



## **Re-Define Press Statement on the outcome of the Euro group meeting in Luxembourg**

**3<sup>rd</sup> October 2011 12:45 CET**

Please find below comments from Re-Define about the Euro Group meeting today. All comments are attributable to **Sony Kapoor**, Managing Director of Re-Define an Economic Think Tank.

*"Yet another disappointing outcome. It's groundhog day." "History will not judge the current crop of EU leaders kindly."*

*"The IMF, the US and BRIC economies could not have been clearer asking the Eurozone to get its act together, yet it all seems to have fallen on deaf ears."*

*"Putting off decisive action will make the final cost much higher, both economically and politically."*

### ***On the endgame for Greece***

*"The endgame for Greece has now begun." "It seems that the ground is being laid to revisit the private sector involvement agreement reached in July."*

*"Greece is now stuck in a downward spiral the only sensible way out of which is to reduce the stock of debt through haircuts to bondholders."*

*"The failure of EU leaders to get a better deal for taxpayers over bankers on Greece will cost them dearly if the July agreement goes ahead as planned."*

*"Greece is afraid to trigger default for fear of being shut out of markets and its EU partners are reluctant to be seen to be the ones pulling the plug for fear of setting a precedent."*

### ***On the agreement on collateral***

*"The collateral deal is sufficiently unattractive for no other country but Finland to want it." "On these terms, even the Finnish government may decide it no longer wants collateral."*

*"The settlement of the Finnish collateral issue is not an achievement, merely a nuisance out of the way."*

### ***On increasing flexibility of the EFSF and leveraging it to increase effective size and the ECB***

*"Even after its upgrade EFSF will still not be able to support weak banks in troubled countries which are exactly the kind of institutions that most need its support."*

*"While reports of a Euro 4 trillion or even 2 trillion EFSF were always rumours, the failure to agree to any leverage for the EFSF is a big setback."*

“At this stage, when the crisis has turned systemic, only an open-ended commitment to support sovereigns by the ECB can be guaranteed to work. While leveraging the EFSF may help, it is no longer enough.”

***On the agreement to support Asmussen formally***

“Asmussen is likely to be a more pragmatic than Stark whose hard-line ideological temperament was unsuitable for crisis management.”

***On dismal economic prospects and the need for growth generating initiatives***

“No one from Mars is going to come and buy up European goods and services.”

“Japan and the US have troubles of their own and the BRIC economies are simply not large enough to prop the EU economy up for much longer.”

“Growth, not endless austerity, is the way to restore fiscal and financial health in the Eurozone.”

“A doubling, even trebling of the capital of the EIB to finance pan EU infrastructure projects will deliver long-term growth in the EU.”

“Short of a miracle, the Eurozone stands on the cusp of entering a deep recession.”

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