



EP supports permanent crisis mechanism to shore up the euro

Plenary sessions

The permanent "bailout" mechanism for Member States in financial difficulty must clearly detail how the private sector would be brought in to help, how non-Eurozone countries would be involved, and how the EU budget would be affected, says a resolution adopted by Parliament on Thursday. The need for a unified European bond market, the introduction of Eurobonds and the creation of a European stability agency to handle debt crises are also discussed.

MEPs warn against deciding the bailout mechanism details in back-room, late-night deals among Member States. They argue instead that these must be negotiated by Parliament and the Council, to ensure the mechanism's accountability, transparency and legitimacy vis-à-vis markets and citizens. Furthermore, the mechanism must be strongly linked to forthcoming legislation setting up a new economic governance model.

Clarity is of the essence

Parliament calls for great attention to be given to clarity on a number of issues, arguing that otherwise it will be difficult to ensure stability.

It also argues that private sector participation in any burden-sharing should be handled on a case-by-case basis, and calls on the Commission to present a comprehensive description of how investors, savers and market participants will be involved and to state explicitly that the mechanism will be fully consistent with IMF policy regarding private sector involvement.

The Commission is asked to clearly indicate and prioritise which EU spending would need to be sacrificed if almost half the EU budget were to be requisitioned, as would be possible under the current (temporary) bailout mechanism rules.

Eurobonds?

The source of the current debt crisis, frozen debt markets which have made it difficult and expensive for some Member States to re-finance their debt, is also addressed. MEPs call for the creation of a European stability agency to ensure a unified and highly liquid European bond market and ask the Commission to look into and come forward with proposals on what other instruments could be devised to ensure appropriate access to finance for Member States.

Principles

Other than the need for the private sector to take some of the burden, the resolution stresses that the conditionality for obtaining assistance from the mechanism should aim to restore sustainable growth, rather than restore stability at the expense of the most vulnerable, by lowering minimum income and aggravating poverty and inequalities.

Corporate tax rates

The Commission is urged to speed up draft legislation defining a common consolidated corporate tax base.

Press release

Next steps

The European Council is expected to adopt the general framework for the bailout mechanism on Friday with the details regarding its functioning set to be worked out in 2011. Meanwhile, MEPs in the EP Economics Committee responsible for hammering out a deal with Member States on economic governance will continue their work with a view to presenting their proposed positions officially in January.

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