



Press Release



Quick Comments on Greece, the need for an IMF program for the Eurozone, Slow Progress towards a Growth Compact & further action in Spain!

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Please find below Re-Define's Comments on the current situation in Greece, the need for an IMF program for the Eurozone, the need for quick action on Spain and slow progress towards a Growth Compact.

All comments are attributable to Sony Kapoor, Managing Director of Re-Define an Economic Think Tank.

Please also find links to 1) an Op-Ed Sony Kapoor has in the Financial Times tomorrow on the need for an IMF program for the Eurozone "[Only the IMF can break the Euro logjam](#)" his two most recent Bloomberg interviews on 2) [the Growth Compact](#) 3) [German Politics & the Eurocrisis](#) as well as 4) a [BBC Radio 4 interview on the Eurocrisis](#)

The need for an IMF program for the Eurozone

"Given how long the Eurozone has dragged its problems out and how hard collective action seems to have become, it may now be time for an [IMF program for the Eurozone](#) as a whole."

"Eurozone leaders may no longer have the wherewithal to do what it takes to tackle the size of the economic problem they now face. An external neutral arbiter such as the IMF may help break the logjam that Europe is now suffering from."

On the Situation in Greece

Talk of the Greek exit is irresponsible

"The high-stakes game of chicken between Greek and other EU politicians must end now."

"Policymakers who have been throwing the possibility of a Greek exit around casually may come to regret their words very soon."

"Every additional headline, every statement about the possibility of a Greek exit from the Eurozone increases the likelihood of such an event. Policymakers in Greece and the rest of the EU need to choose their words with utmost caution."

"Those saying that a Greek exit from the Eurozone will not be a big deal, either don't know what they are talking about, or have some ulterior motives."

"The social, political and economic damage to the EU from a Greek exit is potentially incalculable."

The Cost of an exist outweighs the benefit

"The total costs of a Greek exit outweigh the benefits for the whole of the Eurozone. That is why everything possible must be done to keep the Greeks within the fold."

Panic, if it takes hold, would be hard to stem

It's very hard to see how a panic in Greece can be averted for another month till the elections."

"In the event of a bank run, a Greek government guarantee of the kind that the Irish offered will not be particularly effective as long as a possible exit from the Euro continues to be discussed."

The way forward

"EU leaders need to offer Greece some concessions on the terms of the bailout and give Greeks a reason for hope while, simultaneously, Greek leaders need to unite and form a government of national unity. It's hard to see a way forward without both of these happening."

On progress towards a growth compact

"It's good to see that our plan for a growth compact to sit alongside the fiscal compact has steadily gained a critical amount of support from EU policymakers."

"While it's encouraging that the concept of the [growth compact](#) now has a critical level of support, the sketch must be followed by substantial proposals that are macro economically significant."

"An injection of Euro 10bn into the European Investment Bank would be useful but far from enough. Allocating the Euro 250bn of unused EFSF guarantees to the EIB as callable capital is probably the best strategy to support growth-enhancing investments in the EU."

"What the Eurozone needs is a grand-bargain that has long-term fiscal retrenchment, medium-term deep structural reforms & a short-term investment program as its three legs."

"Collective efforts to crack down on past and ongoing tax avoidance/evasion from troubled countries such as Greece and Italy is urgently needed in order to tackle the crisis."

"The Austrian and Luxembourg veto of a pan –EU approach to tackling tax avoidance & tax evasion is extremely irresponsible and will seriously undermine plans to bolster tax revenues necessitating further growth-destroying austerity."

"A re-capitalisation of the EIB to support pan-European investment remains one of the economically most promising and politically least controversial parts of a growth compact."

On the need for EFSF/ESM support for Spanish Banks

"The fragile state of Spanish banks, the unseasonably high unemployment levels, the inability of the government to borrow at reasonable rates & the deepening recession have set up the circumstances for a perfect economic storm in the country."

"Spain will need a fifth more substantial package to support it's banking system perhaps even after the recently announced fourth package is fully executed."

"It is becoming more imperative by the day that Spanish banks get a direct equity injection from one of the European crisis funds in order to break the dangerous sovereign-bank link that now has the Spanish sovereign & banks locked in a death spiral."

"It's a matter of when, not whether Spain will need external support, perhaps both for the sovereign & for its banks."

"The sooner the EU authorities start discussing how to permit the EFSF or the ESM to inject equity into banks directly, the better prepared the EU will be against a worsening of the situation."

"The Spanish state should not increase it's exposure to Spanish banks & Spanish banks too would be well advised not to keep loading up on Spanish government debt."

For further comments or interviews please contact:

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