The Committee of Ministers of the Council of Europe

Measures for the stabilization of European developing countries.

The European Stabilization Mechanism is scheduled for to restore confidence in Europe, after a period of anxiety in the markets due to government's fiscal situation precarious in several countries. The European Union and the European Central Bank have established comprehensive measures to try to stabilize financial markets and thus restore the growth of European economies.[1]

So far this year, Europe has experienced a modest economic recovery, with variations in some countries, sustained by the rise in global trade and economic stimulus. However, the recovery has been weaker than in other areas of the world; with this region is one of the hardest hit by the financial crisis. The differences in recovery between European countries are related to the level of credit expansion and overvalued assets experienced before the financial crisis. In emerging Europe, the economic situation is also the result of access to external financing and export dependence. The level of inflation remains under control in the advanced countries of Europe, although some emerging countries are more exposed to inflationary pressures.

Although the recovery still needs support in the short term, there are certain limitations on what can be achieved. With respect to government fiscal condition, the stimuli facing solvency problems, and forcing fiscal adjustment. Overall, the public debt in the short term is neither feasible nor desirable, given the magnitude of the adjustment required and the risk of halting economic recovery.[2] Instead, the International Monetary Fund suggests that governments consolidate their budgets in the medium term, including a comprehensive reform of its pension and health benefits. This would put governments in a better position to handle the situation and to cope with an aging population.

How developed and developing countries in Europe will be able to work to achieve an economical tranquility?

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1 Black S.,(1997), "Europe's Economy Looks East", USA: Cambridge University Press, pp 67.

2 Lundvall B., (2003), "The new knowledge economy in Europe: a strategy for international competitiveness and social cohesion", Great Britain: MPG books, pp 124.

Economical cooperation for the Eurozone Countries

The Eurozone crisis started in that integrated, single-currency economic zone, some member states have seen their competitiveness deteriorate and their current account deficit balloon while other countries have provided the financing, but the crisis does not only concern sovereign debt as banks are now in the front line due to their role in funding governments.[3]

The crisis has also spread to the political and institutional arena. So far, governments have introduced successive austerity measures to rein in excessive indebtedness following the 2008 crisis. This strategy, however, cannot be the sole policy response if only because high public debt levels and economic recession are preventing governments from devising solutions that markets find credible.[4] Greece is a good example. Austerity measures like higher taxes and spending cuts will hit growth; at best, this will wipe out efforts to clean up debt.

however the Eurozone crisis nowadays is not only affecting those countries of that zone, it is also taking the power to have an impact well beyond; other european countries and American ones are likely to see falls in exports and banking sector problems but possibly also increased levels of capital inflows, as investors look to place a larger proportion of their portfolios in 'safe haven' markets. Other countries, like China, will have to deal with a decline in a significant proportion of their export markets.

How does this crisis affect economical relations?

How can developing countries help to carry though the crisis?

3 Baldwin R. (2010), "Completing the Euro zone Rescue: What More Needs to Be Done?",UK: CEPR, pp 32.

4 Patrick S. (2010),"Crisis in the Euro zone: transatlantic Perspectives", USA: CEPR, pp 1-3.