

## Macroeconomic Dialogue at Political level

23/05/2022

### Speaking notes, Liina Carr, ETUC

#### Trade Union Actions to assist Ukrainian refugees

- Immediately after the war began in Ukraine trade unions mobilised to assist and support the refugees who started to arrive in Europe providing humanitarian assistance.
- Trade unions, in many cases together with employers, have established long running programmes to integrate refugees in labour markets in Europe.

#### On Monetary policy

- We ask the ECB and national monetary authorities to remain very careful in calling too quickly for policy normalisation.
- Monetary support, given all uncertainties related to the war in Ukraine, to the COVID developments, to inflation, to industrial restructuring and the ecological transition, could still be strongly needed in the months to come and public authorities will need flexibility.

#### On Public finance and the economic governance framework

- As stated by the IMF, *“As growth weakens under the strain of war, automatic fiscal stabilizers should be allowed to operate freely, increasing fiscal deficits”*.
- Should gas supplies from Russia suddenly cease, broader policy support will then be needed to offset demand shortfalls.
- Immediate spending priorities include the costs of supporting refugees in Europe and cushioning the immediate effects of energy, commodity and food price shocks on households and companies through temporary and well-targeted policies.
- In the medium term, greater investment in clean energy and higher defence spending are both going to be high on the agenda, together with support to climate and digital transition.
- Although the Next Generation EU (NGEU) programme is expected to boost investment, a continuation of temporary government support measures for employment and the economy is essential, alongside new emergency measures to compensate the impact of the war and related sanctions on households, workers and businesses (Luca Visentini just referred to).
- In this respect the ongoing debate on a new economic governance framework is of utmost importance, and it should not be slowed down or even abandoned because of the war. On the contrary the review of the fiscal rules should address with even more ambition the need for debt sustainability and for fiscal space for massive public investment.
- In this respect, we are still concerned about the recommendation to quickly return to a neutral fiscal stance for the Euro area and a call on high debt member states to plan a fiscal adjustment in the medium term.
- Furthermore, any debt reduction should be tailor made to the needs of each MS and should not affect negatively economic growth potential.
- We are happy to see that the European Commission has decided to prolong the General Escape Clause for the year 2023, and we hope to find this in the European Semester Spring package today.

- Fiscal space for investment should be guaranteed to each MS, regardless of their deficit and debt reduction targets, through a targeted revision of budgetary rules and the transformation of NGEU into a permanent EU investment facility.
- This requires a clear budgetary and taxation capacity for the EU, along the lines indicated by the EP in its recently adopted resolution on the economic and social consequences of the war.
- Finally, taxes on excess profit should be considered, in view of the expected record profits and dividends payments of energy companies in 2022 and the following years.

Thank you for your attention!