

Mr. Chairman, ladies and gentlemen,

On behalf of the ESC of Greece, I wish to salute the initiative of the Civic Chamber of the Russian Federation in putting forward the role of civil society including the so called social partners in the search of answers and solutions to the challenges emerging from the crisis of capitalism we're living today.

Habermas used to say the 3 spheres of social action exist and they're interconnected. The sphere of the economy, the political sphere and the one of the society. Globalization seems to have empowered the sphere of the economy against the 2 others.

However, we already see the limits of this reality. The construct is being unstable, randomized and little balanced and definitely equal.

Furthermore, it has created much ambiguity. At the European level, we are in front of important challenges which I'll try to explain hereafter.

Ladies and gentlemen,

To begin with the issue of global crisis, it is worth going over briefly the sequence of events that led to the crisis. The sequence of events in a nutshell are: the widening inequality gap in most countries (denounced by the ILO and the OECD); the rise in tensions in 2007 on the American and British housing markets; the outbreak of the financial crisis on the day that Lehman Brothers went bankrupt, i.e. on 15 September 2008; the paralysis of the interbank market and its threats on credit; the massive (rather well coordinated) intervention of the central banks; the crippling disruption of international trade and business investment; the deployment of (rather poorly coordinated) budget policies as a substitute for private demand; the G20 meeting intended (with little effect) to fill the most obvious gaps of the world financial system.

Then, suddenly, in the beginning of 2010, the crisis of the greek dept, which unleashed a violent offensive on the markets against sovereign dept in the euro zone, which had up then protected the Member States and had provided low interest rates, with insignificant spreads; and since then, a speed chase between the requirements of the markets, imposing discriminatory interest rates among the euro zone countries, and the defensive reactions of those countries, attending to the most pressing needs, always perceived as too little too late and as “punitive”, deaf to the risks of vicious secessionist circles and their social consequences, insensitive to the rising anger of public opinion; the entire process in the deafening silence on the future prospects on a stimulating European project.

The euro zone crisis is played out on two interdependent main lines: “budgetary discipline” and “structural reforms” – a euphemism to avoid the term “internal devaluation.”

And yet these two areas raise new challenges for civil society, as:

- **Budgetary discipline has become obsessional**

At the EU level it led to important decisions:

- First of all the introduction of the “European semester” aimed at flanking the adoption of national budgets upstream. It was strange, in fact, that the French budget was drawn up based on hypotheses about growth in Germany for instance, and that the german budget is in turn drawn up based on hypotheses about grown in France, without these two sets of hypotheses being harmonized in the very least!

**So, here the challenge is:** The “European semester” spells decisive progress towards an economic government for the euro zone. For instance, it has meant making fewer mistakes about the grown prospects for 2012, which had to be dramatically revised downward recently, no doubt because of the generalized budgetary austerity in the euro zone.

- The six-pack i.e. the package of six legislative proposals by the Commission, approved by the Council of Ministers and, on 29 September 2011, by the European Parliament, gives more weight to the Stability and Growth Pact. We will address the “competitiveness” of this six-pack presently.

- The euro zone summit of 26 October 2011, followed by the European Council of 8-9 December 2011, led to the announcement of a new “budgetary pack” as well as to the “development of stabilization instruments to deal with problems in the short term.” A commitment was thus undertaken to “introduce a new budget rule entailing an annual structural deficit not exceeding 0.5% of nominal GDP,” a “rule which will be introduced in the national legal systems at the constitutional or equivalent level;” “this mechanism will be developed by each Member State on the basis of the principles proposed by the Commission, and the Court of Justice will verify the transportation of this rule at national level.” It was moreover agreed to “accelerate the implementation of the treaty establishing the European Stability Mechanism (ESM), so that it can enter into force in July 2012,” and that in the event of emergency, the decision to use it can be taken “by a qualified majority of 85%.” Given the position adopted by the British prime minister, these new measures should take the form of an “international agreement” to be signed by March 2012, “the aim remaining to integrate these provisions in the treaties on the Union as rapidly as possible.”

**One other challenge** has to do with this new hybrid Pack, which is concurrently inter-governmental and bound to be integrated in the treaties on the Union, will it meet the essential democratic requirements in terms of budgets, taxes and public dept? It often feels as if it is going to be rushed through at the inter-governmental level.

- **The competitiveness aspect is just as problematic**
  - The euro zone summit of 11 March 2011 adopted the “Pact for the euro”, which was then approved by the European Council of 24-25 March 2011. This “pact for the euro” to “improve competitiveness, thereby leading to a higher degree of convergence” (it would have been preferable to state “upward convergence!”). It is specified that “progress will be assessed on the basis of wage and productivity developments and competitiveness adjustment needs.” The criterion set to strengthen competitiveness is the unit labour cost (ULC);” It is recommended to “review the wage setting arrangements, and, where necessary, the degree of centralization in the bargaining process, and the indexation mechanisms.”

**The issue here is** about integrating productivity gains in wages is tantamount to stabilizing the wage-profit sharing in added value. Nothing is said about this sharing. However, the wage part has been decidedly lowered in many Member States, particularly in Germany. We cannot come out of the crisis without wondering about the sustainable level of sharing the added value in the euro zone Member States.

- In the “Pact for the euro”, it is also stated that “competitiveness is essential to preserve our social modes” and that the “social partners will be fully involved at the EU level through the Tripartite Social Summit” (sic!). It is specified that the “autonomy of the social partners in the collective bargaining process must be maintained” (sic!). This citation sounds rather formal. Nevertheless, given the challenge to collective bargaining agreements, wages, pensions in countries “under adjustment programmes” and bound to be extended to the entire euro zone. It is moreover recommended to “promote flexicurity,” “lower taxes on labour to make work pay while preserving overall tax revenues, and take measures to facilitate the participation of second earners in the work force” – as if flexicurity was going to create jobs that were lacking because of lack of growth.

**It seems to me that another challenge** concerns apart from bargaining, the effective degree of social consultation.

Instead of concluding an exclusively coercive international agreement in haste, we should insist on an in-dept democratic reform, basing the euro zone on three- monetary, budgetary and social – fundamental pillars which are indispensable for its stability, a reform naturally open to the other EU Member States that would wish to come on board.

- The Pact for the euro finally points out that “Action to raise competitiveness is required in all countries, but particular attention will be paid to those facing major challenges in this respect.” Fortunately, in its deliberations on the aforementioned “six pack,” the European Parliament ensured that the inquiries on competitiveness pertained not only to the countries with a trade deficit but also to countries with a trade surplus.

As in the matter of public finances, the current management of the euro crisis has deep insidious implications for the European social model and for democracy. **There is a considerable need for a democratic debate on the social stakes to be preserved and promoted in the euro zone as a whole.**

Considering all this and going to a superior level, to get out from crisis means for many that the world needs to look for a better paradigm. If this is so, **I think that civil society will claim to play a central role in it.** And this is in my eyes extremely positive for the whole world system because civil society demands well being, welfare and harmony for all.

Your initiative, together with the fine composition of this working group, will highly contribute to cover the gap and break the silence but please allow me to say that it will not please the “markets”, which claim for more austerity and I’m talking about Europe.

In any case I’m here to transmit the recent experience my country faces, where we’ve let for a long time serious things to the only hands of politics.

To end my speech, here are some recent developments in Greece: Greece has observed a drop of its GPP for the 4<sup>th</sup> consecutive year and this although the memoranda (3) signed with its creditors (IMF, European Central Bank and EC) which were in principle there to save the country.

But they were focused on austerity measures and less to stimulate development. Decisions at the European level have been adopted always a little bit too late for Greece when interest rates have reached at the meantime unacceptable levels.

In a few words:

We have had a drop of revenues that led to a drop of consumption, private and public, which by consequence led to a drop of production so to a drop of incomes from taxation for the public budget and therefore more need to borrow.

The production system of the country came inevitably to its limits and will never be the same again as Greece is looking for a new paradigm to follow. The country has to create an open economy, oriented to the world in sectors where it has competitive advantages.

In the meantime the social situation is such that unemployment has passed from 10% in 2009 at approximately 20% today and round 35% for youngsters. 2.000.000 people according to Eurostat recently live under the poverty standards and we have the phenomenon of poverty for active population.

The political system has to introduce and **effectively apply** necessary changes that have been postponed for decades and this has to be done with transparency and efficiency. Social partners have difficulties to accept the withdrawal of collective agreements imposed by the troika as they lose their role and this is an incredible paradox with the famous European “acquis”. The welfare state is under attack and unfortunately the weak groups of population will face serious difficulties on their access to health and other social services.

However, to be optimistic:

Changes in society such as individualization, globalization and the fragmentation of interests make consultation, agreement and corporation more important than ever. Today, the parties have to operate in an environment that is not only larger but also more complex. In my country social partners are strong and they are dialoging. Social dialogue is central in establishing a **“national agreement for development and social cohesion”**. The ESC of Greece has targeted on this, by trying to build a consensus on a model that will be able to assure development and social cohesion. We are working systematically on this. It is our contribution to the efforts of our country to overcome the current difficulties and we focus on the medium and long-term. Thanks to the continuous dialogue on socio-economic matters between employers and employees, the relationship between them is very stable. They know how to and when they can agree compromises- and what about. This structured process of consultation yields clear, positive results for all concerned –for example, the climate of trust and calm that characterizes labor relations is in large measure attributable to the wide scope of collective labor agreements and the fact they can be made binding across the board.

Greece, as you all know has valuable resources, human and natural. Its position in the globe is strategic linking north to south, east to west and vice-versa. These are assets that have to be optimized in a way to create value added and well being for the society.

Thank you very much.