



*Athens, 31 May 2013*

Ladies and Gentlemen, fellow Europeans,

Thank you all for a warm welcome. This is my first visit to Greece and I try to do as much in one day as I can. I am very pleased to be here for this important discussion on how to tackle the challenges in the euro area. Our main goal at the moment is to deliver sustainable growth. I am very conscious of the difficult times that Greece is going through and the huge efforts that are being made by Greek citizens to overcome the country's challenges. The global financial crisis exposed fundamental weaknesses in the way we have run our economies throughout the Eurozone. We are now dealing with the fall out of this crisis and in a way repairing the mistakes of the past. It is a painstaking task, but one that is slowly but surely bearing fruit.

The Greek economy, as that of other countries in the Eurozone, is forecast to return to growth at the beginning of 2014.

- Confidence is returning. This is supported by the achievement of fiscal targets; the credibility of recently legislated reforms; and by strong improvements in Greece's cost competitiveness.
- The banking sector is strengthening as deposits and liquidity return, following EU/IMF disbursements and Greece's debt reducing measures.
- The rebalancing of the economy towards export-oriented growth has begun and, as a result of improved competitiveness, net exports are expected to be positive this year.
- Measures designed to cut red tape and definitively end closed markets and professions are starting to bed-in and the business environment is improving. As your Prime Minister said to me today: to roll out the red carpet and clear out red tape.
- Market sentiment is more positive. For example Fitch recently upgraded Greece to B minus. Spreads on Greek bonds are decreasing.

I realise these positive developments are not yet apparent in the daily lives of Greek citizens. I also realize the measures that are needed to get Greece back on track are extremely demanding. But once a country has lost access to the financial markets radical action becomes essential and unavoidable to return to fiscal sustainability. Indeed across the whole of the euro area, we have no choice but to take the difficult decisions required to return our economies to growth and at the same time retain our social model, which is our ultimate goal.

So I welcome the fact that the indications for the future are positive and that the work undertaken to date in Greece has not been in vain. We are making progress in the right direction: towards growth and jobs. As in many other European

countries, the key concern here in Greece is of course unemployment with unacceptably high levels; especially among the younger generations. By threatening the prospects of younger Europeans, unemployment is threatening the very fabric of our society. We cannot let young people pay the price of past mistakes.

The euro area cannot provide the answers to all individual problems. But Euro zone Member States can, by working together, take measures to improve access to the labour market and improve competitiveness. Europe supports programs to create new job opportunities for the young. The EU Structural Funds can also help underpin continued investment in infrastructure and social services.

The euro area has a clear strategy in this regard, although it will always need to take into account the circumstances in individual countries and sometimes be adjusted.

First, we must continue, in a sensible way, fiscal consolidation that will enable us all to get our public finances back on a sustainable footing. High debt levels cause costs of borrowing to rise, they stand in the way of productive investments, they prevent spending on education. We have a duty not to put a heavy burden on future generations with enormous public debts, and to bring public finances under control in all Eurozone countries. Let me stress this point. Tax reform is about fairness. Lack of fairness undermines the tax morale, and confidence in our common institutions. Strong resolve is needed. This is crucial to improve revenue collection, which will contribute to the achievement of fiscal targets.

Secondly, the Eurozone countries must tackle the root of the problems that led to the initial collapse of the financial sector. To do so we must push forward with the completion of a Banking Union. New capital requirement rules will make the financial sector better equipped to manage risks and absorb shocks. The recently agreed Single Supervisory Mechanism will ensure that we will finally have independent European checks and balances for banks. The next step is to finalize the instrument for direct recapitalization of banks and hopefully we will reach political agreement in June. And at the same time agreement on bank resolution (the so-called Recovery and Resolution directive): a set of clear rules on how to resolve banks.

In this regard, we must make sure that those that aim to benefit from excessive risk taking, will also be those that bear the lion's share of the burden of a rescue. We hope to make significant progress before summer on these elements of the banking union.

Thirdly, we must press ahead with the structural reforms needed to create new competitive strength and enhance growth. Europe has to become more competitive in the current global context. This implies improving education, better quality of public services, reforming the judicial system and stimulating the business environment. This is in the end how the jobs lost during the crisis will be replaced. So our structural reform agenda for all countries and especially for Greece must be about fostering entrepreneurship and innovation.

European funds should be fully used to this purpose. The European Investment Bank is making even more funds available to extend credit to SMEs, so no business opportunities are missed.

Ladies and gentlemen,

Greece is making good progress in difficult times, moving in the right direction. The key priority now is to ensure this improved fiscal position is sustainable in the long term by tackling the imbalances in the economy which made Greece, as other Eurozone countries, vulnerable to the global financial crisis. Greece has a longer tradition than any other European nation of ingenuity and of competing with the best. Looking forward it is well placed to exploit its truly strategic geographical position in view of today's global trade flows, and it has a wealth of human capital and natural resources upon which to draw. As we work together to the best position for Europe to compete globally, Greece has a major contribution to make. So it is crucial that we strengthen the European economy together and that euro area

partners stand side by side in these difficult times. Our future depends on our ability to cooperate as equal partners as we reform our economies. This is the spirit I wish to continue to foster in the euro area and which will deliver results.

I thank you for your attention and I look forward to having a discussion with you.