Van: media@etuc.org <media@etuc.org>
Aan: veerle.solia@amsab.be
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Onderwerp: ETUC Statement to the EU Finance Ministers meeting in Wroclaw

"For a stronger Europe of sustainable growth and social cohesion", statement adopted by the ETUC Steering Committee in Wroclaw on 16 September, addressed to the European Council, the Presidency of the European Council, the European Commission and the Finance Ministers.

European Trade Union Confederation [ETUC]
Confédération européenne des syndicats [CES]

For a stronger Europe of sustainable growth and social cohesion

Statement adopted by the ETUC Steering Committee in Wroclaw on 16 September 2011

During summer 2011 the Eurozone came to the brink of collapse. Short term actions were urged by Governments, EU Institutions and the ECB united only in insisting on austerity programmes rather than progressing towards more comprehensive and long term socially-acceptable solutions.

The sovereign debt crisis is getting out of control. Financial market distrust is no longer contained to Greece, Ireland or Portugal but is contaminating countries such as Spain and Italy and threatens to spread more widely. Markets remain volatile and have not been convinced of the durability of the measures decided by the European Council on 21 July to strengthen the lending capacity of the EFSF and to give it the competence to buy distressed sovereign debt. Delays at national level in bringing those conclusions into effect have led to further confusion.

Sovereign debt that was initially manageable becomes unsustainable because all investors start running for the exit at the same time and because the means (Eurobonds) and institution (European bank for sovereign debt) having the power and financial means to counteract the negative influence of financial markets do not exist in the Euro area.

The financial support European institutions are providing is not working, but the price to be paid for it is high. Member states are forced by the ECB, the Commission and the IMF to adopt an overambitious pace of fiscal consolidation, to deregulate job and social protection systems, to weaken and decentralise wage formation and collective bargaining systems. We opposed the latest demand, formulated by the German and French governments, to push all Euro Area countries into writing a zero deficit or debt brake into national constitutions.

To prevent contagion, policy makers have relied on debt cutting. Debtor-friendly debt restructuring has been ruled out. The ECB even threatened to refuse to accept sovereign debt as collateral in case of restructuring.

In addition a new economic slowdown is unfolding. Leading business cycle indicators have turned downwards. Whereas activity is grounded almost to a halt or markedly slowed down in many core economies in Europe, peripheral economies are stagnant or declining.

A new credit squeeze cannot be ruled out either. With the sovereign debt crisis looming over the balance sheets of banks, European banks find it increasingly difficult to fund themselves on the interbank market. This may very well result in tighter credit conditions, thereby transforming the announced slowdown into an outright recession.

Member states do not have much fiscal ammunition left to allow the automatic stabilizers to work, let alone to relaunch the economy, or are unwilling to use it.

Siren voices in some countries have advocated a return to national solutions, including the break-up of the Euro Area. The ETUC rejects that course of action. A renationalisation of European economic policy would have disastrous consequences on workers' conditions; our economies are interlinked through the internal market and the single currency. It would also risk giving an impetus to right-wing populism.

The pursuit of short-term solutions has led to austerity policies on those countries threatened by sovereign debt crises, demands for high interest rates and even insisting on bilateral collateral agreements. This is not in the well-understood interest of core economies. Allowing the economies with distressed debt to sink into a long term economic depression will destroy the core's export markets. Failure to swiftly resolve the periphery's debt crisis will weaken the bank and financial sector of the core.

A break-up of the currency area, called for by some as a supposed quick fix for current debt and competitiveness problems threatens unforeseeable and almost certainly dramatic economic dislocation. Peripheral countries would be forced to default in disorderly fashion on all their euro-denominated debt, threatening the entire European financial system. Core countries would face an immediate and substantial appreciation of their currencies which would choke off growth in the short run and exert massive downward pressure on wages and working conditions in the medium run.

Current austerity policies, including the Golden Rule, are fostering unemployment and rising inequalities. Workers in a number of countries are facing frontal attacks on their acquired legal rights enshrined in European legislation and international instruments. Conditions are being set unilaterally by Institutions and the ECB acting beyond their competences. Some governments are using the crisis to dismantle social provisions that are the bedrock of the European social model.

Wages are not the enemy of the economy but their engine. Unleashing a 'race to the bottom' on wages and welfare policies will undermine demand dynamics and threaten deflation across the entire monetary union.

The ETUC reiterates that conditionalities to be attached to economic and social integration should fully respect national wage setting systems and the autonomy of the social partners.

Social unrest in many countries is not surprising – youth unemployment, precarious work, unequal treatment are rejected by the people, who only see austerity and attacks on their rights coming from EU policies.

The ETUC has made proposals concerning Eurobonds; a partial transfer of national sovereign debt into European debt up to 60% of GDP; setting up a European Bank for sovereign debt with access to the ECB's liquidity operations; a European public rating agency; a European investment program to revive the most hardest hit economies, helping distressed economies to restructure debt; investment in infrastructure and jobs for a transition to an energy- and resource-efficient model; dropping the co-financing requirements for the structural funds for countries in difficulties and the involvement of trade unions in the management of projects; new sources of European taxes such as an FTT; a harmonisation of the corporate tax base along with a minimal tax rate as part of limiting fiscal dumping; and action on tax evasion and the abolition of tax havens. Taken together these proposals can show the way out of the existential crisis we are facing.

The ETUC Congress last May reaffirmed our commitment to further economic and progressive social integration in Europe to get out of the crisis and stimulate growth, employment and social cohesion. We are committed to defending and promoting the European Social Model. We must all be mindful of the need for democratic support and control in advancing our European ideals. This cannot just be a technocratic exercise. We must bring the people of Europe with us.

For more information :
Patricia Grillo.
ETUC Head of Press and Communications
+ 32 (0)2 224 04 30
+ 32 (0)477 7 7 0 1 64
E-mail : Pgrillo@etuc.org

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