Letter

Brussels, 16 January 2024

To: EP rapporteurs and shadow rapporteurs on the reform of the EU economic governance and fiscal rules

Re: Letter to the EP negotiators on the vote in Plenary on the reform of the EU economic governance and fiscal rules

Dear rapporteurs,
Dear shadow rapporteurs,

On Wednesday 17 January, you will be called to cast an important vote that will mark another step toward a reform of the economic governance rules.

We understand that the EU legislators are converging on a text that does not guarantee the investment effort required to achieve fair green and digital transitions and EU social objectives. In addition, it risks to compress, once again, social expenditure in a new round of austerity.

Speaking on behalf of over 7 million workers from the manufacturing, mining and energy sectors across Europe, IndustriAll European Trade Union joins the European Trade Union Confederation's (ETUC) call for an update of the Economic Governance Rules that is fair for workers. As it stands now, the reform would not meet the expectations of workers in Europe, and would risk to jeopardise the Green Deal.

After the COVID-19 Crisis and a period of high inflation, European people were expecting a different reform that would have rather ensured European solidarity and set public finances at the service of quality job creation, strong public services and protection of people.

The protection of investments needs to be the absolute priority of the reform. The reform must give fiscal space to investments that implement the Green Deal, social investments and investments needed to address country specific recommendations in addition to what already foreseen in the proposal of the European Commission.

The investment demands that the European Commission continues to identify are massive. Only one recent example is the EU Grids Strategy presented two weeks ago, which foresees investments of €450bn by 2030 in energy infrastructure. This comes on top of the already well-documented investment gaps: **The Commission has estimated that another €520bn public and private investment is needed in the EU per year to deliver the European Green Deal.** Leading think-tanks Agora, Bruegel and Bacciati estimate that **governments should be investing around 1%–1.9% of their GDP, or €159bn to €323bn a year to achieve the EU's agreed climate targets**, as set out by NEF. The obvious contradiction between the investment gap and the fiscal rules needs to be urgently overcome.

We ask that, regardless of the outcome of the vote on Wednesday, the political forces engage to establish protections for people and workers:

1. Investments for common EU objectives have to be protected, making clear that expenditure for investments, including Just Transition measures, will not lead to an excessive deficit procedure in the framework of the Stability and Growth Pact;
2. The debt/GDP ratio should start to decline after the end of the adjustment period;
3. That no “deficit safeguards” are introduced because it will have severe negative effects on GDP;
4. Protections for investments and expenditure to reach social objectives and the European Pillar of Social Rights must be ensured, as well as an upward social convergence framework and provisions to ensure that reforms have no negative social effects; keeping in mind that according to the ECB, between 1% and 1.8% of EU GDP would be required in annual additional green public expenditure in the period 2021-30 to reach the 2030 climate targets, green public investment spending must be exempted from the fiscal rules under the Stability and Growth Pact.

At a time when other major economies, most notably the US, are investing in clean tech and good jobs through a more flexible fiscal approach, the EU is about to tie its own hands with new economic governance rules that will prevent almost all Member States from investing in the twin transition and in good quality jobs. Europe needs to learn from the positive experience of the rapid recovery after the COVID-19 crisis based on investments through the common European Recovery and Resilience Facility. Rather than returning to the failed recipes of the 2010s, politicians should build on the solidarity forged in the pandemic.

Finally, we are convinced that the reform of the economic governance can only meet the expectations of people and workers if the EU legislators will finally engage for EU tools that finance investments and countercyclical policies. The upcoming decision on the enlargement of the EU budget, also through own resources, will be a key moment to give legs to such an engagement.

Confident in your understanding and support,

Yours sincerely,

Isabelle Barthes

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