



# ESM could be used as stabilization fund, Eurogroup head says

Reuters Staff

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LUXEMBOURG (Reuters) - The role of the European Stability Mechanism (ESM), the euro zone bailout fund, could be expanded to provide a revolving stabilization fund that could help governments hit by economic shocks, the chairman of euro zone finance ministers said.

Speaking at a five-year anniversary of the ESM in Luxembourg, Dijsselbloem, who also chairs the board of the ESM's governors, outlined the direction of discussions among euro zone finance ministers on future integration.

“The ESM might play a role in providing a stabilization tool for member states facing an adverse economic shock, whilst supporting the process of necessary economic reforms,” Dijsselbloem said in a speech.

“This instrument could be designed as a revolving fund, which can be used, and used again in future crises,” he said.

The idea is part of a broader debate on whether the 19 countries that share the euro would benefit from a dedicated budget. France would like to see one in the hundreds of billions of euros and Germany believes it is not necessary at all.

ESM Managing Director Klaus Regling has been pushing for a limited euro area budget to deal with asymmetric economic shocks -- economic misfortunes that befall one country rather than the whole bloc.

Regling has given the example of potential economic disturbance for Ireland caused by Britain leaving the European Union in 2019, which the euro zone could help Ireland handle, if it had a dedicated pool of cash for such emergencies.

The fund would not lead to permanent transfers or debt mutualization, because countries that receive funds during the bad times would need to pay them back once they recover -- making it a revolving fund.

Dijsselbloem and euro zone finance ministers he chairs are instrumental in preparing a summit of euro zone leaders on Dec 15th which is to set the direction for further work on euro zone economic integration over the next six months.

Reporting by Jan Strupczewski; editing by Robin Emmott

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