

**Question for written answer E-004843/2011
to the Commission
Rule 117
Jaroslav Paška (EFD)**

Subject: Why can any insolvency of euro-area countries not be resolved by proper restructuring of their debts?

A European Stability Mechanism (ESM) is to be created based on the assumption that it can help to stabilise the financial situation in the euro area by increasing fiscal concentration and creating a European supranational institution on the lines of the International Monetary Fund.

The reason for undertaking such a venture is the dire state of public finances in some euro-area countries, which is not improving, and the austerity measures taken so far have proved to be insufficient.

Contrary to the anticipated outcome, however, the proposed ESM may complicate the financial situation of many countries still further, since it requires financial participation in the formation of the basic capital of the newly created institution by means of a cash contribution to the total EUR 80 billion and participation in a further EUR 620 billion in the form of guarantees and capital in instalments paid on demand.

For countries which are already grappling with financial problems, this means that, at a time when every euro saved is a hard-won achievement, these countries will have to take on a further increase in their public debt in order to fund their contribution to the basic capital of the ESM, and will then, if they are to repay their higher debt, be forced to increase the tax burden and slow their economic growth. The outcome may well be precisely the opposite of what these countries needed.

According to many leading economists, a possible (and possibly better) alternative to the proposed assistance under the ESM could be to properly restructure the debt of insolvent countries.

I therefore wish to ask the following questions.

Has the Commission also assessed this option for addressing the unsustainable debt problem of some euro-area countries? If so, what were the advantages of the first option (ESM) over the alternative (debt restructuring) that were decisive in the Council's choice of proposed solution?