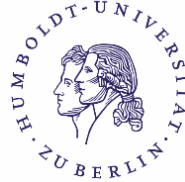


Humboldt-Reden zu Europa



Vertretung der Europäischen Kommission
in Deutschland

Walter Hallstein-Institut
für Europäisches Verfassungsrecht



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von

George A. Papandreou
Premierminister der Hellenischen Republik

„Addressing the Financial Crisis: An
Opportunity for Europe“

21.02.2011

- es gilt das gesprochene Wort -

Vortrag

Giorgos A. Papandreou

Premierminister von Griechenland

***„Addressing the Financial Crisis:
An opportunity for Europe“***

an der Humboldt-Universität zu Berlin

Montag, 21. Februar 2011

G. PAPANDEOU: Ladies and gentlemen, Mr. President, Jan-Hendrik Olbertz, Professor Pernice, Ms. Marie-Therese Haeusler, Deputy Head of the EC Representation in Berlin,

It is indeed an honour to speak here today, and with great emotion, since both my father and grandfather were here in different capacities, but also because of the University's history, and it also allows me to address the younger generation of Germany.

I first came to Berlin when I was 16. I left Berlin with two very vivid images. The first one was of a discotheque in West Berlin, where I watched how the youth of Germany danced to rock music. I danced with them. Rock music was then something like Twitter or Facebook, the way it is for today's younger generation. It was our common language, a unique space we shared. It not only transcended our respective cultures; it also linked us with a spirit, a spirit of hope, of change, even revolutionary change.

The second image was of course the riveting experience of crossing the wall, from East Berlin to the West, to the free world. I then

thought to myself, “I do not feel that same freedom.” At that time, my grandfather was under house arrest in Greece, and I, my whole family, were in exile in Sweden.

Greece, a member of the NATO alliance, was under a dictatorship, and so many democrats were in jail or exiled, even here in Germany. Why? Because according to those who supported the dictatorship, we were not ready for democracy. If we had real democracy, they said, Greece would go communist. So, better to support a dictator than have a communist regime. No, I did not say Islamist regime; I said communist regime.

The Islamist regime argument is used by today’s authoritarian regimes in the Arab and Muslim countries. It is, however, the same philosophy: people are not ready for democracy. Or democracy is not for Muslims or Eastern cultures.

How is this relevant to our situation in Europe? First of all, because if we are dealing with the crisis at hand, we need to get away from stereotypes. Both in Greece and in Germany over the past months, much analysis has been based on stereotypes rather than hard facts.

I will not claim that the exaggerated criticism did not have a valid starting point concerning Greece. Yes, Greece was not fulfilling its obligations as a member of the Euro-Zone. I have said this myself over and over again.

We allowed our deficits to balloon and our debt to reach unprecedented heights. Our competitiveness was continuously eroding, and our credibility. Our credibility with our partners had been completely lost.

However, trying to understand a complex situation by resorting to simplistic stereotypes is not constructive, nor is it just, nor is it accurate, nor in the end does it help us solve the problem, if we make the wrong diagnosis.

For example, calling the Greeks lazy couldn’t be further from the truth. In fact, Greeks work the longest hours in Europe (I looked this up), an average of 42 hours a week, according to Eurostat.

As Arthur Schopenhauer, an alumnus of this university, once said, “Every nation ridicules other nations, and all are right.”

When I was Minister of Education, I got together with my counterparts in Bulgaria and Turkey, and we asked UNESCO to compare our history textbooks. The conclusion was we all said the same thing: the other side is wrong.

But secondly, I believe that the challenge we face in Europe and beyond is a democratic challenge. It may sound peculiar to talk about finances and yet say this is a democratic challenge. But that is why, Mr. Pernice, you are right. We need a common policy, and this means a common politics, in a democratic way.

And democracy in our world is not easy. First of all, it is a living organism. It takes time to construct all the building blocks, to make sure it functions.

[THE SPEECH IS INTERRUPTED BY PROTESTS]

G. PAPANDEOU: And we are challenged. We are challenged, as we have seen here also in this room. We are challenged to see that democracy allows for all ideas to flourish, but that we get away from polarisations and absolutisms. And I think this is a universal demand.

At the same time, this concept of democracy is becoming a unifying concept for our village, our global village. Indeed, the ancient Greeks, when speaking of their polis, their demos, their democracy, deeply believed that it was these institutions that shaped character, shaped an ethos, shaped the concepts of rights and responsibilities of the citizens and the collective.

And we in Europe, based on these challenges and these traditions, have an opportunity and a responsibility to promote the common ground of these democratic values, these principles, these rules, and jointly create a more sustainable society in Europe, and a more sustainable planet.

We need democratic governments, as this must be participative, it must be just. It must also release the great potential of human capacity, which is hindered by fear, insecurity, oppression or absolutism.

How is this issue relevant to the crisis at hand? Democratic governance, issue number one: Was the crisis in Greece one of debt and deficit? Too much spending, too much leisure, too much profligacy? And therefore the pain of austerity is now the cure, the catharsis, to use the Greek term?

No, debt was just the tip of the iceberg, the symptom, rather than the underlying cause. The real problem was one of governance, democratic and responsible governance. The lack of monitoring, the lack of transparency, bad allocation of funds rather than the lack of funds, unequal distribution of money rather than profligate spending by all, clientelism rather than meritocracy, graft rather than the rule of law, unequal privileges rather than a sense of justice for all.

And this, for example, fuelled tax evasion, where the grey economy, some international bodies say, could account for 35%-40% of Greek GDP, compared to a possible 15% in Germany.

I see there are some that don't want to hear and allow the democratic voice of everyone to be heard, and I do represent the government of Greece and the democratically elected government of Greece.

And no one says that this is an easy thing to do, the changes we are making in Greece. I think we are just seeing part of the pain that we are going through.

But we are ready to take this pain and make these changes, for the betterment of our country. And as I said, what we saw was not simply a question of debt, but a lack of democratic governance, where the grey economy showed the lack of transparency, where 35%-40% of GDP, many say, could be in the grey economy.

The Brookings Institute in Washington has studied the Greek economy and says that if we were more transparent we could have saved from 4% to 8% of GDP per year. And this would mean we did not need any loans from the European Union or the IMF to keep us afloat.

However, in other ways the Greek crisis underlines the nature of the financial crisis in the US, the financial markets, where again the lack of transparency, the lack of monitoring, the fraudulent allocation of triple-A

bonds, the in reality toxic bonds, and corrupt practices were at the core of the freefall of the US and then the world economy.

And corruption really shows the lack of the necessary governance structures, or even more so the capture, the capture of democratic governance structures by very strong special interests. It also highlighted a deep injustice, the privatisation of profit and the socialisation of losses and debt. And this is politically unsustainable in our democracies.

[THE SPEECH IS INTERRUPTED BY FURTHER PROTESTS]

G. PAPANDEUROU: Να κάνω μια πρόταση, ακούστε: Υπάρχει κάποιος εκπρόσωπός σας να μιλήσει; Θέλει κάποιος εκπρόσωπός σας να μιλήσει; Ένας.. Μπορεί να μιλήσει κάποιος; Μπορεί κάποιος να μιλήσει εκπρόσωπό σας; Θέλει κάποιος να μιλήσει; *[IN GREEK: Listen, let me make a proposal. Is there a representative of your group who would like to say something? One person who would like to speak? One person who would like to say something on your behalf?]*

I understand these protests, but I also say that it would be...I will begin, but I would say one word in Greek also, because I think they are Greek students that are here protesting.

Μια κουβέντα και στα ελληνικά: Πρώτα απ' όλα, πράγματι είναι μια ευκαιρία να κάνουμε έναν διάλογο. Εγώ θα ήθελα ν' ακούσω τις απόψεις πολλών από τα παιδιά που ήσαν εδώ, από τους νέους που ήσαν εδώ, θα ήθελα πραγματικά στη συζήτηση που θα κάνουμε να έρθουν και εκπρόσωποι ή εν πάση περιπτώσει όσοι έχετε κάτι να πείτε ν' ακούσουμε τις απόψεις.

Χρειάζεται ο διάλογος, χρειάζεται η συζήτηση. Εγώ είμαι ανοιχτός σ' αυτό το διάλογο και βεβαίως να ξέρετε ότι στην Ελλάδα πρέπει να κάνουμε μεγάλες αλλαγές. Μακάρι και μόνο η διαμαρτυρία να έλυne το πρόβλημα στην Ελλάδα. Το πρόβλημα είναι βαθύτερο και χρειάζεται όλες οι σκέψεις, όλες οι προτάσεις, όλες οι ιδέες, όσο αιρετικές κι αν είναι, ν' ακουστούν. Είμαι ανοιχτός να τις ακούσω.

[IN GREEK: Let me just say a few words in Greek. First of all, this is a real opportunity for us to engage in dialogue. I would like to hear the opinions of many of the students here, to hear from the young people, I am genuinely interested to hear what you have to say, if someone can represent your views.

We need dialogue, we need debate. I am open to that dialogue, but of course you know that in Greece we have to make major changes. I wish that protests alone could solve the problems we face in Greece. But the problem is much deeper and we need all the ideas, proposals, viewpoints – no matter how heretical – to be heard. I am open to hearing whatever you have to say.]

So I was just saying we need to change Greece, and we need to have voices that give new ideas, more innovative ideas. So everything is welcome; every idea is welcome. And I would be open to a dialogue.

I have said in the past days in Greece we have protests, and I understand these protests, but also say that I would be very happy if the protests were the solution. We have much deeper changes to make, much deeper things to do in Greece.

And already we have made very painful sacrifices in order to deal with the imminent problem that we had of possible bankruptcy. We had to cut wages, we had to cut pensions. We had to hike taxes, putting an excise on profitable businesses, cutting spending in most areas, from defence to transport, merging or privatising public companies.

But this has allowed us to achieve the very difficult goal of cutting our deficit by more than 6% this year, an achievement few believed that we in Greece could accomplish. But we have done so.

However, our real task, the task my government has today, is to make deeper changes, to create a society of transparency, of good democratic governance. Rather than dispensing privileges for the few and for special interests, we want to guarantee basic rights for all: justice, equality, welfare and jobs. And at the same time create the conditions for sustainable growth in a country which has great potential. We have great potential. Greece has great potential.

Comparative advantages in so many areas, from agriculture to tourism, to clean and green energy, shipping, and of course culture.

Rather than selling our islands, as some have suggested, we plan to make our islands green prototypes for tourism, combining culture, Mediterranean and Cretan diets, athletic and health facilities, agro-tourism.

And here, of course, Germany has opened the ways, and we have much to learn from Germany, particularly in green technology.

But we are also doing major reforms, tax reforms, revamping our pension system now to the age of 65, reforms in transparency by bringing all our funding in the public sector online. Today everything is online. We are in the age of transparency. And this is helping in fighting corruption, corruption in many areas, unluckily, even in the health sector, and we are fighting very hard to make our society a transparent one.

Greece will be, in the next few years, one of the most, if not the most, transparency society and economy in the European Union.

We are also opening up professions for the younger generation. We estimate that approximately 60 professions have been opened up to newcomers, to the youth.

We have consolidated also local government from 1000 to 350 municipalities, and from 60 regional governments to 13.

These are just some of the few things we have done in 15 months. We have done many more, but these are just some of the few examples. And we are continuing to do so.

Obviously, we have other challenges too, but I will make my speech a bit shorter, so that we have more time for discussion.

So I want to say that we know Europe is challenged today by a waning competitiveness and a comparatively slow growth. And this is a very important point that your Chancellor, Chancellor Angela Merkel, has rightly raised and of course made propositions with France.

Certainly Angela Merkel does want to create a new vision for Europe, one of strong competitiveness and convergence. How will we do this?

I believe there is much in what she is proposing. As a fact, Greece has done most of what is in this proposal.

At the same time, we must take into account two other important factors. We are facing an historical shift in the world economy towards Asia and other emerging economies. And this shift of power and finance is an irreversible fact.

We are challenged therefore by a competitiveness that is not always based on quality but often based on inequality, inequality of cheap labour, lack of collective bargaining, lack of democratic or social rights, the ease of downgrading the environment. These may be, in the short run, a comparative advantage for some of these countries.

But as we see this, this is not sustainable, neither for the countries in the emerging economies, nor do I believe that this is the model we would like to emulate. This is not the European model.

Our response must be one of quality - quality of life, but also quality in our production. So competitiveness may have to do with wages, at some point, yes. But I believe this is not sustainable if we do not see competitiveness also as a quality of what we produce, quality products.

For us, and for me, this means investment in the new prospect of green and clean development. And we missed an opportunity in Copenhagen to create the incentives for mobilising more private capital to this end.

But Europe can and must be in the forefront. This means investment in education; it means investment in innovation; it means investment in infrastructure, from communication and transportation to energy. Unifying our single market through this infrastructure, from transport to e-commerce.

Our model also thrives on investment in the social welfare of our citizens. As we see, with, for example, the Nordic model, welfare is part of the support system to citizens, to make them more creative, yes, and more competitive, not the opposite.

So if countries like Greece or Ireland are to grow competitively, we need the time to make the structural reforms to be in a position to do so. I

say this to highlight the fact that yes, we were in need of solidarity. And we appreciate this. We in Greece and in Ireland recently appreciate this to deal with the very hostile markets that gave us no time to make the necessary changes, as we faced the crisis.

This is why we in the European Union set up the EFSF facility, the financial mechanism for countries in need. And in 2013 this will be the ESM mechanism, as it's called, to give the time to these countries to make the necessary reforms.

The European Union, with whatever difficulties and delays, did step up to the challenge. And I believe that this will have been shown very strongly, and it has been complemented by decisions. And I believe that we have shown in Europe that there is will, when we are faced with a crisis, to make this an opportunity and take the right decisions.

And here the opportunity is to create stability in the European Union and in the Euro-Zone.

The European Union, as I said, is at this point facing a crisis which could be an opportunity. I would like to take the opportunity to extend my appreciation to the German people and the government for the support that has been demonstrated. This is highly appreciated in Greece and by the Greek people.

But my point is a broader one. We must not misinterpret this solidarity as some form of charity, not only because we will be paying back in full, as Mr. Perniche asked me. And we will be paying back despite all the doomsayers.

But there is also a wider challenge. It is a European one, a threefold challenge. It is one of democratic and responsible governance in order to create stability, create stability in a world of uncertainty.

And yes, these mechanisms are a form of stabilisation, not simply solidarity. Stabilisation for all in Europe.

Secondly, these mechanisms can be complemented by regulation of our financial system, our banking system, making it more transparent, more fair, and helping it invest again in the real economy. This is

of crucial importance. It's of crucial importance in order to regain confidence and trust, which was lost during the 2008 crisis.

And thirdly, the challenge is a growth challenge, the growth scenario, which will link jobs, competitiveness with a green economy, for the greening of our economy.

So let me conclude with some concrete proposals. I would sum them up as a comprehensive solution or package, which would mean, on the one hand, clear rules of responsible, democratic, transparent governance from the member states, surveillance mechanisms and sanctions.

Secondly, clear signals to restore faith in our banking system, and these monitored by the economic governance of our Union.

And finally, the European mechanism, whether we call it the EFSF or the ESM, which is capable of regulating the bond market and capable of managing the debt, for the benefit of all.

We often underestimate the capacity we have, but we have the capacity to deal with these problems. And therefore we use all the possible tools, financial tools, in the toolbox to make our efforts successful.

The scope and the flexibility of the EFSF is important also in this sense, to allow these mechanisms to work in a way which is effective for the European Union and for each member state.

Ladies and gentlemen, for the past three years the global economy has been caught in the worst financial crisis since the Great Depression. Millions have lost jobs, trillions of euros' worth of wealth have been destroyed. Economic growth across the world has ground to a halt in many parts of the world. Our citizens have been burdened with massive new public debt, and in some cases watched their democratic sovereignty being put at risk.

How will Europe help, and why Europe? Well, Europe began as a peace project. After the horrors of World War II, the leaders of this continent said "Never again." And in many ways we have been successful, successful in creating a peaceful continent.

And enlargement, enlargement of the European Union – really a wrong term, I would say – it is really more integrating countries into a family of common values and norms, creating the basis for a sustained peace, based on democracy, social cohesion, a common market, and the rule of law.

And this is why today Europe can and must play a larger role. If we were a peace project after World War II, today we can and must become a model for a globalised economy. The challenge we have at a global scale is to do what Europe has done in its own neighbourhood: integrate countries and societies into a wider economy, based on the norms of democracy, of the rule of law, of human rights, of equality and social cohesion, of sustainable green development.

This is what I would call humanising globalisation. And this of course is in the best of traditions of this University, which has served the ideals of humanism for many decades.

This is the role we need to play right now in our larger neighbourhood, the Southern Mediterranean, in our relations with the Arab world, with Africa, with the Caucasus. And this is where Greece, being in a strategic place, being a neighbour of these countries, is called upon to also play this role, in helping these countries move forward to a more humane society.

And we have the historical experience. Europe has the historical experience, such as Greece, from moving from an authoritarian regime to a democracy, but many other countries, too.

Some may say well, this is not our business. We cannot impose our values on anyone. But today we are not those who are imposing. It is the will, it is the will of so many peoples that are thirsting for democratic change, change, of course, which also has its financial and economic aspect. And this is where Europe can play its important role.

If we are not there to support these efforts, if we are not there to humanise globalisation, if we are not there to show there is a way, we will not only miss an historical opportunity but we will soon see frustration and barbarism becoming the norm, polarisation and violence.

If we do not create a global society that is based on democratic and responsible governance, a Europe which is truly governed, both democratically but also in a more coordinated way, creating trust through justice, through transparency, through sustainable growth, through social cohesion, we will then witness more conflict in and between our societies. More refugees seeking asylum, more suffering through poverty, more collapse of economies because of energy, financial pandemics or food crises.

And Europe can and must play its part.

I too often believe that we do not realise the real potential Europe has in this world. If we work together, if we believe in Europe, we can help make this world a better, more just, more democratic, more green place for our citizens around the globe, and certainly in our countries.

So I am glad to be here in Berlin for many reasons and many symbolic reasons. Berlin is a symbol of democracy, a symbol of peace, a symbol of a new Europe. And as I mentioned, my grandfather, he died under house arrest. He fought for democracy all his life. When he died, he was called the old man of democracy. He must also have been inspired by Berlin, as he took his degree in sociology here in this city.

And Germany today is key in the decisions we will be taking in the next weeks and months. So I would like to say something to the German people and its younger generation.

The German people cannot and should not alone bear the burden of the credibility of the euro, our common currency. We are in this battle together. We will show our common will. And the Greek people are a determined people, a hardworking people, determined to honour the solidarity you have shown.

We have learned from our mistakes, and this is a profit to all of us. And our success, Greece's success, will be Europe's success.

Greece, yes, is going through a difficult crisis. But be sure we are making this crisis an opportunity for change and for prosperity for our people, for a very different Greece, one we are proud of.

My hope is that the Greek crisis will also become an opportunity for Europe and the world. And we owe this to our citizens, and that is the least we can do. Thank you very much.

SPEAKER: Thank you very much, Prime Minister, for this wonderful speech, part of which I happened not to hear, unfortunately. But I will read what you have said and I will take note of all this.

I am apologising for the disturbances and the interruption, and we have agreed that somebody will come during the discussion and the questions and answers, also to explain a little bit what is the problem or what is the point of the group which has demonstrated.

So among those who will raise their hands and ask questions or take positions, there might be one of those who are expressing what the problem is.

So I sit down, and I would like to ask you if there is any question, any point to be made to the speech or to the problems we are facing. Then please raise your hand. I will have three speakers, and...

Thank you very much. There is a second question. If you could give your name, please.

QUESTION: Good evening, Mr. Prime Minister Papandreou. My name is Mr. Nahlein from Trier, and I work also closely with Democrats Abroad Germany. And my question to you is: Do you think that your government could finish with an unhappy end, if the financial crisis, that they don't need any more credits from the World Bank and from the European Union?

And my other question is also about the Schengen programme, because the German government and also the French President made some critical points about Romania and Bulgaria, about the corruption and the criminal organisations. But on the other hand the Romanian President, Traian Basescu, said also, after the speech with you together, that don't have the relationships together, the corruption, about the evaluation of the order, security.

And what do you think, and what do you do, for Romania, to support them, that they can get in this year or at the latest in the next year, in the European Schengen room?

And where is the deficit also in Bulgaria or in Romania, because Frontex said Romania has finished all the evaluations. Thank you.

SPEAKER: Thank you very much. There is a young man there. Yes? And the lady will come in in the second round.

MR. J. SHOTTER (FINANCIAL TIMES): James Shotter at the Financial Times. Thank you very much for your time, Mr. Papandreou.

You mentioned in your speech the importance of flexibility in tools that Europe has at its disposal, and you mentioned the EFSF. There has been talk about using the EFSF for Greece to borrow money from that to five ... steps. Do you think that's a good idea? Will you be meeting with Ms. Merkel tomorrow?

And somebody will be raising the issue about restructuring the Greeks' EU-IMF loan? Thank you very much.

SPEAKER: So thank you very much. This was the first round, and I give back the floor to Prime Minister Papandreou.

MR. G. PAPANDEOU: Thank you very much. Concerning the euro, first of all we had taken this loan, and not only the loan but the measures we have taken in Greece, so that first of all we do not restructure, we do not default.

And we have the time to make the changes so that we are a sustainable economy. That is our decision.

That's not only the Greek decision; that is the decision of all the euro members, the eurozone members, but also all of the members of the European Union. So this is a very strong ...

Secondly, we have also said that we are committed to the unity of the euro. I think there was quite a debate, and I think it was a good debate, in fact, where people were saying, "Should some countries leave the euro?" Others were saying the southern countries; others were saying, "Why doesn't Germany leave the euro and leave the others inside the euro, go back to the Deutschemark?"

In fact, because this was not ever even to be imagined, it became a useful debate because everybody thought about what the

consequences would be, if we do in fact create two zones or some countries start leaving.

And I think the realisation was from all sides, whether it was countries of the South or the periphery, or whether it was countries like Germany or France, that this would have very negative effects, if not catastrophic effects, not only politically for Europe, because this would be a sign of disintegration rather than integration, but certainly economic, because it would hit the banks, it would hit the confidence of the people, notwithstanding the practical implications of this.

But just think of what this would mean for, let's say, Greece would have to take a very big hit concerning its debt, because the debt would be in euros, and even though we would be devaluing in a different currency like the drachma, this would just spiral our debt higher.

But if Germany left, the Deutschemark would possibly, and I have been talking to a number of economists, would go to the dollar. It would be not what the euro is today, 1.3-1.4. It would be closer to 2 to 1 or 2.5 to one, for the Deutschemark. What would that mean for German competitiveness, and what would that mean for German exports?

So I think we all have thought very clearly, very carefully about this and this is not an option.

So that does mean that we have to solve some of the systemic problems that do exist in the eurozone. And this is where the EFSF and the ESM, where we are thinking that yes, there are some debt management issues and there are issues of the bond market.

And this is why I believe, and I have said this previously to not only Chancellor Merkel but also in the Council of the European Union, that it needs to be flexible. The ideas of buybacks and so on should be allowed on the table. I am not saying that these are panaceas or solutions, but this is what I mean when I say we should have all the tools, which should be given to these mechanisms.

We should, as Europe, give ourselves the powers needed to deal with this debt crisis as it is today. And I think that is something which will calm the markets and stabilise Europe. And I think this is very correct.

Finally on the Schengen issue only one point, the issue of corruption. Well, I think corruption is a problem of many countries, and it is something which often has to do with high inequalities and problems.

And here you have one basic inequality, where people are able to exploit other human beings, by the trafficking of human beings, through illegal migration. There is a lot of money in that. Greece, unluckily, recently has had an inflow of a lot of illegal migration. At some point, just a few weeks ago, the statistics were that 90% of illegal migration into the EU was coming through the Greek borders.

And luckily we had the help of Frontex, and we are now having a comprehensive programme, working also with our neighbour Turkey, and dealing with this issue. But it's a much more complex issue than simply having Frontex, which is useful, and dealing with the border issues.

It has to do with deeper inequalities, with problems around the world, with wars around the world. If, for example, Egypt – knock on wood; I would hope everything goes well and there is a transition, a normal and smooth transition to democracy – but if Egypt were to blow up or some of the other countries had social explosions in this revolution that is taking place, immediately we would see not just the number of Tunisians on the Italian border; we would see thousands and thousands of refugees moving very quickly towards European soil.

But I believe that Schengen is something where we need to bring in countries, of course with the necessary reforms for making sure that borders are controlled. However, Schengen in fact, I believe, helps in dealing with questions of illegal migration, because it regulates, it regulates the system. It allows those who can and should be able to travel as European citizens more freely to do so, and therefore this also limits and it is a buffer, if you like, to illegal migration.

So I am in favour of granting the Schengen status to countries like Romania.

SPEAKER: Thank you very much. I have now some other questions. Ms. Schreyer, the former Commissioner for Budgets.

MS. M. SCHREYER: Michaela Schreyer, former Commissioner. Thank you very much for your speech, and I think the protests here in the room, they gave us here in Berlin a little sense of the difficulties you are facing. And I have to say I really admire the way and the will and the braveness for your policy. So really I hope you will have the power to succeed.

I have two questions. The one is on the financial crisis and the debt crisis. The bilateral agreements between the member states and Greece were done before the stability mechanism and facility was set up, so you are not under the rescue umbrella, that we say it in this way.

And sometimes in the newspapers here in Germany it was discussed in the way that there would be a gift to Greece. Maybe it would be interesting here to hear what the interest rate is you have to pay for the loans given by German banks to Greece.

And do you think it would be a necessary or a good step that Greek loans, the loans given to Greece, would come under the rescue umbrella?

And a second question. As a Greek politician, I was delighted that you talked about the potential of your country in green and clean energy. So I would like to hear a little bit more on this. What is the vision? Is your vision that there could be exports of clean energy from these? And what are you doing? What is your roadmap, to come to provisions?

SPEAKER: Thank you very much, Ms. Schreyer. Now it's Priper Flueger here.

MR. P. FLUEGER: Thank you so much. Like Ms. Schreyer, I would also make just a brief comment on the protests. I think we all thank you for the calm attitude with which you reacted, and I think we understand how difficult the situation, Prime Minister, is for you in Greece, with these deep and hard measures that you take. And we have great respect for what you are doing, and I think we owe you not only in Greece but also all over Europe, and thanks for what you are doing in your country.

But secondly, I would like to ask a question. And the question concerns the attitude of the German people and the German government. You mentioned Ms. Merkel in your speech once, and I wonder. I am sure you

followed the discussions in Germany about the aid package to Greece very intensively. And I would like to ask the question: What was your opinion about this? And, well, are you satisfied with what the German government did, and do you have more expectations? You saw Ms. Merkel today, or you will see her tomorrow. What will be your agenda with her? What's your wish, your message, to the Chancellor?

SPEAKER: Yeah, that's a wonderful question. Of course we are curious, but I am afraid you will have to be diplomatic in the answering. And a third question, back there, the young man.

MR. TSAMALIKOS: Tsamalikos is my name. I am a student. I am afraid the question that I have prepared will sound a little bit silly now, so please allow me first to set the question and then to make a short comment.

So government proceedings in Greece are becoming less and less democratic. You were elected one and a half years ago with a programme completely different to what you apply. Your Members of the Parliament are not free to vote at will. Parliament itself does not need to approve ministers' decisions. Justice cannot touch members of political parties in Greece. So my question: Is this your own vision for Europe, for the kids of Europe?

Now, you talked too much about democracy today. I am quite shocked from what happened a few minutes ago. So just look around you, Mr. President, and look how many young people are there in this room right now. There were three or more times more before. I understand that your environment does not really understand what democracy means. I believe democracy requests, first of all, discussion.

So my new question is: Do you approve the violent reaction to the non-violent demonstrating young people? Are you interested in hearing the voice of the new generation and the opposition, or are you here just to hear your party members applauding you? Thank you.

SPEAKER: Now with this question I can give the floor back to the Prime Minister. The next round will come for those who have not yet taken the floor.

MR. G. PAPANDREOU: Let me begin by the last question. I said that democracy was the main issue, because if we had transparency in

governance in Greece, if we did not have such a clientelistic political system, if we had greater control, by the people, by the, if you like, checks and balances, in Greece, we would not be in the situation we are in now.

If we also had greater monitoring from the European Union, of the previous government, which was not up to par, we would not be in the situation we are today.

Greece was not in such a bad situation. Greece was not a poor country. It was a mismanaged country, a mismanaged country. It has resources and capabilities, first of all its human capacity, but not only its human capacity.

So my belief is that the basic issue is to create the structural changes to make Greece much more transparent and much more participative, and control of different centres of power which were outside of, if you like, the system.

And I don't think this is only a Greek problem. As I said, we saw the crisis in the United States. The financial system took over government, basically. If you look at the lobbies, if you look at the lack of transparency and the toxic bonds, what are toxic bonds? They were basically a way to create lack of transparency for some people to gain money and others to take the burden, very unjust.

So what we are doing is to make changes in this direction. Of course we, as a democratic government, had to carry a huge burden. When we took on the government, we had to make decisions about Greece. Greece was about to fall into bankruptcy. It was.

And you know what bankruptcy means. It means no wages in the public sector, not lower wages but no wages. It would mean no pensions. It would mean the banks would be collapsing. It would mean huge suffering.

So for us it was an absolute necessity to make very difficult decisions. And we made them very quickly.

Yes, this is a challenge, because in the world we are living in, the types of pressures, the types of changes will pressure the democratic processes. And that is also what we have to look at. If we want to have democracy vibrant, we have to create a more stable world.

Otherwise governments will be forced and countries will be forced to make decisions, and we will have very little time to deliberate and discuss, and so on.

But we saved our country. And in saving our country, we are opening up the process for more democracy.

Let me just give you a few examples. For the first time the Greek Parliament does not vote on a law unless it is discussed twice, two times. Once, and then it's given to the public, and it goes the second time, after it has been deliberated with many, many members of society.

Secondly, all laws are put on the Web. There is an online process of deliberation too, which has never happened before, before the laws come to the Parliament to be discussed. Therefore we have citizens' views.

Thirdly, we have brought transparency to the public sector. Every single euro that is used by the public sector is now online. I don't know of many countries that have this. Every single euro that is signed is now online. That is democratic. That is transparent. That shows we are fighting corruption.

And of course we want the younger generation. Not with us: I am not saying, and I say this very often, I don't want the younger generation to tolerate what we are doing. I want the younger generation to participate in changing Greece. Make your strength and your energy constructive.

In many speeches in Greece I have said I could be out there demonstrating also. Because I am very unhappy with what has happened in Greece. I would be out there protesting also, as a citizen of Greece.

But I know that that is not enough. Protests will not bring change. We need the participation of all in making these changes. And they are cultural changes, they are changes in the system, they are changes in bringing ideas.

Bring your ideas. Bring your creativity. Help us change this country. We want your help. We want the younger generation there.

But let me also say that we are not asking for any grant or any gift to Greece. When we are talking of solidarity, we are taking loans. We have gotten loans from the countries of the member states.

Which means we are paying back. And we are going to be paying back with interest.

Now, the interest was quite high when we first made these loans. Why was the interest quite high? And I understand the initial reaction. People were saying moral hazard, moral hazard. That is, we don't want to allow a practice of bad management to go away without some form of, if you like, punishment.

But at the same time, we have to be careful if these interest rates are too high. This will not simply be punishment. It will make it unsustainable to service. And that, I don't think, is what Europe wants. Europe wants us to get beyond the problem and solve the problem, not simply be punished for the problem. That's why we are discussing the different terms. But this is a loan to be paid back.

Now I would just give you a suggestion, from what we are discussing. If we look in the long term, what we need is the system of the EFSF or the ESM, if other countries have to do this, go into this process, we need to have a system that supports countries that cannot go onto the markets, because that was our problem. When we went onto the markets, money was too expensive; it became too expensive.

And that did not allow the economy to survive. Because if the money became too expensive, we could not support it through our budget, but we were not competitive either. Because a Greek company, which would get money from Greek banks, would pay a much higher interest rate than let's say a German company doing the same work, the same product at a much lower interest rate. We could never be competitive. So we need to have some sense of comparable loans in the bond market.

Now, if a country has been negligent, there could be an extra cost, but that cost has to be such which is painful, but not so much that it derails the economy of that country. And this is, I think, the type of mechanisms which we could look at, in the ESM and the EFSF.

In the major changes we are making, one of the issues was not only the lack of transparency but it was the lack of competitiveness. I don't believe the economy, as we had it before, could continue and be competitive. Our economy in the past was based very much on construction, was based on more of a mass tourism – I can go on and on. Agriculture, which was somewhat influenced by the Common Agricultural Policy, where we were not really producing competitive products; we were producing products to get the subsidies.

So we need to go to a competitive model. But for us a competitive model means to build on our advantages. And I believe Greece's advantages – maybe others also – are the green economy.

We have the environment, we have the sun, we have the light, we have the wind, we have the sea, we have the geothermal capability. The Aegean actually is considered as having the most potential for wind energy around Europe. And we are moving, and we have already passed many laws in this respect, such as insulating houses and buildings, as a very major point of green energy and savings.

So this is an area where we will combine a green environment, green economy, green energy with high-quality tourism, with high-quality agricultural products, particularly in the foods, the Mediterranean diet, which is considered a very healthy diet, with culture and athletics. So this I think is a very good combination of what Greece can give.

And as I say very often to those who say well, why don't you sell some islands? I say this is a European heritage. Our islands, the Aegean islands and the Ionian islands, Greek coasts, are a European heritage. This is where democracy developed. This is where culture and the history of Europe developed. And this is where many Europeans come to rejuvenate their lives.

So selling off islands would give us a short-term profit and would exclude all other Europeans except those that have a little bit of money, or a lot of money actually. So we are not selling our islands. We are keeping them open for the European citizens and for the world.

SPEAKER: Thank you very much. The answer to Mr. Flueger will come in the beginning of the next round. We have, with your permission, three questions from younger people. The young lady there first.

MS. A. BREITER (REUTERS): Anika Breiter from Reuters. Prime Minister, the EU and IMF have recently, this month in fact, set you tougher targets for proceeding from privatisation. How exactly do you aim to achieve them, and what do you plan to privatise this year? Thank you.

SPEAKER: Thank you for this very short question. And there is another young lady who raised her hand. Back there? She has disappeared? Anyway, you, OK. It's up for you. Yeah, please.

MS. VASSILOPOULOU: You have been accused, your government was accused of choosing the hardest method to get Greece out of the crisis. There were other methods proposed, like controlled bankruptcy, haircuts of course. And you were accused, or this method was accused to be for the banks and for the lenders, but against the people. Why didn't you choose, for example, the haircuts, in order to bring the banks and the lenders, the ones who have the money, let's say so, back to the game, and carry the burden with the people?

SPEAKER: Thank you very much. A very important question. Daniel Tume now.

MR. D. TUME: Daniel Tume, University of Konstanz. Listening very carefully to your presentation, also to the answers you gave earlier, I noticed that you support the availability of all instruments in the toolbox. And one instrument which the European Council considers to be in the toolbox is of course debt restructuring. Do you have a personal wish when a country in the eurozone should have recourse to debt restructuring? Should it be early in the management process, or at a later stage, after two or three years, let's say?

And second very briefly, you have argued for investment in clean energy, etc. Does that mean you do not support the German proposal that during the next financial crisis the European budget should be sealed at its current level? Thank you.

SPEAKER: Thank you very much. So I turn back to Prime Minister Papandreou, with these nice questions.

MR. G. PAPANDEOU: Quite a few questions and important questions. First of all, starting again from the last one, we have member states, and we are all in a mode, if you like, of consolidating and making sure our fiscal situation is correct, is moving towards cutting deficits and cutting our debt. And this is one thing to make, of course, our economies both sustainable, but being also competitive.

But there are other issues that I believe are very important, if we want to cut our debt, and also if we want to be competitive. That is to grow, to grow. There is a growth strategy we also need. And a growth strategy needs investment. Not anywhere, but the right kind of investment.

Now, who can invest and where can we invest? I believe we could find many ways to mobilise private capital, but also use tools from the European Union.

There have been a number of ideas. For example, the financial transaction tax is something – even Germany, I believe, is looking into this as an idea – which could mobilise, create new resources, either for the member states or for the European Union.

The idea of a CO₂ tax also has been discussed, which could create again own resources for the European Union or for member states, or both...