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**SME UNION President Peter Jungen calls for decisive action. “Europe needs a European Monetary Fund.”**

SME UNION President Peter Jungen calls for the creation of a European Monetary Fund in order to tackle the sovereign debt crisis of some Euro-Zone member countries. Peter Jungen: “The markets are driving European politics to find a solution for problems which have been lingering around for years. Sovereign debts of some member countries are creating a very fragile situation”. Alone Greece has to refinance debts of almost 30 Billions Euro within the next few months. Markets indicated last week a lack of trust in the resolve of European politics to solve those problems.

The IMF would have all the expertise. But an IMF intervention would be seen as an additional embarrassment for the Euro-Zone. The European Union would be seen to be unable to handle its own problems. Peter Jungen: “Europe’s choice must not be between sustainable stagnation or destabilising imbalances. Market forces are calling for a European solution now. A simple bail out would increase the moral hazard and would be sending the wrong signals to the markets.” Therefore Peter Jungen calls for the creation of a European Monetary Fund which would be structured similar to the International Monetary Fund (IMF).

This step could be seen as the most suitable solution for Europe in the midterm as Greece will not be the only country requiring a bailout.

What are the options?

- 1) Do nothing, hoping that markets will calm down: This is unrealistic!
- 2) Issue joint Euro Bonds with Greece: This would increase Greece debts and send a wrong signal in the market!

- 3) Increase loans from European Investment Banks: This would increase the debts and send a wrong signal to the markets!
- 4) ECB loans: The Maastricht treaty does not allow for the ECB to issue debt for Greece!
- 5) Kicking out Greece as a member of the Euro-Zone: There is no possibility as to that!
- 6) Does the Stability and Growth pact offer a solution? It does not allow for a bailout!
- 7) Calling in the IMF: Would be a major blow to the common currency and the credibility of the EU!
- 8) Is a bailout through EU member countries possible? There is no institutional framework for bailing out member states through other member states but this may be the only immediate rescue option!

As a Result:

As the existing frameworks are not suited to solve such problems the creation of a European Monetary Union would be the only structural solution. The European Monetary Union should be financed by the Euro-Zone member countries according to their debt level. The EMF should be able to act like the IMF attaching stringent conditions on giving loans to a country and having the right to intervene in the sovereignty of a country. How far this should go is to be politically decided.

Peter Jungen: "If Europe will not find the proper framework conditions through establishing a European Monetary Fund neither stability, nor growth, nor peer pressure can enforce fiscal discipline. The result would be a combination of little growth and financial instability." The Euro-Zone needs to grow up and adopt its institutions and keep pace with global pressures. European policy makers have to better understand how financial markets react to policies or in particular to a lack of proper policies.

As we are only at the beginning of the Greek crisis – almost up to 30 Billion Euro have to be refinanced within the next couple of months – there is an urgent need to act quickly with a strategic view to an institutional solution.