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Eurozone summit

EU leaders finally wake up but comprehensive solution to Eurozone debt crisis remains elusive

Eurozone heads of state and government, yesterday evening in Brussels, agreed on changes to the terms of loans provided to Eurozone countries and limited steps towards more flexibility for the European Financial Stability Fund (EFSF), subject to agreement by all Eurozone countries, and for private sector involvement in resolving the debt crisis. While welcoming the progress on these issues, the Greens believes the outcome falls short of delivering a comprehensive solution to the ongoing debt crisis and regret the continued lack of a proper European democratic scrutiny. Commenting on the outcome of the summit, Greens/EFA co-president **Rebecca Harms** said:

"Eurozone leaders have finally woken up and taken steps towards resolving the debt crisis. The belated acceptance of the need to involve the private sector in sharing the burden for Greece and for greater flexibility for the EFSF should be welcomed but the summit outcome fails to offer a definitive solution to either of these issues and falls short of what is required to draw a line under the debt crisis.

"The changes agreed to the terms of the bail out loans, redressing the previously punitive lending terms, may help to buy more time but open questions still remain on the key issues. On the key issue of private sector burden sharing, the summit conclusions seem to exaggerate the extent of private sector involvement in Greek debt restructuring and continue to ignore the inevitable need for a more general private sector involvement in debt restructuring beyond Greece. It is unacceptable that banks can profit from excessive risk-taking but fail to pay for the consequences of this risk. Continually postponing these crucial decisions will ensure question-marks remain over the future of the Euro as we know it.

"Clearly, the summit has taken important steps to make the EFSF a more robust and flexible instrument. However, the failure to ensure the EFSF has sufficient funds to stem further contagion to Italy and Spain, by extending the guarantees and ultimately backing it up with proper Eurobonds, will ensure the risk of the crisis continuing and spreading remains.

"The exclusively intergovernmental nature of the response continues to be its Achilles heel. There is clearly a need for proper European democratic scrutiny to redress this, including the involvement of the European Parliament."

Greens/EFA co-president **Dany Cohn-Bendit** added:

“This summit has finally taken steps in right direction and pointed the Eurozone towards the path of a real economic federalism, which is the only way this crisis will be unequivocally resolved. It is a start and again gives the Euro some breathing space but it is important that yesterday's decisions are now followed up. This means properly equipping the EFSF to act as a true European Monetary Fund. It also means moving beyond the narrow politics of rescue and austerity and ensuring those member states in difficulty are given a real perspective by supporting them to invest in kick-starting their economies.

“As at every other stage of the crisis, it is hard to avoid the impression that Eurozone leaders remain a few paces behind in terms of the necessary decisions that need to be taken. The absence of a coherent decision-making structure has ensured the Eurozone has stumbled from one stop-gap solution to another. This has ultimately made the necessary response to the crisis much more expensive and contributed to the contagion that persists with regard to the sovereign debt of Eurozone members.”

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Rebecca Harms

Member

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