



19<sup>th</sup> March 2009

**PES Leaders Summit Declaration on the Economic Crisis  
Adopted on 19<sup>th</sup> March 2009**

**The need for strong leadership and action to promote growth and jobs and to counteract the deepening economic crisis**

Europe is suffering the worst recession since the 1930s. Unemployment is rising at alarming rates. We need to step up efforts to stimulate the European and global economy to avoid a prolonged period of stalled or negative growth and escalating unemployment.

Our common goal is to create jobs and safeguard employment, prevent mass unemployment while promoting smart green growth. This is our number one priority and the basis for our demand for new action.

Since the European Council in December agreed a European Economic Recovery Plan the economy in Europe and the world has continued to deteriorate. Recent economic forecasts by the ECB and OECD point to a deepening recession.

Only a stronger, bolder and better coordinated European and global recovery effort will lift us out of recession. The **costs of not taking further steps will be enormous: a prolonged and deep** recession could bring with it long-term social, economic and unemployment problems that would hurt people and countries across Europe.

Our economies are more interdependent than ever. National action is not enough on its own. We, PES leaders, insist that acting together to tackle the recession is the only way forward. By **acting together in Europe and worldwide**, we can forge a stronger path to recovery. By choosing the right priorities for action, we can help engineer a recovery that would **benefit everyone**.

To get out of the recession the choice is not between raising or cutting taxes: it is a choice between damaging the life chances of many by doing nothing, or acting to invest in a sustainable and prosperous future with real job prospects for all. Collective, visionary European leadership has never been more crucial.

Our commitment to do all that is possible to prevent mass unemployment implies that we must be ready to scale up the efforts decided to date. We should treat this crisis as an opportunity to bring lasting transformational change for a fairer society. Therefore, we call for a strengthened European Economic Recovery Plan, with a clear timetable attached for political actions to be agreed at the next key European and international meetings:

- The Spring European Council on 19-20 March should take a first step for strengthened recovery effort;
- The G20 in London on 2 April will be an important moment to achieve genuine international coordination of responses;



- The EU-US summit on 5 April will be an opportunity to strengthen the transatlantic partnership for the recovery;
- The Extraordinary Employment summit in May should decide on the implementation of a new strategy for employment;
- The European Council on 18-19 June must take stock of the progress made and take all necessary follow-up decisions.

Strengthening the European Economy Recovery Plan should be based on a 7-point strategy:

### 1. More investments

We must give highest priority to more investments with **an immediate positive impact on jobs** are needed to generate new growth in EU Member States in 2009 and 2010. The EU should agree an **ambitious investment strategy** comprising a common set of job-creating priorities – allowing for tailored action at national level. The investment strategy should be timely, targeted, have **immediate impact on employment**, and contribute to long-term goals. Public investments and incentives for private investments should be complemented by a refocusing of EU financing instruments, such as the Structural Funds towards these priorities. The priorities should include energy efficiency, insulation in private housing and public buildings; energy and broadband networks; improving public services (such as school renovation and construction or child care or elderly care services); and more education and training opportunities.

### 2. More credit facilities

It is imperative to open credit lines again in the banking system for private investments and spending for the recovery. Public support for bank packages should be based on clear conditionality for this purpose.

### 3. A Pact for Employment

A new strategy should be defined to safeguard jobs as far as possible, support the unemployed back into employment as fast as possible and stimulate the creation of new jobs. The crisis should be seen as an opportunity for a European-wide radical re-skilling of the labour force. Labour, social and education policies must be strengthened and developed:

- The investment strategy must be accompanied by targeted employment and tax policies and incentives to create new jobs.
- A maximum effort must be made to safeguard employment in Europe. This means supporting existing jobs – in some countries, for example combining temporary reductions in working time with skills programmes and incentives for companies to maintain and even increase their workforce. Special attention must be paid to young people trying to enter into employment for the first time and those in precarious employment, notably women.
- We must anticipate mass lay-offs as much as possible, ensuring they are a last resort by exploring all possible alternatives. Clear transition and support measures should be developed for affected workers where lay-offs cannot be avoided. This implies proactive policies to accompany restructuring, including examining the possibilities of using the European Social Fund and Regional Development fund.
- The priority for the unemployed should be to ensure as fast and productive a transition as possible back into employment. The unemployed should benefit from new re-skilling opportunities to prepare for the jobs of the future in a safe and sustainable low-carbon knowledge economy. Social security and unemployment insurance for the unemployed should be strengthened, where appropriate, and linked to more effective active labour market policies.
- We must also protect migrant workers across Europe, many of whom are particularly badly affected.



#### 4. A Social Progress Pact

We must **tackle the full social costs of the crisis**, preventing a rise in poverty, inequality and exclusion. Agreement on a **European Social Progress Pact** is vital. Targeted policies must be established or reinforced to support those most affected by the crisis, especially those on the lowest incomes, at risk of home repossession, the young, pensioners and women who are more likely to head lone-parent families and be in service jobs set to suffer in the next wave of the crisis. These policies might include strengthening social protection systems; targeting income support to maintain purchasing power (for example, targeted tax cuts and credits); policies to ensure the affordability of basic goods such as electricity and gas; policies to keep mortgages available and affordable; and special support for the most vulnerable. We must promote social justice while having an immediate impact on consumer demand for the recovery. Special measures need to be developed in those countries where the most vulnerable in the workforce do not enjoy adequate social rights. **Active social policies** must protect and unleash the potential of those who are or risk being marginalized. A fairer society should emerge from the economic crisis, grounded in the aspirations of ordinary people and families across Europe.

#### 5. Economic solidarity

Just as we have all benefited enormously from being part of a common economic area during good times, we must now support each other through tougher times. **Solidarity and common purpose** must remain at the heart of the European Union. Special attention must now be paid to those Member States experiencing particular difficulties, including some “new” Member States. It is imperative that we make every effort to avoid the emergence of new economic divisions in Europe. The European Union must urgently strengthen the provision of financing to support Member States who are suffering serious instabilities or who do not have sufficient means to stabilize their banking system and invest for recovery. This should include increasing the effectiveness and capacity of existing instruments as well as examining the possibility for new financing instruments. The European Commission must work in closer partnership with Member States to fast-track the implementation of new projects that can contribute to recovery and be financed by the EU’s Structural Funds and the EIB. We should also strengthen the capacity of the EIB and EBRD, for example for the new facility launched with the World Bank targeting Central and Eastern Europe. The EU must build a closer partnership with the IMF, which supports its Member States with balance of payment difficulties, notably by ensuring that any conditionality is fully compatible with European recovery efforts.

The European Commission and Eurozone should prepare for further enlargement of the **eurozone** to Member States who have met all major criteria and wish to join. The euro has been a stabilizing factor in the crisis for eurozone members and the European Central Bank should continue to pursue a pro-growth monetary policy.

#### 6. Better regulation

Financial markets must become a servant, not a master, of the real economy. The long-term stability of the financial system and rebuilding people’s trust in the banking sector now depend on the introduction of comprehensive, sound regulation and supervision of all financial instruments and players, including hedge funds and private equity. Tackling the economic recession must be our priority, but this must be combined with better regulation for stable, transparent and efficient financial markets in Europe and globally. The purpose of regulation should not just be to prevent market instability. Regulation must ensure a close and efficient link between financial markets and the real economy. This must include capital requirements to prevent excessive debt and systemic risks; reinforcing European cooperation in financial supervision and stronger financial regulation; firm action to curb excessive executive pay and



bonus packages; and an end to tax havens, tax avoidance scams and evasion. While we must tackle the bad assets that have intoxicated much of the banking sector to make major banks viable again, we must now also establish a **long-term strategy to strengthen and develop good banking with strong ties to customers**, meeting the real needs of citizens and businesses. The aim must also be to protect the interests of workers and their pension savings. We will take the lead to prevent new financial crises from recurring.

## 7. Global Action

The European Union must pull its weight and demonstrate real leadership at global level. We must be proactive and ready to present a comprehensive and coherent response to the global crisis. We are now faced with a historic opportunity to develop a fairer globalization, replacing the unsustainable policies of the past. We wholeheartedly support the British Labour Government of Gordon Brown which will lead international efforts to generate a coordinated response as the hosting nation of the next G20 meeting on 2<sup>nd</sup> April in London.

- The new strengthened European recovery effort will be all the more powerful if accompanied by a similar expansionary global plan. The **world's nations must have strongly coordinated, proactive fiscal stimulus policies** to take the world economy out of recession and put it on the path to sustainable development. Every nation must be a part of this global effort.
- There is a need to define better financial regulation covering all financial players and instruments at global level and to put an end to tax havens.
- Trade in the EU and internationally will be crucial for generating new jobs and prosperity for all. There must be clear support for trade, and completion of the Doha Development Round, ensuring that it benefits all countries.
- It is vital to underscore the duty of solidarity of the world's richest nations to the world's poorest countries and peoples who risk suffering most in the current crisis. The achievement of the **UN Millennium Goals** is fundamental – if we fail another generation will be lost to poverty and deprivation. The recovery should lead to a fairer and more balanced globalization benefiting all peoples. For this purpose, the implementation of the ILO's **global decent work agenda** will also be crucial.
- IMF resources should be strengthened and new financing instruments will be needed to face down the rapid contraction of inward investment, aid and trade currently hitting the developing world.
- Equally, the crisis should not be used as an excuse to slow down negotiations for a new global climate deal; on the contrary, the recovery must lead to **economic transformation across the world for a safe and sustainable low-carbon future**.
- Today's system of global governance was designed for another time, so it must be reformed. We need a new global architecture fit for purpose in the twenty-first century.

Crucial to these endeavours will be commitment to a **global new deal** to secure our common future in this century and beyond.

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We call on European Heads of State and Government at the Spring Summit of 19-20 March to agree coordinated and ambitious policies for European and global action, as set out in the present declaration, to meet the full scale and urgency of the challenge we are facing. We, as Europe's socialists, social democrats and progressives, commit ourselves to providing the necessary leadership to achieve this. We recognize that our vision must be far-reaching and our actions bold if we are to turn this unprecedented crisis into a **historic opportunity for a better and fairer society and future for all**.

