

WHAT NEXT FOR GREECE?

Six months of negotiations with the Troika and the partners have brought considerable results for Greece:

- Extension by two years of the fiscal adjustment period
- Strengthening of the debt sustainability
- Guarantees for the continuity of the support program
- Reconfirmation of the continued support of the creditors

The government followed a crooked path through the minefield of negotiations and despite the technocratic difficulties and political challenges the outcome was positive.

The painful fiscal measures adopted and the reforms aimed at overcoming an obsolete development model are acting as a bridge over the abyss of disorderly bankruptcy.

The opposition claims that the government has not adequately negotiated. However, they forget that Greece is in no position to negotiate as credibility has evaporated after two years of failure to comply with the agreed terms of the first two MOUs, policy slippage and especially lack of appetite to reform the state and the economic system. The opposition will not be in a better position to negotiate as their policy prescription is based on a unilateral repudiation of debt, expansionary fiscal policy and no reform.

"The solution does not include a viable plan for Greece and so is not a real solution ... the government has followed a strategy of subjugation, was absent from the negotiations, discussions and final settlement..." Mr. A. Tsipras, leader of SYRIZA quoted in VIMA, 27/11/12.

Others feel that the problem of debt sustainability has not been permanently resolved. However, the solution of over indebtedness cannot be based on models and predictions (especially IMFs models which are notorious for their failure to capture even short term dynamic developments). The issue can be revisited at a later date when the growth trajectory of the Greek economy is known and creditors have been persuaded about the country's ability to reform. The markets have taken the message that there is a declared intention to support Greece in the future in order to meet the country's obligations.

"When Greece has achieved, or is set to achieve, a primary surplus and fulfilled all of its conditions, we will, if need be, consider further measures for the reduction of the total debt." German Finance Minister Wolfgang Schaeuble quoted by Reuters 27/11/12.

The 2012 can be a turning point marking a definitive break with Greece troubled past. The recent Eurogroup decision confronts the fear of "destruction" which has been paralyzing all the creative forces of the economy. The toxic cloud of bankruptcy that poisoned the economic and social life of the country has slowly started to move out of the picture.

Now it is the right time to implement the project of re-launching the real economy. Greece must and can return to normal economic activity in 2013.

Recovery can be based on five pillars:

1. *The efficient implementation of reforms without delays and discounts. Not only because it is our obligation under the MOU but mainly because it enhances our competitiveness and creates new opportunities for growth.*
2. *The immediate implementation of the recapitalization of banks because it is the only way to lay the foundations for restoring confidence in the financial system and will lead to a reverse the capital flight trends.*
3. *The promotion of privatizations in accordance with the medium term plan primarily aiming at attracting investors and capital in order to give a new impetus to productive sectors and activities and lead to the creation of new jobs.*
4. *The acceleration in the execution of the National Strategic Reference Framework committing additional funds from the European Investment Bank for the restart of major road projects and negotiating the new development plan for the period 2014-20.*
5. *The completion of the tax reform and the implementation of exhaustive tax audits with the aim of destroying the basic mechanism reproducing social inequalities. The Ministry of Finance should declare open war on tax evasion and tax avoidance.*

Greece with these moves will rapidly retrieve its credibility that was lost over the last two years and the economic environment will improve. A climate of stability and positive expectations for the country will develop and since values have greatly depreciated an investment recovery can soon start. A number of international funds are already investing in export oriented SMEs listed in the Athens Stock Exchange.

The protracted crisis has revealed serious weaknesses in the productive economy. But in a globalized economy there are no easy solutions. To respond to the challenges we need to create a new development model based on smart specialization and openness.

No effort on the part of the government will have the expected success unless accompanied by the mobilization of the productive forces and

individual citizens. Social mobilization can create the conditions for a new prosperity.

For that to happen, the old habits of "statism" and "inexpensive entrepreneurship" should be left aside. Ideological and partisan entrenchments should give way to a constructive dialogue about the future of the country.

Greece requires a systematic effort by all productive forces based on commitment and shared responsibility.

- Commitment of Greek businessmen in order to invest in export oriented activities, focusing on innovation and systematic utilization of manpower.
- Shared responsibility by all citizens respecting the rules of law and especially through the creation of tax consciousness.

The crucial questions remain whether (a) the Coalition can stay intact and (b) the government improves its performance in implementation. That is a difficult equation to solve. The Prime Minister has to balance appointments made on merit with appointments of insiders. The former are scarce in Greece the later are in abundance. Insiders due to their ineptness sense of survival and vindictiveness may undermine the stability of the government if they feel threatened. The correct way to address the issue is to build a strong monitoring and control mechanism under the reform minded Minister of Finance with considerable private sector contribution. This government has a window of opportunity until spring 2013. By then either the first results will show or a new crisis will erupt.

S. TRAVLOS 29-11-2012