

“CHALLENGES FOR GREECE:
A GREEK VIEW”

Address by Dora Bakoyannis, MP, Head of
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Europe

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Association of Austria, Hofburg Palace

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Your Excellencies,
Ladies and Gentlemen,
Dear friends,
I am delighted to be back in Vienna,
a city so close to my heart for her history,
present-day liveliness,
cultural brilliance,
and ever-present urban beauty;
a city where many friends,
old and new, reside;
and I am even more delighted to be here,
in the Foreign Policy
and U.N. Association of Austria,
to speak of the problems
and prospects of my country, Greece.

But also to speak a little of Europe;
Greece belongs to Europe;
her culture has greatly shaped
our common culture
and our problems are linked
to those of Europe,
to the future of our Union
and of our common currency, the Euro.

Dear friends,
Just two years ago
the situation in Greece
was deemed "hopeless".
It was not the first time; indeed,
in the course of the last 3000 years,
the cases where Greece and the Greeks
were considered "doomed"
were countless:
a minor example, of late,
one that affected me personally
as I happened to be
the Mayor of Athens at the time,
was the 'certainty'
that the Athens Olympic Games
were destined to fail;
yet the Games, as you know,
were exemplary,
and nearer than ever to their true spirit.

Time and again Greece and the Greeks
managed to face
the predicted doom and recover.

The same is happening now,
slowly, yes, but steadily;
18 months ago
everyone was talking of default.
Now the talk is of recovery, investments,
and of a primary surplus.
But none of this, unfortunately,
affects the Greek people yet,
still deeply immersed
in the grave economic, and above all,
humanitarian consequences of the crisis.

Dear friends,
I will now go straight ahead
to the problems and challenges
facing Greece.
I will be blunt and direct:
The Greek crisis
is a crisis of the Greek State
and of the political system;
the economic crisis is the result,
not the cause of the country's profound
current problems;
the Greek crisis is not a crisis
of the banks, like in Ireland or Iceland.

It must, therefore, be addressed
by reducing the size and role of the State;
by deregulation and a smaller
and much more effective bureaucracy;
by creating a climate
favourable to free enterprise,
and particularly
foreign and domestic investment.
There are no magic ways
to reduce unemployment;
new investments are the only answer.

I know that most of you doubt
that this can actually happen;
I have my own fears too;
but, if the basic policies for recovery
are followed
(and I will clearly indicate these
in my speech)
and Europe too faces its own
overall problems, I personally believe
that the country will not only exit the crisis
but also enter a period
of possibly spectacular revival.

Ladies and Gentlemen,
The three Greek diseases
that caused the present wide-scale crisis
are individualism
(in the negative sense of the word,
pursuing one's own interest that is),
corporatism,
that is a State controlled by fractions
and, last but not least,
the ensuing overall inefficiency,
including economic inefficiency,
as a result of expanding the State
while stifling the private sector.

By the year 2000
the ratio of imports to exports,
for example, was three to one.

203 billion of European Community, and later European Union, structural and other funds, bestowed upon us since Greece's entry in 1981, have, thanks to the dubious criteria of their distribution, become largely unproductive, or were simply wasted.

Following entry into the Eurozone, easily offered, low-interest loans, further accumulated a huge public debt that mostly served consumption, not production.

For this explosive situation, in my opinion, both the Greek and the European Authorities, including the governments of the economically powerful countries (who looked the other way as long as exports from the core countries blossomed and their banks profited), are greatly responsible.

Explosion was a matter of time:
Greek public debt, just 28% in 1981,
with the advent
of the world economic crisis in 2008,
rose to above 120%.
It is now nearly 170%!

The story is well-known:
six months lost by the George Papandreou
socialist government
before appealing for aid
and by a Europe
unable to foresee the coming crisis;
an explosive situation
thus became desperate
with Greek and European inertia
in the face of extreme danger;
the structural weaknesses of the euro
were promptly revealed;
half-hearted, successive,
and inconclusive bailouts followed;
an uncontained crisis spread
to other non-core countries of the E.U.
and poisoned the world economy as well.

Dear friends,
The prevailing dogma of the Greek media,
and of Greek populism in general,
is that the medicine chosen
for the patient,
the Memorandum of the EU,
the European Central Bank and the I.M.F.,
is killing him.

There is some truth in this assertion:
instead of demanding,
forcefully and consistently,
the necessary structural changes
that would reduce the size of the state,
remove the obstacles to investment,
lead to massive privatisations,
open the economy to competition,
and offer it liquidity,
with major private and public works,
what did the lenders do?

To their demand
for closing the financial gaps
they were content
to be presented by the Greek Authorities
with massive horizontal salaries
and pensions cuts
and with heavy new taxation.
Thus recession, now in its fifth year,
is sucking the potential dynamism
of the Greek economy;
GDP fell by one fourth;
unemployment rose from 9% to 27,5%
in just three years;
it is now 64%
among those aged between 18 and 25.
Political instability,
and the lack of will-power
for structural changes
on the part
of successive Greek governments,
combined with the prevailing fear
of a 'Grexit', a Greek exit from the Euro,
has drained the deposits
of the previously healthy
(unlike Ireland's) Greek banks.

Deposits fell from nearly 230 billion Euros before the crisis to around 160 billion, depriving Greek business and households of vital liquidity and further deepening the recession.

The “cancer” (the State and its enterprises) still remain largely untouched, notwithstanding the sharp salary, pensions, and benefits cuts, and the well-paid “exit” to pension of some State employees. Thus all the cost of the adjustment falls to the private sector and to the shoulders of honest tax-payers.

The radical Left
(and the extreme Right)
thus had an easy political job to do:
profit from the discontent,
the anger and indignation of two kinds:
the anger of those
who justifiably protest
paying disproportionately
for a crisis they didn't cause
(Greece's healthy business
and most private sector employees)
and the unjustified discontent
of those who lost part of their privileges.

This last category is, by far,
the most effective when striking:
they can simply paralyse the country,
as they control public utilities.

Ladies and gentlemen,
I know some might disagree
with this view of mine
but my conviction is
that both the Radical Left
and the Extreme Right,
so strong now in Greece
as a result of the crisis,
are not only dangerously populist
but deeply conservative
and statist as well:
in siding with nearly all protests
of hitherto privileged groups;
in opposing
almost every major investment;
and in denouncing privatisations
and all major structural changes,
they essentially protect
the corporatist, inefficient,
unproductive and corrupt status quo.

But, dear friends,
85% of the Greek people
want to stay in the euro.

They understand the major catastrophe the return to the drachma would cause in a country with such a meager productive base; a country that would be unable to profit from the devaluation of its currency by just boosting exports (how many exports?), while basic imports, like petrol and meat, would be forbiddingly expensive.

They know they would experience an economic catastrophe and a social and humanitarian crisis unheard of in a NATO and E.U. country.

The West would, in turn, see a major geostrategic problem developing out of the ashes of a Greek default, and the possible loss of a vital ally in the crossroads of three continents.

But the Greek people
have reached the conclusion
that the Troika,
far from solving the problem,
has aggravated it
- and has almost destroyed
the patient's health.

In this they are both right and wrong:
they are right because, as I said,
the dosage actually applied until now
has mostly been salary
and pensions cuts and taxes;
and they are wrong because
few of the structural reforms,
also foreseen in the Memorandum,
were carried out;

What the Greek citizens
have until now experienced
was sacrifice
without all the necessary change,
despair without the hope
of eventual recovery.

Dear friends,
Since June 2012, the three (and now two)
Party government
has shown a renewed determination
to lead Greece out of the crisis,
despite the irresponsible opposition
of Greece's populist forces
across the entire political spectrum
and the media.

A wave of new legislation,
complying with the country's obligations,
has passed in Parliament;
great efforts have been undertaken
to reignite foreign interest for investment;
a new climate of confidence has been built
with our lenders,
particularly the other Eurozone countries;
52 billion Euros
for recapitalising Greek banks
and for overall assistance
have been secured;
18 billion of structural funds
– instead of the 11 initially foreseen –
have been agreed by E.U. leaders
for the new Community framework
2014-2020;
exports are rising;
dozens of billion Euros in deposits
have returned to the Greek banks
now that the fear of default
is again remote.

Major public works are about to begin,
or continue;
tourism is on the rise;
exports too;
there is a slow but decisive new interest
in modern agriculture
and the marketing of its products.

But let me be frank
Ladies and Gentlemen:
the unbearable taxation,
the timidity to reduce
and completely reform the State sector,
and the delays in liberalising markets
and to create
an entirely new tax-mechanism,
if they persist,
will greatly delay our recovery.
Changes already affected
have spectacular results:
new legislation on starting business
ameliorated Greece's place
in the World Bank Report for 2013
by 116 positions!

Piraeus, three years ago
Europe's 16th port for container traffic
is now Europe's 4th and advancing,
thanks to just an effective privatisation!

If the government
truly wants to get Greece out of the crisis
it must, in my opinion,
quickly move ahead in four fronts,
all at once:

- Create a completely new
and efficient tax-collecting mechanism
that will combat tax-evasion
and greatly increase revenue
from those who, until now,
evade paying taxes.
Lowering taxes can then take place;
without it there will no escape
from the prevailing depression.

- Fully reshape the State and turn it into a smaller, efficient mechanism, capable of functioning to the benefit of development and of offering public goods without wasting taxpayer money in corruption and overpricing.
- Completely liberalise the market, deregulate all hitherto “closed” professions and create an efficient framework for fair competition.
- Further simplify procedures for investment and for starting new business.

Ladies and Gentlemen,
At the moment of speaking there are signs of hope and, as I said, there are concretely successful results also, thanks to government action, but, above all, thanks to the great sacrifices of the Greek people.

I have already mentioned some.
But there are others also:

Greece has now,
instead of the largest,
the 5th smallest deficit in the Eurozone.

It is on track to achieve
a primary surplus in her budget.
The country has risen by 25 positions
in the annual World Bank
“doing business” report.
It is reshaping
and modernising the Pension System.
It is opening up markets to competition.
We have successfully
recapitalised our Banks.
Spreads of Greek bonds
have fallen from 28% to under 8%.

All this is due to the fact that the liberal-conservative 'Nea Demokratia', since coming to government, has realised that her immediate post Memorandum policy of fuelling discontent against the lenders, and her overall denunciation of the Troika, simply fed the extremes of the political spectrum and made structural reforms even more difficult; It is now, as always in the past, an actively pro-European Party and has thus preserved her power-base since the June 2012 elections. Her partner PASOK, the socialist Party responsible for much of the damage done to Greece over the last thirty years, is now a relatively small Party but also more politically responsible than at its heyday;

Most important of all,
as opinion polls indicate,
the Greek people
not only overwhelmingly
express their desire to stay in the Euro,
but they increasingly realise
that the promises of the far Left
and the extreme Right,
promises of staying in the Euro
while denouncing the Memorandum,
may sound nice
but are utterly disrespectful of reality.

The extremes are still there, to be sure,
and, worse still,
nearly three out of ten million Greeks
feel they have nothing to lose
by voting for them:
they are financially destroyed,
or unemployed, already.

Ladies and Gentlemen,
It is the duty
not only of Greece's
pro-European political forces
but of the European Union
to which we all belong as a whole,
to offer these suffering people
the prospect of a future:
a clear programme of debt-relieve
and recovery
that will offer jobs and a perspective
for themselves and their children.

It is not Europe's duty,
as some European politicians
were doing until recently,
to point the finger
at a suffering populace
and constantly deliver threats of all kinds,
unless their aim is to, indirectly,
strengthen the political extremes
in Greece.

A punitive approach is not helpful;
stereotypes of
“lazy and irresponsible Southerners”
and of “heartless and bossy Northerners”
destroy the very concept,
the psychological core of our Union.
Educated people, above all,
realise how solid and strong
are our common bonds,
and not our differences:
what would the culture
of the Germanic world be
without the Greeks?

And where would Greece be
without the example of Germany, France,
England, Austria, and so on,
to follow in modern times?

Dear friends,
Europe's position in the world
is becoming increasingly insignificant:
what can states like Greece,
with 11 million inhabitants,
or even Germany, with 80 million,
do in coming years,
in the face of giants like China, 1,4 billion,
India, more than one billion,
the US, more than 400 million?

There is no time for stereotypes
and divisions;
this is the time for completing
our political and economic Union
and for saving the Euro,
our common currency:

We recently celebrated
the fall of the Berlin wall
(9 November 1993)
and the ratification
of the Maastricht Treaty.

As a Greek scholar, George Zavvos,
has rightly said
“with the fall of the Berlin Wall,
some rushed to celebrate
the final victory
of Western-style democracy
and market economy.....
“With the adoption
of the Maastricht Treaty...
that the EU could advance
based on a single currency zone
not supported by a political authority.
Both have misread history
and its lessons”.

But, 24 years later,
we are in the midst
of the major European crisis
since the war;
Divisions between centre and “periphery”,
north and south,
between creditors and debtors,
destroy the political and economic ground
upon which the EU was built
in the first place.

Assumptions are failing us.
The fragmentation
of the EU financial market
proved a great threat
to the ruling ideas of the EU
and to the economies of the periphery
states that bear a disproportional cost
for funding their needs.

The contradictions are now revealed:
as the same scholar has put it
“one currency zone
coexisting with numerous
national banking supervisory authorities
and national budgets”.

Not only the public sector,
as the hypothesis supposed
(the case of Greece),
was the source of the crisis;
“the Euro area crisis
was fundamentally due
to the over-indebtedness
of the private sector
which was financed (my emphasis)
by the banking system”,
like in Ireland, or Spain.

In view of these fundamental
EU problems,
the solving of the Greek crisis
(as indeed all debtor states' crises
and the overall Euro problem),
I want to use this forum to make a plea:

- Let all political “families”
go to the next Euro-elections
with concrete plans
for the institutional
and economic future of Europe.
- Proceed to form
a common fiscal policy.

- A Banking Union.
We need the Banking Union as the vital shock absorber; this as has been aptly said, “could diminish the impact of crises not only on the banking sector but also on the states’ public finances”.
- The European Central Bank too needs a reinforced role as a lender of last resort.
- A renewed policy of revenues and distribution:
In the US 25% of the Federal Budget goes to the States.
In the EU less than 2%!

- A concrete policy for innovation and development;
we need a “Marshall Plan” of sorts for the development of Europe and for combating unemployment. Our interests are liaised:
Southern countries benefit from structural funds to ameliorate their competitiveness;
Northern countries benefit from the internal market and boost their exports.
Our economic bonds are inextricable.
- I would add the necessity for a clear solution to the problem of illegal immigration:
countries like Greece cannot withstand the influx of 80% of all immigrants heading for the rest of Europe. The extreme Right will then become a permanent and powerful feature in our societies.

Dear friends,
The Euro, and a United Europe,
have many enemies already:
people in the City of London
and elsewhere
indulge in doomsday prophecies
of a European Union collapse,
hoping these prophecies will, one day,
become self-fulfilling.

I hope that the new pro-E.U.
Greek government
will now place emphasis
to the necessary structural changes
of the State;
to the privatisations
and to the overall competitiveness
of the Greek economy;
to combatting tax-evasion
and to reducing the tax burden
of lawful citizens,
thus favouring economic expansion.

I also hope that the E.U. will not only exert its influence to achieve these structural changes, and a functioning open economy in general, but also, as I just said, to devise new powerful instruments and policies at the European level; policies that will promote economic and political union, enhance stability in the South, stop the drainage of the banks by instituting a pan-European deposits guarantee, find ways to reduce Greece's debt to sustainable levels, and finance infrastructure, innovation, and development generally, thus reducing unemployment, the factor par excellence which led Weimar Germany to the arms of totalitarianism.

Ladies and Gentlemen,
Let me return and conclude with Greece,
as I started;
you wanted my country, after all,
to be the main subject of my talk today.

Greece, dear friends, will recover:
she possesses considerable
human and material resources.
I believe she is capable
of surprising the world once again
when the right steps
to restructure the State
and to open up her economy
to competition and innovation are taken.

She possesses an educated,
internationally minded,
and multilingual human capital;
innovation and patents in medicines
and robotics for example
are highly developed
(our scientists sell programs to NASA);
our highly dynamic diaspora
are eager to contribute financially
once normality and a climate
favouring investment returns.

Greeks own
the world's largest commercial fleet,
carrying 60% of all trade to China
and 35% to the United States;
the country enjoys
the most varied landscapes in Europe:
2000 islands and dozens of alpine peaks,
as well as 16.000 kms of coasts
- with which you can make
the circumference of Africa!

She lies at the crossroads
of three Continents,
facing the Arab world and Africa
with their troubled yet emerging
democracies.
Greece's geostrategic importance
is paramount;
her agricultural products
can capture the imagination
of the most sophisticated consumer.
Last year alone Greek wines
got 7 gold and 44 silver medals
in international competitions.

The country possesses
great mineral wealth
(uranium, gold, lignite, and, above all,
possibly large quantities
of natural gas and petrol).
It has a relatively advanced infrastructure,
with more than 2000kms of motorways,
some of Europe's busiest ports,
dozens of airports,
and state-of-the-art telecommunications.

Ladies and Gentlemen,
Dear friends,
A long-standing statism, corporatism,
and individualism of a negative nature;
a "closed" economy,
and the hindering of free enterprise,
have accumulated debt
and brought Greece near the abyss;
but the country possesses
great human and material powers
for recuperation
and for a swift economic development.
The Bloomberg Agency
estimates that, unlike Spain,
where the potential for further expansion
is limited to 5%,
Greece still has a margin of 35%
for further development.
She can therefore
surprise the world again,
as she did in the fifties and sixties,
with high rates of growth
if the structural changes
take place and give fruit.

It is now high time for Greece
to liberate herself
from her self-afflicted ills
and to take advantage
of her many human,
material and geostrategic resources.

My dear friends,
I believe that Greece can rise again
to the challenge and do it.
Change is already under way.

As with the Athens Olympic Games,
she can surprise her critics and do fine.

It will not be the first time
in her long and troubled history.

Thank you for your attention.