



**Re-Define Press Release – EFSF downgrade and the Eurocrisis
16th January 21:40 CET**

Please find below **Re-Define's** Comments on the downgrade of the EFSF and the worsening of the Eurocrisis. All comments are attributable to **Sony Kapoor**, Managing Director of Re-Define an Economic Think Tank.

"This wave of downgrades is set to continue."

"This is yet another milestone on the Eurozone's descend into a downward economic spiral." "Things are likely to continue to get worse as the Euro area enters what may turn out to be a deep recession."

"This is more a reputational blow for the EU that had so prided itself on being a 'AAA' entity than anything with much economic significance."

"Unless the EU reverses course and shifts the focus to growth and away from its single minded obsession with austerity, the wave of downgrades will continue."

"The European Central Bank cannot keep sitting on the sidelines much longer. It either comes in and start providing more substantial support to troubled sovereigns or the crisis will continue to get worse."

"This only goes to show the folly of the EU's approach to tackling the Eurocrisis. We had been severely critical of unnecessary attempts to try and garner a AAA rating by hook or by crook."

"The downgrade of the EFSF is significant more because of the contortions used to try and get a AAA rating in the first place than any substantial increase in borrowing costs. The EFSF has not been able to borrow at AAA rates for several months now."

"The EFSF would have had more capacity and would not have had to suffer the humiliation of a downgrade if it had gone for a AA rating in the first place."

"The EU's response to the crisis is a shambles. Hopefully the downgrades would serve to concentrate minds so the Euro governments can change course. However, the initial reactions of more of the same for example on austerity has not been encouraging at all."

Please also find our 2010/2011 suggestion that the EFSF seek a AA not a AAA rating in the first place as reported by the Financial Times in Jan 2011 <http://ftalphaville.ft.com/blog/2011/01/17/460796/fix-the-efsf-lose-the-triple-a/>

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