

11/2/2015 - YANIS VAROUFAKIS TALK IN THE 11TH FEBRUARY 2015 EUROGROUP MEETING

Mr President, (Jeroen Dijsselbloem)

Dear Colleagues,

It is a great honour for me to join this Eurogroup meeting as finance minister in the newly elected Greek government.

On January 25th, the Greek people strongly mandated us to terminate the cycle of austerity that has caused economic damage and immense social costs.

The new government led by Alexis Tsipras has committed to bring back hope, dignity and pride to Greek citizens and to implement a comprehensive policy agenda to deal with the roots of Greece's socio-economic under-performance.

For five years now, many of you have spent endless hours discussing ways and means of dealing with yet another episode of the endless saga that seems to be the Greek crisis.

I understand your fatigue. I understand that Europe has had enough of Greek dramas. But believe me: The Greek people themselves have had much more than enough of it too.

It is our aim and hope that this meeting, and maybe one or two more, will be the last ones to feature Greece on the agenda. My government was elected in order to stabilize, to reform, to grow Greece and thus to take it out of the headlines and off the Eurogroup's future agenda.

But first things first. First, we must earn a very precious currency without depleting an important capital good: We must earn your trust without losing the trust of our people – of the voters amongst which we enjoy, for now, sizeable approval ratings. For such approval is an important capital good in Europe's struggle to sort Greece out and to render it stable and, indeed, normal.

In this time of change, we hear your concerns about our government's intentions. We need, clearly, to put them to rest.

I am here today to convey to you a clear message on the new government's program and commitments to its Eurogroup partners.

(Government Commitments)

Greece, as a member of the Eurozone, is fully committed to find a solution jointly discussed between partners, in order to strengthen our monetary union.

We are committed to cooperate in good faith with all our European and international partners, on an equal footing.

Our citizens have rejected the role of the 'Troika' in Greece. Our government will however maintain dialogue and continue to cooperate fully with the European Commission, the ECB and the IMF as a member country of the European Union, the Euro Area and the Fund. Our future cooperation should be based on mutual trust and respect and channelled primarily through the

European Commission while we work with each of our partner institutions in their specific areas of expertise and competence.

We are committed to sound public finances. Greece has made a vast adjustment over the past five years at immense social cost. Its deficit is now below 3% in nominal terms, down from 15% in 2010. Its primary surplus has reached 1.5% at the end of last year, its structural balance, as measured by the IMF, has reached a surplus of 1.6%, the best performance in the EU.

The new government takes this adjustment as its point of departure. We wish now to move forward, on the basis of a new mutually beneficial partnership with our European partners.

We are committed to deep structural reforms.

Our reform agenda aims at re-creating confidence among Greek citizens, growth in the economy, and credibility in Europe. It recognizes the need for deep reforms to anchor the long-term prosperity of Greece within the Eurozone.

Our government will be the most reform-oriented government in Greek modern history, and among the most enthusiastic reformers in Europe. Why? Simply because we are not tied to any interest groups. We will deliver results for the people, not for friends or patrons.

We will not only commit to reforms, we will deliver them.

This morning the OECD Secretary General has agreed to assist us in this task. Your help, the Commission's help, the IMF's help, will also be necessary in important areas where powerful opposing interests are entrenched and the political challenges are especially great. We may be an inexperienced government but we have sizeable support from a fed up population to cut through not just red tape but also to cut through the Gordian knot of vested interests.

We stand ready to support structural reforms previously agreed with our Eurogroup partners with regard to tax collection, public financial management, public administration reform, improvement of the business climate, reform of the judiciary, spatial planning and fight against rent-seeking. They are fully consistent with our political mandate, and we will even accelerate them.

We will take unprecedented action to fight corruption, to fight tax evasion and ensure tax enforceability, with an emphasis on transfer pricing in large corporates active abroad.

We want to discuss legislative proposals to reinforce the legal framework for an independent tax authority.

Technical assistance from you on these issues will be critical, not least because it will enhance trust between us and you.

A full legislative package will create favourable conditions for the economy, improve the business climate and undermine rent-seeking, in particular in the oil sector, procurement, the construction sector, the financial sector, and the media.

We will make public procurement procedures more transparent thanks to a more centralized system, efficient monitoring and e-procurement.

We will improve the overall efficiency of the public sector to increase the quality of services delivered to every citizen and tackle administrative burden.

In addition, we will propose a new set of home-grown reforms to support investment, restart growth, and improve economic efficiency.

Investment should be revived, in Greece and in the whole Europe.

We want to revive infrastructure projects with public and private investors and the support of the EU. Indeed, we have some innovative ideas of our own that may help mobilize idle savings into productive investments throughout the Continent, in support of the current efforts of the Commission to enhance investment and of the European Central Bank to stem deflationary forces.

Returning to Greece, we want to invest to reduce energy costs for medium and large scale industries, to support innovation, start-ups and to promote a shift towards sectors with comparative advantages and export potential such as pharmaceuticals, organic agriculture, light manufacturing, energy resources, with the emphasis naturally on renewables.

On privatization and the development of publicly owned assets, the government is utterly undogmatic; we are ready and willing to evaluate each and every one project on its merits alone. Media reports that the Pireus port privatisation was reversed could not be further from the truth. Indeed, quite the opposite holds as foreign direct investment will be encouraged as long as the state secures a stream of long term revenues and a say in labour relations and environmental issues.

Quick fire sales of public property, at a time when asset prices are deeply depressed, is not something that anyone would advocate.

Instead, the government will create a development bank which will incorporate state assets, enhance their equity value through reforming property rights and use them as collateral for the purposes of providing, in association with European investment institutions such as the European Investment Banks, funding to the Greek private sector.

We want to take additional measures to clean-up non-performing loans in the banking sector to render the banks able to support SMEs and households.

Several misleading reports have caused misunderstandings with our partners by insinuating that we have rolled back previous reforms and added to our state budget. On the contrary, the measures announced by the Prime Minister with respect to rehiring tax office cleaners, school guards and the staff of the public broadcasting network: (1) have no adverse effect on competitiveness and (2) have no fiscal bearing as they will be paid for entirely by other savings in the state budget. For example, the wrongfully dismissed staff that will be rehired number 2013 people, a tiny number that must be juxtaposed against the 15 thousand hirings that are already inscribed in the 2015 budget that the previous government passed.

On two other emotive topics, let me clarify that the restoration of the pension cuts we announced concern pensioners living at or below the poverty line and comes up to less than 2 euros per day per eligible pensioner – at a grand total of around 9.5 million. The reason we made this announcement is one that I shall return to, as I must, during our discussions: The

appalling humanitarian crisis caused by the debt-deflation.

On the minimum wage, the government will phase in its restoration to the 2012 level gradually, from September onwards and after consultation with employers and trades unions. As it applies only to the private sector, its fiscal impact will be, if anything, quite positive, as its multiplier effect is large and likely to boost tax revenues beyond the affected employees. Will it reduce competitiveness of the private sector? The government commits to reforms, e.g. in social security, reducing the tax wage that will ensure it does not.

(A New Partnership)

The new partnership we propose to you should be based on realistic goals and efficient policies.

We recognize that the previous adjustment program reflected commitments made by both Greece and its Eurogroup partners.

We recognize the tremendous efforts made by your countries' taxpayers to support Greece's debt and maintain the integrity of the euro.

However, unrealistic, self-defeating fiscal targets have been imposed on our country and population and hence must be revised. A primary surplus target of 4.5% of GDP year-in-year-out has no historical precedent in any situation resembling that of Greece today. It will simply not be possible for our country to grow if we remain on the growth sapping austerity path imposed on our economy. It is also quite inconsistent with achieving a sustainably reduced debt-to-GDP ratio.

The new contract we propose to discuss with you should recognize this evidence.

Continued primary surpluses will remain our mantra. We propose a maximum 1.5% of GDP primary surplus objective, from as soon as the present disturbed economic situation has stabilized and for as long as necessary to achieve the underlying goals. This objective can be shown to be sufficient, under very reasonable assumptions, to put the debt trajectory on a downward path.

The new contract will build upon reforms that are 'owned' by citizens' and domestic institutions, using many elements from the previously agreed policy agenda. This also means that the hope of shared prosperity must be revived.

We wish to discuss with you this home-grown agenda that reflects both our potential and specific constraints. We wish our growth to be inclusive, based on investment, and productivity gains. Growth based on further labour cost compression cannot work in Greece and has been rejected by our people.

Based on more realistic primary surplus targets and our home-grown, wholly owned, reform and growth agenda, the new contract we propose will restore a sustainable debt trajectory.

We invite the IMF to work with us to assess Greek debt sustainability building on the government's commitments. This new DSA should reflect the concessional features of Greek debt due to its very long maturity and low interest charge.

It is probable however that additional measures will be required to ensure Greece's capacity to re-access the financial markets.

Eurogroup committed in November 2012 to tackle this issue once Greece would post primary surpluses, which was the case in 2014 and will be the case in 2015 once the current situation stabilizes. This discussion should be reopened when we will discuss our new contract.

Greece will stand ready to make concrete proposals to its partners, in due time, on a menu of innovative instruments to reduce the debt burden efficiently, including debt swaps.

Moreover, we believe that a broader discussion on debt issues in Europe is necessary. We welcome Mr Dijsselbloem's recent statement in our joint press conference in Athens that the Eurogroup is the proper forum to act as a permanent European debt conference, addressing debt problems in Euro area member States. We therefore propose to create a specific Eurogroup working group gathering member states' representatives and experts.

(A Bridge Program)

Agreeing on a new policy framework between Greece and its Eurogroup and international partners will take some time.

In the meantime, covering Greece's financing needs over the next months is an immediate concern for all of us.

Until June, Greece faces €5.2bn payments to the IMF: our government is fully committed to honor these payments, possibly directly to the IMF.

To meet our immediate payment obligations, we ask the Eurogroup to disburse to Greece the outstanding €1.9bn SMP bond-related Eurosystem income, in accordance with its previous commitments. We are, in fact, open to the idea that the ECB transfers these funds directly to the IMF in lieu of Greece's outstanding repayments.

Moreover, we propose to work urgently on a bridge financing mechanism to ensure Greece's liquidity position over the coming months.

In July and August, €6.7bn repayments are scheduled to the ECB (as the holder of SMP bonds), on top of additional payments to the IMF. These payments create very exceptional pressure on Greece's funding needs in 2015.

We are confident that an agreement can be reached before the summer, notably with the IMF's input, that would provide solutions and funding sources to cover these needs.

(Technical Extension)

Let me conclude now on the technical and legal issues concerning the existing loan agreement.

We fully understand that the dates associated with the existing loan agreement must be moved forward in order to provide stability, to give time to the discussions, and allow for the disbursement of SMP bond-related funds and possibly other funds. We remind you that the present deadline of 28/2/2015 are entirely artificial, and were the product of the previous government's electoral strategy and desire to confront us with these difficulties on taking

office. It is time, in good faith, for these maneuvers to stop and for serious work to begin.

We stand ready to ask for a revision of these dates in view of the next scheduled Eurogroup meeting next Monday the 16th of February 2015.

However, let me be very clear on this: the government asks for this revision of dates on the condition that it is the starting point for genuine negotiations in good faith for forging a different contract between us, based a realistic primary surplus effort and efficient as well as socially just structural policies – including of course many elements of the previous program that we accept. We need assurances on this point.

We can accept this revision of dates as a “bridge” towards a new partnership and a necessary condition for the discussion. However, such an extension cannot be taken as acquiescence to the logic and parts of the former agenda that have been rejected by our people.

We propose the bridge program to cover the period until end-August. This will provide sufficient time to agree on the terms of our partnership. A partnership that will bind our side to deep reform but also acknowledge and address Greece’s hideous humanitarian crisis, the non-availability of credit even for profitable firms, and the urgent need for investment-led growth.

Dear Colleagues,

Europe is whole and indivisible, and the government of Greece considers that Greece is a permanent and inseparable member of the European Union and our monetary union.

Surely there are various ways to foster policies that will truly nurture and enhance economic growth, maintain fiscal and financial stability, and address the most pressing needs of the people.

Some of you, I know, were displeased by the victory of a leftwing, a radical leftwing, party. To them I have this to say: It would be a lost opportunity to see us as adversaries.

We are dedicated Europeanists. We care about our people deeply but we are not populists promising all things to all people. Moreover, we can carry the Greek people along an agreement that is genuinely beneficial to the average European. In us you will find trustworthy partners who do not see these meetings as a means of extracting something out of nothing, of gaining at anyone’s expense.

I look forward to discuss with you now, in a true spirit of cooperation and partnership, and to write together this new page of our relationship.

I thank you very much for your attention.