

16/2/2015 - YANIS VAROUFAKIS TALK IN THE 16TH FEBRUARY 2015 EUROGROUP MEETING

Mr President,
Dear colleagues,

This government's task is to carry out the deep reforms that Greece needs to arrest the combined forces of deflation and negative debt dynamics, bring about investment-led recovery and, thus, maximise the net present value of our debt repayments to our creditors. The Greek government fully respects its commitments to our partners and to the institutions that we are party to. Our difficulty in declaring a commitment to the current program, and to its "successful conclusion", is that in our estimation this program was not conducive to recovery and, thus, inherently impossible to conclude successfully.

To many, our reluctance to accept the phrase "extend the current program and successfully complete it" stems from the determination of this government never to issue a promise that it cannot keep. We fear that if we accept the priorities, the matrix, of the current program, and only work within its overarching logic, even if we change some aspects of it, I fear that we shall be giving the debt-deflationary spiral another boost, we shall lose our people's support, and, as a result, the country will be very hard to reform henceforth. As a recently appointed finance minister of a country that has a credibility deficit in this room, I trust that you will understand my reluctance to promise that which I do not believe I can deliver.

Nevertheless, there is much that we can deliver that is of mutual benefit. To do so, we need a short-term (three to six month long) agreement that will allow us to establish the "common ground" mentioned by President JD and Prime Minister AT last Thursday. It is in no one's interest if, over the next days and weeks, as a result of a political failure on our part Greece languishes under a collapse in activity, a collapse in revenue and continued deposit outflows. We need an in-principle agreement that during this period the Greek state will be funded under a minimalist menu that solves the short term cash flow problem (e.g. transfer to the IMF, in lieu of Greece's repayments, of the €1.9 billion that the Greek government is due from the ECB 'profit'-rebate agreement; a flexible ELA, a rise in the artificial cap of T-bill issues etc.) and commits the Greek government to a number of conditionalities:

- The Greek government reiterates its commitment to the terms of its loan agreement to all our creditors
- The Greek government takes no action that threatens to derail the existing budget framework or that has implications for financial stability
- The Greek government will take no action toward a haircut of its loans' face value

The Greek government is deeply concerned about the deleterious effects of non-performing loans on the capacity of Greece's private banks to extend credit to firms and households and is, thus, keen to find means, utilising the unused capacity of the HFSF to cleanse them. Similarly, we are eager to find ways of writing off the accumulated penalties on taxpayers in arrears that have mounted up to €70 billion. Naturally, the Greek administration understands that any such write offs must be designed to avoid rewarding strategic defaulters and, most certainly, to prevent a long term tendency to delay paying debts and taxes. Still, we think that the backlog of arrears and NPLs are a major impediment to recovery. To this end, we shall seek the advice of our partners before legislating appropriately.

In exchange of the above commitment that the Greek government is prepared to give during

the period of the extension/bridge, our partners ought to agree that, during the same period:

- There will be no measures that we consider recessionary such as pension cuts or VAT hikes.

Regarding the specifics of the short term financing, or of the above conditionalities, we believe that these technical issues can be resolved within a day or two, as long as the political will is present. In any case, let me remind you that we are talking about a short space of a few months of stability that is necessary to establish the parameters of the longer term framework within which Greece and Europe and the IMF will establish so as to put Greece on a sustainable path.

The Greek authorities are determined to use these few months effectively, as opposed simply to buying time for the purpose of doing little. We propose to concentrate on a few reforms that are essential and which can be implemented immediately, with the assistance of the institutions plus of the Organization of Economic Cooperation and Development. Among them, we intend to:

- Cut the Gordian Knot of bureaucracy - through legislation that bans public sector departments from asking of citizens or business information, certificates or documents that the state possesses already (and which reside in some other department)
- Tax authority reforms towards greater independence, propriety and transparency
- Create an efficient and fair tax court system
- Modern bankruptcy system
- Judicial system reforms, in general
- Creating a competitive and sound electronic media environment that enhances transparency and yields tax revenues for the state
- Dismantle the various cartels

Ladies and gentlemen, dear colleagues,

Unlike previous governments we shall not make promises which we know we cannot fulfil. I could, for instance, placate everyone by accepting for example the €5 billion privatisation target, so as to reach agreement. But I know that I cannot deliver. Just like previous governments could not deliver in a marketplace of collapsing asset prices.

Similarly with foreclosures of non-performing mortgages. Independently of our ideological differences (and whether you agree with our government that family homes should not be auctioned off in the midst of a depression on ethical grounds), the fact remains that it would be non-sensical to throw hundreds of thousands of families on the street at a time when there are no buyers and, as a result, such foreclosures will yield no capital for the banks, will fuel the already hideous humanitarian crisis and, in the end, destroy what is left of the real estate market.

To recap, our government is ready and willing to apply for an extension of our loan agreement till the end of August (or any other duration that Eurogroup may deem fit), to agree on a number of sensible conditionalities for the duration of this period and to commit to having a full review complete by the European Commission at the end of this interim period – a period that will allow Greece and its partners to design together a new Contract for Greece's Prosperity and Growth.

I trust that, despite any differences, our common ground is solid and such that we can

build upon it a mutually beneficial agreement in the spirit of true European collegiality.