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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

Protests greet prime minister on Lesbos

During his visit to Lesbos, which was marred by clashes between demonstrators and riot police during protests over the government's and the European Union's migration policy, Prime Minister, Alexis Tsipras acknowledged that mistakes have been made with regard to the refugee crisis.

"Mistakes have been made and there are [infrastructure] shortages," he said while also seeking to attribute the rallies which drew some 2,500 protesters to "those that aim to create a climate of terror."

Speaking at the Regional Development Conference of the Northern Aegean, Tsipras took a swipe at the protesters for not attending the event to voice their concerns. "If they were here we would listen carefully but would ask them to make proposals," he said, adding that those who did not come to the event "have no solutions to offer."

"They chose the road of tension in an environment already burdened by three years of an international refugee crisis," he said at the conference, which he said was aimed at boosting economic prospects and quality of life on the islands.

Strikes brought Lesbos to a grinding halt in protest at the 2016 EU-Turkey agreement which stipulated that migrants and refugees arriving on the island will be deported back to Turkey unless they are granted asylum in Greece.

However, thousands have been stranded on the eastern Aegean island where they live in overcrowded and squalid conditions.

Hundreds of people, some waving black flags, chanted slogans in solidarity with migrants but were blocked by police from approaching government officials.

Earlier in the day, on a visit to neighboring Lemnos, Tsipras sought to send a message of Greek determination to Turkish President Recep Tayyip Erdogan amid a spike in bilateral tensions.

(www.ekathimerini.com)

Greek parliament cannot investigate Novartis case, committee says

Greece's parliament has no jurisdiction to investigate the role of 10 politicians in alleged bribes by Swiss drugmaker Novartis, a parliamentary committee has decided.

Lawmakers had voted in favor of the investigation and parliament last month set up a committee to look into the case, in addition to a separate investigation of the Basel-based company after a raid a year ago of its offices in Athens.

Prosecutors are investigating allegations by witnesses that doctors and public officials accepted kickbacks.

Novartis said it was cooperating with Greek and U.S. authorities looking into the matter and conducting its own internal investigation.

“We are determined to fully understand the situation and accept responsibility for any actions that fell below our high standards of ethical business conduct. If any wrongdoing is found, we will take fast and decisive action and do everything possible to prevent future misconduct,” it said.

At the same time, it added, publicity around the case has included “many sensational and unfounded claims in a politicized debate of which Novartis should not be a part”.

The socialist and conservative politicians who served between 2006 and 2015 have denied the allegations, saying they are a fabrication and a witch-hunt by the leftist-led government. Greek Prime Minister Alexis Tsipras had urged parliament to investigate the case.

The parliamentary committee that looked into the case was made up of 21 lawmakers - a majority of them from the ruling Syriza party. Its president, former shipping minister Theodoros Dritsas, submitted a report with its conclusions to Parliament Speaker Nikos Voutsis.

Dritsas said the committee was led to the conclusion that: “Parliament has no authority to proceed with the judicial investigation into the criminal acts of bribery for the politicians mentioned, or of money laundering.”

The report will be distributed to lawmakers and parliament is expected to discuss it in May.

The case has struck a nerve in crisis-hit Greece, which has slashed healthcare spending to shore up its finances.

(www.reuters.com)

New Democracy urges government to call early elections after bailout ends

Referring to the government’s insistence that Greece will achieve a clean exit from the bailout in the summer, New Democracy Spokesperson Maria Spyraiki said that it must seek a clear mandate and call for early elections after August as it has “run out of political fuel.”

She said the government’s talk of a clean exit “entails the slashing of pensions on January 1, 2019 and the lowering of the tax threshold on January 1, 2020.”

Earlier, Government Spokesman, Dimitris Tzanakopoulos told the Athens News Agency that speculation Greece will have to seek a precautionary credit line and implement further austerity measures after the program ends in August “has been refuted.”

He added that Greece’s fiscal performance has shown that the government will be able to ease austerity without creating problems to midterm targets. “I think this position is shared by most of our European creditors,” he said.

(www.ekathimerini.com)

ECONOMIC

OECD chief says Greece deserves debt relief after 'enormous' reform effort

Greece has made an “enormous” reform effort since its debt crisis broke out and its international lenders must now grant the country debt relief, OECD chief Angel Gurría said.

Gurría, who met Greek Prime Minister Alexis Tsipras in Athens, urged Greece to continue with reforms after its third international bailout expires in August.

“I want to congratulate the entire Greek people for an enormous reform effort, it was a very ambitious reform package,” he said in translated comments. “And these reforms are bearing fruit.”

In its latest survey on Greece, the Organization for Economic Cooperation and Development sees the Greek economy growing by two percent this year and possibly by 2.3 percent next year, Gurría said.

He welcomed the country’s national growth strategy, which was presented to eurozone finance minister last week, but warned that high unemployment and low investment were still among the challenges that Greece faced.

Tsipras said Greece and the OECD would work together in the post-bailout period and reiterated that Greece does not need any more belt-tightening but relief measures instead.

(www.reuters.com)

E. Tsakalotos: Greece to be under “enhanced surveillance” after program exit

Greece will be under “enhanced surveillance” by the institutions once its bailout program expires in August this year, Finance Minister Euclid Tsakalotos said, following a meeting of eurozone finance ministers in Sofia.

“It was noted that we will have an enhanced supervision, which has nothing to do with a precautionary credit line, let alone with reviews, which include prior actions and disbursements,” he told state broadcaster ERT. “It was noted that everything will be completed on June 21,” he added.

The minister said the institutions were very pleased with the growth strategy Greece presented, adding debt talks are continuing and will be completed by June 21.

(www.ekathimerini.com)

Troika calls for “strong” debt relief for Greece

The European Central Bank has joined the IMF and European Commission's demand for "strong" and "credible" measures to alleviate Greece's soaring public debt (around 178% of GDP) once the country exits its rescue programme on 20 August.

The Eurogroup meeting discussed the building blocks of the final agreement to end Greece's eight-year-long bailout programme.

The most controversial issue will be the debt relief that the creditors promised on various occasions in the past if Athens reformed its economy and if it was needed to avoid unsustainable debt levels.

The IMF has been the most vocal defender of debt relief for years. As the end of the programme nears, the Commission also spoke up in defence of "significant" debt measures.

The ECB sided with its former partners of the troika and defended "strong and credible" debt arrangements for the country as an "essential part" of the final agreement, said its Executive Board member Benoit Coeure.

"The more frontloaded, automatic or less conditional, the more they can contribute to a confidence-building exercise" between Greece and the markets, he told reporters after the Eurogroup meeting.

His comments were a direct response to a choir of hardliners led by Germany, who want to keep Greece on a short leash while implementing any debt arrangement.

Eurozone finance ministers and the institutions did not discuss the debt issue during the Eurogroup meeting.

The Commissioner for Economic Affairs, Pierre Moscovici, admitted that further preparatory work is needed to calibrate how debt relief would be implemented once Greece exits its programme.

The lenders are finalising a mechanism that would link the future debt obligations to Greek economic output.

(www.euractiv.com)

Greece aims to keep primary surplus at 3.5 pct/GDP until 2022

Greece wants to keep its primary budget surplus – the balance before debt servicing – at 3.5 percent of gross domestic product until 2022, a government presentation showed, signaling it expects the most generous of eurozone debt relief options.

The presentation, seen by Reuters, is the Greek growth strategy delivered by Finance Minister Euclid Tsakalotos at a meeting of eurozone finance ministers in Sofia.

Greece is due to exit its eurozone bailout program and start making its own independent policy on Aug. 20. After that, its main objectives are to ensure fiscal sustainability and foster inclusive, fair and sustainable growth, using available financing tools, according to the strategy.

Under the fiscal sustainability section, Tsakalotos says the goal is: “keeping to primary fiscal surplus of 3.5 percent until 2022” and “using the available fiscal space to reduce the tax burden and increase social spending.”

The strategy assumes real GDP growth above 2 percent over the medium term “supported by a strong rebound in investment and private consumption.”

Greece would continue to implement public finance management reforms and ensure the implementation of tax administration reforms to tackle evasion.

The plan also envisages the design of a “gradual increase in the minimum wage, compatible with the needs of the real economy” and the restoration of collective bargaining.

The eurozone bailout fund ESM prepared three options in May last year to assess Greece’s debt relief needs when it returns to market financing after eight years of living on cheap eurozone loans under the bailout in return for painful reforms.

Under the first scenario, the ESM said Greece would need no debt relief if it kept the primary surplus at or above 3.5 percent of gross domestic product until 2032 and above 3 percent until 2038.

The International Monetary Fund believes this is an unrealistic assumption.

But the ESM also produced a scenario which assumes that Greece would get the maximum possible debt relief under an agreement reached by euro zone ministers in May 2016.

(www.reuters.com)

EC revises down its growth forecast for Greece

In its spring forecast released on Thursday, the European Commission revised down its 2018 growth forecast for Greece to 1.9 percent from 2.5 percent.

The revision followed a smaller than expected growth rate last year.

For next year, the EC projects a 2.3 percent growth rate for Greece, lower than its previous forecast of 2.5 percent.

The commission's forecast for unemployment this year is 20.1 percent, down from 21.5 percent last year with joblessness predicted to drop to 18.4 percent in 2019.

According to the EC, Greece is expected to hit a primary surplus target of 3.5 percent in 2018 and maintain it next year.

As for the country's debt burden, it stood at 178.6 percent of gross domestic product last year and is expected to dip to 177.8 percent this year and further drop to 170.3 percent next year due to higher projected growth and surpluses.

(www.ekathimerini.com)

DEFENSE & SECURITY

Greece approves F-16 fighter jet upgrade deal with the United States

Greece approved a deal with the United States to upgrade dozens of its F-16 fighter jets at a cost of roughly 1.2 billion euros, a measure the bailed-out country said would not harm its future fiscal progress.

The potential deal to overhaul the aircraft came to light during a visit by Greek Prime Minister Alexis Tsipras to the White House in October.

Greece's top decision-making body on foreign affairs and defense matters, KYSEA, which Tsipras heads, unanimously sealed the agreement for the upgrade on Saturday, the premier's press office said in a statement.

Three of the 85 jets earmarked for modernization will be upgraded in the United States while the rest will be refurbished in Greece, a Greek defense ministry source said, adding that the cost would be about 1.2 billion euros.

Athens said that Washington had accepted a revised Greek proposal that takes into consideration the country's fiscal obligations in the coming years. It did not give details on the revised proposal.

Defence spending has been reduced during Greece's seven-year debt crisis, which shrank the size of its economy by more than a quarter and drove its jobless rate to nearly 28 percent.

(www.reuters.com)

Turkish aircraft commit over a dozen violations of Greek air space

A Turkish helicopter and three pairs of F-16 fighter jets violated Greece's national air space on several occasions and entered the Athens Flight Informational Region.

They were chased off by Greek air force pilots, who had to engage in mock dogfights in two instances.

According to Greek defense officials, the Turkish aircraft violated flight rules in Athens's FIR on four occasions and committed a total of 15 violations of national air space at different points above the Aegean Sea over the course of the day. Four of the six F-16s were armed.

(www.amna.gr)

Questioning Greek sovereignty is biggest problem with Turkey, poll shows

Turkey's tendency to question Greek national sovereignty is the biggest problem facing Greece in its relations with its neighbor, a nationwide poll conducted by Public Issue on "Greece and the World 2018" showed.

According to the survey, 74 percent of respondents said challenging Greek sovereignty in the Aegean and over islands such as Kastelorizo, Fourni and the Dodecanese is the most important issue, while 16 percent believe it is Turkey's aggression and intransigence.

Asked where Greek-Turkish relations stand today compared to a year ago, 81 percent said they have deteriorated, 16 percent said they are the same and just 2 percent believe they have improved.

Concerning the Greek government's handling of bilateral relations with Turkey, 54 percent of the respondents said it was "probably wrong," versus 37 percent who responded "probably correct."

At the same time, 56 percent of participants said that the criticism levelled by the opposition against the government on its policy towards Turkey is "probably wrong," while 32 percent it is "probably correct."

The same survey found that 67 percent of respondents are "probably against" Turkey's accession to the European Union and 27 percent are "probably in favour."

However, the vast majority said Greece should continue to engage in dialogue and negotiations with Turkey (70 pct) with only 28 percent being against talks.

Asked whether they believe a war with Turkey is probable in the years to come, 52 percent said it is "improbable," and 44 percent it is "probable."

The survey was conducted through telephone interviews between 16-23 April 2018 in a sample of 600 respondents.

(www.ekathimerini.com)

DIPLOMACY

FYROM's constitution will need changes before EU accession, says Zaev

FYROM will need to discuss constitutional reform before it starts accession talks with the European Union, the country's prime minister, Zoran Zaev, said.

FYROM will have to "transfer part of its sovereignty to the union," Zaev told FYROM's state-run news agency MIA, suggesting that Greece's concerns over certain clauses seen as expressing possible irredentist aspirations could also be addressed in the process.

“If additional guarantees are required as security for the Greek citizens then this is something that could be discussed,” Zaev was quoted by the MIA as saying.

“We are looking at all the possible solutions for a resolution,” Zaev said in regards to ongoing talks with Greece to settle a decades’ old dispute over the Balkan nation’s name.

Zaev added that any solution will need to be approved by the two countries’ institutions, as an agreement between their prime ministers or foreign ministers is not enough to ensure a breakthrough.

He reiterated that any changes to the country’s constitution would be put to a referendum.

(www.ekathimerini.com)

Tusk upbeat on FYROM's as Kotzias insists on “erga omnes”

During a visit to Skopje, European Council President, Donald Tusk suggested that FYROM’s accession to the European Union was close even as talks between Greek and FYROM diplomats aimed at resolving a dispute over the Balkan country’s name continue.

“A new and very promising chapter in your country’s history will soon begin,” Tusk said, speaking in the local Slavic dialect.

FYROM Prime Minister, Zoran Zaev also jumped at the opportunity to play up FYROM’s EU prospects. “We have never been closer to getting a date for the launch of accession talks with the EU,” he said.

Meanwhile, Greek Foreign Minister Nikos Kotzias, speaking from Brussels following talks with his NATO peers, stressed that Greece and FYROM must reach an “erga omnes” agreement on the latter’s name, meaning that it would be for general use, before FYROM can join NATO.

“The other side has to understand that it must agree to erga omnes so we can move ahead to a comprehensive, positive agreement,” Kotzias said.

(www.ekathimerini.com)

Ankara came “close to red lines,” Greek Foreign Minister tells in interview

Turkey has “come close” to overstepping Greece’s “red lines,” Foreign Minister, Nikos Kotzias told Skai in an interview, providing the example of an incident last February when a Turkish coast guard vessel rammed a Greek coast guard patrol boat off the Imia islets in the Aegean Sea.

Greece’s “calm and composed” manner may have averted unpleasant developments in Greek-Turkish relations, Kotzias told.

“If we didn’t have a calm and composed approach from the Greek side, no one can say where this could have led,” Kotzias said in regard to the incident in February off Imia, an area disputed by Ankara and over which the two countries came to the brink of war in 1996.

“In such cases you either respond with bravado and bluster or you continue with efforts to appease,” he said.

(www.ekathimerini.com)

New Democracy blasts Erdogan over Izmir fire comment

Main opposition New Democracy accused Turkish President Recep Tayyip Erdogan of undermining Greek-Turkish relations by attempting to falsify history after comments he made during an election rally in Izmir.

In a speech at Izmir’s Chamber of Commerce, Erdogan reportedly claimed Greek soldiers burned down the the city as they retreated in 1922, at the end of the Greek-Turkish War.

“The provocative falsification of history by [Turkish President] Erdogan does not serve relations between our countries and our peoples. Instead it undermines them,” the party said in a press release.

“The election campaign in Turkey is not and should not be used as an alibi for such completely unacceptable positions,” it added.

(www.ekathimerini.com)

Albania, Greece resume maritime border delimitation talks

Albania and Greece have restarted negotiations to delineate maritime borders in the Ionian Sea.

The two countries' foreign ministries said in statements that the first round of talks was held in Tirana in a “constructive and cooperative climate.”

The talks are needed because Albania’s Constitutional Court nullified a 2009 agreement on the country’s respective territorial claims to the sea’s continental shelf and waters, which was signed by the conservative Democratic Party government ruling at the time.

The Socialists, then in opposition but governing Albania now, challenged the agreement in court, claiming it cost the country 225 sq. kilometers of territorial waters.

Relations between Greece and post-communist Albania have remained uneasy, and the striking down of the Ionian Sea agreement was another area of tension.

(www.ap.com)

ENERGY

Greece kicks off 3 billion euros program for solar, wind projects

Greece is preparing to auction 2.6 gigawatts of solar and wind projects to attract investment and beef up the Mediterranean country's clean-energy credentials.

“From now on renewable energy production and prices will be determined by competitive tender process,” said Energy Minister George Stathakis. The “move should encourage investments in renewable energy of 2.5 billion to 3 billion euros, especially in wind.”

The government published the final rules for its first competitive tenders, which outline the timeline and size of the projects that will awarded. The first tender will be held July 2 and will hand out permits to build 300 megawatts of wind power and 300 megawatts of solar photovoltaics. The shift to auctions from feed-in-tariffs follows a move most renewable markets have made.

The country will tender 300 megawatts apiece of wind and solar annually from 2018 to 2020 and will also hold two auctions for 400 megawatts that will pit the two technologies against one another, starting in 2019. Total capacity procured will be 2.6 gigawatts, about the equivalent of two nuclear reactors.

The auction in July will be open for wind projects between 3 and 50 megawatts and solar projects in two categories - less than 1 megawatt and between 1 and 20 megawatts, according to the government.

(www.bloomberg.com)

ASSESSMENT

Greece is back in the lime light and on the European agenda as the country rushes to end its third bailout program in August. But, Greece has a lot of work to do in the next four months, presenting a long-term strategy is seen as being just as important.

While European politicians have praised the work that Greece has done since 2015, they are still reluctant in giving the country substantial debt relief. The issue has always been controversial mainly for countries like Germany as creditors want solid guarantees that Greece will not deviate from the reform path seen up until now in order to make its debt more sustainable.

Before Athens is granted such relief, however, it needs to implement the final 88 changes to its economy agreed with its creditors. Some of them, like the liberalization of the energy market, or privatization, are difficult.

Under pressure from creditors, Greece has turned its 15 percent budget deficit in 2009 into a budget surplus of 0.8 percent last year but many officials are worried that as time passes, Greek politicians might return to public-sector profligacy.

On the diplomatic front negotiations with FYROM for the naming issue are dividing the Greek society as well as the political scene. FYROM's naming is a very sensitive issue that Greeks are unwilling to sacrifice. Especially since the government's stance towards Turkey's everyday provocations is deemed as inadequate. Many fear that the tension between the two countries could reach very dangerous peaks.

As the months are going by it would seem that the Greek government has too much on its plate and its efforts are spread in to too many directions giving the impression that it has lost its initial momentum.

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