Transcript of a Press Conference

By George Papaconstantinou, Finance Minister of Greece
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Webcast of the press briefing

MR. PAPACONSTANTINOU: Good morning. Thank you for coming, many of you.

I will make some introductory comments, and then we will open the floor for questions.

As you're aware, last Friday the Greek government asked for the activation of the support mechanism that the European heads of state and government have put in place and which was further elaborated by euro group ministers. This is a European mechanism to which the IMF is associated with financing. It involves a comprehensive three-year economic program and financing conditions.

In the last two days, I have had the opportunity here in Washington to discuss the progress made. Yesterday morning, we had a meeting with the MD of the IMF, Mr. Strauss-Khan; with the European Commissioner for Economic Affairs, Mr. Olli Rehn; and with the head of the ECB, Jean-Claude Trichet, to discuss the timeline and the next steps to take. This morning, we will have a second meeting with the MD of the IMF.

And I also had the opportunity to exchange views and inform my colleagues in other European countries, notably France, Italy, Germany: Ms. Lagarde, and Mr. Tremonti, and the Deputy German Finance Minister Mr. Asmussen.

Outside the EU, I had the opportunity to inform on where we are with the U.S. Treasury Secretary, Mr. Geithner, as well as the Finance Ministers of Brazil, and of Russia; and, today, I will have a meeting with the Finance Minister of China.

At the same time, we had some more technical meetings with IMF staff and with others in the process of developing this program. What I can say at this moment is that we are very confident that these negotiations, which have started even before we actually asked for the activation of the mechanism, will be concluded rather soon; they're going very well. We have a framework, which is a three-year framework, with strong conditionality criteria, a framework of a fiscal consolidation that will reassure, first of all, the Greek citizens that we are putting an end to the kind of fiscal situation that the country has and that we inherited when we came to government six months ago. We reassure our European partners, the international community, and the financial markets.

We are therefore advancing fast, and I welcome in this sense the statement made this morning by Dominique Strauss-Khan. We are all confident that this will be done in time, and we will continue to be able to finance Greek public debt without absolutely any problem.

It is important to state at this point that these negotiations do not start from scratch. The Greek government is already implementing a very ambitious three-year stability and growth program, which it formalized together with its European partners and which follows a number of decisions made by the Ecofin. Already, there are some very good first results: first quarter of 2010, the budget deficit has declined by 40 percent—this is 10 percentage points higher than what was foreseen in the program, and we have opened up practically every reform agenda that we could: we have already passed a major tax reform bill and overhaul of the tax system that will allow an increase in revenues as a percent of GDP already from this year, but even more in the following years. Pension reform has passed cabinet approval and will become a draft document that will come to the parliament in the next few weeks.

We have made some first announcements in opening up closed professions, and more are due to come; a privatization program is pending approval by the Council of Ministers; other reforms that will open up product markets that will ease investment, that will facilitate business sentiment, that will attract foreign investment, that will make for a more productive and healthy economy are also under way.

So, based on the three-year program that we already have, this will be buttressed and made more operational with specific milestones and criteria in this program that we are jointly deciding together with the EU, the European Central Bank, and the IMF. And this program will be ready and will be announced as soon as the negotiations finish, and it will form the basis for the financing that will come jointly from the EU and from the IMF with a majority of funds coming from the EU, as has been decided at the level of heads of state and the level of the ministers of finance.

I will now take your questions.

QUESTION: Are you bothered at all by a statement attributed to German Finance Minister Schaeuble this morning that Germany has not yet decided whether it will agree to Greece's request for financial aid?

MR. PAPACONSTANTINOU: We have full confidence that when the framework is completed and the negotiations are done, what we will have is a statement of—rather, a framework of conditionality and financing conditions attached to it to which all European partners will be able to subscribe.

QUESTION: How can you bring a sense to markets and to Greece that enough has been done here?

MR. PAPACONSTANTINOU: Well, I think that what one needs to do is to compare the situation today with the situation three or four months ago. Everybody knows what we were faced with when we came to power six months ago, and all one needs to do is to look at the decisions taken by this government over these six months. And if you compare the situation now with what happened four months ago, you will see that now we have a budget which is on track which is actually ahead of schedule; and the major problems that have been in our country for a long time—a tax system which leaves out a big part of the population with significant tax evasion, a budget which allows expenditures to rise uncontrollably, a pension system which is not viable medium term—all these are being dealt with.

I understand that markets still need to be convinced, and I think that the kind of moves that we are making and the strong framework that will be decided and that will be cosigned by all the partners following the negotiations will be a very important signal to the markets that what we will have is a fully sustainable situation in terms of both deficits and the evolution of the public debt.

QUESTION: There has been a lot of talk about Greece getting out of the euro zone. Would Greece fare better outside the euro zone, or inside?

MR. PAPACONSTANTINOU: I think this question has been answered by a number of people, not just from within Greece but also from a number of European countries and from all the European institutions. It is a scenario which has absolutely no basis to reality. Greece is a member of the euro zone, will always remain a member of the euro zone, will always remain within the European Union, full stop.

QUESTION: The process of negotiation has been dogged by delays which have been very unhelpful to Greece in terms of its borrowing costs. Do you think it would have been better if you had gone directly to the IMF on day one and ignored the rest of the EU?

MR. PAPACONSTANTINOU: I don't think it's fair to say that the process of negotiation has been beset by delays because the actual negotiation process started only a few days ago. What we had until then were the statements at the high-level heads of state and government and the follow-up statements elucidating things at the level of the euro group.

There was never an option for Greece to simply go to the IMF. Greece is a member of the EU, and it is already implementing a stability and growth program decided in the context of the EU. We are implementing the decisions by Ecofin; and, therefore, the decision—the association of the IMF to this was a discussion taken by European partners, and there was never a possibility or an option on our side to go separately to the IMF.

QUESTION: Has a restructuring of the Greek debt been an issue in your negotiations at any time?

MR. PAPACONSTANTINOU: Another red herring which is out there. I want to categorically state that any notion of restructuring is off the table by the Greek government, has never been put on the table in the negotiations, and has never been part of any suggestions or proposals made by the IMF to Greece.

QUESTION: Could you be more specific on the timeline: Is early May feasible? And, secondly, is there a message you want to give to investors who are betting on the default?

MR. PAPACONSTANTINOU: I think early May is a good ballpark figure. I don't want to give a particular date. We all know that these negotiations take weeks. We are working very fast. As we talk here, the team of the EU, the ECB, and the IMF and Greece is working with our collaborators on technical aspects, so it is very clear that we want to conclude this as soon as possible. And yes, the message to investors. Well, I can see that the number of people have been betting in particular ways. All I can say is they will lose their shirts.

QUESTION: You just announced that you will meet with the Chinese Minister. Will you ask China for specific help?

MR. PAPACONSTANTINOU: I'm seeing Ministers outside the euro zone who are members of the IMF Board to inform them of the process of negotiation because all these countries will be instrumental in terms of the IMF decision, which will be taken by the Board. And that's the context of the discussion that I'm having with them, nothing more than that.

QUESTION: Mr. Minister, if the support mechanism is not ready to go in May, where are you going to find the money that you need?

MR. PAPACONSTANTINOU: There is no "if." The support mechanism will be ready during the month of May, and there is absolutely no one in Europe or outside it that has a different opinion to this.

QUESTION: There has been major concern that the sum that is being discussed is not sufficient to really solve the problem of the Greek debt, so we heard figures about that for the three-year period Greece will need something about 80 to 90 million euros instead of just 45, which was the sum that was set by the EU finance ministers. So, how much money actually will you need for this three-year program?

MR. PAPACONSTANTINOU: Now, I cannot refer to specific figures because these are part of the negotiation and the decisions that will be taken, but let's remind ourselves what has been decided. What has been decided is that from the EU there is a pledge of 30 billion for 2010 with additional funds based on the program for the following years. And from the IMF, the IMF will have a three-year pledge, depending also on the program. And we are all aware that the numbers need to reflect the situation and be enough to be able to assure markets of the stability and viability of the Greek economy.

However, I want to make the following point: It's all a question about regaining market confidence, so market confidence is regained by making explicit the backstop which is here. Market confidence is also regained by seeing how we develop our policies and how we are taking the difficult decisions. And we have shown until now in the months that have passed that we have not shied away from taking some very difficult decisions, decisions which have been received very positively from all our European partners, and decisions which the Greek public and Greek citizens, even though they have not been easy to absorb, have understood and absolutely necessary to bring the economy back on a sustainable path.

QUESTION: I understand you can't give us more details on the figures and the numbers, but I'm interested in knowing your reply to many of the analysts and observers who are saying that, due to the nature of the package that's being discussed at the moment, the problems of Greece might be solved really in the short term, and it's more of a Band-Aid, and that you might be okay for this year, but what we are seeing now will only be repeated next year. How would you answer those claims?

MR. PAPACONSTANTINOU: These kinds of scenarios which I have seen and read are based on a no-policychange assumption. They're based on an assumption that the Greek government will not take the necessary steps to reform its economy, to address long-standing structural problems. Once you do that, your productive capacity increases, your needs for financing are reduced.

We have also done the math, and the math depend on critical assumptions on nominal growth in the following years, and on financing conditions which, after all, is an endogenous variable because it depends on market sentiments. Our data even for the first months of this year are quite encouraging; they show us, for example, in terms of new orders, in terms of expectations for retail trade, the picture is much better than what many analysts seem to assume.

This seems to suggest that the economy will be able to come back to positive growth rates perhaps sooner than expected. Of course, this year we'll have negative growth rates—there is no question about it—and possibly next year, as well. It suggests that the combination of what we are seeing now together with the policy changes under way will be able to create a completely different environment that will support nominal growth in the following years, and will reduce or at least contain the cost of financing the debt.

QUESTION: Are you satisfied with what you heard from the Managing Director as far as the financing from the IMF? Will the money be there? Because the markets would like to know that. And, secondly, how do you assess the U.S. Treasury Secretary's support for Greece in a way, given his statements?

MR. PAPACONSTANTINOU: On both counts, the answer is a very short "yes." Indeed, the MD of the IMF has been very clear and very supportive about the willingness of the Fund to participate on the terms that have been decided, and the collaboration with the Fund team in Athens that is working with the EU and ECB has been very good so far. Let me also say that we have just finished two weeks of intensive technical assistance missions on the revenue collection side and on the budget medium-term framework in Greece, and we had some very good reports that we will be implementing.

And, similarly, Tim Geithner's comments were very positive, and it is clear that the U.S. wants to support all the efforts that are being done for a swift conclusion of negotiations.

QUESTION: When in 1987 Korea was rescued by the IMF, they called this day a national day of shame. Greece is having a national day of shame these days.

MR. PAPACONSTANTINU: First of all, all analogies with other countries are by definition wrong. Every country has its own problems, its own characteristics.

Secondly, we are—contrary to what you seem to suggest—we are particularly glad that at this very difficult juncture for the country, where problems that have been brewing for a number of years came to head, we have a mechanism that has been decided by the European leaders to which the IMF can be associated. This is an indispensable tool for us to be able to give us the time to do the kind of changes that only the Greek government can do. We are not expecting anyone to do the job for us. We will do the difficult things. We are going to be the ones that reduce expenditure; that find ways to increase revenue; that put the economy back on a sustainable path; that do the difficult tax and tax reform, pension reform, public administration reform, and labor market reforms. We'll be doing that.

So, it's not a question of being a day of shame or anything like that. It's a question of realizing what needs to be done, and of having a mechanism which will give us the time and the necessary financing to be able to do what absolutely needs to be done.

QUESTION: A lot of people are saying that Greece's issues are very specific to Greece, but there are others who would characterize them as problems that are shared by many other countries in terms of deficits, both in the current account and the budget. How would you characterize it? Do you think there are lessons for other countries both in Europe and elsewhere?

MR. PAPACONSTANTINOU: I said before that every country has its own characteristics; there is no doubt about that. We are facing particularly difficult problems of a combination of a high deficit, debt, and competitiveness problems. However, it is also clear that what we are talking about here is not a uniquely Greek problem. There are broader issues around the euro and euro zone, and the decision which has been made very clear by the euro zone leaders to safeguard the integrity of our common currency. There are questions of high debt, which all countries accumulated in the last two years as a result of the crisis and dealing with that. We have had long discussions in the euro group and Ecofin of how to address that.

Again, every country is a distinct case, but we believe that this mechanism which has been created is something that is sorely needed. It’s very good that at the same time a decision was taken at the European Council to open up a longer-term discussion in this group—that will be chaired by the President of the Council, Mr. Van Rompuy—on changes that will allow a mechanism that will make sure that these kinds of problems do not surface as dramatically as they do now, in the future.

QUESTION: Mr. Minister, do you expect that the IMF will put money on the table before the Europeans put money on the table? And, second, what's it going to be for Greece: Argentina of 2000 or Latvia of 2008?

MR. PAPACONSTANTINOU: I have already said that I will resist any kind of parallels with other countries. We have a particular situation in our country, and we will be dealing with it in the best possible way.

In terms of the parallels, the financing by the IMF and the EU: it is clear that we have two processes which are moving in parallel. We have one document which has the conditionality criteria and financing requirements and the specifics, and this document will pretty much simultaneously go to the IMF Board and pass and get the approval from the European Council. This means that disbursement will happen simultaneously on both sides.

QUESTION: You have just mentioned the competitiveness problem of your country, and you mentioned a few structural reforms that you're prepared to do which, of course, will take a number of years to take effect. In the meantime, as you cannot use devaluation to improve your competitiveness, are you prepared to accept that you would like to have deflation possibly for a number of years to regain competitiveness?

MR. PAPACONSTANTINOU: Well, the numbers tell us that this year will be one of negative GDP growth. You know that we have taken measures, tough measures, to reduce the wage bill in the public sector. Our measures in 2010 are actually reducing nominal wages in the public sector by 10 percent, which is a very high number.

It is clear that competitiveness is a broader issue. The Greek competitiveness problem is mainly of a structural nature. It has to do with the way markets operate, with oligopolistic structures, with prices that rise higher than those of our competitors. Wage cost is part of the discussion, but it is not a main element of the discussion.

And whether things can happen fast: yes, things can happen very fast because already, for example, the opening up of the markets for trucks and transports will have an immediate impact on prices and, therefore, be able to improve export competitiveness.

So, in a country that is within a currency union and, therefore, does not have the exchange rate as a variable, this does not mean that you do not have other ways to immediately improve your competitiveness and, therefore, your export performance.

QUESTION: I'm coming back to the very first question regarding the very openly voiced skepticism by the German government. What is your reply to that, and will there be any special efforts undertaken to pull them aboard?

MR. PAPACONSTANTINOU: I have already replied to this question. I talk very regularly to Wolfgang Schaeuble. We have a very good relationship. They are completely on board on the need for a framework of conditionality and fully supportive of the decision that Germany has cosigned at the level of heads of state and government and at the euro group level.

QUESTION: Can you give an indication of your timetable for privatization as a way to raise revenues: which will be the first ones on the block? When? How much? And the way you're going to go forward on that, sir.

MR. PAPACONSTANTINOU: If you will allow me to table first my full set of proposals and options to the Council of Ministers, which will be done in the next few weeks, and then we will be making announcements. There are many things on the table, many potential options of moving forward.

We are not going to go through a fire sale—let's be clear about that—but there are many different options that will allow us to gain by reducing the actual stake of the government in public companies, to improve the operation of the specific sectors, raise revenues, but have a more competitive environment. It's not just a question of raising funds. It's not just a question of reducing the debt through privatizations. It's a question of creating a more competitive environment.

Just one last word on this: the Greek state has an enormous number of real estate assets totaling over hundreds of billions, and the proper exploitation, in the good sense of the word, of this will allow us to be able to raise funds, and also to release resources into the private sector.

QUESTION: I have a question about your formal request. You made a request on Friday, I think it's a little bit earlier than expected by the market. So, what made you to decide? Did the earlier-than-expected request have something to do with the problem of statistics or downgrade by the credit agency, or some pressure from outsiders?

MR. PAPACONSTANTINOU: Thank you for that question. What we are seeing at the moment is a number of uncertainties that are driving the market conditions. The market considers that the fact that we do not already have a full agreement with all the details is an uncertainty. To us, there is no uncertainty. There will be a full agreement with very specific numbers attached to it.

An additional uncertainty to the market is whether Greece would actually want to tap that. Our move on Friday was to remove that uncertainty and make to everyone absolutely clear that we have ongoing negotiations with the view of concluding an agreement. We moved on Friday after the well-known announcements on Thursday on the revision of the 2009 data—unfortunately another legacy of the past—and I think there is proof in these new numbers that the Greek government is cleaning up its statistics in a very determined sense.

So, in this new environment, we wanted to remove that uncertainty and made absolutely clear that at this point the mechanism that we were hoping until recently to not have to use in the new conditions seems to be indispensable to use, not only for the short term, but also to reassure that over the medium term it will be there, and therefore there will be full viability in terms of financing the public debt.

We will take a couple more questions, and then I think we will conclude.

QUESTION: Has Greece asked the IMF or EU countries to provide it with short-term bridge loans until the full package is activated?

MR. PAPACONSTANTINOU: You have given me an opportunity to mention the fact that a number of European countries have already moved to go through the parliamentary process of releasing the funds that have been decided, and I want to publicly thank them for doing so— even before, technically, the final decisions were taken.

Given that these moves have already been made, and given that we expect the IMF Board to sign off on an agreement sometime in the first 10 days of May, perhaps a little bit later, it will depend on how quickly we can move. There may not be even a need for bridge financing; we could move directly to the proper financing.

If, however, there is some delay in parliamentary processes, it is very clear at the European level that the IMF funding can be matched with bridge financing from European countries that are ready and willing, and there are a lot of them already that have publicly said so.

QUESTION: How do you feel to be the country which first provoked the implementation of the IMF within the euro zone? How do you feel about that?

MR. PAPACONSTANTINOU: I think that the case of Greece showed that the European construct needed to be supplemented and further reinforced and improved. So, even though we have been in the middle of a storm, I think it has been a good opportunity to show that the euro zone members were ready and willing to take every necessary step to safeguard what is a major, an absolutely major decision taken some years ago: that Europe, or the number of states that now have the euro, are committed to a common currency and will defend it at any cost. This is how I see it, and not as the example of the country that allowed the IMF to first come to Europe.

Let me make it absolutely clear: Greece, and all other European Union member states, are members of the IMF, so it is not an unnatural situation to ask the IMF to come in in a complementary sense to bring in its experience, its expertise, as well as its financing, to help a broader European solution in the context of the European mechanism.

Thank you very much.