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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

Greek Opposition Leader Promotes Corporate Tax Reduction

The reduction of corporate taxation from 29 percent to 20 percent in two years and the implementation of an aggressive reform agenda will be priorities for Kyriakos Mitsotakis, leader of Greece's main opposition party, if he comes into power.

There is a "distinct possibility" elections will take place in the second half of 2018, Mitsotakis said in an interview with Bloomberg TV and added that New Democracy will win. His party is leading in polls and his agenda includes a reduction in the first two years of corporate tax rates to boost investment and a 30 percent reduction in the property tax imposed during the crisis.

The country's economy has cratered with the output shrinking 26 percent since 2008. It expanded in 2017 but it needs investment to reduce an unemployment rate of around 21 percent and recover from the crisis.

Mitsotakis also said he is planning to re-negotiate with the country's creditors the fiscal path agreed on and foresees primary surpluses of 3.5 percent of gross domestic product for each year until 2022. This will come "only after we re-establish the credibility of the country" by first focusing on the implementation of an aggressive reform program, he said.

Greece's lenders are discussing measures that will be agreed for further debt relief. Mitsotakis said that the time has come for it but it's not just about debt relief.

"We are wrong to believe that Greece's problems are just related to the stock of debt," he said. "We need to completely transform the productive model of the economy and leverage the significant comparative advantages."

"I think if we do both Greece will be able to breathe again and Greece could be the pleasant growth surprise of the Eurozone," he added.

(www.bloomberg.com)

Greeks vent fury over soldiers being "held hostage" in Turkey

Protesters have taken to the streets of northern Greece demanding the release of two Greek soldiers detained by Turkey, amid rising tensions between the two countries.

Greece's defence minister, Panos Kammenos, described the pair as "hostages" and ordered border patrols to be stepped up along the heavily defended land frontier the two nations share.

In rallies in Orestiada, the Greek town closest to the border, and Thessaloniki, the country's northern capital, protesters called for the soldiers to be set free immediately.

Kammenos said the arrests had aggravated already strained ties between the neighbouring countries. Tensions between Athens and Ankara, Nato allies but regional rivals, had reached the point where the two nations were "very close to a fatal accident", the minister told the French daily *Libération* at the weekend, referring to repeated air and sea violations of Greek territory by Turkish forces.

Athens' leftist-led government raised the case with Nato and the United Nations last week, asking both to intervene. Internationalising the case further, Kammenos told his Romanian counterpart during a visit to Bucharest that Greece was seeking support for the "immediate release of Nato, European and Greek servicemen."

(www.theguardian.com)

ECONOMIC

Greece's jobless rate jumps to 21.2 percent in fourth quarter

Greece's jobless rate rose by a full percentage point to 21.2 percent in October-to-December from 20.2 percent in the third quarter, data from the country's statistics service ELSTAT showed on Thursday.

About 71.8 percent of Greece's 1.006 million jobless are long-term unemployed, meaning they have been out of work for at least 12 months, the figures showed.

Greece's highest unemployment rate was recorded in the first quarter of 2014, when joblessness hit 27.8 percent.

Athens has already published monthly unemployment figures through December, which differ from quarterly data because they are based on different samples and are seasonally adjusted.

Quarterly figures are not seasonally adjusted.

Greece's economy grew for a fourth straight quarter in October-December, driven by stronger investment spending, but the pace was slower than in the previous quarter.

(www.reuters.com)

Euro zone to pay 5.7 billion euro loan tranche to Greece later in March

The euro zone bailout fund will pay out the next, 5.7 billion euro loan tranche to Greece in the second half of March after national approval procedures are completed, the chairman of euro zone finance ministers Mario Centeno said.

(www.reuters.com)

Greece's Piraeus takes €1.6bn hit on provision for bad loans

Piraeus Bank, Greece's biggest lender by assets, has taken a €1.6bn hit to cover the cost of increased provisions for bad loans as required under a new accounting standard.

Piraeus also said it had doubled its annual provisions for bad loans to €2bn last year. The bank said its stock of non-performing exposures, which includes some loans that have been restructured, shrank by €2.5bn last year to €31.3bn. But that still means bad loans made up 46 per cent of Piraeus' balance sheet.

Piraeus said it was “progressing” on various actions to reduce its bad loan portfolio, including plans to sell a €2bn commercial loan portfolio and a €2.3bn unsecured consumer loan portfolio, which together it expects to boost its CET1 ratio by 20 basis points.

(www.ft.com)

Greece's Alpha Bank disposes 3.7 billion euro bad loans pool to B2Holding group

Alpha Bank, Greece’s fourth-largest lender by assets, said on Tuesday it had signed an agreement with B2Holding group for the disposal of a 3.7 billion euro pool of non-performing loans (NPLs), as part of efforts to reduce its load of sour debt.

The outstanding principal amount was 2 billion euros in end-June, the bank said in a statement, adding that “the consideration of the transaction has been agreed at 90 million euros”. The transaction is expected to be concluded within the first quarter, it said.

Greek banks are burdened by soured loans clogging up their balance sheets and holding back lending. They have agreed with European Central Bank regulators to shrink non-performing exposures by about 40 percent by end-2019.

(www.reuters.com)

EU’s Moscovici ‘Optimistic’ about Greece’s Future

Greece has made “huge progress” in previous years and it is now in the final stretch, with the country ready to exit its program this summer, European Financial Affairs Commissioner Pierre Moscovici told German newspaper Neue Osnabrucker Zeitung.

The commissioner said he is “very optimistic” about Greece, noting the road was difficult and fraught with hardships, but now “it is clear that the program was successful”.

Asked about the period after the expiration of the adjustment program, Moscovici said Greece will be under supervision which will ensure the continuation of the reforms in the country.

How close this supervision will be will depend to a large extent on Germany, he continued, adding that this supervision will not be a new program with conditions, but will resemble a review, like those conducted for other Eurozone member-states, with rights and obligations.

“We are not freeing the country from one program to send it to the next,” he explained.

(www.amna.gr)

DEFENSE & SECURITY

Greece close to “fatal accident” with Turkey, wars Minister of Defense

As tensions rise over the detention of two Greek soldiers who crossed the Turkish border accidentally and over Turkish aggression off Cyprus, statements by both Greek and Turkish officials over the weekend underscored the fragility of the situation.

In an interview with French daily Liberation, Greek Defense Minister, Panos Kammenos, declared that “Greece is very close to a fatal accident with Turkey,” referring to Turkish violations of Greek air space and territorial waters.

“We are obliged to defend our territory which is not only Greek but also European,” he said. Meanwhile, Kammenos had referred earlier to two Greek soldiers being detained in Turkey as “hostages.”

Meanwhile, in an interview with German weekly Die Zeit, Turkish Foreign Minister, Mevlut Cavusoglu, said Turkey’s judiciary was seeking to determine whether the Greek soldiers crossed into Turkey by accident or deliberately. Asked whether Ankara was considering exchanging the two men with eight Turkish servicemen who fled to Greece following an attempted Turkish coup in 2016, Cavusoglu ruled out such a prospect. “We do not want such an agreement,” he said.

(www.ekathimerini.com)

DIPLOMACY

Erdogan hits back at Greek president's comments on sovereignty

Using particularly strong language, Turkish President, Recep Tayyip Erdogan, hit back at recent comments by his Greek counterpart, Prokopis Pavlopoulos, condemning those questioning the sovereignty of Greek territory.

“Those who want to refresh their memory should look at their recent history,” he said, adding that “those who speak words that are too big for them should first read history books.” “Let them learn very well how they escaped being salted like fish in Sangarios, how they jumped into the sea to get away from here,” he said, referring to a Greek withdrawal after the 21-day Battle of Sangarios of August 1921, a key engagement in the Greco-Turkish war.

Erdogan’s speech appeared to be a reaction to Pavlopoulos’s previous dig at Ankara’s questioning the sovereignty of Greek islands in the Dodecanese.

“Over the duration of my term and beyond, I will do everything possible to defend the long history and the unquestionable Greekness of Nisyros and all the islands of the Dodecanese,” Pavlopoulos said while visit to the island.

Pavlopoulos stressed that Greece wants good neighborly relations with Turkey and supports its bid to join the European Union but that Ankara must respect borders and international law.

He also hit out against “those who harbour notions of ‘gray zones’ in the Aegean, or claim territory which does not belong to them, or question the full sovereignty of Greece in the Dodecanese” and stressed Greece’s right to bolster its defence against “any design” when that it is deemed necessary.

(www.ekathimerini.com)

US official urges resolution of FYROM name dispute

A senior United States official on Tuesday urged the Former Yugoslav Republic of Macedonia and Greece to seize the moment to resolve a decades-long dispute over the Balkan country's name that has prevented it from joining NATO.

Assistant Secretary of State for European and Eurasian Affairs Wess Mitchell visited FYROM's capital, Skopje, as part of a Balkan tour. He told media "there is a tremendous opportunity" for Skopje and Athens to reach a deal over the long-running spat.

Prime Minister Zoran Zaev, speaking at a joint news conference with Mitchell, said he had told the US official that FYROM and Greece were "starting the final phase that will ultimately bring a dignified solution to this issue."

Greece wants FYROM to add a modifier such as "north" or "upper" to the name Macedonia, and Zaev has said he is open to some options.

But the proposals have triggered protests in both countries.

"We acknowledged that the only solution that will last is the one that both parties would work out for themselves," Mitchell said. "We are encouraged in that regard with the steps that Macedonia and Greece have taken, so we want to be supportive."

(www.ap.com)

ENERGY

GSP to drill three wells in Prinos area offshore Greece

Energiean Oil & Gas has awarded GSP an EPCI and drilling contract for the production expansion program at the Prinos concession offshore western Greece.

The newly launched Epsilon field development will comprise an unmanned wellhead platform (Lamda) and three inter-connecting pipelines to the existing Prinos Delta platform.

GSP's work scope includes drilling of three wells at the Lamda platform location in the Aegean Sea, with the jackup *GSP Jupiter*, and project management, construction, transportation and installation engineering, procurement, construction, installation, pre-commissioning and start-up of the Lamda platform and associated pipelines.

Energiean recently signed with BP an extension to the latter's long-term off-take agreement for the Prinos field to November 2025.

In an unrelated development, the jackup *GSP Saturn* arrived at the Port of Constanța last month following a tow from Rotterdam and through the Bosphorus into the Black Sea.

It will undergo a reclassification process ahead of a drilling campaign in the Black Sea and the Marmara Sea offshore Turkey.

The *GSP Saturn* is a four-legged, self-elevating jackup, which last underwent an upgrade/reclassification program at the GSP Shipyard in 2013.

(www.offshore-mag.com)

ASSESSMENT

Is Greece Ready to Stand on Its Own Feet? That is the question that many analysts, people and officials ask themselves as the country gets nearer to the end of the bailout programs.

As Greece prepares in August to shed almost a decade of official financial oversight that has come at enormous social and economic cost, the discussion in Athens, Brussels, Frankfurt and Washington is focused on the day after. Greece's economic fortunes have improved but, is the country ready to stand on its own feet? Has Greece's political leadership learned the lessons from their tribulations of the past eight years?

Unfortunately not everyone seems convinced that the day after will be as impressive as the Greek Prime Minister expects. Many are concerned about the transition period and many officials would preferred the country to be equipped with some kind of official contingency precautionary credit line, or at least want to ensure the government has piled up a sufficient cash buffer in case Greece is unable to finance itself in the markets.

The other problem that Greece is facing is a series of difficult political issues that keep the Greeks divided and in doubt of the government being able to efficiently deal with what is at stake.

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