EUROPEAN SOLIDARITY MANIFESTO

Brussels, 24th January 2013

European Solidarity in the face of the Eurozone crisis:

Controlled Segmentation of the Eurozone in order to Preserve the Most Valuable Achievements of European Integration

The Eurozone crisis undermines the existence of the European Union and the Common Market

The creation of the European Union and the Common European Market rank among the greatest political and economic achievements of post-war Europe. The remarkable success of European integration was a result of a model of cooperation, which served all the members states while threatening none of them.

The Euro was believed to be another important step on the road to greater prosperity in Europe. Instead, the Eurozone, in its current form, is now a serious *threat* to the project of European integration.

The southern countries in the Eurozone are trapped in recession and cannot restore their competitiveness by devaluating their currencies. On the other hand, the northern countries in the Eurozone are being asked to compromise their values of prudent financial policies and act as 'deep pockets' expected to finance the South through endless bailouts. This situation risks the outbreak of serious social unrest in southern Europe and deeply undermines public support for European integration in northern European countries. The Euro, instead of strengthening Europe, produces divisions and tensions that undermine the very foundations of the European Union and the Common Market.

A Strategy under the auspices of European Solidarity

Our view is that the strategy that offers the best chance of saving the European Union, the most valuable achievement of European integration, is a controlled segmentation of the Eurozone via a jointly agreed exit of the most competitive countries. The euro may then remain – for some time – the common currency of less competitive countries. It would ultimately mean a return to the national currencies or to different currencies serving groups of homogeneous countries.

This solution would be an expression of European solidarity. A weaker euro would improve the competitiveness of southern European countries and help them escape recession and experience economic growth. It would also reduce the risk of banking panic and the collapse of the banking systems in the countries in southern Europe, which would occur if they were forced to leave the Eurozone or decided to do so due to internal public pressure prior to an exit from the Eurozone of the most competitive countries.

European Solidarity would be additionally supported by agreeing on a new European currency coordination system aimed at preventing currency wars as well as excessive currency fluctuations between European countries.

Obviously, at least in some of the southern countries, debt reductions (haircuts) would be necessary. The scale of these reductions and the costs to creditors would be smaller, though, than in a situation where these countries stayed in the current Eurozone and their economies suffered below-potential growth and high unemployment. In this way, the exit from the Eurozone does not mean that the most competitive economies will not bear the cost of diminishing the debt burden of the countries in crisis. This will happen, however, in circumstances in which such assistance would help them to experience economic growth, as opposed to the current bailouts, which lead us nowhere.

Why this strategy is so important?

Needless to say, it is in our common best interest that the European Union returns to economic growth—the best guarantee of European stability and prosperity. The strategy of a controlled segmentation of the Eurozone would enable such scenario in the quickest way.

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