[Unofficial Translation from German]

Economic Council – Luisenstr. 44 - 10117 Berlin

Wirtschaftsrat der CDU e. V.
Luisenstr. 44, D-10117 Berlin
Telefon (030) 24087-0
Telefax (030) 24087-205

To the Members of the
CDU/CSU Parliamentary Group

The President

The Secretary-General

Berlin, 24.02.2015

No permanent provision for Greece – Assistance only in return for reform successes and proven accounts

Dear Members,

Last Friday and literally at the very last minute, the Eurogroup agreed in essence to extend the current credit program for Greece. Nonetheless, the events of recent weeks cast considerable doubt on whether Athens is prepared to comply with and implement agreements on a sustained basis. Who will rigorously monitor the reforms that were promised by Greece? What happens if the reforms are not adequately implemented? It is of decisive importance for the European Project that we find convincing answers to these questions. The Economic Council thus appeals to you not to endorse any Greek application that fails to define clearly that assistance can only be extended in lockstep with reforms being implemented. On no account should we allow ourselves to be blackmailed due to concerns about assistance that has already been paid.

The situation should not be downplayed: Greece is not able to repay its debts in full. Emergency Liquidity Assistance and TARGET claims continue to grow daily. Simply extending the assistance program without imposing effective conditions would mean that we continue to throw good money after bad in the full knowledge that we are doing this. More than ever, an honest analysis is now vital to determine whether the path of solidarity can be continued or whether it should come to an end. The Economic Council is thus proposing that consent for an extension be coupled with transparent accounting. At the end of the four-month extension, Greece may only receive further assistance if it submits accounts that are prepared according to international standards (IPSAS – International Public Sector Accounting Standards) and audited by an internationally recognized auditing firm.

It is not acceptable that while all of Europe discusses Greek debt, no reliable figures are available. The Greek government always refers to its debt burden of EUR 315.5 billion, or 176% of GDP, as not being sustainable. Yet it is the fair value of a loan that is decisive, not the nominal value. Thanks to various debt restructuring rounds, Greece is relieved of its full risk premium on financial markets. Heavily subsidized Greek debt is not even subject to repayment until 2020. This 'competitive edge' is kept quiet. If Greece were subject to IPSAS accounting, it would have to state significantly lower debt than the nominal value of EUR 315.5 billion. What matters is establishing transparency and putting an end to 'Greek statistics'. Europe needs to introduce IPSAS accounting standards, matching the move by large numbers of international organizations (OECD, NATO, IMF) and countries, Singapore, New Zealand, etc. Only then will the citizen have a clear picture. Greek needs to start now.

It is also clear that as long as Greece does not offer competitive products, this catastrophic situation will not change. It is all the more urgent that Greece presses ahead with the modernization of its economy and public institutions. In order to lay the basis for new impetus, Greece's European partners should thus insist on the following key points: Construct a functioning tax system

All instances of European solidarity need to continue to be backed by international solidarity. Greece continues to have a massive problem with poor payment behavior on the part of its taxpayers. At EUR 3.49 billion, January tax receipts were approx. EUR 1 billion lower than the government's target. As in all EU countries, the tax system needs to take account of economic potential. In Greece, the elite also has to bear an appropriate share of the state's costs. In this respect, Greece needs to present a convincing concept that also contains reliable figures. In addition, the new government should accept the offer of the German federal government to support the Greek administration to achieve efficient tax enforcement.

1) Modernize state structures

The inflated state apparatus remains one of the core problems. Ministers need to manage more than 23,000 competencies. Those responsibilities are far too minutely detailed. Moreover, the new Greek government is marching in the opposite direction: inflating the state sector, canceling privatization – that is a program for reversing growth opportunities. A transparent land registry is also essential.

2) Create legal certainty, dismantle bureaucracy

Especially for international investors, a functioning legal system is a central criterion for site selection. Yet the approval procedures and administrative processes that govern investment decisions through to implementation are far too cumbersome in Greece. It can sometimes take one and a half years to obtain an operating or branch license. One particular case in commercial law stretched over 1,580 days. On an international comparison, Greece is at the bottom of the table.

3) Improve the investment climate and education system

In the Global Innovation Index for 2014, Greece ranks a depressingly low 50 – behind Mauritius and the Republic of Moldova and roughly on par with Panama. Greece has nine patents for every million inhabitants, Germany has over 200. Spending on research and development amounts to just 0.7% of GDP. Other Euro countries invest around 3% of GDP in the future of their country. Vigorous action is needed in this respect. It is vital to get to the root of the problem. It is absurd that powerful student unions block any research cooperation between universities and companies.

No entrepreneur is going to create investment and jobs in reaction to Syriza's election program. Greece's last chance is to implement rapid reforms that, in turn, are rigorously monitored by the IMF. Otherwise, Greece cannot gain competitiveness. It is no longer enough to sign non-binding letters of intent. We need clear automatic mechanisms: if the IMF concludes that progress is not satisfactory after a set, coordinated timeframe, parliament needs to react promptly and immediately halt further assistance – with all the consequences that this would entail. Since at that point, we will no longer be discussing assistance loans but accepting a state of permanent provision. That would elevate a breach of law to the status of principle in Europe and would render the social market economy, with its principles of action and liability, unreliable. The moment it is apparent that we have arrived at a debt assumption through the backdoor, with neither compensation nor a say in the matter, the meanwhile fragile acceptance in Germany will threaten to buckle radically. At that point, we will be stoking a stimulus program for the AfD, as well as for Marine Le Pen, Beppe Grillo, Spain's PODEMOS and UKIP. A lack of principle and breach of commitments could equally cause monetary union to collapse.

The Economic Council thus appeals to you to play a role by setting these clear hurdles so that we do not, with open eyes, accompany Athens down the wrong track.

Yours sincerely,

Prof. Dr. Kurt J. Lauk Wolfgang Steiger