



Economic Coordination and Financial Reform for a Stronger and Fair Recovery

Declaration on strengthening the euro-zone and preparing the EU2020 Strategy

**Agreed by PES Prime Ministers and Deputy Prime Ministers
10th February 2010**

The financial, economic and social crisis is not over yet. It was possible to control it and to avoid the financial meltdown, but much more needs to be done in order to overcome it and to prevent it in the future. The recovery is sluggish, unemployment is rising, banks' credit is still very insufficient, public finances are unbalanced, speculative movements are re-emerging, putting some member states of the euro-zone under pressure.

We need more vigorous action in the regulation of the financial markets, according to political commitments already made. The directives on hedge and private equity funds and on capital requirements, the EU financial supervision system and the actions regarding the rating agencies are particularly urgent. The financial system must be re-focused on supporting investment and jobs creation and consumer's protection must be strengthened.

The recent pressures on euro-zone members are leading to swift responses at national level coupling financial responsibility with social fairness. Nevertheless, the protection of the euro-zone as a whole also requires a clear and coordinated response of the euro-zone itself, based on political and fiscal responsibility and solidarity. A consistent framework must be defined in order to ensure that the euro-zone has the internal means to avoid any risk of default by combining national fiscal discipline with a last resort mechanism of financial support coupling lending by private banks with a guarantee to be provided by euro-zone members, under specific conditions. The Article 122-2 of the Lisbon Treaty provides the necessary legal basis for the European Commission to make a proposal on this direction.

The most important challenge is to promote long-term growth, jobs creation and to fight against social inequalities. This needs to be done within the process of consolidating budgets. The best way to ensure European prosperity and also to strengthen the euro-zone is to launch a coordinated and ambitious move to a greener, smarter and more inclusive growth. This will require a more effective coordination of macro-economic policies to foster public and private investment in new areas of jobs creation such as energy efficiency, low-carbon technologies and information, research, education and social infrastructures. It is crucial that fiscal consolidation gives priority to jobs creation as the best way to re-balance public finances. Tax burden should move to carbon and financial sources, in particular making the banking sector contribute to paying for the financial crisis and introducing a financial transaction tax at European level. New European instruments should be developed to enable Member States to finance more investment.

Furthermore, it is urgent to develop a European sustainable industrial policy to foster the transition to a greener and smarter economy, to be supported by an active re-skilling and social protection, if we



want to ensure a fair transition. The EU2020 should include a strong social dimension, combining employment policies with social protection and social inclusion policies in order to support change, to fight poverty and ensure equal opportunities. Access to new skills should be generalized, flexi-curity should be really balanced and pensions systems consolidated. In a time of crisis, it is also fundamental that our welfare systems become more effective in fighting actively against poverty, social and gender inequalities. And we have to stop the income gap from further widening. A European framework should be defined in order to strengthen the European Social model.

These should be the strategic priorities of the EU2020 Agenda if we want to have, not only a mobilizing long-term strategy for sustainable development, but also a credible and fair recovery process. To underpin this strategy we need to have stronger political and financial instruments and we need to better organize our action at national, European and international levels. More effective coordination of national policies and a more ambitious Community Programme are fundamental to underpin the EU2020 Strategy. Under the leading role of the European Council, all the relevant formations of the Council should be made responsible. Comprehensive external action to shape globalization with a coordinated European voice has also become crucial to ensure the success of our internal agenda. A special attention should be given to the preparation of G-20 meetings.

Innovation, sustainability and solidarity are now the key principles to build our common future based on greener and smarter growth, jobs creation and social inclusion.

