



**Re-Define Press Release – EU Summit.  
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Please find below **Re-Define's** Comments on the European Council, Fiscal Compact, Growth, Using EFSF Guarantees for European Investment Bank and the ECB Intervention. All comments are attributable to **Sony Kapoor**, Managing Director of Re-Define an Economic Think Tank.

“This European summit reeked of missed opportunities, premature celebration and underserved backslapping. This may come back to haunt our leaders sooner than they think.”

“Even as there are doubts as to whether the acute phase of the Eurocrisis characterized by panic and spiking spreads is actually behind us, the chronic long-drawn out painful phase of increasing unemployment, deepening recession and worsening politics has begun in earnest.”

“Allocating the unused EFSF guarantees to double the resources of the European Investment Bank would be a far better use of that money than increasing the size of the rescue fund and will help kick-start the growth that Europe is increasingly desperate for.”

“Never have so many, spend so much time on something that so few wanted in the first place and which is largely irrelevant to tackling the crisis.” – The Fiscal Compact

“One look at the UK where economy is sclerotic despite the Bank of England’s heroic interventions shows the limits of what ECB support alone can achieve.”

### **General**

“This European summit reeked of missed opportunities, premature celebration and underserved backslapping. This may come back to haunt our leaders sooner than they think.”

“The European Council’s complacency on tackling the Eurocrisis is moral hazard writ large. ECB support is now the main driver of the EU’s ‘Kicking the Can down the Road’ strategy.”

### **The Economy is Worsening**

“How long before EU leaders finally manage to link the mystery of ballooning deficits in Spain, the Netherlands and elsewhere back to accelerated austerity driven collapse of tax revenues and growth?”

“The acute deficit problems now faced by a recessionary Dutch economy illustrate the danger of hubris and posturing. Other countries beware as the crisis imposes a stranglehold across the whole of the EU.”

“Even as there are doubts as to whether the acute phase of the Eurocrisis characterized by panic and spiking spreads is actually behind us, the chronic long-drawn out painful phase of

increasing unemployment, deepening recession and worsening politics has begun in earnest.”

“As recession spreads across the Euro area, expect countries to finally wake up to the inappropriateness of the single minded focus on austerity and the limits of what structural reform can achieve in the short term.”

“But this realization would come at a great economic, political, social and human cost which was unnecessary.”

### **The UK’s suggestions on growth and Re-Define’s growth compact**

“The French rejection of the UK led liberalization plan reflects a deep fault-line that runs across Europe. The crisis-hit southern economies may yet emerge as the new frontrunners in a de-regulating Europe.”

“The European Council’s focus on tackling tax evasion and having an EU-wide approach to support measures being undertaken in other countries is encouraging as it will help bring in more revenue.”

### **The Signing of the Fiscal Compact**

“Never have so many, spend so much time on something that so few wanted in the first place and which is largely irrelevant to tackling the crisis.”

“The pointless squandering of scarce political and social capital on this compact is likely to continue for some time to come as EU leaders struggle to ratify this through parliaments and referendums at home.”

### **Use unused EFSF guarantees to double the capacity of the EIB not to increase the size of the ESM**

“It’s too late to focus on a firewall to stop contagion. The recession has already taken hold in the core of Europe so EFSF funds need spending now, not put under the mattress for some future contingency.”

“Allocating the unused EFSF guarantees to double the resources of the European Investment Bank would be a far better use of that money than increasing the size of the rescue fund and will help kick-start the growth that Europe is increasingly desperate for.”

“A credible growth plan for the EU would need elements from the UK’s push for liberalization of services, the Franco-German focus on tackling tax evasion and an allocation of spare EFSF guarantees to double the lending capacity of the European Investment Bank.”

### **The limits of the ECB intervention**

“One look at the UK where economy is sclerotic despite the Bank of England’s heroic interventions shows the limits of what ECB support alone can achieve.”

“The palliative of the new long term financing operation by the ECB cannot hide the deepening problems of the Eurozone for long. And the politics within the ECB governing council means that further such operations are highly unlikely.”

“The private funding sources the ECB is replacing will not park funds waiting for demand from EU banks to return.” “They will find better things to do with their money and will structurally reduce allocations to EU banks.” “This would make an exit from ECB support doubly difficult for EU banks.”

"The funds provide a massive subsidy to the banking sector for which the public sector is not demanding enough in return." "Any explicit or implicit bank support which is exceptional must be accompanied by a Banking Compact binding them to support the real economy."

"This is Euro 529 billion more of private funding that EU banks will need to find all more or less at the same time when this facility runs out. But that is a problem for another day."

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