Preparation for the European Council (25-26 March 2010)

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During the course of a debate with the Council and the European Commission, Members gave their views on the preparations for the Spring European Council on 25 and 26 March 2010.

Council: the President-in-Office of the Council, Diego López Garrido recalled that the EU is witnessing an extraordinarily strong dynamic, being in the midst of a serious economic crisis and at the same time implementing a new treaty, the Treaty of Lisbon, getting new institutions off the ground, and carrying out a very broad reordering of the regulation of our economic systems.

The Spanish Presidency recalled the main points on the European Council's agenda:

- the commitment to a new strategy for growth and the creation of high quality jobs and the issue of governance: the Council wants this governance to revolve around its own political leadership and the action of the Commission with the close collaboration and monitoring of everything by Parliament ;
- the fight against climate change : the EU must continue holding onto its leadership and confirm a commitment by developed countries generally to collaborate with those that are still not developed in order to move unequivocally towards legally binding commitments at the Cancún conference in Mexico;
- the issue of the financial situation in Greece and the refinancing of the country's public debt which was a political commitment to support the financial stability of the euro area.

Commission: the President of the Commission asked the European Council do two things: show that it is responding to the financial crisis which means that public finances at national level are under unprecedented strain and work on Europe's long-term strategic framework and long-term strategic objectives, i.e. our economic future and climate change.

The targets which the Commission has put on the table are: (i) the need to increase the level of employment; (ii) to invest more in research and innovation, (iii) to meet our 2020 climate and energy targets; (iv) to improve our educational performance and (v) to combat poverty.

Responding to the economic and financial situation in Greece, the President of the Commission stressed that Greece's fiscal effort to reduce its deficit must continue. The Commission believes it is now appropriate to create, within the euro area, an instrument for coordinated action which could be used to provide assistance to Greece in case of need. The framework for coordinated action should be understood as a safety net to be used only when all other means to avoid a crisis have been exhausted, including, first and foremost, exhausting the scope for policy action at domestic level. Beyond technical aspects, any possible solution must reinforce and strengthen the unity and the coherence of the eurozone and its governance.

Position of the political groups: whilst it is not on the formal agenda of this European Council, the economic and financial situation in Greece were at the heart of the debate :

- **EPP:** the President of the EPP Group called on the Heads of State or Government to reaffirm European solidarity and define their roadmap so as to bring Europe out of the crisis. Referring to the failure of the Lisbon Strategy, he asked the European Council to go beyond words and to give

serious consideration to our common economic objectives on the basis of the Commission's 2020 proposals. Stressing that it is in everyone's interests to guarantee the stability of Europe and of the European Monetary System, the President of the group recalled that it is imperative that a European solution is found to this crisis, in accordance with European rules and within the framework of European financial aid mechanisms, including the IMF. In this context, he indicated that Europe must show solidarity with Greece but that Greece, too, must carry out those internal reforms that are required in the short and medium terms and in order to warrant this solidarity, particularly with regard to reform of public finances. In a period of crisis, he called on Member States to coordinate their budgetary, fiscal and social policies better, and strengthen European governance.

- **S&D:** the President of the Group stressed that solidarity with Greece makes economic sense and that this message must be heeded by Germany. Subscribing to the notion of a safety net, he indicated that it is not about transferring money from taxpayers in other Member States into Greece' s coffers but about enabling Greece to borrow money on the international markets at the same interest rates as are available to the other countries. This will put a stop to the speculators on the financial markets who have been encouraged by the lack of solidarity shown to Greece and who will then turn their attention to Italy, to the UK and to Spain. The Group President recalled that it is up to the Commission and not the IMF to make proposals on achieving a sensible stabilisation within the euro area. He also wanted to send a clear signal to the international financial markets that speculation will not dismantle the euro zone.
- **ADLE:** the President of the Group indicated that the only way to assist Greece and the euro zone is is to take a firm decision on the basis of a Commission proposal. He is pleased that Mr Barroso has announced that he is going to propose a European instrument that will enable the interest rates on Greece's government bonds to be reduced, issuing bonds at European level, since Europe has liquidity and credibility. He insisted that only such an instrument will solve the problem of the gap between the German rate, which stands at 3.05%, and the Greek rate, which is 6.5%.
- **Greens/EFA:** the Group representative recalled that this Greek crisis – this crisis facing the euro – is actually a European crisis and that discussions have been going on for weeks and months without Europeans being able to make the necessary decisions. Deploring Mme Merkel's lack of political will and populism in Germany, she stressed that the continued existence of the euro – of a single currency – in the long term can only be secured if Europeans pull together and integrate their economic policy. She underlined that this is a time for solidarity, but henceforth, Greece will only be able to obtain credit on favourable terms if this is not a one-way street. The state of Greece must utilise the crisis to bring about real reforms and seize the opportunity to create a better state.
- **ECR:** the Group representative considered that Greece does need European solidarity, but that we should very firmly set conditions for Member States, to ensure they follow a rational economic policy. Sting that Greece probably adopted the euro too early, he stressed that we are also facing a problem which is seen so often in Europe, namely that ideology and politics are more important than the economy. He did not feel that greater bureaucracy, integration and regulation in Europe could help what should be the greatest objective – increasing competitiveness.
- **GUE/NGL:** the Group representative also agreed with the call for solidarity with Greece and warned against renationalisation. Recalling Mr Barroso thinking aloud as to whether the worst of the speculation on the financial markets should be banned outright, he deplored the fact that the increasing social chasm in the EU is not on the agenda of the European Council. He was critical of the EU 2020 economic strategy because it is based on the failed ideology of competition which led to the crisis, and wants a strategy that gives social and ecological needs priority over competitive interests.
- **EFD**: the Group representative considered that the EU faces a crash test of the strength of the European currency and, more importantly, of the intentions of the leaders of the European Union to defend it. She hoped nevertheless that the EU achieved something other than the single market and the euro.

Reply to Members: Mr Maroš Šefovi, on behalf of the Commission, recalled that the EU is not just a group of countries but a European family, and the principle of solidarity must come into play if a family member has a problem. The Commission is therefore ready to propose an instrument for coordinated assistance to Greece which will be fully compatible with European law. He stressed the need for higher employment, a better gender balance and stronger education. It is also very clear that the EU needs to invest more in research and development, to fight poverty, and to have a concrete strategy for Europe and European citizens.

With regard to the question of Greece, the President-in-Office of the Council indicated thatthe Council has very clear ideas. Firstly, Europe is an integration of economic policies. Secondly, Europe is based on solidarity and therefore has a strong social content. Thirdly, Europe has economic and financial stability. He wassure that the European Council will strengthen and preserve that stability. A strong political message on Europe will be sent out, one of support for its economy, support for its currency and, therefore, a message of support for solidarity.