



**Re-Define Press Release – The Franco-German Summit and Eurocrisis
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Please find below **Re-Define's** Comments on the Franco-German summit and solutions to the Eurocrisis. All comments are attributable to **Sony Kapoor**, Managing Director of Re-Define an Economic Think Tank.

General comments

"The Euro cannot and will not be saved in a week. It took us a long time for things to get so bad and it will take even longer for them to get better."

"The Franco-German summit did not really say many new things but at least they did not have yet another public spat."

"At this juncture far too many things have nuisance value and only a very few measures can help towards restoring confidence. In short, the likelihood of mis-steps in the quest to save the Euro remains very high."

"There is no quick fix to the Euro crisis, but our leaders would deserve some kudos if they succeeded in putting a bottom on how bad things could get and convincing markets and citizens that things will get better."

"The trick remains in staying on message, something our political leaders find very hard to do."

"After two years of the Euro crisis they have reached an agreement to reach an agreement a few months down the line and sign it into force over the next few years."

The Franco-German discussions

"We are talking years not months for any treaty changes agreed to come into force."

"The week to save the Euro has turned into the months to save the Euro and will inevitably morph into the years to save the Euro."

"If the leaders stay on message and the ECB shows a flexibility towards supporting troubled sovereigns then it is possible that people will stop expecting things to get worse."

"It is far from obvious that the 'stability union' envisaged in the Franco-German discussions addresses the main structural and governance failings of the Eurozone."

European Central Bank

"Slowly but surely the ground is being laid for the European Central Bank to play a bigger role in helping tackle the crisis."

"The availability of potential ECB support, as a backstop, is far more important than what form or shape it takes."

“What really matters for market confidence most is what the ECB decides to do at its meeting on Thursday this week.”

European Financial Stability Fund and European Stabilization Mechanism

“The recognition of the limitations of the EFSF is long overdue but better late than never.”

“Bringing forward the ESM will be useful but by itself does little to solve the crisis. The decision to move to a supermajority decision making structure is also a good idea.”

The discussion about a fiscal union

“Just to be clear, the on-going discussions are about tighter fiscal straitjackets, not about a fiscal union. One cannot have a fiscal union without pooling of debt or revenues and at least some provision for fiscal transfers.”

“Ordering a country to maintain budget discipline is not too far from ordering it to maintain full employment or generate high growth. The availability of policy tools to act matter much more than just setting the target.”

“The fact that Ireland and Spain were amongst the few countries that honoured their stability and growth pact obligations has been conveniently forgotten in this drive towards the ‘stability union.’”

“Ruling out Eurobonds as having no role in the solution to this crisis seriously limits the options of EU leaders to get ahead of the crisis.” “This may even make it harder for the ECB to step in as it would not see an obvious exit from supporting troubled member states.”

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