

REGAINING CONFIDENCE WILL NOT BE EASY FOR GREECE

Weaknesses and imbalances were not addressed in the 15 years since joining the Eurozone: The Greek government collected less in taxes than it spent, the country consumed more than it produced and had to import well above its exports. The triple deficit was unsustainable has crippled the economy and made the crisis inevitable. And despite considerable reform effort and sacrifices the economy remains fragile after 7 years of recession.

The return to sustainable growth for Greece depends on restoring investors' confidence. The government must prove that is tackling with determination the long-term fiscal and competitive challenges facing our economy. The remaining risks are high as both geopolitical and internal factors intertwine and fuel uncertainty about the future. But the adoption of the two sets of prerequisites is a major step in the right direction. The pension reform lies ahead and casts a cloud of uncertainty not only in economic terms but also for political stability.

However, continued progress requires action from both the private sector and government in order to restore the trust in our future prospects.

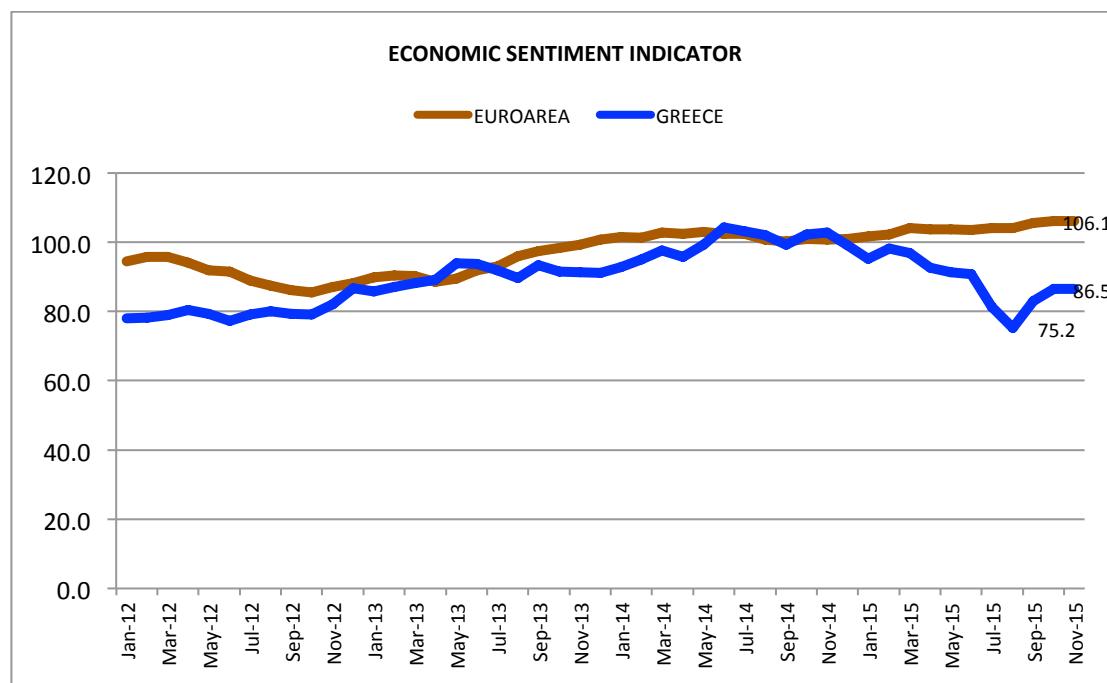
Although, successive adjustment programs have enforced on Greece numerous long-standing reforms, there are still pockets of resistance to change while some major initiatives have failed to produce the expected results. It is difficult to explain how governments have failed to tackle tax evasion in a systematic way and as a result law-abiding citizens continue to bear an ever-increasing tax burden. It is also inconceivable why privatization has progressed at a low pace with major assets remaining undeveloped and failing to produce their full growth potential.

In this context the most crucial factor is policy consistency and perseverance in application. The private sector will follow as soon as a culture of stability has prevailed. There are major challenges still facing entrepreneurship in Greece. But we must react to the positive steps taken by the government. Even during the worst phase of the recession private investments went ahead. Now, a sustainable recovery cannot occur without private sector crowding in. An investment shock should take place within the next 5 years. Domestic resources are no longer sufficient and we should attract more FDI in key sectors of our economy. Foreign investors have been burnt in Greece too often in the recent past and will require solid evidence of stability in order to come back.

Furthermore, the implementation of the new 2014-20 investment plan co-funded with the European Union will give additional impetus to growth. Important strategic choices have been made to invest in the competitiveness and innovation of SMEs, sustainable job creation and tackling unemployment through capacity building and

development of human resources. Greece has made smart choices and prioritised its investments accordingly. Tourism, energy, agro-food, environment, blue economy and logistics, will be the primary drivers for growth and jobs, while culture, specialised health services, aquaculture, pharmaceuticals, ICT, waste management, trade and freight transport services will also play a prominent role for Greece's future growth model. The private sector must react to the challenge of innovation and undertake strategic investments that will lead to the modernization of our economic infrastructure.

There are positive signs for a revival but few believe that the government in its current structure will be able to create the right pro-growth environment. A broader coalition of social and political forces is required in order to redefine the growth landscape and redirect the reform effort.



It is imperative to change attitudes and expectations in order to address the challenges lying ahead. The coexistence of the reform effort and the leftist anti-market rhetoric cannot last. It damages the prospects for recovery and undermines confidence.

New policies are required. The ones included in the existing 3rd adjustment program are necessary but not adequate. They need to be supplemented by a national plan containing two sets of measures:

1. Time for a new thinking – opening new paths to inclusive growth

- Defeat the pervasive culture of corporatism, sterile statism and anti market behaviour,

- Concentrate on product market reform and opening of markets,
- Improve the productivity of capital and the productivity of labour,
- Take into account social needs especially employment education and health to create inclusive growth.

2. Creating a positive environment for growth, improving business climate and generate new entrepreneurial dynamics

- Encourage entrepreneurship by allocating more credit for start-ups, adding entrepreneurial skills to school programs,
- Re-educate the public sector in order to encourage innovation and develop close but transparent collaboration with the private sector,
- Improve knowledge transmission and increase technology transfer and commercialisation from universities so that new jobs are created and new activities emerge,
- Speed up the restructuring of the old economy and NPL resolution with more real economy bias.

The next success story must be built on solid foundations and the current state of the political system does not provide any guarantees for the future. Both the government and the main opposition party go through an identity crisis. They must get over it soon otherwise the spectre of GREXIT will return in the first semester of 2016.

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