

Financial assistance for Member States' balances of payments

European Parliament resolution of 20 November 2008 on establishing a facility providing medium-term financial assistance for Member States' balances of payments

The European Parliament,

- having regard to the Commission's proposal of 31 October 2008 for a Council Regulation amending Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (COM(2008)0717),
 - having regard to the Commission's recommendation of 31 October 2008 for a Council decision granting mutual assistance for Hungary and proposal for a Council decision providing EU medium-term assistance for Hungary (COM(2008)0716),
 - having regard to Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments¹ and Parliament's resolution of 6 September 2001 on medium-term financial assistance for Member States' balances of payments²,
 - having regard to Articles 100 and 119 of the EC Treaty,
 - having regard to Rule 103(2) of its Rules of Procedure,
- A. whereas the Commission recommends granting medium-term financial assistance to Hungary of up to EUR 6 500 000 000 on the basis of Article 119 of the Treaty, in conjunction with an IMF arrangement,
- B. whereas a comprehensive approach to medium-term financial assistance for all Member States is preferable,
- C. whereas the impact of the current global financial and economic crisis should be borne in mind,
- D. whereas the economies of the Member States that have more recently acceded to the European Union do not benefit from the advantages of having a reserve currency of their own,
- E. whereas the currencies of those Member States have recently been subjected to powerful speculative action and the magnitude of the current external imbalances has been driven primarily by a strong expansion of non-governmental credit,
- F. whereas there is a need for policies to address the specific problems of those Member States' economies against the backdrop of the global financial crisis and a spreading recession in Europe,

¹ OJ L 53, 23.2.2002, p. 1.

² OJ C 72 E, 21.3.2002, p. 312.

- G. whereas the budget policy room for manoeuvre in addressing large external imbalances and preventing financial instability may be quite limited against the backdrop of the current economic recession spreading across the European Union,
1. Believes that Member States outside the euro area should be encouraged to look for potential medium-term financial assistance in respect of their balance of payments deficits within the Community before seeking assistance at international level;
 2. Considers the current situation to be further proof of the relevance of the euro in protecting the Member States in the euro area and invites the Member States outside the euro area to join it as soon as they fulfil the Maastricht criteria;
 3. Invites the Commission to analyse in detail in what way the behaviour of individual banks that moved their assets from Hungary after adoption of rescue plans by other Member States has impacted on Hungary's balance of payments;
 4. Invites the Commission to examine carefully the speculative action (short-selling) on the currencies of the more recently acceded Member States and what might be done to prevent a drastic erosion of confidence in their currencies and the local banking systems;
 5. Invites the Commission to communicate the results of those analyses to the de Larosière group and to Parliament's responsible committee;
 6. Recognises that it is necessary to increase significantly the ceiling for the outstanding amount in loans to be granted to Member States laid down in Regulation (EC) No 332/2002, given that, since its adoption, the number of Member States outside the euro area has increased substantially; underlines that such an increase would also enhance the Community's flexibility in responding to further requests for medium-term financial assistance such as in the context of the current global financial crisis;
 7. Notes that there would be no budgetary impact of such an increase of the loan ceiling because the loans would be borrowed by the Commission on the financial markets and the beneficiary Member States would have to repay them; stresses that the only possible budgetary impact would be that arising from a Member State defaulting on its debt;
 8. Recalls that, before Hungary's current financial difficulties Regulation (EC) No 332/2002 had not been applied since its adoption in 2002, and that its predecessor, Regulation (EEC) No 1969/88¹ implementing the mechanism foreseen by the Article 119 of the Treaty, was applied twice, once for Greece in 1991 and once for Italy in 1993, and that Greece and Italy have fully respected their commitments to the Commission;
 9. Recalls that Parliament requested that the Council examine, every two years, on the basis of a report from the Commission, after consulting Parliament and after the delivery of the Economic and Financial Committee's opinion, whether the facility established still meets the needs which led to its creation; asks whether such reports have been drawn up since the adoption of Regulation (EC) No 332/2002;
 10. Instructs its President to forward this resolution to the Council, the Commission, the European Central Bank, the Eurogroup and the governments of the Member States.

¹ OJ L 178, 8.7.1988, p. 1.

