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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**

### **Local and European polls to be held on the same day**

Next year's local elections will take place in May instead of October, to coincide with the European elections, after Interior Minister Panos Skourletis accepted an amendment submitted by 16 SYRIZA MPs to the so-called Kleisthenis 1 bill, aimed at overhauling the governance of local authorities.

The lawmakers had initially submitted an amendment on Tuesday night aimed at having the first round of local elections a week before the Euro-elections. That way, the vote for MEPs would have coincided with the second round of local polls.

However, they submitted a second amendment on Wednesday that foresees the first round – instead of the second – of local elections coinciding with the European elections.

*(www.ekathimerini.com)*

### **ND leader slams government for giving up “bargaining chip” on FYROM talks**

Conservative opposition leader, Kyriakos Mitsotakis on Wednesday July 11<sup>th</sup> accused the government of giving up Greece's “strongest bargaining chip” in the name dispute with FYROM by agreeing to lift Athens's objections to the Balkan state's NATO membership.

“Three weeks ago at Prespes, [Prime Minister Alexis] Tsipras and [Defense Minister Panos] Kammenos recognized the supposed Macedonian ethnicity and language. This occurred despite the total opposition – I would say outcry – of the people,” Mitsotakis said.

“At that time we waged a battle in Parliament to prevent this development, warning against the negative repercussions it would have – in fact very soon,” he said.

“Today in Brussels, Tsipras and Kammenos are showing the neighboring state of Skopje the door of NATO membership. They are thereby giving up Greece's strongest bargaining chip which has been the official policy line over 27 years,” said the New Democracy leader.

“Tsipras and Kammenos are primarily responsible for creating a fait accompli. They will soon be judged also on this by the Greek people.”

*(www.ekathimerini.com)*

### **Dimitris Kammenos and Takis Baltakos plan new right-wing party**

Dimitris Kammenos, who recently left the ranks of coalition partner Independent Greeks in opposition to the name deal with Skopje, and Takis Baltakos, a former high-level official in the government of Antonis Samaras, are forming a new party.

An announcement on Tuesday July 10<sup>th</sup> said the purpose of the new party, which is expected to be on the hard right of the political spectrum, is to “prevent the surrender of Macedonia's name to Slavs” and to “remove the leftist government from power.”

Kammenos will be the unnamed party's president and Baltakos its general secretary, the announcement said.

*(www.ekathimerini.com)*

### **The Greek Government puts off granting right to vote to Greeks overseas**

The government on Friday July 6<sup>th</sup> effectively rejected a proposal by conservative New Democracy to amend voting laws so that Greeks living overseas can participate in general elections.

Interior Minister Panos Skourletis submitted an amendment to Parliament calling for a committee to be formed that is to examine the issue within the next six months.

Speaking on behalf of ND, which has twice submitted proposals for legislation to allow diaspora Greeks to vote in national elections, conservative lawmaker Makis Voridis accused the government of procrastination and said it should make a decision and settle the issue.

“Greeks abroad, both those who left a while ago and those who left the country more recently, are anticipating [the measure],” he said.

“We do not accept piecemeal reforms. Have the courage to make it happen. It's the mature thing to do and you will find a spectrum of consensus,” Voridis added, addressing representatives of ruling SYRIZA during a discussion in Parliament about new measures relating to local authority governance.

Responding to Voridis's criticism, Skourletis said the government opted to set up a committee to look into the matter of extending the right to vote in national elections to overseas Greeks due to “technical and constitutional problems and a series of issues to ensure the procedure cannot be tampered with.”

Friday's debate in the House was calmer than the vehement exchanges seen during Thursday's debate on post-bailout austerity in Greece, called for by ND.

*(www.ekathimerini.com)*

## **ECONOMIC**

### **O. Scholz: It would be a mistake for Greece to change bailout program**

It would be a big mistake for Greece to try to change the adjustment program that has been agreed with its lenders, German Finance Minister Olaf Scholz told the economic and monetary committee of the European Parliament in Brussels on Thursday July 12<sup>th</sup>.

“It is important to respect the agreements whichever government is in Greece. It would be a big mistake to change the program that has been agreed on,” he said.

Scholz said Greece will be exiting the bailout program and is “on the right track” and economic growth is showing momentum, which he said proves the success of the stability mechanisms available in the EU.

*(www.reuters.com)*

### **Commission confirms adoption of enhanced surveillance framework for Greece**

The European Commission confirmed on Wednesday July 11<sup>th</sup> the adoption of an enhanced surveillance framework for Greece once it ends its third bailout program on August 20.

The decision to activate the enhanced surveillance framework facilitates Greece's normalization, building on the progress that has been made, the Commission said in a statement.

“It will support the completion, delivery and continued implementation of reforms agreed under the program, in line with the commitments made by the Greek authorities. This is crucial to building market confidence and thus to strengthening Greece's economic recovery, particularly in the immediate post-program period,” the EU's executive arm said.

Commissioner for Economic and Financial Affairs Pierre Moscovici said Greece was “now able to stand on its own two feet.”

“That does not mean that it must stand alone. Europe will remain engaged and committed to supporting the country, and so will the European Commission. Today's decision is about just that,” Moscovici said.

“Enhanced surveillance is not a fourth program: it involves no new commitments or conditions. It is a framework to support the completion and delivery of ongoing reforms. Why is that so important? Because Greece's recovery is not an event: it is a process,” he said.

*(www.ekathimerini.com)*

### **The EU isn't pleased by Greek decision to postpone the increase of the VAT for 5 islands**

The European Union is not pleased with the Greek government's decision to postpone an increase of the VAT on five islands affected by migration, a senior EU official said on Tuesday July 10<sup>th</sup>, noting the measure was not agreed with Brussels.

According to the official, the measure will only apply until the end of the year. He said the abrupt change meant that alterations had to be made to the bailout program which the board of the European Stability Mechanism will be called to approve on Thursday night.

The official said the decision will only cost the budget 24 million euros, and expressed hope it will not affect a decision by the ESM to disburse Greece's last loan tranche.

Asked whether the pension cuts will apply from 2019 onwards as planned, he said the reductions have been agreed with Greece and it would be “wise” for the Greek government not to start any discussions to change the program.

*(www.ekathimerini.com)*

### **Greek PM reprimands SEV**

Greek Prime Minister Alexis Tsipras took a swipe at the Hellenic Federation of Enterprises (SEV) Monday July 9<sup>th</sup> for “trying to intervene in the public debate” about the measures in 2019-20 that Greece must implement, including pension cuts.

Speaking at a meeting of northern Greek industrialists, he said it was “unclear which forces [SEV] actually represents.”

Mr. Tsipras also said that the government wants Greek manufacturing to contribute 12 percent of the country's GDP “in the medium-term,” in a speech at the general assembly of the Federation of Industries of Northern Greece (SBBE), in Thessaloniki.

“We want the Greek industry to play a leading role in the Greek economy's outward-looking re-orientation, and our aim is for its contribution in the GDP to reach 12 percent in the medium-term,” he said according to the state-run Athens-Macedonian News Agency, without adding more details.

To this effect, he said the government is considering a proposal by SBBE to establish a separate ministry for industry to promote “targeted policies and the quick resolution of bureaucratic hurdles.”

*(www.ekathimerini.com)*

### **“No longer possible” to utilize Lagarde list according to the head of revenue authority**

The head of Greece's Independent Authority for Public Revenue admitted on Monday July 9<sup>th</sup> that tax authorities can no longer investigate the so-called Lagarde list for possible tax evaders, following two decisions by the Council of State last year.

The list, which was given to Greek authorities in 2010 by then French finance minister Christine Lagarde, features 2,062 accounts linked to 1,725 individuals and businesses.

“It is no longer possible to utilize the Lagarde list,” Giorgos Pitsilis told lawmakers, adding that tax authorities can only audit those cases in the list where bank deposits change significantly from one year to another.

Pitsilis said the revenue authority has found just 75 such cases in the list, of which 71 have been settled and the other four will be completed soon.

*(www.ekathimerini.com)*

### **IMF mission chief to Greece: Ambitious surplus targets could constrain the Greek economy**

The head of the IMF mission in Greece, Peter Dolman, warned that the high primary surpluses Greece must achieve in coming years could compromise the economy's growth.

In an interview on July 8th with Sunday's Kathimerini, the successor to Delia Velculescu said the bailout exit deal at the June 21 Eurogroup does indeed improve "Greece's prospects for accessing the markets," in the medium term, but added that primary surplus targets of 3.5 percent of GDP until 2022 and 2.2 percent until 2060 will "constrain the government's ability to promote growth."

"As a member of the eurozone, Greece has lost the ability to implement an independent monetary policy. The fiscal constraints mean that there are very few tools left with which to boost economic activity," he said.

Referring to the 2.2 percent primary surplus target after 2022, Dolman said it will be very challenging to meet the forecasts of the European Commission's Compliance Report in this fiscal environment. "At this time, we consider the realistic forecast for real growth in Greece is 1 percent annually. Our own research, based on the historical record, shows that a country cannot maintain a positive primary balance above 1.5 of GDP for such a long period."

Given this predetermined fiscal path, Dolman said that it is very important to get the fiscal policy mix right and to implement reforms – in the labor and product markets, in banks, the judiciary and public administration – that will boost economic productivity.

With regard to the country's banking system, he said credit growth continues to be negative in Greece. "The financial system, which should be the engine of recovery, is badly hindered by the size of NPEs on the banks' books. With the necessary legal toolkit now in place, sales have begun, and we believe that the authorities should set more ambitious targets for the reduction of NPEs," Dolman said in reference to Greek lenders' nonperforming exposures.

As to the International Monetary Fund's role in the post-bailout period, Dolman said that monitoring will be similar to in other countries in the context of the European Commission's post-program surveillance.

"At the same time, we have our own program of surveillance, the post-program monitoring, which is activated in all the countries that have requested an IMF bailout and to which the IMF is exposed above a certain threshold." The exposure to Greece, he said, is currently six times above that threshold and "based on the current repayment schedule, it will drop beneath it at the end of 2022."

*(www.ekathimerini.com)*

## **DEFENSE & SECURITY**

### **N. Kotzias condemns the "unacceptable" detention of Greek servicemen**

Greek Foreign Minister, Nikos Kotzias condemned once again the "unacceptable" detention of the two Greek servicemen who have been imprisoned in Turkey since early March, when they



strayed into the country in bad weather, in an interview with German newspaper Frankfurter Allgemeine Zeitung.

“It’s unprecedented. The two soldiers have already been waiting for more than four months for the trial. They are supposedly suspected of espionage. Is it reasonable for spies to travel wearing uniforms? That’s nonsense!” he told the paper.

“Whatever they [the soldiers] saw there, 10 meters away from the border, you could also see it from the Greek side with binoculars,” he added.

The minister said Greece would never detain Turkish citizens for months without trial. “One cannot play games with people’s dignity and freedom. It’s unacceptable,” he said.

*(www.ekathimerini.com)*

### **A. Tsipras: The detention of Greek soldiers is an open wound for NATO**

Greek Prime Minister, Alexis Tsipras raised the issue of the detention of the two Greek servicemen who have been imprisoned in Turkey since early March during his address at the NATO summit in Brussels on Wednesday July 11<sup>th</sup>, calling it “an open wound” for the Alliance.

“The unprecedented fact that two NATO soldiers have been detained by another NATO country for more than 4 months because they accidentally crossed into its territory, without even being charged, is an open wound for NATO,” he told NATO leaders, and called on Turkey to “heal the wound with the immediate return of the two soldiers.”

Tsipras also commented on Turkey's "provocative actions" in the Aegean, saying the violation of international law in the region and its efforts to exclude the Aegean from operational plans constitutes “a permanent wound for the Alliance.”

He stressed Greece's stabilizing role in the region, noting the improvement of relations with the country's northern neighbors, such as the Former Yugoslav Republic of Macedonia, which, under specific conditions, will ensure their entry into NATO.

*(www.ekathimerini.com)*

### **Greek lawyers want monitoring mission for soldiers in Turkey**

The presidents of Greece’s bar associations plan to ask the Council of Bars and Law Societies of Europe to send observers to Turkey to monitor the situation regarding the two Greek soldiers that have been held in the border town of Edirne without charge since March.

In an announcement on Saturday July 7<sup>th</sup>, the lawyers said that Turkey is using the issue for political reasons and flouting due process.

The announcement came after the head of Turkey’s delegation to NATO’s Parliamentary Assembly, Ahmet Berat Conkar, sent a letter to European Parliament President Antonio Tajani tacitly linking the fate of two Greek soldiers to that of eight Turkish officers who fled to Greece in the wake of the 2016 botched coup.

The Greek lawyers said the letter confirms their belief that the Turkish justice system “does not operate independently and cannot guarantee of a fair trial.”

The letter of complaint came after all eight of the Turkish officers who are wanted by Ankara for their alleged role in the attempted overthrow were granted release from pretrial detention in Greece and placed in protective custody pending decisions on their applications for political asylum.

*(www.amna.gr)*

## **DIPLOMACY**

### **US State Department welcomes Greece’s decision to expel Russian diplomats**

The US State Department has backed a decision by Greece to expel two Russian officials for trying to bribe officials and foment demonstrations to thwart a deal to allow FYROM to join NATO.

“We support Greece defending its sovereignty. Russia must end its destabilizing behavior,” tweeted State Department spokeswoman Heather Nauert.

*(www.ekathimerini.com)*

### **Greece orders expulsion of two Russian diplomats**

Greece has ordered the expulsion of two Russian diplomats and barred the entry of two others for allegedly undermining national security, local media report.

The Greek government has accused the Russian officials of acting to obtain and distribute sensitive information.

Russia said on Wednesday July 11<sup>th</sup> it would mirror the move by expelling two Greek diplomats, according to reports. It marks a rare downturn in diplomatic relations between Athens and Moscow, who have shared close ties for decades.

According to Kathimerini Greece called for the immediate expulsions amid claims that a number of Russian diplomats were involved in efforts in the country to extract material that could then be used to bribe Greek state officials.

One of the two diplomats to be expelled was named as Russian embassy official Victor Yakovlev, according to Kathimerini, which cites senior diplomatic sources. The Kathimerini report contains allegations that Russia has in some way tried to intervene in sensitive issues, particularly with respect to the issue of the name of Macedonia.

In response to Greece's move to expel Russian officials, a spokesman for the Russian foreign ministry told AFP news agency that “Russia will take reciprocal measures, as is usually the case in such circumstances”.

*(www.bbc.com, www.ekathimerini.com, www.reuters.com)*

### **J. Hahn sees “restructuring” of Greece-Albania maritime borders**

European Neighborhood Policy and Enlargement Negotiations Commissioner Johannes Hahn sparked controversy in local media Wednesday July 11<sup>th</sup> after suggesting that negotiations between Albania and Greece to delineate maritime borders in the Ionian Sea could lead to a “restructuring of borders.”

“This is something which is always crucial and critical for citizens, so here we need statesmanship,” Hahn told a Balkans conference.

“But we also need statesmanship to understand that there must be some changes in societies, there must be some changes in mentalities in order to make real progress on the way towards Europe,” he added.

Though later a spokesman for Mr. Hahn clarified that the EU official did not suggest a border change between Greece and Albania in remarks made at a Balkans conference earlier in the day.

“In no way did Commissioner Hahn refer to a border change,” the spokesman said, replying to a question by Kathimerini.

“While stressing the need to resolve the open bilateral issues prior to any future enlargement, he referred to the ongoing Greek-Albanian talks on the exclusive economic zone, which can only be achieved on the basis of a mutually acceptable agreement between the two countries,” he added.

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

### **Albania PM seeks to achieve a “strategic partnership” with Greece**

Athens and Tirana will wrap up a bilateral agreement with “a new document of strategic partnership,” Albanian Prime Minister, Edi Rama told the Athens-Macedonia news agency on the sidelines of an EU-Western Balkans summit in London on Tuesday July 10<sup>th</sup>.

“As you know, we are facing the difficult but absolutely necessary process of solving issues between the two of us, Albania and Greece,” Rama said. “The most important thing is that we... transform the solution into a new level of partnership and cooperation,” he said.

Meanwhile, the Albanian premier welcomed a recent agreement between Greece and FYROM on the name dispute, saying that “this is a good moment to somehow praise certain results, first and foremost the great achievement of Greece and Northern Macedonia.”

Rama praised Greek Prime Minister Alexis Tsipras and his FYROM counterpart Zoran Zaev for their “brave” and “visionary” leadership. “They showed that where there is a will there is a way,” he said.

Asked about reactions to the agreement in both countries, Rama said, “Of course [Tsipras and Zaev] are confronted with reactions, but at the same time the reactions show that this has been a

quite bold decision that will be of benefit to both Greece and Northern Macedonia, and the Balkans overall.”

*(www.amna.gr)*

## **ENERGY**

### **Exxon, Total get the green light for drilling off the Greek island of Crete**

A consortium of US oil and gas giant ExxonMobil, French energy major Total, and Greece’s Hellenic Petroleum (HELPE) has been awarded a tender to explore for oil and gas off the island of Crete, Greece’s Energy and Environment Ministry said. Exxon and Total each have 40% in the consortium.

The Greek Parliament has to ratify the licenses before exploration work can begin, a prospect that the US’ Ambassador to Greece Geoffrey Pyatt told New Europe the decision is “very good news.”

Hydrocarbons Company CEO Charles Ellinas agreed. “At last! Approval took a long time but it is really good news for Greece. IOCs (International Oil Companies) have already expressed a degree of exasperation with the slowness of the process of awarding licenses. Going forward Greece must speed up this process,” he told New Europe.

*(www.neweurope.eu)*

### **Greek Public Power shortlists six investors in coal-fired plants sale**

Greek utility Public Power (PPC) has shortlisted all six investors interested in its coal-fired plants, the company said on Friday July 6<sup>th</sup>.

The interested parties are: A constortium of Beijing Guohua Power Company and Damco Energy; Gek Terna; ElvalHalcor; Energeticky a Prumyslovy Holding; Indoverse Coal Investments; Mytilineos.

Greece has agreed with its EU and IMF creditors that 51 percent state-owned PPC will sell plants equal to about 40 percent of its capacity after a European court ruled it had abused its dominant position in the coal market

*(www.reuters.com)*

## **ASSESSMENT**

Greece is far from being out of the woods as the political situation in the country is becoming more and more complex on all fronts. The government has lost a big part of its credibility and a walk in the street of Athens will show any bystander that people are unhappy and pessimist for the near future. Greece’s population has decreased by around 355,000 people since the financial crisis started hitting hard in 2011, and if nothing is done to offset this downward trend, by 2050

Greek citizens will at most number 10 million, according to the country's statistics agency. Even more worrisome is ELSTAT's prediction that by 2080 the country's population could drop to 7.2 million. Greeks have very few things to smile about and look forward to despite the government's rhetoric.

People are not keen to give another chance to Tsipras especially after the latest diplomatic faux pas. Greeks feel betrayed not only by the current government but by the whole of the political system and are persuaded that everything that is taking place in the country currently (from the deal with FYROM to the new law concerning the next elections) is done to either remain in power or come to power.

To add fuel to the fire the diplomatic frictions between Greece and Russia comes as a blow for a country that feels close to Russia. Another point of disappointment for Greeks is the fact that relations between Greece and Russia have cooled in recent months, as Greece's relations with the United States improve. The ongoing frictions between Athens and Moscow do not necessarily mean that the bilateral relationship has worsened, but they do suggest that it's going through a period of turbulence.

Greece seems to be suspended in some kind of limbo as decisions are made and speeches of a bright future to come fail to produce a palpable result for the Greeks. It is undeniable that July will be a very difficult month for the government...

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