European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

ETUC Declaration on the "Treaty on stability, coordination and governance in the economic and monetary union"

Adopted by the ETUC Steering Committee on 25 January 2012

On 8 and 9 December 2011, the European Council decided to engage in an international agreement aiming at strengthening budgetary discipline. Governments considered that reinforcing fiscal obligations would bring back market confidence and save the Euro. The decision was followed by intensive and semi-secret negotiations aiming at reaching an agreement by the end of January 2012. The process of negotiation ignored the democratic scrutiny that should normally characterise any reform of the Union, in particular by not giving the full role to the European Parliament. The ETUC deplores this undemocratic process and its undemocratic consequences at national level.

EU leaders are wrong to believe that a new Treaty, without an accompanying deepening of democracy at EU level - including the full involvement of the social partners at European and national level - nor any new specific commitments on Eurobonds and taxes on financial transactions, will restore growth and resolve the sovereign debt crisis. The new rules on economic governance should not be disguised by Europe's leaders as a technical matter.

The ETUC opposes this new Treaty. Although we support common rules and economic governance, we cannot support these rules. We are convinced that the proposal before us will weaken Europe instead of reinforcing it. The new Treaty will undermine the support of the population for European integration, and it will stifle growth and increase unemployment:

1) In the absence of sustainable investments for growth, austerity measures will not lead to the solution of the Euro crisis and to employment; they will not either reassure financial markets.

2) Casting in national constitutions or legislation a strict adherence to public deficit rules will only exacerbate the current crisis.

3) Returning to balanced public accounts requires a long term approach including fair taxation policies, a financial transaction tax, combating tax fraud and tax evasion, a partial pooling of the debt, adequate intervention of the ECB, and strong control over the financial sector.

4) The need for economic governance is being used as a means of restricting negotiating mechanisms and results, attacking industrial relations systems and put downward pressure on collectively agreed wage levels; to weaken social protection and the right to strike and privatise public services. The ETUC actively resists these attacks, which, cumulated over the years, will dismantle a social model which is unique in the world. The wrong and socially harmful German initiatives such as Agenda 2010 or increasing the

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retirement age should not be imposed on other European countries.

5) European integration, if it is to succeed, must be a positive project bringing social progress and more and better jobs. This is why the ETUC reiterates its demand that a social protocol should be integrated into the European Treaties.

The new Treaty is only stipulating more of the same: austerity and budgetary discipline. It will force member states to pursue damaging pro-cyclical fiscal policies, giving absolute priority to rigid economic rules at a time when most economies are still weak and unemployment intolerably high. It will bring downwards pressure on wages and working conditions, surveillance and sanctions. Governments failing to comply with the fiscal compact will be brought to the European Court of Justice, which may impose sanctions.

The new Treaty does not address the Euro Area's key problem that, besides the European Central Bank (ECB), there is no institution with enough liquidity capable of stopping a bond run on individual Euro Area members, with one bond run spilling over and contaminating the rest of the Euro Area. Unlike banks, Euro Area governments do not have a 'lender of last resort' to put a stop to irrational but self fulfilling financial sector herd behaviour.

In addition, the practical implementation of this new Treaty raises a number of problems. It is not clear how the 'structural' deficit will be defined or which interest rate and potential growth rate that will be used to calculate medium term fiscal sustainability.

Europe needs a different economic union with a strong social dimension based on the following principles:

- A clearer mandate for the ECB. The ECB's objective should be to promote price stability along with full employment and convergence of member states' finance conditions. The ECB should not only have the possibility but the obligation to act as a 'lender and buyer of last resort' for sovereign debt.
- A partial pooling of the debt through Eurobonds.
- A wage safeguard clause, imposing the full respect of the autonomy of social partners to bargain collectively and preventing the fiscal compact from intruding in the areas of wages, collective bargaining systems, wage formation systems, collective action and organisation. Wages are not a brake on the economy but its engine.
- Provisions to safeguard growth: excluding public investments that support potential growth from the 'balanced budget rule', safeguarding the public revenue side by engaging to counter tax competition, fraud and evasion, a structural role for European social dialogue to avoid a blind implementation of rigid economic rules that would harm the economy.
- A Social Progress Protocol must be attached to the European Treaties to guarantee the respect of fundamental social rights.