

<http://yanisvaroufakis.eu/2015/06/28/as-it-happened-yanis-varoufakis-intervention-during-the-27th-june-2015-eurogroup-meeting>

## **As it happened – Yanis Varoufakis’ intervention during the 27th June 2015 Eurogroup Meeting**

Posted on June 28, 2015 by yanisv

The Eurogroup Meeting of 27th June 2015 will not go down as a proud moment in Europe’s history. Ministers turned down the Greek government’s request that the Greek people should be granted a single week during which to deliver a Yes or No answer to the institutions’ proposals – proposals crucial for Greece’s future in the Eurozone. The very idea that a government would consult its people on a problematic proposal put to it by the institutions was treated with incomprehension and often with disdain bordering on contempt. I was even asked: “How do you expect common people to understand such complex issues?”. Indeed, democracy did not have a good day in yesterday’s Eurogroup meeting! But nor did European institutions. After our request was rejected, the Eurogroup President broke with the convention of unanimity (issuing a statement without my consent) and even took the dubious decision to convene a follow up meeting without the Greek minister, ostensibly to discuss the “next steps”.

Can democracy and a monetary union coexist? Or must one give way? This is the pivotal question that the Eurogroup has decided to answer by placing democracy in the too-hard basket. So far, one hopes.

## **Intervention by Yanis Varoufakis, 27th June 2015 Eurogroup Meeting**

Colleagues,

In our last meeting (25th June) the institutions tabled their final offer to the Greek authorities, in response to our proposal for a Staff Level Agreement (SLA) as tabled on 22nd June (and signed by Prime Minister Tsipras). After long, careful examination, our government decided that, unfortunately, the institutions’ proposal could not be accepted. In view of how close we have come to the 30th June deadline, the date when the current loan agreement expires, this impasse of grave concern to us all and its causes must be thoroughly examined.

We rejected the institutions’ 25th June proposals because of a variety of powerful reasons. The first reason is the combination of austerity and social injustice they would impose upon a population devastated already by... austerity and social injustice. Even our own SLA proposal (22nd June) is austere, in a bid to placate the institutions and thus come closer to an agreement. Only our SLA attempted to shift the burden of this renewed austere onslaught to those more able to afford it – e.g. by concentrating on increasing employer contributions to pension funds rather than on reducing the lowest of pensions. Nonetheless, even our SLA contains many parts that Greek society rejects.

So, having pushed us hard to accept substantial new austerity, in the form of absurdly large primary surpluses (3.5% of GDP over the medium term, albeit somewhat lower than the unfathomable number agreed to by previous Greek governments – i.e. 4.5%), we ended up having to make recessionary trade-offs between, on the one hand, higher taxes/charges in an economy where those who pay their dues pay through the nose and, on the other, reductions in pensions/benefits in a society already devastated by massive cuts in basic income support for the multiplying needy.

Let me say colleagues what we had already conveyed to the institutions on 22nd June, as we were tabling our own proposals: Even this SLA, the one we were proposing, would be extremely onerous to pass through Parliament, given the level of recessionary measures and austerity it entailed. Unfortunately, the institutions' response was to insist on even more recessionary (aka parametric) measures (e.g. increasing VAT on hotels from 6% to 23%!) and, worse still, on shifting the burden massively from business to the weakest members of society (e.g. to reduce the lowest of pensions, to remove support for farmers, to postpone ad infinitum legislation that offers some protection to badly exploited workers).

The institutions new proposals, as expressed in their 25th June SLA/Prior Actions document, would make a politically problematic package – from the perspective of our Parliament – into a package that would be extremely difficult to push through our Parliamentary caucus. But this is not all. It gets worse much worse than that once we take a look at the proposed financing package.

What makes it impossible to pass the institutions' proposal through Parliament is the lack of an answer to the question: Will these painful measures at least give us a period of tranquillity during which to carry out the agreed reforms and measures? Will a shock of optimism counter the recessionary effect of the extra fiscal consolidation that is being imposed on a country that has been in recession for 21 consecutive quarters? The answer is clear: No, the institutions' proposal is offering no such prospect.

This is why: The proposed funding for the next 5 months (see below for a breakdown) is problematic in a variety of ways:

First, it makes no provision for the state's arrears, caused by five months of making payments without disbursements and of falling tax revenues as a result of the constant threat of Grexit that has been wafting in the air, so to speak.

Secondly, the idea of cannibalising the HFSF in order to repay the ECB's SMP-era bonds constitutes a clear and present danger: These monies were earmarked, correctly, for strengthening Greece's fragile banks, possibly through an operation that deals with their mountainous NPLs that eat into their capitalisation. The answer I have been given by senior ECB officials, whose name will remain unsaid, is that, if need be, the HFSF will be replenished to cope with the banks' capitalisation needs. And who will do the replenishing? The ESM, is the answer I was given. But, and this is a gigantic but, this is not part of the proposed deal and, moreover, it could not be part of the deal as the institutions have no mandate to commit the ESM in this manner – as I am sure Wolfgang will remind us all. And, moreover, if such a new arrangement could be made, why then is our sensible, moderate, proposal of a new

ESM facility for Greece that helps shift SMP liability from the ECB to the ESM not discussed? The answer “we will not discuss it because we will not discuss it” will be very hard for me to convey to my Parliament, together with another package of austerity.

Thirdly, the proposed disbursements’ schedule is a minefield of reviews – one per month – that will ensure two things. First, that the Greek government will be immersed every day, every week in the review process for five long months. And well before these five months expire, we shall enter into another tedious negotiation over the next program – since there is nothing in the institutions’ proposal capable of inspiring even the faintest of hopes that at the end of this new extension Greece can stand on its own two feet.

Fourthly, given that it is abundantly clear that our debt will remain unsustainable by the end of the year, and that market access will remain as distant then as it is now, the IMF cannot be counted upon to disburse its share, the 3.5 billion that the institutions are counting as part of the funding package on the table.

These are solid reasons why our government does not consider it has a mandate to accept the institutions’ proposal or to use its majority in Parliament in order to push it through and onto the statutes.

At the same time, we do not have a mandate to turn down the institutions’ proposals either, cognizant of the critical moment in history we find ourselves in. Our party received 36% of the vote and the government as a whole commanded a little more than 40%. Fully aware of how weighty our decision is, we feel obliged to put the institutions’ proposal to the people of Greece. We shall endeavour to spell out to them fully what a Yes to the Institutions’ Proposal means, to do the same regarding a No vote, and then let them decide. For our part we shall accept the people’s verdict and will do whatever it takes to implement it – one way or another.

Some worry that a Yes vote would be a vote of no confidence in our government (as we shall be recommending a No vote), in which case we cannot promise to the Eurogroup that we shall be in a position to sign and implement the agreement with the institutions. This is not so. We are committed democrats. If the people gives us a clear instruction to sign up on the institutions’ proposals, we shall do whatever it takes to do so – even if it means a reconfigured government.

Colleagues, the referendum solution is optimal for all, given the constraints we face.

If our government were to accept the institutions’ offer today, promising to push it through Parliament tomorrow, we would be defeated in Parliament with the result of a new election being called within a very long month – then, the delay, the uncertainty and the prospects of a successful resolution would be much, much diminished. But even if we managed to pass the institutions’ proposal through Parliament, we would be facing a major problem of ownership and implementation. Put simply, just as in the past the governments that pushed through policies dictated by the institutions could not carry the people with them, we too would fail to do so. On the question that will be put to the Greek people, much has been said about what it should be. Many of you tell us, advise us, instruct us even, that we should make it a Yes or No question on the euro. Let me be clear on this. First, the question was

formulated by the Cabinet and has just been passed through Parliament – and it is “Do you accept the institutions’ proposal as it was presented to us on 25th June in the Eurogroup?” This is the only pertinent question. If we had accepted that proposal two days ago, we would have had a deal. The Greek government is now asking the electorate to answer the question you put it to me Jeroen – especially when you said, and I quote, “you can consider this, if you wish, a take or leave it proposal”. Well, this is how we took it and we are now honouring the institutions and the Greek people by asking the latter to deliver a clear answer on the institutions’ proposal.

To those who say that, effectively, this is a referendum on the euro, my answer is: You may very well say this but I shall not comment. This is your judgement, your opinion, your interpretation. Not ours! There is a logic to your view but only if there is an implicit threat that a No from the Greek people to the institutions’ proposal will be followed up by moves to eject Greece, illegally, out of the euro. Such a threat would not be consistent with basic principles of European democratic governance and European Law.

To those who instruct us to phrase the referendum question as a euro-drachma dilemma, my answer is crystal clear: European Treaties make provisions for an exit from the EU. They do not make any provisions for an exit from the Eurozone. With good reason, of course, as the indivisibility of our Monetary Union is part of its *raison d’etre*. To ask us to phrase the referendum question as a choice involving exit from the Eurozone is to ask us to violate EU Treaties and EU Law. I suggest to anyone who wants us, or anyone else, to hold a referendum on EMU membership to recommend a change in the Treaties.

Colleagues,

It is time to take stock. The reason we find ourselves in the present conundrum is one: Our government’s primary proposal to you and the institutions, which I articulated here in the Eurogroup in my first ever intervention, was never taken seriously. It was the suggestion that common ground be created between the prevailing MoU and our new government’s program. For a fleeting moment, the 20th February Eurogroup statement raised the prospect of such common ground – as it made no reference to the MoU and concentrated on a new reform list by our government that would be put to the institutions.

Regrettably, immediately after the 20th of February the institutions, and most of colleagues in this room, sought to bring the MoU back to the centre, and to reduce our role in marginal changes within the MoU. It is as if we were told, to paraphrase Henry Ford, that we could have any reform list, any agreement, as long as it was the MoU. Common ground was thus sacrificed in favour of imposing upon our government a humiliating retreat. This is my view. But it is not important now. Now it is up to the Greek people to decide.

Our task, in today’s Eurogroup, ought to be to pave the ground for a smooth passage to the referendum of 5th July. This means one thing: that our loan agreement be extended by a few weeks so that the referendum takes place in conditions of tranquillity. Immediately after 5th July, if the people have voted Yes, the institutions’ proposal will be signed. Until then, during the next week, as the referendum approaches, any deviation from normality, especially in the banking sector, will be

invariably interpreted as an attempt to coerce Greek voters. Greek society has paid a hefty price, through huge fiscal contraction, in order to be part of our monetary union. But a democratic monetary union that threatens a people about to deliver their verdict with capital controls and bank closures is a contradiction in terms. I would like to think that the Eurogroup will respect this principle. As for the ECB, the custodian on our monetary stability and of the Union itself, I have no doubt that, if the Eurogroup takes a responsible decision today to accept the request for an extension of our loan agreement that I am now tabling, it will do what it takes to give the Greek people a few more days to express their opinion.

Colleagues, these are critical moments and the decisions we make are momentous. In years to come we may well be asked “Where were you on the 27th of June? And what did you do to avert what happened? At the very least we should be able to say that: We gave the people who live under the worst depression a chance to consider their options. We tried democracy as a means of breaking a deadlock. And we did what it took to give them a few days to do so.

### **POSTSCRIPT – The day the Eurogroup President broke with the tradition of unanimity and excluded Greece from a Eurogroup gathering at will**

Following my intervention (see above) the Eurogroup President rejected our request for an extension, with the support of the rest of the members, and announced that the Eurogroup would be issuing a statement placing the burden of this impasse on Greece and suggesting that the 18 ministers (that is the 19 Eurozone finance ministers except the Greek minister) reconvene later to discuss ways and means of protecting themselves from the fallout.

At that point I asked for legal advice, from the secretariat, on whether a Eurogroup statement can be issued without the conventional unanimity and whether the President of the Eurogroup can convene a meeting without inviting the finance minister of a Eurozone member-state. I received the following extraordinary answer: “The Eurogroup is an informal group. Thus it is not bound by Treaties or written regulations. While unanimity is conventionally adhered to, the Eurogroup President is not bound to explicit rules.” I let the reader comment on this remarkable statement.

For my part, I concluded as follows:

**Colleagues, refusing to extend the loan agreement for a few weeks, and for the purpose of giving the Greek people an opportunity to deliberate in peace and quiet on the institutions’ proposal, especially given the high probability that they will accept these proposals (contrary to our government’s advice), will damage permanently the credibility of the Eurogroup as a democratic decision making body comprising partner states sharing not only a common currency but also common values.**

PRESS CONFERENCE PRESENTATION IMMEDIATELY AFTER THE 27th JUNE 2015 EUROGROUP MEETING

**National briefing by Yanis Varoufakis, Minister of Finance of Greece, after the 1st meeting session** – Video 07:01min (Part in English) -- URL: <https://www.youtube.com/watch?v=f3xShvssQr4>  
Published on June 27, 2015

-- *partly transcript* --

EN - National briefing by Yanis Varoufakis, Minister of Finance of Greece, after the first session of the Extraordinary Eurogroup Meeting - Part in English - 27.06.2015 - Eurogroup/Council, Justus Lipsius building, Brussels.

Yanis Varoufakis: "Today's Eurogroup meeting discussed the latest developments on Greece. We explained to my colleagues why we could not accept the Institutions' proposal 2 days ago. Briefly, it had to do with 3 fundamental issues:

-the 1st one was that the prior actions recommended were seriously recessionary, and redistributing burdens from those who could and should pay them to those who neither could nor should,

-the 2nd reason concerned the financing. The proposal for financing the 5-month extension period of the calendar agreement, the funding proposal that was on the table by the Institutions was technically inadequate. The numbers simply did not add up. And when we asked questions about in particular the utilization of parts of the HFSF 10.9 bln which was there to recapitalize banks and to strengthen them (...) received an answer that involved the ASM, and that, as we know, effectively backed into this short-term arrangement, a new programme: both technically and legally, that did not make much sense, and I am sure that other member states would have a problem with it, Germany in particular,

-thirdly, and most importantly, what was proposed to us did not contain any plan for giving/instilling hope in investors, both Greek and non-Greek, in consumers, in depositors, that this 5-month period that was recommended proposed to us would be a period of consolidation and a period of overcoming the crisis. Instead it was punctuated by 1 review after the other every few weeks, leading to an end sometime in November December, without anything in sight that instilled confidence in anyone that wouldn't be exactly the same negotiation again with a threat of impasse, deterring through backward deduction today investors from doing what Greece needs, which is to invest. (...)

I reminded my colleagues that we were elected on the basis of a 36% vote ; collectively our government scored something just over 40% ; for a momentum decision like that, we believe that 50% plus one is the minimum that is necessary. We explained to our partners also that this government is absolutely determined to find a solution and accommodation with our partners, that the Greek people on July 5th will be asked to agree or not to agree with the Institutions' proposal. That leaves open the possibility of negotiations through the night and the day, and the night and the day ahead of us that would improve the Institutions' proposal, in which case our government's recommendation would change. (...) (Yanis Varoufakis then explains:

"The real reason, Ladies & Gentlemen, why we are finding ourselves in this impasse ..." during 2 minutes)

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