

Europe Could Recover Its Dynamism, Says British Prime Minister David Cameron

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Adrian Monck, Managing Director, Head of Communications: +41 (0)79 817 0315; adrian.monck@weforum.org

- Resolving the Eurozone crisis is the most urgent question facing Europe
- Vital progress has been made, but Europe needs tough fiscal discipline, bold action and real political will
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Davos-Klosters, Switzerland, 26 January 2012 – Despite the uncertainty sweeping across the European Union, British Prime Minister David Cameron was bullish about the prospects for resolving the current Eurozone crisis. “ Europe could recover its dynamism. I still believe we can. But only if we are bold. Only if we fight for our prosperity ... [and if we] get to grips with the debt, ” he said.

The Prime Minister called for bold decisions on deregulation, on opening up the Single Market, on innovation and trade, and to address the “ fundamental issues ” at the heart of the Eurozone crisis. “ All of these decisions lie in our own hands. They are the test of Europe ’ s leaders in the months ahead. ... The problems we face are man-made and with bold action and real political will we can fix them, ” the Prime Minister urged.

Short-term issues must be dealt with. “ Greece, banks and the firewall. If you do all those three things together quickly, you would ease the sense of the crisis. For 2012, that would make a clear difference, ” he advised. Cameron ’ s remarks came on the heels of pressure from the International Monetary Fund on Monday 23 January to “ bolster the firewall ” around Italy and Spain as talks between Greece and its creditors have been mired in deadlock for a third week.

Cameron outlined the features common to all successful currency unions:

- A central bank that can comprehensively stand behind the currency and the financial system
- The deepest possible economic integration with the flexibility to deal with economic shocks
- A system of fiscal transfers and collective debt issuance that can deal with the tensions and imbalances between different countries and regions within the union.

“ Currently it ’ s not that the Eurozone doesn ’ t have all of these...it ’ s that it doesn ’ t really have any of these, ” he declared.

The Eurozone crisis calls for “ tough fiscal discipline ” , but the Prime Minister pointed out that this is a problem of trade deficits, not just budget deficits. “ It means countries with those deficits making painful decisions to raise productivity and drive down costs year after year to regain their competitiveness, ” he said. “ That does not happen overnight and it can have painful economic and even political consequences. Nor is it sufficient. You need the support of single currency partners and ... a system of fiscal integration and risk sharing, perhaps through the creation of Euro area bonds to make that support work. ”

Despite Britain ’ s refusal last December to sign an EU treaty that would change the way the single market is regulated, Cameron said Britain is not walking away from Europe. “ Britain is part of the European Union. Not by default, but by choice. It fundamentally reflects our national interest to be part of the single market on our doorstep and we have no intention of walking away from it. We want Europe to be a success. ... When that political will is there, we can make a decisive difference. ”

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World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, <http://www.weforum.org>