

## Interview with Klaus Regling, Managing Director, ESM

Published in *Le Figaro*, 25 January 2016

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*Le Figaro: Should we fear a new Greek crisis this year?*

Klaus Regling: I don't think so. The atmosphere is totally different. The first six months of last year were a disaster. The finance minister at that time did not cooperate at all with the European institutions. We now have a relationship of trust with Euclid Tsakalotos, who has been the Greek finance minister since last summer. The situation is still difficult but today we are working together with Greece and our objectives are similar.

*The negotiations between the creditors and Greece about the pension reform look as if they could be explosive. However, this is an aspect that is extremely important for the implementation of the rescue plan. Should we be worried?*

Klaus Regling: Pension reforms are difficult in all countries because they involve questioning acquired rights. So this is a serious issue and the Greek government cannot avoid it. But it is encouraging that the starting point between Greece and the creditors is not different. Prime Minister Tsipras has himself declared that the current system is not sustainable. If the country does nothing, there will be no money to finance this system in five years. So we have the same goal which is to create a sustainable pension system. The discussions will focus on how we can reach this goal. But this is not the only important aspect of the first review. We also need to have clarity on the budgetary objectives and the adjustments Greece needs to undertake to reach these objectives in 2016 and 2017. That will not be easy.

*By when does Greece need new money? Is there any urgency?*

We don't have sufficient data yet to know precisely. They will have no financing needs as of tomorrow. But sooner or later there will be a money problem. In the first quarter, Greece has about €4 billion in debt service payments. There is also a strong likelihood that the Greek budget will run a little primary deficit at the start of the year. As a consequence, the government will need some money to cover budgetary expenditure. Of course, there is always the possibility to run arrears like paying companies providing services with a delay. This is something the government has done in the past. But I would not recommend that because it would be bad for the Greek economy.

*Do you think the review can be concluded in the coming weeks, as Greece hopes, or only within the next few months?*

There is a lot of work to be done. We hope that this could be concluded before Easter.

*Once the review is concluded debt relief for Greece will be on the negotiation table. This is a fundamental issue for the Greeks but also for the IMF as it has conditioned its financial participation in the programme on a relief plan ...*

The Eurogroup has committed itself to that. Also, it is true that the Greek government is looking for compensation. But from an economic point of view, the renegotiation of the debt is not an urgent topic because Greece has already obtained a grace period of 10 years on debt redemption as well as on the major part of the interest Greece pays us. During these 10 years Greece does not have a lot of cost for debt servicing. As a consequence, any new relief would impact its payments mainly after 2022.

*But wouldn't debt relief help reassure private investors who need a clear view before they invest in the country over 20 or 30 years?*

I do not believe that many investors with such a long-term horizon are considering Greek investments at the moment. For the time being, we want to create incentives so investors return, but this is mainly geared to a time horizon of five to ten years. We need to advance step by step.

*You have headed the EFSF and ESM since their creation in the middle of the crisis (2010 and 2012). What are your take-aways from this experience, from today's perspective?*

These were very difficult years. We supported four countries that had lost access to the financial markets (Ireland, Portugal, Cyprus and Greece) as well as Spain. During this period a significant number of people believed that Europe and the euro would disappear. We have helped to overcome this deep crisis. I am not exaggerating when I say that without the EFSF and the ESM some of the countries hit by the crisis would probably have had to leave the euro. Today, out of the five countries under financial assistance in the euro area, four are real success stories. Ireland and Spain, for example, are the countries with the highest growth rates in the EU. Greece is a special case.