

TO THE FRIENDS OF GREECE THROUGHOUT THE WORLD

“...there is only one answer that I consider honours our tradition. We, the Greek people, keep our word, we respect our alliances. You will get your money back with interest... That is also an example for us regarding the new reliability of our country ”.

George Papandreou
Prime Minister of Greece

Dear friend,

It's been some time now that certain media, some politicians and news reports on international TV channels have discussed at great length about the debt crisis that faces our country, Greece.

Overall, these reports have exceeded the seriousness of the problem and have proceeded to become a distorted social “x-ray” of Hellenism and Greece. Often, exaggerated estimations and criticisms in various publications can be characterized as nothing short of provocative.

This misrepresentation has raised questions for a lot of friends of Greece in Europe as well as the rest of the world.

These are the questions we need to answer every day, at work, in restaurants, in the cafes, at social and cultural events. We have to clear up what we hear and read about the Greek debt problem - what is real and what is an exaggeration.

These are the questions we will try to answer in this newsletter.

The reasons Greece fell into crisis

The integration of Greece in the EU, as opposed to a lot of other countries, did not go along with essential institutional changes. Particularly, changes in the areas of state function, self-government, justice, social security and education. Some good practices were undertaken, but some others are pending. A lot of pathogenesis was not faced sufficiently.

30 years passed, with Greece completely incorporated in the EU, but our country did not make an effort to change and establish stable foundations creating a better future for the citizens. Despite a number of positive steps, we did not take measures to enlarge our democratic institutions, to create a viable, fair and effective State of welfare, an extrovert and competitive economy, which would ensure our autonomy and our progress for the future.

All these led us to the current debt crisis, the symptoms of which are mainly budgetary, however, the causes of its creation originated in the long –term weakness to change structures and mentalities that dominated us for decades, as the Prime Minister, George Papandreou, stated.

We are not by the side of those forces that search for an alibi in foreigners, in conspiracies, in order to avoid our responsibilities and reject change, but we are by the side of those forces that claim (and desire) a better Greece. We are along with the forces that would like Greece to be fairer, more human and viable, with certainty and prosperity for the weak, when we come out of this difficult situation. And in that way, we will correct and modernize a state with enormous problems, inflexibility and conservative perceptions.

Greece does not face this enormous budgetary problem because the workers have too many vacations, or because they receive big pensions, as reported by the Media and leading politicians.

The Statistics by the EU have proved that about such “allegations” are wrong. The truth is that in our country the basic pension is 780€, while the pension for the farmers is barely 440€.

At the same time, the ex federal deputy Sigrid Skarpelis - Sperk MdB a.D., wrote about corruption, in “Stern” magazine, in which he said that it takes two to tango - or (to use another metaphor) the one that “ is being braided” and the one that “braids”, and, in the case of Greece, there were also German companies that participated in this:

“We the Germans”, the ex Deputy said, like the French, could, if we wanted to, help Greece in her finances effectively.

Greece is the country with the highest percentage of military expenses in gross national product in NATO.

We could guarantee her safety against an unprovoked attack and not propose the purchase of frigates (Sarkozy) and Eurofighters (Westerwelle).

It is a fact, that despite the program of cuts, Greece continues to spend for equipment systems and arms 2,8% of GDP, while the average among others members of NATO is

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It is an undeniable fact that an exceptionally difficult and complex situation for Greece was presented in a common way, too simple, under the distorted assumption that "We (the Germans) pay and you (the Greeks) collect". It is inaccurate that from 1981 the Greeks were only paid out and spent, while Germans exclusively financed. From the structural funds of the European Community, Germany received 60 billion for the period 1990-2005 that concerned the growth of regions of former Eastern Germany.

Today, those who caused the international crisis speculate at the expense of Greece while also attacking the Euro zone.

The German Federal Financial Supervisory Authority (BaFin) has

- according to its report to the German Ministry of Finance- explicit clues that the speculators have intensified their activity at the expense of Greece.

Concretely, in February 2010 there were premiums of danger (credit default swaps/CDS) valuing 85 billion dollars, a sum double that of the the year before. The institution warns that CDS could turn into a real pro-blem, not only regarding the borro-wing credibility on behalf of the Greek government, but also for the stability and cohesion of the EMU (European Monetary Union) itself .

The sum of 30 billion Euros is co-nsidered to have been bet in favour of the bankruptcy of Greece via the premiums of danger (CDS).

The crisis is not Greek but European

The crisis is not Greek but European. The European crisis is not an ac-cident of globalized economy, but the consequence of a political failure.

The entire Europe, along with Greece, finds itself in a huge debt crisis at a turning-point in her history. Furthermore, the EU is unlikely to go on with essential institutional and political changes, and along with the slow rate of growth, the absence of completed migratory policy at the EU level and the need for the adaptation of the European social model in the current conditions, it has created insecurity and introversion in a large number of our fellow-citizens in all member-states of the EU.

The population of Europe often has the sense that the EU is not decisive enough to correspond to the new challenges that face humanity, when at the same time, not only Greece, but also countries such as Ireland and Portugal face big and similar dif-ficulties.

The current dilemma of the EU is between nationalistic introversion and the essential intergration.

The introversion will create a vicious cycle of inability to take action that will not only prevent us from answering to the needs of a globalized economy but also make us unable to respond to threats such as climatic change, the migration flood or changes in the Mediterranean and in the Arab world. In this way, the unity of the European task will be contented. On the other hand, the deeper collaboration between the countries of Europe and the achievement of peace will give powerful answers to the above matters, thus making the population of the EU both pioneering and competitive.

The problems that plague us can only be resolved on a multi-national level, in a frame of solidarity, common investments and successful actions by all sides, by promoting and strengthening critical policies, such as the establishment of real economic governing, which will not be limited to a simple co-ordination of economies.

“We cannot do anything that will place again at risk the world derotation and consequently that of Germany. The bankruptcy of Lehman Brothers had as a consequence for us (in Germany) a fall of almost 5% of GDP”, a repetition of such a scenario is to be avoided without fail ...” Chancellor Merkel admitted.

The crisis that we are experiencing proves to us that bold decisions are needed to promote the political and economic unification of the EU, without them there will be a market that will be at the mercy of international speculators.

The financial crisis provides politicians of the euro-zone with the opportunity to establish, at last, the essential economic policy for the success of the Euro.

The current crisis is not caused by the immoderate European incorporation, but, precisely, the opposite. The success of the common currency will be achieved only when, simultaneously, there exists a parallel political support.

PROPOSALS OF THE GREEK PRIME MINISTER

The Greek Prime Minister, George Papandreou, apart from the fight for the derotation of the economy and the management of the debt crisis in Greece, has also made serious proposals for the management of the European crisis:

Concretely he proposed:

- Transparency in the credit system, so that the toxic bonds issue would not be repeated, “bubbles” which the citizens pay for while the “golden boys” are getting big money” at the expense of pensioners and workers.

- The tax “Tobin”, that is the tax on Stock Exchange transactions in Europe and internationally, so that the political system would not be ho-stage to the threat of the capital ge taway, but rather, transactions would be taxed to pay for policies of growth and social cohesion.

Also he proposed :

- in the EU, where a perception of austerity dominates, proposing instead a policy of responsibility, responsibility for green growth, for education, for innovation, for work investment, for the development of infrastructures for a truly competitive Europe which will be financed through green taxes, green obligations and part of taxes on trans-actions.

- against the exploitation of workers on other continents, the revalorization of the environment in poorer regions, that create provisional illicit terms of competition for the deve-veloped countries.

- The introduction of a euro-bond.

THE EFFORT OF GREECE AND GREEKS

The Greek Prime Minister revealed that “... some people ask me, when I am abroad, why we pay for your sins, why should we give, when we make cuts in our own country, too? ... You know what they asked me in Finland? Will you (the Greeks) return the money that we gave you or will we lose it? - I do not, by any means, feel good when any Greek needs to answer to this humiliating question. There’s only one answer that I consider honours our tradition. We the Greek people, keep our word, we respect our alliances. You will get your money back with interest... That’s also an example for us regarding the new reliability of our country”.

The goal of Greece is that a total solution for the stability of the Euro zone must be given. A real solution, so that Europe is not dragged behind the markets and so that Greece will be able to stand on her feet sooner and not fall again into similar situations. “What is good for Greece is also good for the EU.” Papandreou indicates.

The wake of the global financial downturn of 2008 is still around us. We are still witnessing the battle in the USA, over their debt, but also over the financial system. To this, we add also the speculation, the CDS, the derivatives, but also the operation of rating agencies, which, along with some analysts, predict destru-ction. All this creates a “psychology” both

in the people and the markets and, in turn, this “psychology” creates real facts. And they are quite a few those who would want the current debt crisis to be generalized further in the Euro and to be characterized once again as a “Greek problem”. In this way, the enormous efforts and the sacrifices of the Greek population would be misjudged; up to now all the efforts and sacrifices have helped us not only stand on our feet, but also do things that no-one would have believed we could accomplish.

Giozef Ackerman, president of Deutsche Bank, during his speech for the presentation of the “Kbantri-gka” prize to George Papandreou in Berlin said that “... the public finances of Greece are on the way to improvement along with the structural reforms in the economy, even if to some it appears that this is not happening with sufficient speed and degree”. Mr. Ackerman indicated that “... in the case of Greece, for the first time an economy of the euro zone was endangered, lost the confidence of markets and reliability “with unanticipated consequences not only for the future of Greece, but for the entire Europe, even out of her borders on a world scale.”.

While, Pierre Briancon wrote about our country, in “Breakingnews” of the Reuters agency: “No other European country in recent history, has done what Greece accomplished; reduction of expenses, huge structural changes, fighting tax evasion, the re-formation of the public sector, enormous reduction of deficit in one year. These are the Greeks that fired the crisis of public debt in Europe...”

THE PROSPECTS

Today, all Greeks are fighting a unique battle in order to gain the lost time. They are putting order in budgetary matters so as to change the State, so that it becomes smaller and more flexible. Thanks to the Program and the enormous sacrifices of the people, workers, pensioners, the public employees, last year bankruptcy was prevented. The basic forecast was that the deficit would be decreased in 2010 by 5,5%. It was decreased by 5%, the biggest annual reduction of deficit in the history of the EU.

Foreign analysts and politicians consider that to be a great success, and as the former Minister of Finance of Germany Hans Eichel supports, no other country in the euro zone has achieved anything similar, considering that this percentage is translated for Germany as 125 billion Euros as a percentage of GDP.

In the struggle against the tax evasion we have made a lot of progress:

- a) Despite the recession, government income from taxes as a percentage of GDP was increased by 37,3% in 2009 and 39,1% in 2010 (the biggest increase along with Portugal),
- b) there was a large increase in VAT income due to appropriate related measures,
- c) €1,6 billion was collected from outstanding - past due debts,
- d) the fines imposed due to tax controls increased by 182% and,

e) the number of tax controls was increased six-fold resulting, inter alia, in confiscation of ships and imposition for the first time of fines to off-shore companies. The changes in the tax collection mechanisms secure, for the first time, an effective system.

At the same time, the first signs of derotation appear.

- Growth: for the first time, after nine quarters of negative numbers, GDP increased (0,8%) for the first quarter 2011, in comparison to the previous one. The recession retreats from the -7,4% during last quarter 2010 in the -4,8% for the first quarter 2011. The development that was expected later on in the second quarter came earlier, as a result of a systematic effort. It is the first positive hint in this sector.

- Inflation: decreased from 5,6% in September 2010 to 3,7% in April this year. In 2010 we had for the first time, for years, real reduction of prices in products of first need (staples) at 0,5%, despite the increase of VAT.

- New enterprises: In April we had positive balance in the establishment of new enterprises. There were recorded 300 more new enterprises than those that ceased operation.

- Exports: Exports increased by 10% during 2011, and by 35% in the first quarter of 2010.

The voting of the Medium-term Financial Program, the first multi-annual budget of the Greek state since its foundation, which includes binding targets of expenses and income that will be specialized and actualized in each annual budget ensured that:

- There will not be any problem in the payment of wages and pensions and in the function of the state.

- The negotiation with our partners will be continued for the frame of support that guarantees to our country stability and growth along with new jobs.

- We will gain the essential time, so that we not only promote the great changes we have begun, but also to maintain the possibility of restoring progressively in the future any injustice caused by the urgent character of our decisions.

GREECE WILL CONTINUE TO WORK HARD AND COMMITS TO COMPLETING HER OBLIGATIONS IN FULL

What we proved in one year is that Greece is able to act and, despite any ominous prophecies, the sacrifices of the Greek people are vindicated. In a critical period, we have achieved very difficult goals and we will continue to do so. With determination and endurance, we enter into a new phase of the Program. The new Program of economic stability, which is necessary and realistic will, however, burden even more the standard of living and the life of the Greek people, who are fighting to overcome the debt crisis.

The Greek Government is completely determined to win the fight of the economic crisis and this is a guarantee for the security and the stability of the people. It is a guarantee that Greece will remain part of the hard core of the European Union and also a guarantee for the developmental course of Greece to a fair society.

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