weaker economies.

European farm or infrastructure aid won't be cut from deficit-riddled countries, French officials said yesterday. The Czech government opposed German calls to strip fiscal offenders of voting rights on some European Union decisions.

Europe has "no consensus" on fixing the euro zone, Luxembourg Prime Minister Jean-Claude Juncker told the Luxemburger Wort newspaper before today's summit of EU leaders in Brussels. "The nonstop repetition of generalities doesn't bring us any further on this issue and gives rise to the impression on financial markets that we're not following through in revising the stability pact."

Discord over revamping the management of the $12 trillion economy comes as bond-yield premiums for countries such as Ireland and Portugal surpass levels reached in May when EU leaders unveiled a 750 billion-euro ($980 billion) backstop to blunt the Greece-led debt crisis.

Today's summit also solved Italy's objections to an EU- South Korea trade pact, agreeing that it will take effect in July 2011. Leaders plan to discuss aid for flood-battered Pakistan, and may address France's expulsion of Roma.

While the EU took "convincing" efforts to halt the debt crisis, "more needs to be done to safeguard growth and jobs" and "to make our economies crisis-proof," EU President Herman Van Rompuy said in the summit's televised opening session.

Clash Over Rules

The clash over euro rules is a rerun of the 1990s, when Germany's call for automatic sanctions on countries that overstep the deficit limit of 3 percent of gross domestic product was blocked by a French-led coalition.

"Germany will support severe sanctions," Merkel told reporters last night in Brussels. "It will be necessary for us to make clear that we can't afford a repeat of the euro crisis."

Spain has ruled out penalizing high-deficit countries by cutting them off from European infrastructure subsidies, a position echoed by France yesterday. French officials also told reporters in Paris that there will be no confiscation of agricultural aid.

All 27 EU countries are negotiating the rewrite of the rules, since most -- except for the U.K., Denmark and Sweden -- plan to adopt the now 16-country euro. The 17th, Estonia, joins in January.

"We do have some objections as to the principle of removing the voting rights," Prime Minister Petr Necas of the Czech Republic said late yesterday in Brussels.

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