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Q82

'European Stability Mechanism', sometimes seen in the news, is an (a) Agency created by EU to deal with the impact of millions of refugees arriving from Middle East (b) Agency of EU that provides financial assistance to eurozone countries (c) Agency of EU to deal with all the bilateral and multilateral agreements on trade (d) Agency of EU to deal with the conflicts arising among the member countries Official key: B.

UPSC Civil Services Prelims 2016 · General Studies · 2 marks · Current Affairs and GK

Current events, government schemes, miscellaneous GK - Prelims GS Paper I.

Explanation**(a)**

An EU agency for Middle East refugees would describe aspects of EASO/asylum policy or humanitarian budgets, not the European Stability Mechanism. This option is not the key.

(b) Official key

The European Stability Mechanism is the euro-area's permanent crisis fund, created by treaty to provide financial assistance to eurozone member States under strict conditionality (after the Greek and wider sovereign-debt crisis). That is why (b) is the official key.

(c)

EU trade agreements are handled by the Commission under the common commercial policy, not by the ESM. This option is wrong.

(d)

Conflicts among member States are political and CJEU/Council matters, not the ESM's mandate. This option is not the key.

Summary

Official key is (b) an agency of the EU that provides financial assistance to eurozone countries. The ESM succeeded the temporary EFSF as a Luxembourg-based lender to euro members in distress. It is not a refugee, trade-negotiation or intra-EU conflict body. Conditionality and memoranda of understanding accompany its loans. Only (b) matches the 2010s euro-crisis architecture.

Related possible facts

These can be asked in a future Prelims paper.

Established

Treaty establishing the ESM, in force 2012

Seat

Luxembourg

Predecessor

European Financial Stability Facility (EFSF), temporary

Eurogroup

Finance ministers of euro area; closely linked to ESM decisions

Outright Monetary Transactions

ECB tool distinct from ESM loans

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