

European Leaders Call for Greater Eurozone Transparency and Structural Reform

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- Structural reforms in pension and tax structures are needed to sustain recovery
- Improvements in education and infrastructure are vital to maintaining competitiveness
- Improved economic cooperation essential to winning public confidence
- More information on the World Economic Forum Annual Meeting 2011: <http://www.weforum.org>

Davos, Switzerland, 27 January 2011 – Europe is recovering from the financial crisis more slowly than expected. Growth for the Eurozone is projected to be 2% below the global average for 2011. European leaders at the World Economic Forum Annual Meeting in Davos say that the Eurozone needs to strengthen its identity and to make long-needed structural reforms if it wants to continue to compete in a world that is rapidly changing.

Greek Prime Minister George A. Papandreou told the participants that Greece had managed to make significant structural reforms over the last year, dramatically overhauling its pension system, tax regulations and improving transparency by putting government records on line. “ We did everything by the book. We followed the recipe, but the markets haven ’ t responded, ” Papandreou said. Papandreou said that the reason is that the markets are now looking to Brussels and Paris. “ They are asking what Europe is doing for the Eurozone, ” said Papandreou.

Jean Claude Trichet, President of the European Central Bank in Frankfurt, told the gathering that the Eurozone now constitutes 331 million people and is roughly comparable to the US market, and that in contrast to the US and Britain, the Eurozone managed to weather the crisis without engaging in quantitative easing. But while the monetary union had stabilized Europe ’ s currency to an inflation rate that is less than 2%, the lowest inflation in 50 years, Europe had been less successful when it comes to economic union. “ We have a lot of work to do there, ” said Trichet.

Nick Clegg, Deputy Prime Minister of the United Kingdom, blamed the situation on too much money at easy credit terms over the decade preceding the crisis. Clegg said he had initially supported the Eurozone, expecting it to lead to the implementation of far-reaching structural reforms designed to hardwire competitiveness into the economy. “ It didn ’ t turn out that way, ” he said. “ Governments didn ’ t stick to the rule book, and they didn ’ t implement the reforms. Cheap credit papered over the cracks. ” With Europe facing increased competition from China, India and other emerging markets, Clegg and other leaders stress the need for reforms including an increased emphasis on education and infrastructure.

“ The major challenge for Europe today, ” Greece ’ s Papandreou said “ is to develop a model for governance which is sustainable, just and which in the end humanizes the global economy. ” Papandreou added that the new Europe Stabilization Fund can be a major step forward. “ It should be robust and flexible enough, ” he said, “ to intervene and help. ”

Notes to Editors

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