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## The Greek transformation program and the impact upon business activity. Myths and reality

Une conférence-débat consacrée à la situation de la Grèce a eu lieu le 22 janvier dernier dans les locaux du Prisme, club de dirigeants de la région lyonnaise.

Organisée à l'initiative de [Jean-Luc Soulier](#) et sous l'égide du Prisme, cette conférence a été l'occasion pour M. **Yanos Gramatidis**, de partager son analyse de la situation dans le cadre d'une intervention intitulée « *The Greek transformation program and the impact upon business activity. Myths and reality* ».

Gramatidis est associé gérant du Cabinet [Bahas, Gramatidis & Partners](#), l'un des plus importants cabinets d'avocats d'affaires internationaux grecs. Fils d'un illustre homme politique, il est spécialiste des droits de l'homme et du droit international, et intervient notamment à l'Institut International des Droits de l'Homme de Strasbourg et à l'Académie de Droit International de La Haye. Membre de plusieurs associations nationales et internationales, il est également Président Honoraire de la Chambre de commerce gréco-américaine en Grèce.

Face aux graves difficultés rencontrées par la Grèce au cours de ces dernières années, M. Gramatidis a décidé de créer en juillet 2015 un nouveau mouvement politique dénommé *Nea Poria Nea Ellada* (littéralement « une Nouvelle Voie pour une Nouvelle Grèce ») qui compte de nombreux partisans à travers tout le pays. Il intervient très régulièrement à ce titre dans les médias nationaux et internationaux (comme CNN ou Bloomberg).

Dans le cadre de son intervention, M. Gramatidis est notamment revenu en détail sur le naufrage de l'économie grecque, les raisons profondes ayant entraîné un tel naufrage, les conséquences désastreuses de celui-ci et les moyens à mettre en œuvre, selon lui, afin de redresser la situation au plus vite.

Le texte de l'intervention de M Gramatidis est intégralement reproduit ci-dessous (texte disponible en anglais uniquement) :

Ladies & Gentlemen,

It is a pleasant surprise for me that through your today's presence you overthrow the rule that "a ship full of lawyers sunk at the bottom of the sea is a good start". Unless if such an attitude is simply the evidence of the traditional faith of the French people in the idea of hospitality. I am sure you know that the idea of hospitality is shared also among the Greek people. I am grateful for your presence and I take the opportunity to thank the organizers as well as my cordial friend and colleague Jean-Luc Soulier for this useful initiative. A free lunch, on the other hand, is always attractive even if you have to travel from far away!

I am here today as a Greek citizen, without distinctions and ranks, determined to do a self-understood duty, to expose to a distinguished group of the European society the accurate picture of a real shipwreck, of the shipwreck of the Greek economy. To explain the real reasons of such a shipwreck and the surrounding circumstances, to identify the responsibilities and to describe the size of the problem. In parallel, I shall attempt to present my personal view as to the way that such a shipwreck could be salvaged, and to show the importance of such salvage not only for the European family but also for the entire world. Such a civilian duty becomes self understood if one considers even for a moment that the Greek governments from the beginning of the crisis till today insist on obviously wrong policies when deliberating with their international creditors and European counterparts. Instead of exploring exit ways for the Greek economy to come out of the crisis, they keep insisting on more borrowing in exchange of the application of measures and the imposition of recipes that deepen the recession and leave the shipwreck irrevocably at its cold sea bottom.

I deeply believe that only a serious de profundis dialogue of the healthy forces of the Greek society with the greater European family coupled by credible information, would be the basis for a rational solution of the Greek problem. This becomes even more the case as the Greek problem has become the expression of a greater European problem whose solution goes beyond the capabilities of the European governments requiring the active involvement of the European citizen. This issue is for me a very serious one as it affects the core of the security of the European society. It is my deep belief that we entered into an era of action of the citizen in order to secure such a core where the inalienable values and principles of the European societies are concentrated. Such values and principles constitute in turn the foundations of the vision of the European integration.

Ladies & Gentlemen,

The shipwreck of the Greek economy was absolutely justified and expected. The recent world economic crisis commenced in the USA revealed the internal problems of the Greek economy carefully hidden under the carpet by the Greek governments. The world crisis revealed the problems of a paradoxical as well as illogical growth model whose fundamental axe was a deep and extended public sector corresponding to a 65% of the total productive activity of the country. The development of the public sector to the detriment of the private one, has been a conscious choice of all the post war Greek governments as, through this choice and through policies of

political favoritism, they were securing their presence in power. Such a political transaction was not made only between the political class and the citizen, but also between the members of such a political class themselves, who, in such a way, were securing their turn-over in the government, in effect trapping the Greek people in a circle of preselected political alternatives. The deep and extended public sector imposed all sort of restrictions and obstacles upon the exercise of private initiatives by creating an unaffordable bureaucracy, a net of co-responsibilities and a labyrinth of licensing procedures crashing any business activity. Professions and services remained closed for the citizen, farmers were trapped into the benefits' addiction and the easy and unjustified borrowing, the public debt was destined to serve extreme social policies, while, in parallel, the economy was driven to non-productive activities. This is why finally the Greek economy never concentrated into the production and provision of internationally tradable products and services that could secure a vital exports' stream as a basic factor of a well structured GDP. On the contrary, such a wrong model design was depriving the economy from renewing its foreign exchange reserves with a direct consequence the exhaustion of its internal currency reserves and the continuous retreats to borrowing. If to all such factors you add the unstable and anti-competitive tax system, an inefficient tax administration, the development of illegal transactions and corruption and the delayed administration of justice to the extent that such a delay became equivalent to justice denied, you may easily come to the conclusion that the Greek economy has been for decades and is still today the last soviet type economy in Europe.

It was only natural, therefore, that the policy towards the safeguarding and increasing of the political gains was excluding any creative activity towards the design of a vision for the country and of a strategic road map that would lead to the implementation of such a vision.

In view of all above the Greek economy for many years and especially today is in need for a new economic growth model that would free the creative forces of the society and lead to both, the production of substantial wealth, and the fair distribution of the final social dividend. A model based on the competitive advantages of the country, being agriculture, tourism and culture. Is this need achievable today? This is Ladies & Gentlemen the crucial question that constantly occupies my mind. Perhaps dealing with the real economic facts and the present established conditions, we may identify together any existing possibilities and solutions, provided however, that we first explore the course of the country from 2010, when the Papandreou government sought the contribution of IMF, the European Commission and the European Central Bank, the so called troika, till today.

The Papandreou government entered into the 1<sup>st</sup> Memorandum without a plan and specific proposals, pressed by the need for an agreement, instead of proposing a road map for the exit of the country from the crisis and its put into a course towards growth. On the contrary, it proposed a road map of a severe and single sided fiscal character that served as a temple to sacrifice growth. In other words, instead of proposing measures of a growth character to go together with the structural reforms imposed by the troika that would make the Greek economy at last a

competitive economy, the Papandreou government preferred not to touch the political party army of the public sector to the detriment of the private sector. Instead of proposing measures that would shrink the public sector thus making it more flexible, operational and friendly to the citizen, they elected to impose upon pensioners, workers and employees a severe net of austerity measures coupled by a heavy taxation upon business activity, thus leading the economy to a deep and long lasting recession. Every Greek government thereafter followed the same catastrophic policy, till today resulting to the absence of a growth prospect. The economic figures are very indicative of the situation: Greece has lost more than 25% of its GDP, 27% unemployment, hundreds of thousands of enterprises have gone bust under the pressure of a deepening recession, social groceries, social meals, homeless everywhere, people queuing in front of dash beans, thousands of suicides, a new Greek immigration wave causing 300,000 young and capable people leaving the country for a better future. The public debt is 337b euro being the 187% of the GDP while the country is under an everyday pressure as to how to cover the basic operational needs of the state by further borrowing that depends on continuous and humiliating evaluations of its international creditors. No discussion on growth and jobs from the part of a political personnel that has irrevocably compromised and cannot propose another way which, I support, that exists.

Things being so, we have to emphasize that the country has undergone many structural reforms thus far mainly in the fields of e-government, public procurement, company formation, customs' and exports procedures. At the same time the Greek Privatization Agency is preparing a new generation of privatization including the Greek Rail, the Natural Gas Distribution Company, the Thessaloniki Port Authority, and a good number of public real estate of substantial value attracting major international players as Mitsui, Deutsche Invest, the Russian Rail, APM Terminals, and others. Further, the privatization of 14 regional airports has been completed in favor of Fraport-Slentel representing an investment of 1,2b euro. Finally, Greece remain in the focus of major international investment funds as York, Wellington, Suez Environment, Paulson, Fairfax, Fidelity, Fosun, the London & Amsterdam Trust and others. The reason for such an activity is mainly the decline of values in Greece, the prospect of stabilization of the economy and the expectation for capital gains from stocks and bonds. On the other hand impressive profits are expected to be gained from the private management of the NPLs of the Greek banks. It is fair to say that the re-capitalization of the Greek banks has been recently completed with success. However, fresh money has not been injected in the real economy while the capital controls remain as a substantial obstacle to business and private activity. At the same time, however, the crisis has pushed people into survival mode and they are looking for opportunities. High tech sector produces value-added products and services and gain substantial market share not only in Greece but also in the global market. Despite the bleak outlook there is a growing cadre of Greek entrepreneurs determined to defy the odds and build high-tech businesses that can thrive, providing a glimmer of hope for the economy. All these facts and factors inevitably increase the investment interest in the country. It would be safe to say that Greece has the ability to move from crisis to investment opportunity. However, the question remains the same: can Greece

finally make it? Is there another way to exit from the recession tunnel and get into the path of growth?

The other way, which I support that it exists, requires the strength for a new negotiation with the country's creditors that would lead to a 4<sup>th</sup> Growth memorandum. We have to renegotiate with our creditors on a realistic basis, with credibility, complete argumentation basis and what's more, on the basis of mutual trust and respect. I would call it "a dynamic renegotiation" requiring, however, two parties willing to tango. The new discussion should be based on two axes: (a) on the adoption of the logic of the dynamic as opposed to the arithmetic equivalents, and (b) on the necessary putting forth of the restructuring of the Greek public debts, instead of such restructuring depending always on the result of the evaluations and the compliance of the country with its contractual obligations. At this point I would like to make two clarifications: when I refer to dynamic equivalents I mean the election of measures of shock for the rebooting of the Greek economy which is in the intensive care unit, as i.e. attractive low tax rates, growth incentives, a dramatic increase of public investment and other dynamic measures capable of resulting to a dramatic increase of public revenues through growth and not through recession. Further, when I refer to putting forth the restructuring of the public debt before any other measure, I mean the extension of the maturities of such debt for at least 50 years, and the agreement on a grace period of at least 8 years for the servicing of the debt with a parallel decrease of the interest rate level. Why is this absolutely necessary? Greece has to pay 51b euro interest in the next 8 years starting with annual payments of almost 5b euro (only in 2022 Greece has to make an interest payment of 18b euro). Greece could use such amounts for the support of its economy thus making it capable of meeting its debt obligations in the future. Greece does not deserve to be a continuous begger, it should endeavour to regain its credibility and trustworthiness without demanding any debt hair cut that would be to the detriment of the European citizen.

This other way requires a new visionary approach of the reality by a new and inspired political leadership of the country. It requires a new leadership capable to conferring on an equal basis with the European leaderships and not as a poor relative. This is obviously a problem of the country itself and it depends on the choices of its citizen. The European family however has its own responsibilities as well as capabilities. It has the capability of flexibility for defining the other way, and the historic responsibility to restore a relative country at the level of equality where it deserves to be because of its historic contribution to those principles and values being today not only a pan-european but also a world heritage.

Greece is today the weak part of the European chain. Such a weakness becomes even bigger because of the current refugee and immigration wave badly affecting Europe. It is unheard that such a problem should not be part of the economic negotiations between Greece and its creditors. On top of the deep and continuous recession and the collapse of the Greek real economy, Greece has to increase its burden by its own portion of the burden of facing the new challenge. The fair

portion in the design and implementation of European policies in relation to this new challenge should be obvious and necessary.

Ladies & Gentlemen,

I thought that it was my duty to elaborate sincerely and profoundly on the problem of the Greek economic crisis. I may have enlightened you more, or perhaps I may have confirmed your views, good or bad. However, my basic aim was to make you aware of the fact that the healthy forces of the Greek society, especially coming from the front of the business community and, of the real creativity, are ready to take action and mainly to open a fruitful as well as necessary dialogue with the European citizen in the frame of the need to put forward whatever unites us as opposed to whatever divides us. Only in such a way we shall serve the vision of the European integration.

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