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A clear choice for Europe: Solidarity or Self-interest, Recovery or Austerity

Declaration adopted by PES Prime Ministers' and Leaders' conference on 25th March 2010

European citizens have been hit by 18 months of economic pain. It is not over yet. The economy is still both fragile and shallow, and unemployment is growing. To make that recovery real and sustainable, to answer the demands of our citizens, we need to take bold political steps that redress the imbalance between the economic, social and green elements of European Union work. The Party of European Socialists (PES) has identified these steps.

Despite the fact that the euro-zone now has the lowest growth of any industrialized region in the world, the call from the Political Right continues to be cuts in public spending. Fiscal consolidation should not damage recovery. While other countries, notably the US and Japan, invest in their future and boost growth, European conservative governments are obsessed with slashing public finances at any social and economic cost. Moreover, they are consolidating public budgets on the backs of the local and regional authorities. The already fragile recovery and our long-term competitiveness are put at serious risk by such policies. With over 23 million EU citizens already unemployed, the idea of exposing them to further hardship is unacceptable. We cannot withdraw fiscal stimulation with such high unemployment. After all, it was not the European citizens who created this crisis.

In times of hardship there is a temptation to resort to protectionism and short sighted self-interest. Narrow minded conservative austerity measures are holding the EU back. We therefore call for **progressive recovery** policies, true to the founding principle of the European Union: **solidarity**.

On a continent already suffering from record level unemployment and sluggish growth, the financial market speculators', hedge fund managers' and investment bankers' concerted attacks on democratic European countries was the final straw. An EU that allows its citizens to be subjected to such attacks is unacceptable. **A new vision is needed.** Ours is a vision of the European Union working for its citizens, where such attacks are anathema.

A solidarity mechanism

We, the PES leaders, have consistently said that European problems call for European solutions. We believe in a balance between political and fiscal responsibility, on the one hand, and solidarity between Member States, on the other.

It is not about an isolated question of Greece, for which we need an urgent solution. We welcome the efforts made by the Greek government, under the leadership of George Papandreou, which contrasts with the Conservatives' blind faith in the financial markets. The European Council, on February 11, promised Greece support if budgetary efforts were made. Now it is time to keep that promise. The solution must be based on principle of fairness: Greece is currently paying an unfair



price for its financing, which has been distorted by speculation. What Greece needs is to have access to loans without having to pay extra interest as a result of speculative attacks.

The next step is to propose a **solidarity mechanism**, ensuring Member States against speculative attacks. Such a mechanism already exists for non euro-zone Member States, under the provision of the Lisbon Treaty. The 'Greek crisis' demonstrates that we need real mechanisms of economic policy coordination in the euro-area, and in particular a genuine and permanent crisis-management mechanism. No euro-area Member State should be forced to borrow on the markets at excessive prices due to speculation. Such a mechanism must provide real protection to all Member States against speculative attacks, combined with clear conditionalities for fiscal consolidation but also on growth, jobs and social cohesion. This would send a strong message to the financial markets that the EU will not let any of its Members be driven to a sovereign default.

The PES has therefore proposed to set up a "European Mechanism for Financial Stability" in the euro-area, based on the Lisbon Treaty. It represents a truly European solution to a truly European problem. We reiterate our call for the European Commission to come up with a clear balanced proposal.

Furthermore, we must develop this mechanism into a long-term framework for strengthened economic governance in the euro-zone. PES will continue to work on proposals on how to coordinate fiscal and budgetary policies within the European Monetary Union, in order to protect the single currency, but also to enhance the efficiency of economic policy in promoting sustainable economic growth and job creation.

The Europe 2020 strategy

We, the PES leaders, have long pleaded for a truly progressive and innovative strategy for green, smart and inclusive growth. We call on the EU Heads of State and Government at the Spring European Council on March 25-26 to take the opportunity to bring lasting change for sustainable development and a fairer society.

Unfortunately, the European Commission's proposal on the Europe 2020 lacks political vision and courage. The proposal is too light on details and on the instruments and measures used to implement the objectives. The social dimension is particularly weak. The economic advantage of strong welfare systems and better social standards is not recognised. There is a lack of concrete objectives, targets and measures on strengthening social protection, overcoming social inequalities and exclusion and improving the quality of work and life. The demand from Conservative governments to delete the education and the poverty reduction headline targets from the proposal is very disconcerting. We, the PES leaders, urge the European Council to retain these targets on EU level. The Commission furthermore fails to answer how to ensure that the move to a carbon-free economy will benefit all citizens. No proposals to ensure a 'fair transition' for workers in this process are made. Overall, the Commission's proposal fails to address the territorial dimension of the strategy's implementation and the involvement of local and regional authorities.

The overarching aim of the new strategy should be to ensure that more and better jobs, gender equality, social protection, inclusion, as well as sustaining the environment, should be just as important as fostering economic recovery. It is about coherence, jobs and sustainability in a new direction for Europe.



We, the PES leaders, call for the EU leaders to address the following seven key priorities at the Spring European Council:

1. Progressive recovery or Conservative austerity

Europe stands at a crossroads. **There is a political choice to be made between progressive recovery and fiscal consolidation.** The Conservative's focus on the latter clearly puts our welfare states at risk. They are letting ordinary people pay for the recklessness of the speculators. They are letting citizens suffer the impact of austerity measures. Viewed by citizens of any European high street, this crisis has thrown up a stark question: are the political elite representatives of the people or the finance industry?

It is time to forcefully underscore that we are putting our citizens first. **Our way is a progressive recovery** based on jobs, growth and social policies that minimise exclusion. Withdrawing fiscal stimulus now would put Europe's economy at risk of a re-dip into recession. Governments must carry on their stimulus efforts and support measures towards long-term investments. In order to strengthen the foundation of our welfare states, we propose the following priorities for investments:

- A European-wide programme providing tailor-made access to new skills for new jobs, including education and training programmes for the unemployed;
- Developing comprehensive programmes to support SMEs;
- Supporting the development of family care services, social services and health services;
- Promoting the greening of products and services, including houses and cars;
- Speeding up the construction of new energy and broadband networks;
- Improving the quality of education and research, for example in green technologies, nano-technology and ICT;
- Investing in fair transitions to green jobs.

All this should be done in a focussed, coordinated way to ensure the maximum effect of synergy, when Member States, and all levels of governance, move together. These investments need to be underpinned by new fiscal sources. To boost the transition to a green economy and ensure social justice, the tax burden should be moved to carbon and financial sources, possibly by introducing global or European green taxes, such as emission or pollution taxes. New financial instruments, notably Eurobonds, should be developed with more ambition.

The crisis has shown that the stifling Stability and Growth Pact is not enough for the EU. We need to strengthen the coordination of macro-economic policies, not only for fiscal consolidation but also to promote jobs and growth. We, the PES leaders, are therefore calling for the economic governance of the euro-zone to become a reality.

2. Financial market regulation – bringing the financial sector out of the shadows

There is an urgent need to bring cross-border financial institutions out of the shadows. An appropriate regulation of all financial institutions, including hedge funds and private equity, is clearly needed in order to tackle the lack of transparency and the extreme use of leverage and risk taking. Improper conducts and abusive market practices such as naked short-selling should also be prohibited.

We have established unprecedented momentum for a Financial Transaction Tax (FTT), covering all financial products. An FTT is required to turn the financial sector into the servant of the real economy and to consolidate public finances. We, as PES leaders, are calling for the implementation of a universal FTT of 0.05%. The European Parliament has overwhelmingly called



on the European Commission to outline a European position. We call on the Commission to make this position a concrete call for an FTT.

3. Inclusion policies to fight social inequalities

The Europe 2020 strategy needs to address the dual challenge of increasing unemployment and deteriorating working conditions. Unemployment across Europe has exceeded 10% and the number of working poor and of precarious working contracts is rising. The problem of early school leavers needs to be firmly addressed. Our goal is that all children remain in school until they have received a tertiary degree. Our citizens deserve clear, well-funded educational routes out of the unemployment trap.

We, the PES Leaders, therefore propose major investments in skills and life-long learning; concrete targets to reduce youth unemployment; adoption of EU legislation defining minimum standards for internships; greater access to the EU Erasmus programme; and a European pact for decent minimum wages, agreed either by law or through collective bargaining. To ensure equal pay for equal work, the directive on posting of workers needs to be revised.

Social inclusion and social protection must become key priorities of the strategy. Public and health services are a vital part of our recovery. We call on the European Commission to recognise, and promote their role. We call on the Commission to bring forward legislation on public services and on minimum income schemes. Moreover, actively integrating immigrants should be promoted as a means of enriching European societies. We ask the Commission to come forward with legislation on the integration of third country workers.

4. Gender equality – a Women’s Rights Charter

Based on a proper gender assessment, specific gender equality measures should be mainstreamed to guarantee equal access to the labour market. Specific targets at EU and national level with respect to closing the gender pay gap and enhancing women’s participation in all economic, financial and political decision-making bodies should be implemented to increase real gender equality. The best way to achieve this is through a European Women’s Rights Charter.

5. A coordinated European industrial policy

A European industrial policy is crucial to stimulate economic activity and job creation. In the past decade, EU institutions have been very cautious in developing a real industrial policy. Improving competitiveness has been left mainly to the markets. What is needed now is a more active industrial policy, promoting the framework conditions for companies but also for the employees in the different industrial sectors.

6. Climate change – Europe must make sure it stays in the lead

Climate change is a huge challenge for the EU, with potential grave consequences for our environment, our well being, economic growth, the stability of our welfare states and the sustainability of our public finances. It is therefore fundamental that the EU stays committed to its 20/20/20 goals set out in the climate and energy package, which would ensure green jobs. The necessary changeover to a carbon free economy represents a huge opportunity for new jobs, competitiveness and for reducing energy and raw material costs. Better climate policy is a question of political decisiveness. The EU must remain a frontrunner in the international negotiations by unilaterally adopting a 30% reduction target for carbon emissions and providing sufficient, additional finances to developing countries. And Europe should continue striving for a fair, ambitious and legally binding international agreement, to ensure that the temperature increase will not exceed 2°C.



7. A more engaging, transparent and accountable Union

The European Parliament, national parliaments, the Committee of the Regions, local and regional authorities and social partners must be given a bigger role in delivering for citizens. Our citizens' voices are not being heard. These institutions need to be more transparent and engage the citizens in EU work. **The Commission should be held accountable** for how initiatives are launched and implemented to achieve the set-out objectives.

Legally binding measures in the different policy areas, yearly benchmarking, incentives and sanctions are important tools to guarantee that the citizens will benefit. A new generation of external policies of the EU must be defined – which reflect our citizens growing awareness of how foreign, development, and trade policies are inextricably linked – in order to shape globalization to promote higher environmental and social standards.

The Conservatives' crisis remedy is "business as usual". That is not an option for Europe and its citizens. This is about a new direction for Europe - a direction that ensures jobs, growth and fairness for our citizens. We understand the frustrations, we understand the anger, and we understand the urgency. Let's together make this crisis about not just learning the lessons, but about properly applying the lessons.

This declaration has been adopted by the PES Prime Ministers and Leaders present at the meeting.

