That was quite outstanding I think you’ll agree and it is of course a great thing to hear people in times of trouble standing up against populism in genuine fashion and people toss those words around a lot in the European crisis, but the great government has now stood it down for real, and I think we should all be grateful for that.

I would just say it’s very good to have when you’re wandering the desert 10 commandments to follow. And, the Prime Minister is too modest to have made that link on our website we might hint at that. But, more importantly, I want to mention I’m playing games with my Blackberry not because I’m checking sports scores, but I saved a quote of [inaudible 0:52] for this occasion.

“A nation that makes a great distinction between its scholars and its warriors will have its laws made by cowards and its wars fought by fools.”

I bring that up because we’re not talking about war, thank God, but we are talking about economic conflict and struggle. And the Prime Minister in addition to everything, our chairman mentioned is a very well trained economic thinker, a very well trained political thinker and just as we hope to do here at the Peterson Institute for International Economics and many people in this room are trying to do. We’re trying to bring the lessons of sound thinking about policy into the actual melee and certainly in the fiscal consolidation that the Prime Minister and his government have done, we’ve seen that as well.

The Prime Minister has been kind enough to agree to take some questions. This is on the record, please raise your hand, you’ll be recognized, we’ll bring you a mic. Two ground rules: identify yourself when you get the mic and no speeches. I will cut you off if you speechify, very simple.

So, who would like to be first with a question for the Prime Minister? Wow! Okay, at the back, the lady there. Do we have a microphone?
Female Speaker: [Inaudible 00:02:28].

Moderator: Yeah, and I will repeat your question. Please identify yourself.

Female Speaker: My name is [inaudible 00:02:33]. I’m a reporter from RT Television. I actually spoke with evangelist [inaudible 00:02:40] the lost generation [inaudible 00:02:44] and how that’s a number one priority [inaudible 02:45:01]. How do you plan to combat the lost generation?

Moderator: Okay, question about the so-called lost generation in Greece youth unemployment, Mr. Prime Minister.

Prime Minister: The number one problem in an economy like Greece today is psychology. You have to convince people that you mean what you’re doing, that you implement what you’re supposed to implement, in other words, that you deliver. Whether I like it or I don’t like it, delivery in terms of modern European knowledge and understanding means to have after all those sacrifices, incredible sacrifices went through is to have a primary surplus, and a primary surplus we are going to have.

So that creates the most important spillover effect of a positive psychology, which is called confidence. This confidence both to the Greek people who can then spend more, because today we have found ourselves in what in the old days gains used to call the liquidity trap. In other words, even if you do have money, you will not spend it because of the negative environment or the wrong psychology surrounding you.

Investors will come, locals will invest, exports are going to grow, because we are already successful in a very tangible and widely accepted manner with the right criterion, which is psychology.

The second thing is to do what we’ve been trying to do in Greece, which is to say we can accept no more a red tape treatment to our investors. We have to have a red carpet treatment and provide it to our investors.

We changed our laws that had to do with the investments. What we try to do is to have a centralizing in unit to accelerate every procedure necessary. We have for instance created what we call a visa provision for people who want to invest more than €250,000 buying some Greek land of property of any sort.

And when I went to China about two months ago, I was told this would be a great incentive for the Chinese and they were proved right. They’re already coming by the tens, maybe tomorrow by the hundreds in Greece and they buy this property, which will be used for their renewable for more than 10 years visa coming to Greece. At the same time, you have to make sure that you know where you want the investments to take place.
So it’s important to know what can grow faster. Obviously, tourism is one area.

This year, we had the incredible success with tourism because we’ve had the new record for Greece more than 18 million people will be coming over and I’m saying will be coming over because we still have summer in Greece. And, because of the difficulties with Egypt and the other countries in the region, this summer period will be extended. And so, we expect this people and believe me in a dehydrated economy with no liquidity, these little rain of foreign currencies is a great thing.

Regional hubs for R&D and innovation, companies like a SAP, companies like IBM, and Samsung, and [inaudible 00:07:25], and then Huawei, and then Hewlett-Packard have come over and they promote their logistics. In the Port of Piraeus, we have the Chinese company COSCO, which is really a very important investment for the region.

Agricultural crops are very important. Food manufacturing is very important. The energy hub I just talked about before and also if you wish our cultural heritage. I was a Minister of Culture and I had the honor of inaugurating the Acropolis Museum--the new Acropolis Museum and we decided we’re going to--that was an old Harvard Business School trick that I thought might work and it did. I said, “€1 for the ticket.” And there were zillions of people who came over. And, now of course it’s something like--I don’t know, €10 or more, but everybody knows about the museum, everybody is coming over.

And, the way bureaucracy worked for many, many years is that in most places even like the most important Greek archeological sites, you could not visit after three or four or five in the afternoon because the public employees were leaving. That’s over now. We have to make sure that we are in the front line of what we call international realization of your competitors.

Female Speaker: I have a one quick follow-up on that.

Prime Minister: And, if I can just add to the competition thing, like I gave the whole lecture for you.

Moderator: Yeah.

Prime Minister: And what was the competition for this are the taxes. Taxes are very difficult. In Greece, we’ve had a lot of tax evasion unfortunately. But on the other hand, what I want is I would like very much, and this is a personal thing, and I very much believe in it that we must have a 15% flat rate tax, corporate tax everywhere. Because otherwise, it makes no sense
for somebody from--I don’t know, New Zealand, to come over and invest to Greece when they can go to Turkey or they can go to Bulgaria where the tax structure there is such that they can pay a third of the taxes they have to pay in our case.

So little by little, by getting away from the necessary but important things we have to do now with the memorandum and all that, we’ll be able to do that in the future and this is my hope. And, everything I’ve told you, adding it up together makes employment opportunities. Therefore, unemployment is going down. Therefore, political polarization is coming down.

The cases of Golden Dawn on the one hand. On the other hand, an extreme opposition that says we should get out of NATO, we should get out of the euro, out of Europe. It’s not something that should be with--that would be very detrimental for the Greek case. So that’s my unexplainable 00:10:51.

Moderator: Thank you Mr. Prime Minister. No, no, of course. I believe Petros Petropoulos indicated that he wished to say something.

Petros Petropoulos: I assure you I’ll never again attempt to question in Greek.

Moderator: Sorry.

Petros Petropoulos: For instance, in a manner of comment Mr. Prime Minister.

Moderator: Thank you.

Petros Petropoulos: First your question and then an observation. Speaking frankly Mr. Chairman, Prime Minister or whatever you like to be called, Greece used to have a reputation of having many of its citizens with restrained enthusiasm for paying their taxes. I would be interested in your Minister of Cultural Affairs; how you went about getting in that situation turned around.

Secondly an observation only; my guess is that many in this audience shared my total surprise at the extent of your recovery in every aspect; in fiscal matters and market matters and so forth. That cannot be said about many countries in any part of the world. I wonder if there isn’t a real opportunity to communicate your story more broadly to the American market, because I would have a feeling that if I were wondering whether to take a trip to Greece with my family or not, listening to your story would have made a big difference, so forgive my comment. How would you feel about doing that and how did you get more of your citizens to pay their taxes?
Prime Minister: Well, first of all, this is the reason I’m here in the states for the second time. I was here about two-and-a-half months ago. I visited the president in Washington and I did what I had to do in terms of introducing the new Greek reality and then the prospects and our efforts to your president and this was very important. And, that’s why I came back again to talk to the financial mostly community. I talked to big multinational corporations, to fixed-income people interested in buying GGB’s, I mean Greek government bonds. I talked to people who are very important in the American financial community.

This is as far as economics and investments are concerned, as far as tourism is concerned or telling it to the American people as a whole, “You’re absolutely right. We are not doing well.” I did not have the time to plan the best, as far as allowing the American people to know what we’ve gone through, but this is exactly the reason I’m here and this is exactly the reason why we’re planning now something totally new and much more powerful and effective, I hope, in the coming days. And, it’s not only in the US. Believe me, it’s unbelievable to see how many Chinese or Russian tourists, or Spanish, or Egyptian people are coming over to Greece when they realize that things are changing and it’s bizarre, they want to help, too. The Italian Prime Minister told me that two of his best friends, out of solidarity for what we’ve gone through will be coming to Greece this summer and they did come and many people who will want to help. And, to us, this is very, very important.

On the other hand, you’re right about the taxes as I mentioned before. There, we tried to make sure that things are absolutely different, which means that we are going through a very austere system of penalties against those who have the tendency or the propensity to evade taxes. Important people had been put to prison, VIPs from the world of known people have gone to prison and we’re not playing games with this, and this is known now. We’ve changed many laws and it’s going to be very difficult for anyone to tax evade from now on.

At the same time, the rich Greeks, I have to tell you that they have not emulated in anyway Andreas. But for the first time for instance, the Greek ship-owners came over to my office as a presidency and they decided to offer for the first time voluntarily an amount of about €150 to €200 million, which will be embedded in our budget for 2013 and 2014. They will be continuously paying as Greek ship-owners an important amount of money.

This is done for the first time ever. What does that signify? To me, it signifies that there is a symbolic gesture and Greeks from ancient times live with symbols. In the moment, the rich guys pays and the moment the
tax evader goes to prison and the moment poor men is helped by people like Andreas or by ways we find to help those who are in most need, then people start saying that, “There’s a program and things will be better in the future.” That’s what we’re trying to do.

Moderator: Thank you very much Mr. Prime Minister. I’ve managed to get our wandering mic to get to the two gentlemen at the back right table my right. I’m going to ask you to group your questions both of you to speak because the Prime Minister is being very generous in the length of his answers, but let’s make sure we get the questions in, please.

Male Speaker 1: [Inaudible 00:17:57] Wall Street Journal. You just came from I believe a meeting with Madame Lagarde. I wonder if she shares your view that extending debt maturities and lowering interest rates are not going to be sufficient to reduce the Greece’s debt to sustainable levels, whether a haircut is needed. And, may I just clarify, is that what you’re talking about about promises being delivered and light at the end of the tunnel?

Moderator: Thank you, and the other gentleman, please.

Cviten Chilimanov: Prime Minister, my name Cviten Chilimanov, a journalist with the Macedonian Information Agency. I would like to ask you how do you propose that we continue on the Macedonian name issue given that at this point, Greece is not accepting to obey the signed deal between the two countries, the interim—the verdict by the International Court of Justice? He’s refused the recent proposal by the UN mediator and is also not willing to sit down and discuss this at an appropriate level. And this is an issue—I mean, of course, largely created by yourself at that time that you were riding a way of professionalism.

Moderator: I think that’s enough. That is a recurring issues of the Prime Minister I’m sure will have a recurring answer. Mr. Prime Minister.

Prime Minister: Mrs. Lagarde and I had the discussion on the Greek situation: the economy, the prospects, the way the program is going. She made an announcement saying exactly what I’ve just told you. The meeting was very good, it was fruitful, but nobody came out with any announcement concerning specific things about perpetuities or lowering the interest rates or throwing the debt back on time. Nobody talked about that in terms of announcing anything. Obviously, there are many ideas that circulate.

What is important to know is that in the November 2012 decision taking by the Euro Group, it is specifically stipulated that if Greece indeed does manage to have primary surplus, then the European Union should help and will help Greece to our problem with our debt.
Now, as to how we’re going to lower the debt, that’s another issue. And obviously, that said there are many ideas that come around. One of which is the one you mentioned. So, it’s nothing certain yet and you want to be there, the solution that you want to see it for some time I guess, but what is important to me is not to procrastinate too much with a solution.

If there’s a problem between two different schools of thought as to how to solve the problem, this should not become a problem for Greece. So, all of us together must solve this when we have the final results of our primary surpluses and when all these ideas will come together and people will discuss them, and have a specific solution given.

And about the second question, I’m sorry. We have had long discussions with Mr. Nimitz on the name issue who is the special emissary for the United Nations. I met with him last time I was here at the United Nations. It was a good discussion. I understand there are some extreme intransigence on behalf of my homologue from Skopje. And I also believe that Greece is the only country that has made certain steps towards the solution, which is not the case for Skopje.

What we are looking for is a solution that will be a name, which will be erga omnes as they say in Latin. In other words, one solution for every need, one name for every need and I do not see that this is what Mr. Gruevski is hoping for nowadays. And I believe that if you were to ask my Albanian or my Bulgarian homologue, they would most probably tell you the same that intransigence lies on Skopje not on Greece.

Moderator: We turn for our last question. I’ve identified Nancy Birdsall. Where is our mic? Beautiful. And this will be the last question of the evening.

Nancy Birdsall: Thank you very much Mr. Prime Minister. I’m just curious looking back if you would look back a little bit to the early days of the crisis when there was a major concern that Greece could not be competitive in the Eurozone, and that behind that lack of competitiveness was a problem of monopoly rents or product markets, labor markets that were not contestable, special interest and so on.

So you’ve emphasized the progress on dealing with the fiscal deficit, but is there anything you can say about how, whether, if you think that that competitiveness issue was central, but it was based in kind of elite capture or the capture by various groups of various kinds of rents? And how you’ve been able to or plan to deal with that issue and whether the IMF in the European Union and the outsiders who’ve tried to be helpful have been helpful on those structural reforms or only on bringing in resources to cope in the short-term with your fiscal and current account problems?
Moderator: Some of us might wonder just how helpful some of them have been, but that’s another story. Mr. Prime Minister?

Prime Minister: Yeah, according to the IMF and according to the European Commission, Greece has already covered 75% of our competitiveness problem that we used to have, 75%. Our unit labor costs have fallen dramatically. So, the problem is not so much that part of investing in Greece or creating employment in Greece as it is a problem of structural, necessary structural changes.

In the recent OECD report, Greece came first this year in terms of the volume, the amount of structural changes we went through. That only means we started from a very low point, changing things that were long overdue, but we’re now changing them. I’ll give you an example because otherwise, it’s difficult to communicate.

If I were to sell you my house in Athens, you would have had to have a lawyer with you and I would have been forced to have a lawyer with me too by law, and they would both get a cut from our selling price. And, the question is, if I sell the house to you, you might need a lawyer because I might be selling you the wrong house or something. But, why did I need the lawyer? Why should he get a cut when I’m just selling it to you?

With the new law, you don’t need a lawyer, neither you nor me, unless one of us asks for a lawyer. But, go and tell the lawyers in Greece that this should be the case. This was a unionist-like oriented position that was there for decades and was not changing.

So, I’ve had my problems and I’ve had more than my share more than you can imagine with the Troika and with these people. But, some of the things that they made us change were very correct and should have been changed much earlier. So, this is what we’re trying to do now and you have to discern the essential from the trivial. And by discerning the right things and changing the right things, I believe that we do the right thing for the economy. And I think right now, talking to people who are now investing, and believe me, there are all sorts of investors that are coming over to Greece from the Emirates, to the Chinese, to the Russians who want our railroads, to anyone you can think of--American companies. The very nice lady who is the president of IBM was with me in my office about two weeks ago. My office is open for new investors to come.

The culture has to change. We have to show that we need this communication of business interest and that being a businessman is not a bad thing as it used to be in the past. So, it’s a culture that has to be changed and this culture is changing, and I think that it will be successful.
So as long as we do the fiscal consolidation we were supposed to do, the structural changes we are doing and changing the culture over a country as a pro-business, pro-investment oriented country that demands investments in order to lower unemployment problem, I’m happy. Because my number one concern and my number one criterion for everything I do is the young boy and the young girl who graduates from school, graduates from college and has no jobs.

And, we go through a second brain drain, seeing people going to Germany and seeing people going to Australia, and the U.S. to find a job, and these are the best minds and we need these people. So, my number one worry and my number one agony, and that’s all I’m doing every day is to make sure that I can get more employment in Greece. And, it’s not just me. I just have the worst problem in terms of statistics; 60% of unemployment among the youth, but if you go to Spain, if you go to other countries, they’ve got the same problem.

And so, this in a way becomes a European problem and this in a way becomes a leadership problem for the future of Europe. Can this go on? Can this be sustained forever? How much more can our societies accept this? And, how much more can I convince those people who reacted and their reaction formation have a tendency to go to extremes? And, in order to react to what is happening.

So, employment is not simply an economic solution. It’s mostly a political solution. The problem is political by now and social cohesion is what we have to preserve.

Moderator: Thank you very much. I hope you all [inaudible 00:30:40].

I’d like to just say that Mr. Prime Minister, we, here at the Peterson Institute are friends at the Niarchos Foundation, but in some ways more importantly, all our friends, stakeholders and colleagues in the room are the next step in your getting the right message out at least for a substantive consideration by the American people, the American decision makers. We’re very glad to have been able to do that and take it with this high quality audience that we always have, but especially tonight and for you to engage us thoughtfully as you did.

I have to give you one more [inaudible 00:31:21] this quote. “We Greeks believe that a person who takes no part in public affairs is not merely lazy, but good for nothing.” I am very delighted to have us friends and colleagues and my bosses, people like Michael Peterson, Andreas Dracopoulos, Carla Hills who is out there somewhere, our chairman, Pete Peterson who do take part in public affairs and help us to do so. And we’re
very inspired by your examples, someone who has chosen to make a difference. Thank you very much.

Prime Minister: Thank you.