Bullets on Negotiations
23 June 2015

- Both the Eurogroup and the extraordinary Summit of the Eurozone countries were considered as a positive step towards reaching an agreement. The Greek proposal was characterised as a good and solid basis for discussion.

- The proposal of the government is not part of its program. It is the result of hard and difficult negotiations in order to reach an agreement that would not harm labour rights, would not break down social cohesion and would offer a perspective. The government does not seek one more agreement that will prolong the uncertainty but, on the contrary, revendicates a solution which will address medium term issues that are tormenting the Greek economy and society.

- In any case, the issue of the debt and of the medium term financing in order to end the vicious circle of the uncertainty. So that the country is not obliged to keep taking new loans in order to pay back the previous debts

- Tentative work is currently on-going to bridge the few differences by Wednesday evening, when another Eurogroup has been scheduled. It is highly likely that this Eurogroup will finalise an agreement, which will be presented to the Summit on Thursday.

- The agreement will be a result of long-lasting and hard negotiations. It will be a compromise of all parties involved. It takes into account the will of the Greek people, as expressed in January elections, as well as the commitments by Greece to the institutions.

- The Greek well-documented proposal gives a new prospect for sound development and is tackling the social crisis, strengthening fairness across society, restoring labour rights.

- The Greek authorities commit to achieve a new fiscal path with a primary surplus target of 1% (instead of 3%) for 2015 and 2% (instead of 4.5%) for 2016. In that way, the economy will be relieved by measures worth of €8.2 billion only for 2016. For the next 5 years, the gained fiscal space is estimated at €15.4 billion, meaning more than 8.5% of the GDP.

- For the Greek government social justice and solidarity is essential elements of its policy. That’s why the fiscal and economic adjustment of the current proposal is socially balanced and puts the pressure on the profits of firms and the high income tax payers.

- The solidarity contribution (a special tax on income, proportional according to the income, ranging from 0.7% to 8%.) has been amended, increased for incomes higher than 50.000 euros and decreased for incomes lower than 30.000 euros.

- Similarly, the tax rate on firms will be increased from 2016 (and not from 2015) from 26% to 29% and extraordinary contribution of 12% will be asked from companies with annual profit above half million euros.

- The 3-scale VAT rate will remain, despite the Institutions' intention to create a 2-scale VAT rate, which would have led to increases, including in basic goods, such as electricity. VAT in medicines and books will be slightly reduced, by 0.5pp.

- It is noteworthy that defence expenditure will be decreased by €200 million.

- The Greek government is also committed to pension reform, but a reduction of the already low pension wages cannot be accepted. The early retirement will be limited only to specific vulnerable groups.

- Labour rights and collective bargaining will be restored and the minimum wage will be increased and guaranteed. Practices of massive and horizontal layoffs have not been accepted.

- The fight against tax evasion and avoidance, corruption and smuggling and the reform of public administration remain absolute priorities for the Greek government.

- Regarding privatisation, a concrete framework will be put in place, which will allow both for inter-governmental agreements concerning sound investments and protection of labour rights, environment and cultural heritage, as well as for the boost of the local economy.

- All the above mentioned measures are extremely important for achieving growth and development. However, it is essential that a <u>wider agreement has to be reached on the impairment of the debt and the mid-term financing</u> to end the vicious circle of financial and economic insecurity, which has already damaged the economy, causing stagnation of investments and increasing bank-run.