

YEPP White Paper
"Economic Governance for a stronger European Union"

Recognizing that:

- the current sovereign debt crisis and unchecked budget deficits led to a crisis of confidence in the EU;
- several countries inside and outside the Eurozone reached budget deficits that created fear to default, threaten the European Monetary Union and were subject to EU/IMF bailout;
- the unchecked economic divergence between members of the Eurozone led to severe macroeconomic imbalances;
- macroeconomic imbalances becoming evident in large and sustained current account deficits, deteriorating external debt positions, increasing private and public indebtedness and decreasing competitiveness have to be addressed with particular urgency;
- macroeconomic policies have to be coordinated and all types and sources of imbalances have to be addressed or prevented in order to achieve more coherence in the Eurozone;
- the European Central Bank (ECB) determines European monetary policy independently following the principles of monetary stability and according to the needs of the Eurozone as a whole;
- the highly integrated financial markets can create a contagion of the government debt crises that could spread to other EU members;
- without prejudice to the YEPP resolution "Call for Fiscal Discipline in the EU", there is the need for economic governance in the EU and particularly the Eurozone to deal with economic and fiscal progress and growth;
- the Eurozone countries established an European Financial Stability Fund which was perceived as a necessary and urgent stability tool to overcome the burdens of the crisis.
- there exist major impacts of the overcome economic crisis, which revealed weaknesses of the current EU and national mechanisms;

- the Stability and Growth pact provides stability and establishes criteria for fiscal discipline in the Eurozone and that there are already measures proposed and implemented in the EU framework;
- economic growth is important as precondition to fiscal sustainability, social cohesion, the maintenance of competitiveness and economic convergence in the EMU;
- the introduction of the European semester is an important step towards coordinating and reviewing member states' fiscal policies;
- the highly integrated financial markets of the Eurozone make it necessary to foresee a credible and permanent crisis mechanism to control a potential severe sovereign debt crisis in the case of failure of all preventive and corrective measures;
- such a crisis mechanism needs to address the problem of moral hazard with great priority and sincerity in order to prevent the general Europeanisation of bad fiscal and economic policies and to improve the legitimacy of such an emergency mechanism in the European population;
- there are efforts of the Van Rompuy Task-Force, the ECB, the European Commission and the European Council in drawing consequences from the divergent economic development and the sovereign debt crisis within the EMU and addressing the challenges of economic governance of the EMU;

YEPP calls on the respective EU institutions and the member states:

- To further increase monitoring, surveillance and modification of the fiscal strategies of Member States, to ensure financial stability among Member States' national economies and the common European;
- To commit themselves to fiscal discipline and to transpose the stability policy of the SGP into national budgetary frameworks;
- To complement an invigorated Stability and Growth Pact with a macroeconomic surveillance framework designed to prevent and correct destabilizing economic imbalances and to foster competitiveness and economic coordination of fiscal policies within the Eurozone;
- To ensure that the macroeconomic surveillance orients itself towards the best performers and not the average; and that the system does not lead to central economic planning from Brussels.
- To promote economic growth and jobs, by emphasizing on growth enhancing structural reforms which boost employment;
- To consider sustainability in economic and fiscal reforms, e. g. when considering the payment obligations of social security systems and the revenue power of a fiscal system;

- To support measures that can ensure the competitiveness and esteemed presence of the Eurozone in international markets;
- To ensure the implementation of already proposed measures, specifically to increase the efficiency of the Stability and Growth Pact and preserve the integrity of the no bail out clause;
- To suggest and work on more targeted reforms, in order to ensure short-, medium- and long-term financial stability among the Eurozone members;
- To provide for a well-structured template concerning debt management and budgetary reviews, especially through debt brakes in national constitutional law; thus establishing competitiveness as well as fiscal consolidation in all member states.
- To provide for precise, timely and adequate statistical reporting by all member states in the contexts of all relevant policies. The European Commission and the ECB have to be endowed with the necessary powers to control statistical reporting and to directly intervene in the compilation of data where this should be necessary for reliable statistics;
- To realize the planned European Stability Mechanism (ESM) next to the improvement of the SGP and the establishment of an effective macroeconomic surveillance policy to succeed the EFSF in order to provide support in case the stability of the Eurozone as a whole is threatened;
- To make debt restructuring mandatory if the debt level of a state is not sustainable anymore. Restructuring rules for sovereign debt and for insolvent banks with potential systemic relevance have to be established together with the ESM as an important instrument to prevent moral hazard and ensure the participation of private creditors. Restructuring rules shall reflect the experience with the necessary debt restructuring and bank insolvencies to be proactively pursued in the Eurozone in the next two years;
- To carry out a stress test for banks which includes the scenario of a sovereign default of a Eurozone member state; to refinance or restructure banks where necessary as a result of lacking adequate capital.
- To monitor procedures of international credit rating agencies;
- To move forward with the plan of setting up a European credit rating agency.

YEPP calls on the European Peoples Party (EPP) and its member parties:

- To focus on the principle of intergenerational justice. Intergenerational justice mainly implies a well-balanced and sustainable budgetary policy that provides enough freedom and scope of action for future generations.
- To introduce a capital based supplementary element into the statutory pension schemes and other social security schemes.

- To follow a policy of financial stability and growth-enhancing reforms thus creating employment and prosperity for all.

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