



Time to end "opportunistic speculation", Greek Prime Minister Papandreou tells MEPs

Countries all over the world are still struggling to emerge from the worst global recession since the 1930s. Yet this crisis should be seen as an "opportunity for deep changes to make the economy we both, Greeks as well as Europeans, can be proud of," George Papandreou told Parliament's Special Committee on the Economic, Financial and Social Crisis (CRIS) on Thursday.

Addressing a public hearing on European economic governance and EU tools for economic and social recovery, the Greek prime minister explained that Greece, in the throes of an "acute crisis", was introducing the "most difficult measures since World War II to put our house in order". Despite this, Greece was not asking the EU for help, pointed out CRIS chair Wolf Klinz (ALDE, DE), who referred to the EU finance ministers' decision last Tuesday to back the "very challenging austerity measures" put forward by Athens.

"We are not looking for a scapegoat nor asking for help to live from the wealth of others but what we do need is strong political support to make all these reforms and to make sure we will not have to pay more than is necessary," said Mr Papandreou. He added that Greece needed "to be able to borrow at rates which are normal". Calling for an end to "opportunistic speculation", he also warned that if the Greek government kept borrowing at such high interest rates, it would not be able to sustain the deficit reduction.

"We are really shocked that those who had to be bailed out with taxpayers' money used the first opportunity to speculate against the euro to make a profit," said Wolf Klinz to wide applause. "We need more Europe rather than less Europe," stressed Papandreou. The time had come "to put the loaded gun on the table", to make sure the markets would respond positively. In this context, Greece could provide an opportunity to deal with the issue of speculation in the EU and also at global level. Agreeing with a reported statement by Dominique Strauss-Kahn during his visit to the European Parliament the previous day, Mr Papandreou insisted "we must not lose the opportunity to fix the global financial system".

All of the measures Greece had taken reflected its commitment to protect the stability of the common European currency, said the prime minister. But Europe needed to recognise that the measures put in place, and those still to come, would need a certain time to take effect. "Change cannot be executed as swiftly as credit default swaps," said Mr Papandreou.

Changes needed in EU policy?

Among MEPs who spoke, Theodoros Skylakakis (EPP, EL) and Pascal Canfin (Greens/EFA, FR) asked about reforms to the Stability and Growth Pact and whether it should be made stricter or more flexible. Mr Papandreou replied that the EU should look at the "institutions which are missing in this project". He urged "more coordination and supervision" to ensure that countries with problems also received support, not just punishment. Otherwise there would be a failure not only of the country concerned but of the system as a whole.

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"We all say that there are plenty of instruments but nobody respects them because there is nobody at the helm" of the EU, said CRIS rapporteur Pervenche Berès (S&D, FR), who believed the measures put forward by Greece "merit admiration".

Nikolaos Chountis (GUE/NGI, EL) asked the prime minister whether there was a specific support plan being prepared by the EU to assist Greece and whether such a plan would also help the EU pull out of recession. "I would prefer a European solution to be able to show to the world that Europe can act together," said Mr Papandreou, "rather than turning us to International Monetary Fund".

According to Mario Borghezio (EFD, IT), the "excessively draconian measures contribute to agony" of Greece. He asked if the Greek government had considered the option of devaluation. Papandreou rejected this idea as it would in his view send the wrong signals.

Calls for more economic policy coordination and a "system of conditional assistance"

Several academics also took part in the discussions. According to Loukas Tsoukalis, Jean Monnet Professor of Integration at the University of Athens, and President of Eliamep (Hellenic Foundation for European and Foreign Policy), the Stability and Growth Pact "has become more and more flexible, to put it diplomatically". He called for the European dimension of European Monetary Union to be strengthened, partly by "closer and increasingly binding coordination of national economic policies with incentives and sanctions".

Speaking of lessons to be learned from the crisis, Jean Pisani-Ferry, Professor of Economics at the University of Paris-Dauphine and fellow of the Bruegel institute, pointed to the lack of a crisis management regime in the eurozone. "Greece is doing the IMF programme without IMF money", he said, adding that due to the "principle of no co-responsibility for public debt" and "no assistance principle", the EU could not provide help within the eurozone. But as there is room for assistance, the EU should put in place a "system of conditional assistance," he argued.

Next steps

The experts' input will feed into further discussion among MEPs and the report by Special Committee rapporteur Pervenche Berès. The draft report is to be presented on 17 May, with the deadline for amendments set for 1 June. The vote on the report in committee is scheduled for 13 July, with a plenary vote to follow in September II.

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