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**Hermes Institute of  
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# GREECE AT A GLANCE



**HELLENIC FOREIGN POLICY, DEFENSE & SECURITY DIRECTORATE**

**PROVIDING KNOWLEDGE TO THOSE WHO SHAPE THE FUTURE**

«GREECE AT A GLANCE» is a weekly review of the most significant current political, economic, defense, and security, diplomacy and energy news of Greece.

This ambitious newsletter aspires to become an informative «tool» for anyone who is interested in Greece and wishes to have knowledge of the non-stop current developments and challenges the country faces. Greece has a highly geostrategic and geopolitical position on the map, being together with Cyprus the southeast frontier of the European Union and the gate between the western world, the Middle East and North Africa.

Lately, Greece has been in the center of a financial crisis fighting to «stand at its feet» and to return back to economic normality. At the same time, the war in Syria made Greece the main gate towards Europe for large flows of refugees, posing another humanitarian and security challenge for the country in an already difficult and challenging international and regional environment.

«HERMES» Institute is not a news agency and it is not one of its ambitions to become one but it is strongly believed that today's events provide the necessary material to understand the future and to analyze situations that may affect in peace, stability, and growth of Greece.

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## **POLITICS**

### **Space chief resigns over agency's "subservient" role to politics**

Distinguished Greek-American scientist, Stamatios Krimigis has resigned as director of Greece's newly established Hellenic Space Agency (HSA) just weeks into his tenure.

In a lengthy letter dated and outlining the reasons for his decision, the head emeritus of the Space Department Applied Physics Laboratory at Johns Hopkins University in the United States accused Telecommunications Minister, Nikos Pappas of making decisions that "effectively annulled the HSA's entire purpose and rendered it an unreliable bureaucratic structure that could become subservient to any political chief."

Mr. Krimigis went on to criticize the general secretary for telecommunications, Vassilis Manglaras, as a "space czar" who sought to undermine the agency chief's authority from the onset, "with the minister's tolerance," and even though he has "no knowledge or experience in this field."

"It is my belief that there is a concerted effort to manipulate HSA toward specific goals," Krimigis added.

*(www.ekathimerini.com)*

### **Defense Minister meetings fuel political speculation**

A decision by Defense Minister Panos Kammenos to receive the leader of a minor nationalist party and an independent MP planning her own right-leaning movement at the ministry fueled speculation about a possible bid to form a right-wing movement ahead of possible snap elections.

Mr. Kammenos also leads the right-wing Independent Greeks (ANEL) which shares power with Prime Minister, Alexis Tsipras's leftist SYRIZA but appears unlikely to enter Parliament in the next elections, according to opinion polls.

The official reason given for Kammenos's meetings with Failos Kranidiotis, a lawyer and former aide to ex-prime minister Antonis Samaras who leads a small party called New Right, and Katerina Papakosta, a former conservative New Democracy MP, was to brief them on developments in Greek-Turkish relations and growing tensions in the Aegean.

But ANEL's dropping popularity is widely believed to have been Kammenos's motive.

*(www.ekathimerini.com)*

### **Mitsotakis slams government over PPC selloff plans, frigate confusion**

As MPs debate a bill selling off lignite plants of Greece's Public Power Corporation, conservative New Democracy leader, Kyriakos Mitsotakis accused the leftist-led government of lacking vision and reminded it of its opposition to PPC's privatization when in opposition.

"The government is defrauding citizens while nodding to likely buyers of the lignite units," Mitsotakis told Parliament, noting that the administration would push up electricity prices and undermine the future of PPC. "It is leading it to the brink of bankruptcy," he said.

Mitsotakis also commented on the confusion surrounding reports that Greece was to receive French frigates on lease following clarifications by Defense Minister Panos Kammenos that the only confusion between Greek and French authorities related to the possible construction of frigates in Greece.

"You have to understand that the country's foreign policy and defense are not a game," he said. "The country's standing is at risk due to the inadequacy of the government," he added.

*(www.ekathimerini.com)*

### **SYRIZA MPs request extension for Novartis report**

SYRIZA lawmakers participating in a parliamentary committee set up to investigate 10 Greek politicians allegedly linked to a bribery scandal involving the Swiss drugs manufacturer Novartis, requested a two-day extension to submit their official report, sparking criticism from the opposition.

The request was sent to opposition MPs by the head of the panel and SYRIZA MP Thodoris Dritsas, in an email marked as "urgent."

The opposition claims SYRIZA requested the extension to study the conclusions of other parties and prepare the answers for its own report.

*(www.ekathimerini.com)*

### **SYRIZA MP redefines anarchist group Rouvikonas**

An MP of the ruling SYRIZA party said that the self-proclaimed anarchist group Rouvikonas is not a criminal group but a political one that engages in activism.

Referring to the paint attack on the French Embassy and Consulate in Athens on Sunday, Giorgos Kyritsis told Skai TV on Monday that throwing paint is "a classic case of activism."

He did however express opposition to the attack, saying that Greece must "pursue good relations with France."

In a post on an anti-establishment website, the group said it carried out the attack to protest France's intervention in Syria and to express solidarity with the workers participating in France's strikes.

*(www.ekathimerini.com)*

## **ECONOMIC**

### **No agreement on Greek debt measures in sight yet**

Despite Athens's optimism for an overall agreement by June 21, eurozone officials have returned to Brussels after the International Monetary Fund's spring meeting in Washington in full awareness that reaching a deal on easing Greece's debt will be easy.

The Fund and the eurozone may not have gotten any closer after their meetings, but at least they have stated their intentions regarding their time limitations as well as their red lines. This is why, after the IMF meeting, officials in Brussels are saying that any deal by the Eurogroup meeting in Sofia will be particularly difficult.

Crucially, while Germany expressed the need for associating the debt-easing measures with certain terms and conditions, the Fund insisted that the easing mechanism would have to be automatic and free from any political pressure.

*(www.ekathimerini.com)*

### **Germany says decision on Greek debt will "take a few more weeks"**

Germany lowered expectations that Greece and its euro zone creditors could soon reach an agreement on debt relief after Athens far exceeded lenders' budgetary demands in 2017.

Greece has posted an overall budget surplus for the second straight year, even when debt repayments are included. This result could facilitate debt relief talks before the end of Athens' current bailout program, the third since 2010.

But a spokeswoman for German Finance Minister Olaf Scholz poured cold water on any such hopes when asked to comment on a report by Handelsblatt business daily which said Berlin was still opposed to granting debt relief without strict conditions. "No decisions have been made, there is no predetermination in these questions," spokeswoman Jeanette Schwamberger said.

The debt relief talks will continue and Germany hopes a decision can be reached in good time before the end of Greece's third bailout program, Schwamberger said. But she also added: "This decision will certainly take a few more weeks."

*(www.ekathimerini.com)*

### **IMF's Thomsen proposes broadening the Greek tax base**

Poul Thomsen, director of the International Monetary Fund's European department, spoke in favor of a broadening Greece's tax base though he stopped short of determining whether the IMF would call for reductions to the tax-free threshold (due to come into effect in January 2020) to apply a year in advance.

Speaking in Washington, where the IMF is holding its Spring Meetings, Thomsen said that raising taxes had played a large part in the country's fiscal adjustment in recent years but that Greece must find a way of meeting fiscal targets that is "growth-friendly."

The IMF will not impose any specific policies, he said but proposed a "discussion" about the timing of tax reforms.

As regards the Fund's potential role in Greece's third international bailout, which expires in August, he said at least one bailout review must be carried out before a decision can be made as well as agreement to lighten Greece's debt. "Time is running short for us to be able to activate the program," he said.

*(www.ekathimerini.com)*

### **Juncker: Greece does not need credit line, extra austerity**

Greece can exit its third financial bailout program without requesting a precautionary credit line, European Commission President Jean-Claude Juncker and Greek Prime Minister Alexis Tsipras said.

Juncker, who was visiting Athens, also said that the achievements of Greece, which has implemented broad reforms in return for bailout funds, were "excellent".

"We want to apply every effort to ensure that the exit of Greece from the bailout is a clean one. And that there will not be any precautionary line," Juncker said in comments translated into Greek after meeting Tsipras.

"I have never been a fan of austerity," he said.

Tsipras, who was speaking during a joint press conference with Juncker, said Greece does not intend to backtrack on its reforms and is on track to meet its fiscal targets for 2018-20 after overshooting them in recent years.

He said Athens and its EU lenders are also close to agreeing on a framework to reduce the country's huge debt pile.

*(www.reuters.com)*

### **Euro zone to link debt relief to sound future Greek policies**

Euro zone creditors are working on a debt relief offer for Greece that would be an incentive for Athens not to backtrack on reforms from its three international bailouts and to continue to stick to prudent fiscal policy, senior EU officials said.

Greece is to exit its bailout on Aug. 20 and return to market financing after eight years of living on cheap euro zone loans it got in return for painful reforms, after investors refused to lend to it in 2010 because of its ballooning deficit and debt.

Once the bailout ends, Greece will be free to set its own economic policy - a political turning point for the country that has long been forced to implement highly unpopular reforms suggested by the euro zone and the International Monetary Fund.

But many officials are worried that as time passes, Greek politicians will be under increasing pressure to loosen budget strings again, so they are seeking ways to make it worth Greece's while to be fiscally prudent as long as possible.

"The Greek government needs to stick to the implemented reforms and post-program fiscal trajectory, which means sustained large levels of primary surpluses for an extended period of time," European Commission Vice President Valdis Dombrovskis told Reuters in an interview.

Officials say a well-designed offer of further debt relief for Greece could provide an incentive for Athens not to stray from the agreed reform path and keep a high primary budget surplus - the balance before debt servicing costs - of 3.5 percent of GDP, until at least 2022.

"We think it is fully realistic," Dombrovskis said. "We expect Greece being on track with the fiscal trajectory."

Another way of ensuring Greece sticks to sound policies would be through extending a precautionary credit line from the euro zone bailout fund ESM to Greece, because such a credit line comes with conditions.

But this is why Athens does not want it, and the euro zone neither can, nor wants to force Greece into some new bailout in disguise.

*(www.reuters.com)*

### **Fitch: Greece Budget Surplus Shows Continued Fiscal Commitment**

Greece's second-consecutive budget surplus demonstrates the authorities' continuing commitment to fiscal consolidation, Fitch Ratings says. This supports Fitch's expectation of improving debt sustainability, although how far and how fast public debt will fall will largely be determined by the nature of the debt relief currently under discussion by Greece's international creditors.

ELSTAT said on Monday that Greece had posted a headline budget surplus worth 0.8% of GDP in 2017, up from 0.6% a year earlier. Greece's budget deficits in the 2014 and 2015 were 3.6% and 5.7%, respectively. Last year's primary surplus was 4.0% of GDP.

"Greece remains one of the few eurozone countries whose fiscal adjustment is structural rather than chiefly cyclical. The Greek Finance Ministry said that the 2017 outturn showed that post-programme targets are feasible. We think primary surpluses may fall below these targets beyond 2020, but we still believe gross general government debt (GGGD) peaked in 2016 and will fall more rapidly from next year, reaching 137% of GDP by 2025, assuming annual average nominal GDP growth of 3.5%, but not factoring in any future official sector debt relief" says Fitch



Ratings, adding that "Our baseline assumption sees GGGD falling further, to 132.8% of GDP in 2026. This would still be higher than the current level for Italy - the eurozone's second most-indebted sovereign - although the concessional nature of Greece's public debt means that debt servicing costs are low".

"Technical work by the eurogroup on a mechanism for linking debt post-programme relief to growth targets is at an advanced stage, and eurogroup president Mario Centeno said last week that Greece's eurozone creditors and the IMF were getting closer to agreeing on official sector debt relief. The eurogroup will discuss debt relief options tomorrow at a meeting in Sofia. We do not anticipate haircuts to the official debt stock, but the prospect of other substantial debt relief measures is reflected in the Positive Outlook on Greece's sovereign rating" the agency rating concludes.

*(www.capital.gr)*

## **DEFENSE & SECURITY**

### **Greece and Turkey must sort out differences bilaterally, NATO chief says**

Greece and Turkey need to address their differences on a bilateral level and in a spirit of good neighborly relations, the head of NATO alliance of which both countries are member has said.

NATO Secretary-General Jens Stoltenberg was speaking to Greece's Ta Nea daily during an official visit in The Hague.

Stoltenberg repeated the claim during a lecture at Leiden University.

"NATO is the answer to many problems, but NATO is not the answer to all problems," he said, adding that NATO was designed to address threats from outside the alliance

*(www.protothema.gr)*

### **Kammenos: Nobody should dare challenge our sovereignty**

Greece will not tolerate any challenges to its national sovereignty, Defense Minister, Panos Kammenos said speaking at the Infantry School in Halkida during an event to celebrate St. George, patron saint of the Hellenic Army.

"We want peace, we work for peace and we will do everything in our power to preserve peace, but nobody should dare challenge an inch of our national sovereignty and territorial integrity," he said.

Kammenos described again the two Greek soldiers who have remained in pre-trial custody in Turkey since inadvertently entering its territory during a border patrol in early March as "hostages," adding that the Greek people are not threatened by anyone.

### **French press points to confusion between Athens and France over frigates**

Reports in the French press suggested there is a “misunderstanding” between Greece and France over Athens’ claims that Paris has agreed to lease two Fremm-type frigates to the country for a period of five years, amid growing tensions with Turkey.

Alternate Defense Minister, Fotis Kouvelis, confirmed last Friday on SKAI TV channel that France “has made two frigates available to us in a leasing agreement,” following talks between Prime Minister Alexis Tsipras and French President Emmanuel Macron.

In an article published on Saturday, French weekly La Tribune quoted French Defence Minister Florence Parly, who said “it is not valid” that any deal has been reached, however “we are at the disposal of our Greek friends to continue working even more closely.”

It said the French government had not committed to a leasing deal considering that the French Navy does not have the ability to lend two frigates to Greece.

The paper also cited a person “with knowledge on the file,” who said this issue could simply be a “manipulation” from Greece to accelerate the acquisition of the FTI frigates - the Belharra.

French website Mer at Marine described the issue as a “strange game of diplomatic ping-pong” between Greece and France, in an article published on Monday.

The website quoted an unnamed French official who said that such a deal is “out of the question” and that “these statements are totally unfounded.”

The French Navy cannot lend frigates to other countries as its FREMM fleet is “barely sufficient” to cover its current operational needs, it said.

Mer at Marine attributes the Greek declarations to the renewed tensions with Turkey. “The historically difficult relations between the two countries are tense again and the Hellenic Armed Forces are seeing their Turkish rivals rise in power, especially in the naval field,” the website says.

“It could be that the Greek Navy would therefore like to have new units as soon as possible,” it adds.

*(www.ekathimerini.com)*

### **Turkish Court Rejects New Appeal for Greek Soldiers’ Release**

A Turkish court has rejected for a third time the appeal launched by the defense team of the two Greek soldiers held in Edirne for their release on bail.

According to Turkish media, the judge rejected the appeal claiming that the soldiers did not have permanent residency and therefore, they can run away if they are released.

Sgt Dimitris Kouklatzis and Lt Angelos Mitretodis have been detained in a high-security jail pending trial in the border town of Edirne ever since.

This was the third time that the court dismissed an appeal for their release.

Turkey's president, Recep Tayyip Erdogan, proposed that two Greek soldiers be exchanged for eight Turkish officers who have sought asylum in Greece.

"They asked us to give the two Greek soldiers back. And we told them there are eight soldiers who tried to make a coup. First, you have to give them to us. If you give them to us then we can put the others on the table. Because they crossed the border," Erdogan was quoted as saying.

Erdogan's proposal was dismissed by Athens as unacceptable.

Meanwhile in Strasbourg, the Council of Europe's parliamentary assembly (PACE) has called for the immediate release of the two Greek soldiers.

*(www.greekreporter.com)*

## **DIPLOMACY**

### **Hahn sees solution to FYROM name dispute in next two weeks**

European Commissioner for enlargement, Johannes Hahn, expressed optimism that Greece's name dispute with FYROM could be resolved in the next 15 days.

"I am optimistic that in the next two weeks we will have a solution. At least a solution that will open the way for the beginning of accession talks with FYROM," he reportedly told the European Parliament's Foreign Affairs Committee.

"I think everyone agrees that this would be useful for the country, for society and the whole region of the Western Balkans," he added.

Hahn said FYROM has overcome a deep political crisis and is making progress in the implementation of reforms and in maintaining good neighbourly relations, but warned "there is no time for complacency."

*(www.amna.gr)*

## **ENERGY**

### **Greece accepts Snam-led consortium's offer for gas grid DESFA**

Greece has accepted a €535 million offer from a consortium led by Italy's Snam for a majority stake in gas grid operator DESFA, naming it the "preferred investor", its privatisation agency said on Thursday (19 April).

DESFA runs a network for transporting gas from the Greek-Bulgarian and Greek-Turkish borders via a 1,459-km pipeline. It also has a liquefied gas terminal facility on an islet off Athens.

Strategically-placed, Greece could represent an important crossroads for the diversification of supplies and new natural gas routes in Europe, the consortium said.

It anticipated the transaction would be finalised in the second half of 2018 after securing approvals, including antitrust clearance.

“With our partners Enagas and Fluxys we have built a strong European industrial consortium with the aim of further developing DESFA, the Greek market, the Energy Union and the entire energy system of Mediterranean Europe,” Snam’s Chief Executive Marco Alvera said in a statement.

The sale of a majority stake in DESFA is mandated under Greece’s latest international financial bailout, worth up to €86 billion.

It was forced to re-launch the sale process for 66% stake in DESFA last year after a previous €400 million with Azerbaijan’s SOCAR fell through in 2016.

([www.euractiv.com](http://www.euractiv.com))

## **ASSESSMENT**

Many argue that the most likely scenario with respect to domestic political developments is that Greek Prime Minister, Alexis Tsipras will opt for early elections, on the grounds that he will avoid the political cost as public opinion seem to slowly turn against him amid the suspicions that more cuts and austerity are ahead.

However, the Prime Minister is consistent with the narrative he is promoting which points to the completion of the government’s full four-year term. His political narrative will be built on exiting the bailouts, even if the exit will not be as “clean” as he would have wanted.

As time passes Greeks are beginning to understand that things might be quite different that what they were led to believe. In the coming months it will be very interesting to see how the government will try to keep its voters happy and under the impression that all is going according to plan. Many Greeks are less and less convinced by the SYRIZA MPs claiming that every difficult decision they make is made with a heavy heart. For many people it becomes clear that perhaps the government they voted for did not negotiate as it has promised...

Polls the past month have shown a constant lead of the opposition with people believing that the situation is likely to get worse...

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