

Rolf Strauch in interview with Phoenix TV (Germany)

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Interviews

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Transcript of interview with Rolf Strauch, ESM Chief Economist Phoenix TV (Germany), 27/08/2018

Interviewer Ina Baltes

Phoenix: How confident are you that Greece will strengthen its economy on its own feet from now?

Rolf Strauch: I'm very confident about that. I think that the programme has really laid a good foundation for Greece - as was the case in the other countries that had a programme with the ESM - to be one of the success stories of Europe in the future. One must see that Greece's situation at the beginning of the programme was much more serious, more problematic than in other countries. And what Greece achieved when you look back at that, is quite remarkable. This success includes the fact that the economy is revived, the budget is in surplus, the balance of payments is equal. Unemployment is still high, but it is falling, and Greece has regained competitiveness. In that sense, a good foundation has really been put in place. Of course, it is important now that the Greek government continues the reform process, and that there are no setbacks here. And then, I think, Greece actually has the chance to become one of the success stories that we also see in other countries like Ireland, Portugal and Spain.

I still remember that at the beginning of the Greek crisis, people said that this crisis would endanger the entire euro zone. In retrospect, was that exaggerated, or were we really teetering on the brink?

Well, it is certainly true the crisis threatened the existence of the eurozone, and that it was important that we introduced a major package of policy measures. Of course, the Greece package is only a small part of that. There are far more far-reaching measures, which have deepened the euro area overall, and have improved the institutional set-up of the euro area. Among other things, this includes the establishment of the ESM, as a crisis mechanism that can help in such situations, and which makes the euro area more robust. In fact, for Greece, if you look at its problems, as I said earlier, they were much more serious than in other cases. This includes, for example, a budget deficit of 15 percent, which they have transformed into a budget surplus. This includes a large balance of payments deficit, which is now almost balanced. And these are exactly the successes that help a lot.

Mr Strauch, I wanted to return to the negotiations that were being conducted with Greece. How should we picture those? The ESM was involved in the so-called Quadriga, the institutions holding the negotiations with Greece. Was this at an equal level, or did you dictate the terms, something the Greeks have often accused you of doing?

That's certainly not the case. How it works is that a country requests an ESM programme. And then, conducting the programme, the agreements you make with regard to the policy measures, are agreed between the country and the ESM. The European Commission holds the pen in drafting the so-called Memorandum of Understanding, that is, a common understanding of what needs to be done. It is signed by both, and accepted and negotiated by both. This is also very important to achieve a certain "ownership" in the country., That does not mean, of course, that no tough measures need to be taken. Programmes consist of reforms, and these reforms are the recipe for success.

Many said at the time that Europe was ill-prepared for the Greek crisis, that we made mistakes. Do you have the feeling that this could happen again in the same way, or are we better armed now?

We're clearly better prepared now, also because we have the ESM. It is true that at the beginning of the crisis, Europe was unprepared. That's why we needed to get the IMF on board at the beginning of the crisis: financially, but also in terms of technical expertise. Over the course of the crisis, the institutions learned how to deal with these cases. The ESM was set up, our expertise has become stronger during the

crisis, we have become more involved in the programmes, and I think, as a whole, this is a much better basis for dealing with crisis countries in the future.

You observe the markets, and the countries. Who do you think will be your next customer, if I may ask a slightly rude question?

We currently do not see a next customer, nor do we speculate on that. In the first place, we are very happy that the Greek chapter, a chapter belonging to the past crisis, could be closed. So let's try to get the best out of that for now.

How far can you go save troubled countries, is there a limit? There must come a point at which you touch your limits, when is that point?

So first of all, I would like to emphasize briefly that I think that there is good reason to have more confidence in the euro. Let's not be pessimistic about the future. As I said, the institutional structure of the euro area has been greatly strengthened during the crisis. And we also have to see that the growth rate in the euro area is currently high. We're growing faster than the potential growth rate, you've got to see that, and it's a good thing. Should there be another crisis, we are therefore much better positioned. We are also better positioned because losses from banks can not simply be pushed back to taxpayers. This means that we can deal much better with crises. And in that sense, the ESM can also help better. As part of the debate on the deepening of the euro area, the instruments of the ESM are being evaluated to see if they can become more efficient. Currently, the ESM can provide a total of €500 billion in loans. At the moment, 400 billion of that is actually still available, should there be a crisis. But I think, as I said, that the euro area is now more stable, and better equipped institutionally than before.

Author



[Rolf Strauch](#)

Chief Economist and Management Board Member

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu