



**Re-Define Press Release: ECOFIN meeting – Greece, Euro crisis, Stress Tests, ESM July 12 14:30 CET**

"Member states must start speaking with one voice in public."  
"Every new crisis headline fuels a further deterioration of the crisis and triggers more contagion."  
"A quick and decisive solution is more necessary than ever to get the crisis out of the headlines."  
"The scenario of some form of a loose fiscal union is creeping upon us, and that may be no bad thing."

*On the recognition that the burden of Greek debt needs to be reduced*

"The belated recognition of the need to reduce Greece's unsustainable levels of debt is an essential first step, but has come too late to limit contagion."  
"This will demonstrate that there is light at the end of the tunnel."  
"The EU needs to immediately reduce the interest charged on loans to peripheral countries down to the costs of EFSF borrowing."

*On plans for a buy back of Greek Debt*

"At this point, a wholesale EFSF financed buyback of Greek debt at 60 per cent of face value or lower may be the best option available."  
"Any discussion on buybacks is pointless unless it includes a substantial portion of the outstanding debt."  
"A buy back of 10% of debt will achieve nothing."  
"Buybacks must be designed in a way that there is no element of public subsidy."  
"The EU should pay no more than 60 cents to the Euro for Greek bonds."

*On plans for a bond swap into longer maturity bonds*

"By itself, the maturity extension plan being discussed does nothing for the sustainability of Greek debt."  
"Any plan that does not substantially reduce the stock of Greek debt and/or the cost of debt servicing simply does not go far enough."

*On allowing for the possibility of selective defaults*

"Neither a credit event, nor a selective default on Greek debt will be the disaster for the Euro area that it has been made out to be."  
"In the event of a selective default and the ECB's temporary withdrawal of liquidity support to Greek banks, alternative sources of bridging finance could be arranged from the private sector, albeit at a steep cost."  
"Temporary liquidity support from the Greek central bank is another option that can be considered."

*On the forthcoming bank stress tests*

"A deterioration in the EU financial markets and economy since the stress scenarios were envisaged means that while the tests are still robust under current conditions, the built-in buffer against further deterioration has shrunk."  
"Those who are arguing against the EBA's decision on detailed disclosure of data forget that the alternative would feed uncertainty, trigger rumors and will almost certainly be worse for the EU banking system."

"It is quite clear that the new bank stress tests will be more rigorous than those done last year. What is not quite clear yet is whether this will be enough to restore faith in the EU banking system."

*On the developments in Italian Bond Spreads*

"If the deterioration of Italian bond spreads focuses minds and helps deliver a quick and decisive solution, it may be no bad thing."

"I would not ask my grandmother to pull her savings from Italian government bonds, at least not yet."

"I cannot say the same for some other countries such as Greece."

"Italy benefits from having a competent bureaucracy that is the ultimate guardian of the sustainability of its debt."

"Contrary to rumours it is not just the current finance minister who stands between Italy and financial disaster."

*On the European Stability Mechanism*

"The ESM toolkit, comprising loans and primary purchases of bonds, is far too small to allow it to be an effective tool for crisis mitigation."

"Any increase in the flexibility of the EFSF is likely to feed through into changes to the ESM. These would make it a more potent tool."

"A combination of convoluted decision making structures and strict conditionality mean that the ESM may not be able to limit contagion effectively."

"The decision to waive the preferred creditor status for Greece, Ireland and Portugal is bad news for EU taxpayers without being good news for the troubled member states."

"The capital structure of the ESM may be inefficient and overtly conservative but has the advantage of allowing it to expand lending capacity under duress to as much as Euro 1 trillion."

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