



**European Democrat Students**

**RESOLUTION**  
**Berlin/Germany, 18<sup>th</sup> of December 2010**

1 **How to achieve the Economic Stability in the European Union. The Future of**  
2 **the Eurozone.**

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4 The main cause of the financial crisis of 2007 in the United States of America was the collapse  
5 of the housing and credit bubble, which peaked in 2005. Therefore, the amount of financial  
6 agreements called Mortgage – Backed Securities (MBS) and Collateralized Debt Obligations  
7 (CDO), whose value was depended on the mortgage payments and housing prices,  
8 dangerously increased during this period. This financial practice offered to a several number of  
9 institutions and investors around the world the possibility to invest in the U.S.A. housing  
10 market. As a result, the crisis of the housing loans market in the U.S.A. was the beginning of  
11 the international economic crisis and consequently an important cause of the economic crisis  
12 in the European Union.

13 Nevertheless, it is necessary to point out the incapability of the European Union to face this  
14 major economic influence of the U.S.A. market and the fact that the European markets proved  
15 that were unready to succeed an economic stability during this financial crisis. Nowadays, the  
16 economies of the member states of the European Union confront serious financial difficulties.  
17 Therefore, Greece and Ireland recently asked for the help of the European Financial  
18 Stabilization Mechanism (EFSM). Consequently, the European Union and especially the  
19 members of the Euro zone shall decide the appropriate economic measures to defend these  
20 financial dangers and to construct a stronger and tighter economic union.

21 Accordingly, we, the European Democrat Students, the student organization of the  
22 European People's Party,

23 A. Fully aware that all the efforts of the European Union to succeed a common policy in  
24 economy (Euro Zone), education (Bologna Treaty) and army (plan "Pleven") face since  
25 nowadays serious difficulties because of the lack of a common political voice,

- 26 B. Bearing in mind the regulations proposed by the Basel Committee in the Basel III  
27 agreement which included:
- 28 i) Considerable increase of the quality of bank capital,
  - 29 ii) Significant increase in the capital requirements for banks,
  - 30 iii) Reduction of systemic risks in the financial markets,
  - 31 iv) Allowance of sufficient time for a smooth transition from Basel II to the new  
32 regime,
- 33 C. Deeply conscious of the significant role of the credit rating agencies (eg. *Moody's*,  
34 *Standard & Poor's*, and *Fitch*) during the economic crisis and of their influence to the  
35 financial markets,
- 36 D. Having considered the function of the economic policy of the European Union through  
37 the European Commission (Economic and Financial Affairs), the Committee on  
38 Economic and Monetary Affairs of the European Parliament, the Council of the E.U.  
39 (Economic and Financial Affairs) and the European Central Bank and, also, aware of  
40 the function of the E.U. budget and of the European Support Frameworks (ESF),
- 41 E. Taking into consideration that the Stability and Growth Pact (SGP) is aiming to ensure  
42 the sustainable convergence required for the achievement of Economic and Monetary  
43 Union (EMU) (eg. the ratio of government deficit to gross domestic product must not  
44 exceed 3% and the ratio of government debt to gross domestic product must not  
45 exceed 60%),
- 46 F. Having studied the "Europe 2020" Strategy which was recently launched by the  
47 European Commission and its main points are the Smart growth (fostering knowledge,  
48 innovation, education and digital society), the Sustainable growth (making our  
49 production more resource efficient while boosting our competitiveness) and the  
50 Inclusive growth (raising participation in the labour market, the acquisition of skills and  
51 the fight against poverty),
- 52 G. Emphasizing that according the Treaty of Maastricht and, now, the Treaty of Lisbon on  
53 the European Union the most important goals of the European Central Bank (ECB)  
54 are:
- 55 i) The implementation of the Stability and Growth Pact (SGP) by the E.U. Member  
56 States and, generally, the co-ordination with the Member States of their  
57 financial policies
  - 58 ii) The observance of the rules of competition in the E.U.
  - 59 iii) The encounter with the inflation rates in the E.U.
- 60 and that there is not any legal prediction that the ECB can take part in financial  
61 supporting plans about the E.U. Member States,

- 62 H. Noting with deep concern that the ECB did not succeed any of these economic and  
63 financial goals and that it finally participated in the European Financial Stabilization  
64 Mechanism, bought an important amount of Member States bonds and now is aiming to  
65 float the well known “Eurobonds”,
- 66 I. Noting with satisfaction that, during the economic crisis, the E.U. tries to take important  
67 measures in order to establish a common supporting policy about the financial  
68 problems of the Member States,
- 69 J. Deeply regretting that the E.U. Member States did not succeed to respect the E.U.  
70 economic regulations before the economic crisis,
- 71 K. Consider that there might be a contradiction between the E.U. economic and financial  
72 regulations and the legislation of the Member States and of this of the E.U. (eg. There  
73 is a doubt if the Memorandum on Economic and Financial Policy which was signed  
74 between Greece, E.U. Member States and the International Monetary Fund is legal  
75 according the Greek Constitution and the **European Convention on Human Rights**),
- 76 L. Further noting that the European Union was not finally ready to integrate twelve  
77 Member States since 2004 as that provoked even more difficulties to the political  
78 integration in the E.U. and to its economic stability,
- 79 M. Aware of the function of the Euro Zone through the Economic and Monetary Union  
80 (EMU) and its special body which is called “Euro group”,
- 81 N. Taking into account that the article 63 of the Treaty of Lisbon (article 67 of the Treaty of  
82 Rome) which allows the totally free circulation of capitals between the E.U. Member  
83 States and the other states of the world has provoked an important brainstorming about  
84 the economic role of the E.U. towards the financial globalization,
- 85 O. Deeply concerned by the fact that there are economists who claim that Germany  
86 makes efforts to impose to the E.U. Member States its strict economic and financial  
87 strategy,
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- 90 1. Suggest a reinforcement of political integration in the E.U., as it is a criteria of utmost  
91 importance to create a strong and effective common economic policy and the  
92 prerequisite for the coexistence of the E.U. as an independent and protagonist financial  
93 force in the international environment,
- 94 2. Urge E.U. Member States to adopt Basel III as the framework for a financial system  
95 preventing future financial crises, call upon the G20 Member States to follow the  
96 European Union in the adoption of Basel III in order to create financial and economic  
97 stability on a global level and call for government assistance to release social pressure

- 98 during the implementation period of Basel III through Central Banks of E.U. Member  
99 States or by establishing separate bodies to give out credits not supplied by the private  
100 market,
- 101 3. Recommend that the credit rating agencies should be kept under a drastic surveillance  
102 of the European Union in order to avoid negative financial consequences because of  
103 unreliable ratings,
  - 104 4. Fully support the European Commission proposals that the Credit Rating Agencies  
105 have to warn the public 72 hours before the time they change their evaluations and  
106 that it is necessary to establish an aboveboard and reliable European Credit Rating  
107 Agency,
  - 108 5. Underline that it is necessary for the E.U. Member States to fully implement the Stability  
109 and Growth Pact (SGP) by respecting its regulations,
  - 110 6. Confirm that the “Europe 2020” Strategy is not enough and that the European Union  
111 should take immediately more decisions about the economic future of the E.U.,
  - 112 7. Emphasize that is emergently necessary for the European Union to reform the  
113 regulations about the function of the European Central Bank in order the ECB to keep  
114 abreast of the current financial times and have the capability to aid financially in an  
115 effective way the E.U. Member States when it is indispensable,
  - 116 8. Encourage the function of the temporary European Financial Stability Facility (EFSF)  
117 and of the European Financial Stabilization Mechanism (EFSM) and the establishment  
118 of a Permanent Rescue Fund,
  - 119 9. Consider that the E.U. should implement a plan to invigorate the financial discipline, in  
120 order to have a more united, stricter and more effective financial control in the E.U.,
  - 121 10. Call European Union to be cautious about the E.U. regulations with which it forces the  
122 Member States to fix their economic situation and to make efforts in order to establish  
123 laws which respect the national legislation and the legislation of the E.U. (only if it is a  
124 real emergency E.U. should ask the Member States if they accept the temporary  
125 limitation of their legislative powers),
  - 126 11. Recommend E.U. to examine carefully the appropriate economic criteria (Accession  
127 criteria – Copenhagen criteria) which every European state has to fulfill in order to  
128 become a new Member State of the E.U. in the future,
  - 129 12. Encourage all the E.U. Member States to become Members of the Euro zone as we  
130 observe that is negative to have two economic kinds of Member States in the E.U.,
  - 131 13. Draw attention to the necessity of creating first an economic shield in the E.U. and then  
132 setting limitations to the circulation of capitals between the E.U. Member States and  
133 the other states, which will be in accordance with the E.U. economic interests,

134 14. Declare that is an absolute necessity to have a European Union and an Economic  
135 Monetary Union where all the Member States respect each other and take into account  
136 their economic needs and interests.