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Eurozone summit

Risky deal will not provide credible answer to Euro crisis

Commenting on the early morning agreement by the summit of Eurozone leaders on Greek debt, bank recapitalisation and EU rescue funding, Greens/EFA co-presidents **Rebecca Harms** and **Dany Cohn-Bendit** said:

"The deal reached last night will likely be enough to pull the Eurozone back from the brink for now but it has again failed to provide a definitive answer and draw a line under the crisis. On the three main elements of the package, the proposals lack clarity, are insufficient, will take too long and are left open to the whim of the markets.

"It is very much open to question whether the proposals on bank recapitalisation will be sufficient. The long delay before the capital threshold will be applied could lead to further market uncertainty in the interim. On top of this, a 9% capital threshold for banks may well not be enough, as the case of Dexia has shown. Banks should clearly not rely on taxpayers to pick up the tab for their excesses. However, we welcome the proposed conditionality under which banks would be forced to rein in salaries and bonuses as part of this process.

"At 50%, the proposed haircut on Greek debt is at the lowest end of assessments for what is necessary to ensure the debt levels can be brought down to sustainable levels. The voluntary nature of debt forgiveness will fail to give any certainty on the necessary reduction of privately-held debt. The expectation that this will reduce Greek debt to 120% of GDP in 2020 ignores the damage that is being done to future GDP by tough short-term austerity measures, which the summit has further tightened.

"The proposals to boost the EU's rescue funding also fail to inspire. The headline figure of €1 trillion is on the low side of what is needed to draw a line under the speculation that is wreaking havoc in the Eurozone. On top of this, it relies on the same type of financial chicanery to leverage a relatively small pot of public funds that has caused so much trouble in the financial sector. It is far from clear that this will be enough to stop the contagion.

"This agreement mainly deals with the immediate symptoms of the crisis and, as such, fails to provide the necessary conditions for ensuring economic recovery and a stable footing for the European economy. This will not be achieved by continued reliance on the failed cocktail of unbalanced austerity measures. Instead, we need strong measures to combat tax evasion, ambitious tax harmonisation and revenue-side measures, as well as this ad hoc fire-fighting.

"After repeatedly failing to come up with a definitive solution to the Eurozone crisis, it is now abundantly clear that the 17 Eurozone governments will not provide the answers for European economic governance. We need a true democratic process for the renewal of Europe, in which the European Parliament has to play a central role."

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Rebecca Harms

Member

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