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Financial assistance mechanisms in the European Union

From the Greek Mechanism to the development of the permanent European Stability Mechanism. Legal Aspects

Summary

The purpose of this dissertation is to present a comprehensive analysis of the evolution of the institutionalization and the development of the legal bases of financial assistance mechanisms in the European Union as developed during the sovereign debt crisis of 2010-2013. Notably there have been presented the temporary financial assistance mechanisms, ie. the Greek Mechanism of bilateral loans coordinated by the European Commission, the European Financial Stabilisation Mechanism established by the Council Regulation (EU) 407/2010 as well as the European Financial Stability Facility created as a limited company under Luxembourg law. After having discussed the temporary mechanisms the line of argumentation switches to the establishment of permanent European Stability Mechanism with a special emphasis being put on its creation with the treaty separate of the EU treaties, its organization, capital structure, procedure for granting stability support and the range of assistance forms the ESM provides.

In the dissertation it has been applied primarily the traditional legal-dogmatic method of analyzing the provisions of the EU Treaties, secondary EU law and other legal documents (including the intergovernmental treaties between the Eurozone member states) and the legal-comparative method has been also used.

In the dissertation three basic thesis were substantiated:

- One of the main causes of the sovereign debt crisis in the group of the Eurozone member states was the very incompleteness of the Economic and Monetary Union (EMU) regulations, primarily due to the lack of the financial assistance mechanism within the EMU's structure;
- The unprecedented sovereign debt crisis has shown the necessity to enhance the rules of the EMU with the addition of a permanent stability mechanism providing financial assistance to the Eurozone member states thus safeguarding the financial stability of the euro area as a whole and the financial stability of member states whose currency is the euro;

- Creation of the permanent financial assistance mechanism within the EMU's rules was based on the very axiological basis of the EU as a community of stability, enjoying the sustainable growth with stable prices and characterized with the financial stability.

The structure of the dissertation has been subordinated to the theses being developed and the analysis of a number of specific research problems. They were presented in five chapters:

The first chapter discusses the very beginnings of the EMU rules and institutions, the development of the European monetary integration with a special attention being paid to the periods of economic and financial crises which were the starting points of several important reforms of the EU's financial regulations.

The second chapter discusses the EMU's regulations on the coordination of economic and budgetary policies, convergence criteria and the EU Treaties prohibitions of monetary financing and debt assumption by the EU and its member states. In this chapter it was also presented how the EU budget could had been used for the providing of financial assistance.

The third chapter has been devoted to the presentation of the temporary financial assistance mechanisms as established in 2010-2011, the construction of their legal bases, institutions and organizational set up specific to each of the mechanisms and the role IMF played within the process of rescuing of the sustainability of the public finances of the beneficiary member states.

In the fourth chapter the establishment of the European Stability Mechanism has been discussed in detail as introduced by the Treaty establishing the European Stability Mechanism (TESM).

The fifth chapter relates to the issue of the judicial reaction on the part of the Court of Justice of the European Union as well as the national constitutional tribunals, especially in terms of stability mechanisms' compatibility with the EU law and the constitutionality of the transfer of national competences and the protection of the budgetary autonomy of national parliaments.

The final section recapitulates the results of the analysis against the research objectives with the purpose of validating the main theses presented in the introductory chapter.

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