

Greece 2016



Total: 58.91

Political Freedom

Free and Fair Elections : 9.64

The reviewed period saw turbulence in Greek political life. After parliamentary elections as of January 2015, the new Prime Minister Alexis Tsipras was faced with complex negotiations regarding Greek debt crisis. Being under huge pressure, he called a referendum on the acceptance of the deal offered by international creditors. Although voters rejected the deal, Tsipras agreed to accept the terms. Disturbances within a ruling Coalition of the Radical Left (SYRIZA) after accepting the deal led to a new parliamentary elections in September. However, they didn't change much regarding government's structure, thus the new-old government was formed by SYRIZA and the Independent Greeks (ANEL) party. During both elections and referendum, the spirit of free and fair elections was preserved. There were no disruptions of the electoral process worth mentioning. Discussion on the Greek "enhanced" proportional electoral system, which adds 50 more seats for the leading party in the parliament, has heated throughout the year. Government stated that it will soon start drafting a new electoral bill. Voting is mandatory in Greece.

Absence of Unconstitutional Veto Players : 6.67

There are no unconstitutional veto players in Greece who could question the authority of the elected representatives, in a traditional sense of the term. However, the role of the Greek Orthodox Church in society mustn't be neglected. The Church exercises significant political and social influence and ability to shape public opinion in Greece. Tax evasion remains an important issue in the country, which still waits to be resolved. Government put some efforts to tackle the problem, but it generally failed to prosecute tax evasion by the country's richest class.

Freedom of Press : 5.2

Media situation in Greece started slightly improving at the end of 2015 and throughout the first half of 2016, but the country is still behind the developed democracies regarding this issue. Wide range of diverse media outlets operate in a partly free environment, often pressured by the interests of politicians and financial uncertainties. Several physical attacks on journalists happened in 2015. Defamation charges, which are punishable by the law, are brought against them on regular basis. A broadcasting regulatory body was often criticized as being politically biased. Government adopted a bill which, among other things, included improved licensing process. It also reopened Greek's public broadcaster, the Hellenic Broadcasting Corporation, which had been closed in 2013 as a part of austerity measures.

Rule of Law

Independence of the Judiciary : 3.67

In the Freedom House's Freedom of the World report for 2015, Greek judiciary was described as "independent". Same was the case in the 2016 report. However, other findings show that Greece is still below EU standards in the field. Fraser's Economic Freedom of the World report actually shows decline after 2000. FNF's extensive interviews with Greek researchers, held between 2014-2016, showed that there was a lot of - mainly indirect - political, business or other outside influence on courts. Corruption is a serious problem. Backlog of cases and - sometimes deliberately - prolonged trials undermine citizens' trust in the judiciary. According to European Commission's research "The 2016 EU Justice Scoreboard", less than 50% of Greek citizens and less than 40% of companies perceived judiciary as independent (of politics or of special interests). The situation is only slowly improving.

Corruption : 4.6

Greece is better than the world average in fighting corruption. But, taken its full membership in the EU since 1981, it is far below its citizens' expectations. In the Transparency International's Corruption Perceptions Index 2015, together with Romania, it shares the place 58 of 168 (score: 46). It is the fourth most corrupt among the developed countries. Oligopolies, professional licenses or otherwise closed markets, crony business activities, furnished public procurement, tax evasion or numerous other manifestations of inequality at the market are in the core of the problem. Previous governments had dealt with all those superficially, while the far left Syriza government that took office in 2015, in spite of its egalitarian rhetoric, actually continued the same way, just for the benefit of different interest groups. Only upon the failure of their anti-austerity crusade and their agreement with creditors as of mid-2015 on the new reform packages some opportunities opened for diminishing corruption or other irrationalities, e.g. via reducing tax deductions or exemptions. In a recent take on high corruption, in August 2015, the Parliament stripped immunity of its member, a former regional governor, to have answered the corruption charges. Meanwhile, according to Greek investigation news portals, the government continued with political interference in the work of tax administration, amid suspicions that two government ministers were in conflict of interest.

Protection of Human Rights : 6.81

Freedom of academic research and debate is among the best preserved ones in Greece, while universities and adjacent think tank NGOs are the true places of innovative scientific and social thinking. Some among them are rare places in Greece where calling someone a liberal is not an insult. Media freedom is also upheld, with diversity preserved in spite of financial crisis and austerity measures. Freedom of religion is guaranteed, but in reality Greek Orthodox Church is favored. Small or other minority religious communities face legal obstacles, e.g. in building mosques. As Amnesty International noted, Roma children face segregation and expulsion from education in many parts of Greece. Women are still unequal, discriminated at the workplace and underrepresented in politics, while the left-wing government did little to change that. Sex trafficking persists. Homophobia is widespread, yet in December 2015 the regulation of same sex unions was carried, on top of the antidiscrimination legislation as of 2014. The treatment of migrants raised numerous controversies. Amid colossal numbers, Greek authorities did not avoid cases of ineffective reception, neglect, abuse or ill-treatment, or excessive or unnecessary use of force by the riot police.

Economic Freedom

Security of Property Rights : 5.33

Private property is not sufficiently respected in Greece. Weak institutions remain at the core of the problem of property rights. There are numerous reports on judicial partiality in court proceedings. Corruptive practices within judiciary are still present. Enforcement of contracts is extremely difficult due to the very long court procedures, themselves rather defeating than nurturing the notion of using court system to defend one's own rights. Adjournment rules, although present, are often disregarded. There are no specialized commercial courts. Recent introduction of electronic filing system in courts is expected to somewhat alleviate this problem, but still there are no major breakthroughs. Obtaining real property in Greece for non-nationals is a complicated and expensive process. Even for nationals it is burdened with different fees and a high transfer tax. In certain areas, a prerequisite for obtaining real property is permission by the local council. There are restrictions on acquisition of land in border areas or on small islands, due to national security reasons. Comprehensive national land register is still under construction. Furthermore, there are restrictions on foreign equity ownership in many more sector industries than in other OECD countries, most notably in public utilities and energy.

Size of Government: Expenditures, Taxes, and Enterprises : 3.22

Size of government in Greece is still substantial, although many spending cuts were made, with the general government expenditure reaching 51% of GDP in 2015. Political turmoil prevented further economic growth on top of the one recorded during the previous year. Public deficits are still recorded, but they are now near the Maastricht criteria. Greece now records a small primary surplus, but high debt interest payments lead to deficits. Public debt is enormous, standing at 177% of GDP in 2015. It is most likely still unsustainable, even upon already implemented debt

haircuts and austerity and privatization measures. High government consumption requires high level of taxation. Personal income tax is progressive, with rates of 22, 32 and 42%. Corporate tax is high, at 29% in 2016. High social security contributions lead to the overall high labour tax wedge, reaching one half of the gross wage, although they were somewhat decreased. VAT is set at 6%, 13% and 23%. Public transfers remain at a very high level: even with the implemented downsizing, public sector in Greece is oversized, with dubious efficiency, while pension system is not sustainable. State-owned enterprises (SOE) are present in the country, especially in industries considered to be of strategic importance. Some of them enjoy privileged or quasi-monopoly status. Broad privatization program that was designed in accordance with international community as a prerequisite for public finance bailout is progressing very slowly. Further deregulation and privatization in the electricity market is met with strong opposition from the government and broader public such as trade unions, especially regarding the plans for Public Power Corporation (PPC). The new government initially opposed any further privatizations, but under pressure from abroad and inability to finance domestic public needs, it followed further down the path.

Regulation of Credit, Labour, and Business : 5.47

Regulation environment cannot be characterized as exactly business-friendly. Starting a new business is easy and inexpensive, without minimum paid-in capital, but still administrative requirements are extensive in scope, incurring costs both in time and money. Inefficient government bureaucracy, alongside policy instability, is depicted as being among the most important problems for the development of a business-friendly environment. Rules and regulations are complicated and sometime competing, creating surroundings prone to corruptive activities of public officials. Tax procedure is also a weak point: although there is a low number of annual payments, compliance with regulation is burdensome. Severance pay increases with the rise of years in tenure, protecting more seasoned workers, on the top of strict redundancy rules. Fixed term contracts are restricted to just 36 months. Minimum wage is relatively high as compared to the average wage. Centralized collective bargaining is dominant in the public sector. But it exists only in some private industries – those with strong history of trade unions.

Freedom to Trade Internationally : 8.3

Freedom to trade is generally respected in Greece. Being an EU member state, Greece implements the common EU trade policy, with overall low trade tariffs for manufactured goods. However, tariffs on agriculture products might be substantially higher, while non-tariff regulatory trade barriers remain present mostly due to the complicated process of imported-goods` standardization. Customs service is inefficient, with expensive procedures, further hindering free trade. Working permit for non-EU nationals is difficult to obtain, but the new law, regulating non-EU immigrant workers, was recently enacted, making rights and obligations clearer. Furthermore, it somewhat liberalized the situation, by lowering the number of years needed by undocumented workers for a residency application, from 10 to 7. Capital controls on the capital outflow from the country are still present. Heightened during the crisis in June 2015, some of them were decreased after August 2015 agreement with the European Stability Mechanism (ESM), but a range of them is still applied. Capital controls on stock exchange transactions were lifted in December 2015. High freight costs are partially attributed to the deteriorating public transport infrastructure, which owes to the strain on public funds hence the lack of resources for the maintenance and resolving the bottlenecks in transport. Railroad infrastructure is especially affected. Main Greek trade partners are other EU member countries, most notably Italy, Germany and Bulgaria, followed by non-EU countries such as Russia and Turkey.