



Luxembourg, 14 July 2009

Mr Ioannis Papathanasiou
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Follow-up to the informal Eurogroup meeting of 6 July 2009

Dear Ioannis, *Ioannis*

I would like to thank you again for the useful discussion which we had at our last meeting on 6 July on the economic and financial situation in Greece. As agreed in the meeting, I would like to summarise, on behalf of the Eurogroup, our joint assessment of the measures taken and the challenges ahead.

Ministers in the Eurogroup appreciated the measures announced by the Greek government on 25 June which are supposed to limit the deficit in 2009 and acknowledged that these measures were taken in an economically and politically difficult environment.

Nevertheless, there were clear concerns that these measures might not prove to be sufficient in order to keep the deficit below the target of 3.7% of GDP in 2009. The deteriorating economic outlook and the budget execution so far suggest a clear risk that, without additional measures, the deficit target will be missed by a large margin.

Moreover, we noted that the measures announced are not in line with the Council recommendation based on Article 104 (7) of the Treaty which calls on Greece to "strengthen the fiscal adjustment in 2009 through permanent measures, mainly on the expenditure side". Indeed, we noted that the consolidation measures are largely revenue based and consist of one-off operations.

Finally, we noted that the measures taken or announced so far do not address the challenges stemming from the external imbalances and the faltering competitiveness of the Greek economy, which, if not corrected, will undermine growth and macroeconomic stability.

Ministers agreed that the preparation of the 2010 budget provides an important opportunity to spell out a broad and ambitious consolidation strategy which is underpinned by a comprehensive economic reform package. Policies aimed at achieving adequate wage policies, increased efficiency of the public sector, a better functioning of labour markets, enhanced competition and the promotion of R&D and human capital formation are urgently needed to restore competitiveness and to reduce the internal and external imbalances in the Greek economy.

Tackling successfully the structural problems of the Greek economy is important not only for its own sake, but also to ensure the cohesion of the euro area. As such they are clearly a matter of common concern.

We agreed that it would be helpful if you could report back to the informal Eurogroup meeting in Göteborg on 2 October on the plans for the 2010 budget and the envisaged economic reforms so that the Eurogroup can discuss the contribution of your country's fiscal policy plans to ensuring sustainable economic growth and public finances and, if necessary, make additional recommendations to that effect.

Yours sincerely,



Jean-Claude Juncker

Prime Minister

President of the Eurogroup