

Prepared Remarks

The New Greece: A Stability Asset in the Eastern Mediterranean

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I would like very warmly to thank the Peterson Institute for the invitation to be here tonight and I am greatly honored by your presence sir, Mr. “Petros Petropoulos,” really honored. You have given all of us a lot to talk about. I met you when I was foreign minister back in 1990 and I’ve heard so much about you from different people, both in Greece and in the United States, and they all love you very much for what you are.

This is a really unique platform for challenging brainstorming and intellectual exchanges, but I have to say that I am also honored to address this prestigious audience for the Stavros Niarchos Foundation Annual Lecture, and let me share with you my deepest respect for the Niarchos Foundation contribution to Greek society during those trying moments and immense hardship. It is a living example of our best tradition of national benefactors. And let me also briefly express my personal feelings of appreciation and friendship to Andreas Drakopoulos for the leadership he provides to the Foundation activities.

Dear friends, actually a year ago, nobody would even think, let alone try, to associate Greece with the notion of stability, either domestic or regional.

On the contrary, we were considered to be a trouble spot of Europe, internally unstable, on the verge of an exit from the eurozone. I am talking about the infamous Grexit! Now—just a year later—things have drastically changed: Nobody talks about Grexit anymore! Everybody agrees that Greece is an integral part of the eurozone. And instead of Grexit, most people now talk about Grecovery, the recovery expected to start early next year, after six consecutive years of recession. What’s more, Greece has stabilized internally, both economically and politically, and it is an anchor of stability in the middle of a rapidly destabilizing region.

I believe this is an oxymoron. This is a paradox! In fact, last year, many people, especially in Europe, expressed their profound fear that Greece’s troubles might spread out to the rest of the European south. This was the famous contagion risk!

Things, however, moved exactly in the opposite direction: Greece has stabilized despite the unprecedented destabilization in its southeastern neighborhood! So there are two questions I will address today:

Firstly, how did Greece stabilize against the conventional reasoning just a year ago? And secondly, how can the prospects of Greek stability have regional effects beyond its borders?

On the first count: We have gone through an unparalleled crisis, through which we have lost more than 25 percent of our GDP within six years, we’ve lost about 40 percent of our pre-

crisis standard of living, we have plunged into 27 percent unemployment for the general population and over 60 percent for our youth! I do not believe any other western country has suffered from such an ordeal in the last half century.

The United States—as you know—went through the Great Depression in the 30s, along with a large part of the rest of the world. And most people today were not even born then. Yet the Great Depression is registered in everybody's mind as a nightmare. And Greece is currently living through a similar nightmare.

Most outsiders thought—as I said—that we wouldn't make it. Conventional wisdom suggests that no society can possibly withstand a crisis of those proportions, and no democracy can survive such a shock. I believe we proved them wrong.

In the last 14 months we have reversed the trend. We have cut our deficit by 15 percent of our GDP in just three years! We are currently—not in 2017, this will be this year—we are currently producing a primary surplus for the first time in about 10 years! Our mid-year reassessment of the 2013 recession is smaller than predicted by the IMF and the commission in Europe. Our second semester unemployment level is for the first time less than the previous semester, for the first time in four years. Our banking system is fully recapitalized for the first time after many years. Recovery is predicted almost unanimously for 2014, interrupting six consecutive years of deep recession. Our balance of trade has just dropped to zero from a negative 15 percent of GDP in 2009. This happens for the first time also in decades.

With the language of the economy may I say that according to the International Monetary Fund (IMF) and the European Commission data, Greece now, as it stands, has the largest cyclically corrected surplus in the eurozone, about 6 percent of our GDP! And according to the Organization for Economic Cooperation and Development (OECD) data, our cyclically corrected surplus is even higher, close to 8 percent of GDP! And according to the same surveys, we are currently having a structural surplus of 2 percent compared to an average structural deficit of 2 percent for the eurozone as a whole!

What do those numbers tell us? Simply, that if Greece were to reach its current potential, if we had the money to do it, if we had the liquidity to do it, we could finance all our expenses, including interest payments, and still leave some surplus to reduce our yearly debt.

So the trend is changing, and the growth potential is there for Greece to get out of the crisis!

But what I believe was even, if I may say so, politically more difficult was that social friction has been kept to a minimum. There are currently less and less destabilizing incidents of social unrest. Populism is losing ground. Extremism seemed on the rise until very recently, but—as you might have read in the papers—we are now crushing it in a way fully within our constitutional framework and the rule of law. And I am talking about the Golden Dawn, a neo-fascist, neo-Nazi party whose leader is currently in jail.

I was asked to elaborate on how we dealt with the crisis. I'd like to share with you those principles, but remember, we are not there yet. But the ship is turning around! And I believe these are the 10 principles:

One, in a crisis people need to be told the truth. We cannot hide behind conventional wisdom, we cannot use politically correct cosmetic stereotypes. When the crisis has shaken so many lives, the last thing people need is the empty sound of torn-down clichés.

Two, the truth has to be tied up with a notion of hope, a gospel of light at the end of the tunnel. But this has to be honest, has to be realistic. Not a mirage! There must be a promised land when wandering through the desert. There must be an Ithaca at the end of an *Odyssey*. Truth with realistic hope can inspire people and provide for what was the big target, social cohesion. Bits and pieces of truth, without hope, can only fuel populism and extremism.

Three, as the crisis deepens, we have to catch and hold the high moral ground. If people cannot see any material improvement in their lives, they should at least be able to see more justice, more security, more decisiveness from the authorities, more efficiency in fighting corruption and crime.

Four, during a crisis we need to keep focused on the ordinary citizens. We must address their fears and inspire hope in them. If we just address their fears without inspiring hope, we might lose them. If we try to inspire hope without addressing their fears, they won't listen.

Five, we need to proceed as a tight-rope walker. Focus at the end of the rope, but at the same time watch every single step on the way. If we don't focus at the end, we will soon lose our balance. If we don't watch every single step, we will soon make a careless mistake.

Six, we must always offer a road map, even a very simple one. If a small plan is working, then people are going to believe that a major plan is in place and will also work. The more people become confident that their leadership has a workable plan, the more supportive they will get in difficult moments.

Seven, don't make the mistake of making a promise you can't keep. And always keep a promise you made.

Eight, at every particular moment, we must project the right mix of decisiveness and prudence; we should dare to act when we have to, and we should know how to wait when we cannot act on the spot. After all, this is what leadership is all about: to win the moment when you can; and to gain time when you can't win the moment.

Nine, in order to succeed, we have to win many small battles and defeat many adversaries. But we should never become like our adversaries! If we want to defeat populism, we can never become populists ourselves. If we want to defeat extremism, we can never go to the extremes.

A few days ago, as I told you, we crashed on a neo-Nazi group in Greece. We did it fully abiding by the law. We proved that our legal framework is fully equipped to deal with extremism. What was really required was political will and decisiveness to fully implement the law.

Of course, we must always be ready to improve the existing law to face new challenges. But legislation alone does not solve problems automatically; it is the political will which must persist.

Finally, 10, we don't need to rediscover the wheel. I believe it is wise to invoke past experiences and best practices. Restudying, for instance, Thucydides helps. Going back to Xenophon, to Plato, to Aristotle, to Polybius, to Thomas Jefferson, to Alexander Hamilton, to Abraham Lincoln, to Franklin Delano Roosevelt, to Winston Churchill, to Charles de Gaulle, or Konrad Adenauer also helps. Going back to their readings, is more than an intellectual challenge. It is very rich with food for thought and valuable insights at difficult times. And this is exactly what you need in trying moments. To think outside of the box! It is amazing how much past historical experiences can help us do just that: think outside of our current little "boxes"...

Dear friends, let me also share with you a very recent geopolitical or, if you wish, geostrategic development in our region that offers rich and new opportunities.

Greece is going through a deep crisis, currently making its first steps out of it. But we are not alone in that. Cyprus is going through a similar painful path. It is also coming out gradually. Israel has gone through different crises in the last decades...

And all three countries have other things in common as well: They are all western types of democracy. They have natural resources in the sea area among them, resources they need to develop and transport. So there is a large scope in their cooperation. And in a few years, all these resources combined will be fully developed. There is a recent geological survey here in the United States which says that they could provide for almost 50 percent of the total European demand in energy!

Thus, they can simultaneously address three types of energy problems for Europe: They can provide for environmentally friendly energy, they can provide for cheap energy, and they can provide for energy diversification for Europe.

These countries know how to achieve stability, they appreciate the value of stability, and they understand that stability can offer synergies. They have good reason to join forces, since they share common values of freedom, democracy, security, justice, and prosperity.

They must combine their efforts and exhaust their synergies, because there is no freedom without security, as there is no peace without justice; in the very same manner there is no prosperity without peace and stability.

So, dear friends, I am saying this because the great ambition that really defined the United States throughout its history was to become the beacon of hope for the rest of the world, for peoples and countries aspiring to freedom, to independence, and to democracy.

Today, in our troubled world, we also need local beacons of hope. And certainly in our most troubled region, the eastern Mediterranean, we need as many local beacons of hope as possible, so that all other peoples in our region fighting against extremism, fanaticism, and deprivation, will not feel alone.

Indeed, freedom, justice, and democracy can bring many people together, across country borders and across civilizations, especially in destabilized regions where they are mostly needed.

Greece is on the southeastern tip of the European Union. Starting next January, Greece will assume the six-month presidency of the union. Obviously, Europe has a large stake in the stability of the eastern Mediterranean. The United States has also a large stake on the stability of the region. Cyprus—another EU member—needs stability; and Israel needs it as well.

So, Greece can be the link, if you want, the catalyst, to all these different needs that boil down to one focal demand: regional stability and security. And Greece can help generate synergies among different countries having similar or compatible concerns in the eastern Mediterranean.

In a nutshell, it's all about the different dimensions and the incredible dynamics of hope: Realistic hope reshapes and stabilizes our country, as we speak; whereas local beacons of hope, teaming up, can reshape and stabilize our region.

But these beacons of hope are more than just a word: because hope is the antidote to our worst fears. Hope is the bridge we cross, when we leave behind the nightmares of the past and dare our most ambitious plans for the future. Hope is what defines us, when we take our destiny in our hands. Hope is the most idealistic part of human nature.

But at the same time, hope is the most realistic requirement for our common pursuit: freedom, security, growth, and prosperity.

Thank you very much.