



Re-Define Press Release on the Outcome of the Eurogroup Meeting

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Please find below our comments on the Euro group Conclusions. All comments are attributable to **Sony Kapoor**, Managing Director, Re-Define, an Economic Think Tank.

General Comments

"Stemming the Euro area panic is now above the pay grade of Finance Ministers and the EFSF. Only leaders and the ECB can make that happen, and that too only if they work in tandem."

"It is clear that the support for troubled Euro area countries has to come primarily from within the Euro area with the possibility of a supporting role for the IMF."

"As with a number of expected developments in the next few days, the agreement on the pending Greek tranche does little to stem the Eurocrisis but a failure to agree could have made things much worse."

"At least the EFSF sensibly acknowledged that it was impossible to give an accurate estimate of its effective capacity."

"The additional flexibilities in the operation of the EFSF are welcome but events have overtaken the discussion on EFSF leverage and instruments where it's the role of the ECB, not the EFSF which will make or break Europe."

"Confidence in the Euro area is so fragile that a number of things can undermine it and only very few things such as extraordinary intervention by the ECB can bolster it."

On the imminent increase of the role of the ECB

"It's clear that the ground is being prepared in the EU for the ECB to 'independently' take a decision to increase its support for the troubled Euro area sovereigns."

"The decision of EU politicians to stop publicly exhorting the ECB to do more is probably the first step towards the ECB doing more."

"While it is not clear what form enhanced ECB support would take or indeed when it would be provided, that fateful day is not far."

"It's important to remember that while additional ECB support for troubled Euro area members is necessary, it is far from sufficient."

On the possibility of increases to IMF resources for aiding the Eurozone

"There has been next to zero progress in any discussions regarding the increase of IMF resources since the G-20 meeting in Cannes."

"The Europeans most want an increase in the resources of the IMF but will get only lukewarm support at best from other major powers as long as they are themselves not ready to commit resources directly or through the ECB."

On the agreement to disburse the overdue tranche of the Greek bailout

"This news in itself does not have much positive value for the Eurocrisis. However, a failure to agree on this today would have had substantial nuisance value."

"As with a number of expected developments in the next few days, the agreement on the pending Greek tranche does little to stem the Eurocrisis but a failure to agree could have made things much worse."

"The Greek discussion has now become a sideshow in the Euro crisis with the much bigger problems of Italy and Spain having taken centre stage."

"Most of Greece's problems still lie ahead and this is but a very tiny step towards the long march out of the crisis."

On the agreement on the Leverage and Flexibility of the EFSF

"The fact remains that while the EFSF has sufficient resources to support Greece, Ireland and Portugal it is simply not up to the task of restoring confidence in Italy and Spain unless the ECB provides direct or indirect support."

"It is good that the EFSF has finally dropped the pretence of being able to provide more than a trillion Euros in sovereign support."

"The increased flexibility agreed on the EFSF would be inherited by the ESM where it could actually prove more useful in the long run."

"While sensible changes have been made to increase the EFSF's flexibility, they will do little to stem the Eurocrisis at a time where the ECB not the EFSF will be the institution that will determine the fate of the Eurozone."

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