

Klaus Regling in interview with Skai TV (Greece)

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Interviews

Athens, Greece

Transcript of interview with Klaus Regling, ESM Managing Director

Skai TV (Greece), broadcast on 30 June 2017 (interview took place on 29 June)

Interviewer: Sia Kossioni

Skai TV: The recent Eurogroup finalised the second consolidation and approved the disbursement of €8.5 billion. When will this money be disbursed?

Klaus Regling: That's right, the last Eurogroup on 15 June concluded the second review, and that was an important step, because it means the policy package was endorsed by all four institutions and endorsed by the Eurogroup. We are now preparing the disbursement; we are waiting for the conclusion of some national procedures, because in several countries of the euro area, the parliaments want to be involved, so before final disbursement can happen, these parliaments will have their say. We are going through that process, but my expectation is that next week, we can disburse €7.7 billion, and that would leave €0.8 billion for a second tranche that would come after the summer break, because it's earmarked for arrears clearance, so we want to see how that is progressing.

Are there any prerequisites for the Greek government to receive this money?

The arrears clearance happens via the Greek government – they have to do it, and we will monitor that the money is actually used for that purpose, and the Greek government will also contribute to that, so there's a process in place. But there's no

other condition at all; the €0.8 billion after the summer break is only for that purpose, for arrears clearance, so we just want to make sure that the money is really used for that.

The Greek government seems to have expected something more from the recent Eurogroup – further measures for debt relief, something that would pave the way to the QE programme, which didn't happen. I'd like to ask you why it didn't happen – was it because the Greek government overestimated some statements or promises? Were there political reasons, e.g. the German elections?

I don't know how it was played here [in Greece], maybe expectations were too high. In my view, what the Eurogroup did on 15 June followed even in a generous way the Eurogroup statement of May last year, where the process for possible debt relief measures was fairly well defined. In May 2016 the Eurogroup clearly said there can be some short-term debt relief measures, and the ESM – my institution – was asked to implement those measures and we are doing that; most of that is done. And that helps already with debt sustainability. And then the May 2016 Eurogroup said that at the end of the programme, there can be additional medium-term debt relief measures, and in the long run, if there's a need, more relief is possible if it is really necessary. That structure was very clearly given in writing in May 2016, and what happened two weeks ago was that the medium-term measures became more concrete, but the sequencing and when it happens is all in line with what was agreed a year ago.

So what the Greek government was asking now was not on the table?

I don't know what they asked for, but this is how I see it from the Eurogroup side, from the ESM. The Eurogroup delivered two weeks ago what was already foreseen a year ago.

The review was supposed to be completed last year, in November or December. What was the reason for this delay?

I think it was a combination of things. Unfortunately, we have the experience during the last seven years that every review was delayed. And this is a very strong contrast to the other four countries that received money from my institutions in the last six years – Portugal, Ireland, Spain and Cyprus. They all had their three-year

adjustment programmes and they concluded the reviews most of the time on time. In Greece, every review was late, and that is one of the reasons why adjustment has been slow, why we are now in the seventh year of the programme. So there have been all kinds of problems – sometimes political disagreement on what to do, sometimes weaknesses in implementation. And we also saw that in the last few months it was sometimes difficult to come to an understanding.

But it's also true that there was on top of that disagreement with the IMF on the correct way forward, particularly on the debt side, and a disagreement about forecasts, which can happen. Forecasts are difficult to do; nobody can claim that one forecast is certainly right and that another is certainly wrong. And it added to these delays, therefore it was not only the Greek government. Unfortunately it was indeed late, it could have happened earlier. But I'm still happy that we got this far, because it is a major breakthrough, that with the decisions taken in the Greek parliament last month, the adjustment on the fiscal side is basically completed now. What we can focus on now in the future are other types of measures to stimulate growth, and to raise investment and growth potential. So the focus of the programme can now shift.

We hear you saying that we have to implement structural reforms so that we achieve this growth. Why do you keep saying it all the time – is it a lack of confidence in the Greek government on the implementation?

As I said, one of the reasons for the delays we have seen, not only this year but over the last seven years – is some lack of implementation, or hesitancy and weaknesses in implementation. And therefore, the decisions taken in parliament really need to be implemented, otherwise the positive effect will not come. And to have confidence in the markets, and confidence among investors, to first buy Greek bonds again, and even more importantly, to come to Greece, or for Greek savers to stay in Greece and invest their money here, one has to create confidence, and that requires that the reforms are really implemented.

You've mentioned the political unwillingness of some ministers in recent statements. The reaction in Greece – e.g. by the spokesperson of the government – was that Mr Regling is not to judge the political decisions in Greece.

I didn't see those comments, so I can't say exactly. But of course, the ESM and the Eurogroup have an interest in political decisions in Greece. We follow political

decisions and it's up to the government to take decisions. We, as the largest creditor of Greece, with more than half of Greece's debt in our books, we must follow - it's our legal obligation, and in the interest of the European taxpayer - exactly what is happening.

The next step, as described by you and the Greek government, is to return to the markets. Will this happen soon, even though we're not in the QE programme? Would you approve of a trial, now, during the summer?

I cannot say which month, but I think it would be wise to have a first issue well before the end of the programme. That's what we've seen in the other countries that went through a programme - they did not wait until the last day of the programme to go to the market. I think after so many years of being absent from the market, it's important to slowly go back. That's also why the finance minister went to London last week - it's important to talk with investors, to explain what the government will do, to answer their questions.

There has to be transparency and there has to be a process, and if reforms continue, and that's what markets are following very closely, they want to see whether relations between Greece and the creditors, the institutions, the Eurogroup are good. Then they will have confidence and I'm sure it will be possible to go to the market. Whether this is in a few months or early next year, this is less important. It will also depend on market conditions, as one can't separate from that, the Greek debt management office will of course analyse carefully when is the right moment to go. It also depends on the Greek economic condition, the reforms and market situation, and I'm sure that with a continuation of the programme, this will be possible.

What about the role of the IMF? Are you confident that the IMF will be back soon to the programme?

We know that the IMF is preparing its own programme, and they will send the documents to their board very soon. Before the end of the month, there will be an IMF board decision on this, and I expect it will be positive.

It's been two years since capital controls were imposed in Greece, after the announcement of the referendum. What do you remember of these days, and how

close to the edge did Greece come?

We know that in June 2015, Greece was very close to the edge. Grexit was very, very close, and I'm very happy that it was possible to prevent that. Many things had to be done to prevent that; capital controls are something that normally should not happen in a monetary union, so it was a crisis measure, and it's good that over these two years, the controls have been loosened; they are not as strict as they were in the very beginning. It was unavoidable at the time, but of course, we must soon get to the situation when they can be lifted.

Do you remember your first reaction?

It was the second time it happened in the monetary union, therefore it was not such a surprise, given where we were two years ago. It also happened in Cyprus in 2013, and it was a shock, because it should not happen. It would have been better not to get to such a situation where it becomes unavoidable. But given where Greece was, there was no choice.

Last year we met here and you told me the cost of the first half of 2015 was about €100 billion euros. Do you insist on this number, which has been much discussed in Greece?

There is no one precise way to measure this cost, but I think roughly the number is correct. I know the Greek central bank has come out with a number of around €83 billion. I know that some other people think that the cost is even higher, when they measure the lost output because of the developments in the first half of 2015. So it could be a bit lower or a bit higher. I think the €100 billion is a round number that is probably broadly correct.

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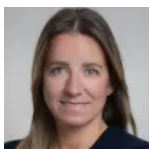


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