

EUROPEAN PARLIAMENT
SPECIAL COMMITTEE ON THE FINANCIAL, ECONOMIC AND
SOCIAL CRISIS

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We need strong political support

Greece Prime Minister, George A. Papandreou

Ladies and gentlemen, it's always a great honour to address the European Parliament. In the last five months since I have been elected, I have been on numerous panels, interviews, discussions, international meetings, conferences, but this is a special honour, as I am addressing not only the European Parliament, but I would call it the most important democratic institution of democratic governance in the European Union, one which has a major role to play.

And I could also say that the European Parliament very often is ahead of the work of even our national parliaments, and many times concerns the many issues that the European Union is facing and the challenges we have in our project of integration, which is both enlarging but also deepening our structures.

We have fought, and I personally also in my capacity in the past as foreign minister and then in the presidency when we were coming up to the so-called then Constitution, which then became the Lisbon Treaty, we fought very hard to ensure that the European Parliament is strengthened, and I do believe that this body will become a very influential decision-making body in the European Union, which can take initiatives on behalf of our citizens.

And one such initiative of course is the creation of your Committee on the Financial, Economic and – as you also add very rightly – Social Crisis which we are facing.

How would I define the crisis? First of all, taking a wider view, it is a crisis of global governance, I could add global democratic governance. And as we celebrated the end of the Cold War, we did also not see that history had not ended and problems were still there. And as the state mechanisms of the bureaucratic former communist bloc fell apart, we became too dogmatic in believing in the forces of the market and that we had created a new ruler, which was the unregulated markets, and behind these unregulated markets were, I would say, certain forces which actually captured very often the market or even captured our politics.

And this is what we have seen with the crisis two years ago. The fact that there was lack of transparency, the fact that behind the so-called innovation we had devices which were able to avoid any kind of monitoring or any kind of best practices created bubbles, and these bubbles have been paid for, unluckily, by our citizens around the world and by those who had little or even no responsibility.

So I think this is a big challenge, and right now our citizens do feel that we, as an international community, almost two years into this crisis, even though we are moving out of it slowly, we haven't been able to make the necessary reforms and changes. And this is a big challenge, and this also shows a sense of impotence, and that is a very dangerous sense for our citizens, because if our citizens lose their confidence in the credibility of our institutions, our democratic institutions, whether at the national or the European or the international level, then they will look towards other methods, populism, violence, fundamentalisms, extremism, polarisation. That would be what we will see in our societies around the world.

So we have to learn our lessons, and I believe that the European Union is, in itself, a lesson in the making, in the sense that we are an institution which is governing a wider region with the types of rules and the types of pooled sovereignty which can become a very important model for our globalising economy, and not only our economy but for other important issues, issues such as climate change, issues such as dealing with migration or poverty, and so on.

So now I would warn against – and I am glad that you are discussing this in this Committee – the fact that many are saying we should just go back to business as usual. We can't do that. As I said, the price is high, and one of the prices right now is the high unemployment, reduced salaries and a future which is possibly bleak.

So I think that we need to send a strong message and in the next G20 meeting, where the European Union and a number of European members participate, this is a great opportunity to push forward an agenda of the types of necessary regulations which we would like to see.

I had, in my many meetings the past few weeks with a number of leaders in the European Union, meetings in London with Gordon Brown and Jose Luis Zapatero, I went to Berlin and talked with Angela Merkel and Paris with Nicolas Sarkozy, with the head of the Eurogroup, Jean-Claude Juncker. And out of this also came an initiative which we took concerning the CDSs, as they are called, the default swaps.

I was also able to discuss this last week with President Barack Obama in the United States, asking on behalf of us that we have some more vigorous and rigorous decision-making on the issue of regulation at the international level, and I was pleased that at least the answer was a positive one.

Now, sometimes in the details is where the devil lies, but obviously the fact that this is understood in the United States at the highest of levels is an important sign.

Now, what does all this have to do with Greece? We are at the centre of an acute and complex crisis, a crisis first of all caused by a number of internal structural problems, which were then exacerbated by global financial problems, the financial crisis. And as you said, Mr. President, the intense pressure of opportunistic speculation.

I would like to be very clear here, that I am not looking for a scapegoat. I am not looking to put responsibility – paradoxical, and you mentioned this, that our fate is decided by those same forces, whether they be those on the credit default swap market or the rating agencies, that failed to recognise fundamental flaws in the global financial system and were very responsible also for these flaws, since they did not monitor them well. And today we are paying because they are monitoring us, even though we are the ones that bailed them out.

So it is very paradoxical. Our people's tax money, our tax money, bailed out these banks, and yet now they are hitting us for the deficit we accrued in order to bail them out. And our people are paying for this.

Now, that is the second point I wanted to make, that yes, we know and I know that Greece has its structural problems but there is a number of problem also which we must deal with, and that is the issue of creating the necessary steps in order to protect the necessary changes that we are making.

Let me give you an honest account of what we are doing, what is happening in Greece.

I was elected five months ago, our government was elected, on a strong mandate for change. So we are ready to make changes and we are already doing so. We have done so in a manner that I think never before in Greece have we taken so many measures, so many changes in such an immediate timeframe.

Obviously, the first thing we had to do is bring back the confidence in our economy, and I would say the credibility of our country. This was the immediate task.

The medium and long-term task is to make deeper structural reforms which will put us on the path of competitiveness, particularly changing our developmental model, and we see that Greece can become a very thriving economy, has great potential to become a thriving economy, particularly in the area of green technology and investment and in our natural and human capital, through education and health care.

But today we are tackling the huge burden of our budget deficit, and this has needed fundamental, immediate reforms. They are under way. They are very severe, and we passed the last week the most severe austerity measures in Greece's modern history.

We have taken these measures not only to save our economy but to prove that there is the necessary political courage, the necessary political credibility of our country, but also because we believe we are part of a community, the European Union community, in the true sense of the word, a community of values, and we want to live up to our responsibilities within this community, the European Union.

And we are demonstrating our commitment to protect the stability of our common European currency.

I have told the people of Greece the 2010 must be and will be a year of the drastic reforms across all levels of our government: changes in our tax system, changes in our security system, major changes in our public administration – we are cutting down the levels of governance from five to three – changes in our education system, and of course our development model.

But as I said, the social and the institutional changes cannot be executed as swiftly as futures or credit default swaps. You cannot sell short on social commitments and political responsibilities. And habits and institutions that need to be changed – that takes time to be implemented.

So we are taking immediate measures, but in order to make deeper structural changes, yes, they will take some time. Not a long time, but it will take some time.

And we have, I would say, the majority of the Greek public which are supporting these reforms. They are bold reforms, and they of course will help our economy.

We did what we did, but if we keep borrowing at very high rates – and this is the challenge we have – we cannot sustain the deficit reduction that these hard measures aim to achieve. As a matter of fact, we are asking our people – workers, wage earners, pensioners – to take a cut, in order to that we cut the deficit. And that can be eaten up, that can be lost in a few moments of speculation on the world market, where some people behind a computer somewhere in some other city, maybe even outside of Europe, can simply, with a few buttons, take all that effort that we are making and just put it into their pockets. That is what we want to avoid.

So we are not asking for help, as some reckless country just wanting to live off the wealth of others. We are not asking for money from the Germans, the French, or the Italians or other workers or taxpayers. What we are saying is we need the strong political support in order to make these necessary reforms, and making sure that we are not going to pay more than necessary in order to get these reforms enacted.

And that's why we are saying let's work together, let's act together, let's act in a strong way, so that we will not have to pay higher taxes, we will not have higher unemployment, we will not have a slower economic recovery. And this of course has to do with the fact that we need to, as was put by my Finance Minister very well, put a loaded gun on the table to make sure that the markets will respond in a positive way.

Greece accounts for approximately 2% of the European Union's GDP. However, the economic conditions and the situation can have a larger impact than that figure implies. In the past weeks, people have talked about the possible contagion effect. I think the fact that we have taken action has been able to stop that rhetoric.

However, this is a European issue. That is why Europe needs to take action. We are both a monetary union, those who are in the monetary union, but we are also a political union, and this is part of the reason why we are in the monetary union.

It is a deepening of our relationship, and it is a deepening of our mutual commitment to make sure that we can deal with problems that we face.

And so in the debate that goes around the world whether Europe will fail or whether Europe is on the map, I would say we need more Europe rather than less Europe. And I say this because first of all, even though the EU is a hugely ambitious and complex project, it in fact is a precursor, in my mind, of what we need in a wider globalising economy and world.

We are a union of 27 nations, 16 in the monetary union. We have our own languages, our experiences, our own idiosyncrasies. But we have been sealing our fate together in a way which has been unique, and pooling our sovereignty in order to deal with the major challenges around the world.

And if Europe after the Second World War was a peace project, and still is in many parts of Europe, such as in the Balkans and for Cyprus and in Greek-Turkish relations, it is a catalyst for deepening peace processes and finding solutions, it is also today, I believe, a project of how we will deal with globalisation at a wider level. And this is why we need more Europe.

I would like to end that by simply reiterating also what Dominique Strauss-Kahn said, from what I heard, yesterday: We must not lose this opportunity to fix the global financial system. I hope that

Greece, we are dealing with our problem and we are dealing with it also at the European level, at an ad hoc level.

However, this should give food for thought for the types of institutions changes needed. People are talking about a possible European Monetary Fund. What would go into a European Monetary Fund? And what the content of a European Monetary Fund would be and how it would work is of course up for debate.

These are important issues. These are issues which need to be put on the table, if we want to strengthen our European Union, if we want to strengthen our cooperation. However, these are issues which don't deal with the immediate problem that we have, and that is that we are taking the measures that we needed to take, but we also need at the same time to be able to borrow at rates which are normal, similar at least to what other countries in the European Union and the monetary union can do.

So I would like to thank you for inviting me here today. I wish you every success in the difficult task you have undertaken, and I would be glad not only to hear your questions but also even some of your suggestions, as we are a family here, a union, in trying to deal with these complex, difficult and challenging problems, and doing so in the best of ways. Thank you very much."