

(BN) Soros Sees Rajoy Seeking Limited Aid to Avoid Political Fal lout

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By Francine Lacqua and Zoe Schneeweiss

Sept. 13 (Bloomberg) -- Billionaire investor George Soros said he expects Spain to request a "very limited" bailout from the European Union, with Prime Minister Mariano Rajoy seeking to avoid damaging political fallout at home.

"I think Spain will ask for a very limited contract which does not require Spain to submit itself to the constant supervision of the troika" -- comprising the European Commission, European Central Bank and International Monetary Fund -- Soros said in an interview with Bloomberg Television in Budapest today. "Because that would be a sacrifice of sovereignty that politically would be fatal."

Rajoy, who has been calling for central bank purchases of government bonds since taking office in December, has spent six weeks hesitating since ECB President Mario Draghi said Aug. 2 that any aid would have conditions attached.

Rajoy said this week the country may not need a second bailout because the ECB's pledge already cut borrowing costs.

Spain is trying to avoid surrendering more control over the economy after handing power over the financial system to the EU in return for a 100 billion-euro (\$129 billion) bank rescue in June. German policy makers have said they would force Spain to accept conditions in exchange for support.

"It is impossible for Spain to ask for a full-fledged program," Soros said, adding that he saw a bailout of as much as 100 billion euros. That might be provided in a precautionary credit line.

Rajoy is also handicapped by domestic politics, Soros said, citing the "big tension between central governments and the regions, particularly Catalonia. So there is a real threat of Catalanian secession that has now emerged."

Soros, 82, the founder of Soros Fund Management LLC, has a net worth of \$21.9 billion and is the world's 24th-wealthiest person, according to the Bloomberg Billionaires Index.

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