“CHALLENGES FOR GREECE:
A GREEK VIEW”

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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 off 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
cruly 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-relief
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 prophesies of a European Union collapse, hoping these prophesies 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.