

Greece 2018



Total: 60.06

Political Freedom

Free and Fair Elections : 9.64

Elections in Greece are regarded as free and fair. Political landscape is pluralistic and diverse, allowing citizens to choose among wide range of political ideas, while political parties are independent and free to compete for votes. Still, everyday politics strongly divides society. Electoral system in Greece is specific, often debated and questioned in regards to accuracy of political representation. Designed in a way to favor the winning political party, "enhanced proportional representation" provides the winner of the elections with 50 bonus seats in the Greek unicameral parliament, itself consisting of the total of 300 MPs, thus facilitating the formation of single-party governments. This issue of voters' misrepresentation reached the national parliament and the changes gained support of 179 MPs, but fell short of the needed supermajority of 200 MPs for an immediate change of the electoral law. This way, with simple majority, changes will enter into effect at the second elections from now, effectively leaving to the next government to decide on their future. Voting is mandatory in Greece, and from the next election on young people age 17 will be allowed to vote.

Absence of Unconstitutional Veto Players : 6.67

Democratically elected government has effective power to govern the country without interference, thus there are no unconstitutional veto players who are able to undermine democratic procedures in Greece. Corruption among public officials remains country's unresolved problem. Greek Orthodox Church is not separated from the state, but it cannot directly influence political decisions. However, Greek Orthodoxy is recognized by the constitution as the state religion and enjoys certain influence in shaping public opinion. Its strong position was evident in the disputes over the name of the Former Yugoslav Republic of Macedonia. Generally, the church pursues its own political agenda, however during recent years it has not been very successful in doing so.

Freedom of Press : 5.6

Media outlets and journalists are partly free to operate in Greece. Trend of improving media landscape has moved the country 14 places up on the Reporters without Borders 2018 World Press Freedom Index, capturing the 74th place. Still many problems in regard to media have not vanished. Although pluralistic and diverse, ownership of media outlets is not transparent, leaving reporting to be subjected to business and political interests. Environment of fear, on one side economic, of losing job, and on the other side of physical and verbal threats they were facing, led

some journalists to practice self-censorship. The quality of journalist reporting is low also due to economic crisis. Defamation is a criminal offense. Crisis on issuing licenses for national televisions, after the Council of State had ruled that this was constitutionally a task of the National Council for Radio and Television (NCRTV) and not of the government, ended up with appointment of the new members of the NCRTV, including opposition candidates as the chairman and deputy chairman. NCRTV is a body in charge of supervision and regulation of the broadcast media market. State-owned public radio and television broadcaster ERT was often accused of biased reporting, i.e. of supporting pro-government stance on many issues.

* Press freedom score will be updated after data from primary source have been published. For more information see Methodology section.

Rule of Law

Independence of the Judiciary : 3.34

In March 2018, Greek courts have for the third time in a row rejected the demand by Turkey for extradition of eight fugitive Turkish soldiers, alleged conspirators in the 2016 failed coup against President Erdogan, on the ground that those would not be granted a fair trial in Turkey. The fact that this one, or some other even more complex extradition dilemmas in Greece were handed over to judges to decide have told of a certain degree of autonomy of judiciary vis-a-vis the government and daily politics (with all its tit-for-tats). Nevertheless, many refugees were returned to Turkey in accordance with its agreement with the EU. According to the Freedom House's report Freedom in the World 2018, Greek judiciary is "largely independent", though this is sometimes undermined by corruption. Other problems include backlog of cases, too long pre-trial detention and cases of physical abuse of detainees, particularly those from vulnerable groups (minorities, migrants, etc.).

Corruption : 4.8

In comparison to 2016, Greece has notably improved in 2017 regarding anti-graft struggle. In just a year it climbed up 4/100 points (from 44, to the historic high of 48) and has been ranked 59/180 (in 2016 it was 69/176) on the list of the Transparency International's Corruption Perception Index. This – together with an improved credit rating - has been yet another fruit of the post-2015 orientation of the country towards painful economic reforms coupled with anti-corruption campaign. But to exchange the status of a seriously corrupt country with the one where corruption is just medium present, Greece will have to reform its economic system further, by cutting crony ties between politics and business, by de-monopolization of further fields of economy, by curbing tax evasion, etc., in short: by minimizing the still existing market inequalities.

Protection of Human Rights : 6.93

Freedom of expression and association in Greece are fairly well respected. Academic freedom is

further on perhaps the best protected one, of all forms of expression. However, ethnic minorities and their associations face considerable limitations, even regarding recognition thereof. Religious tolerance and pluralism have advanced under the post-2015 left-wing government, and parallel to it also secularism, seriously challenging the previously privileged position of the biggest religious community, the Greek Orthodox Church. Influx of new refugees has decreased and the resettlement of those present is on, yet dozens of thousands are still trapped on Ionian Sea islands in bad living conditions. Greece is an important transit point for human trafficking. Government fights it with varying success. Military service is mandatory, while conscientious objectors still face legal troubles. Hate-speech and hate-motivated attacks (such as against migrant workers) are not rare. Strong legal protection of LGBTs against discrimination and regulated same-sex unions largely neutralize the inherited strong albeit gradually decreasing homophobia in society. Gender equality level has been lower than in much of the EU. To combat the violence against women and domestic violence, in June 2018 Greece ratified the Istanbul Convention.

Economic Freedom

Security of Property Rights : 5.19

Private property rights in Greece are mostly respected, but there are many areas for concern. Most of the problems lie in weak government institutions. Judicial impartiality is not perceived as high, and corruptive practices within judiciary are still present. The court system is extremely time consuming, with contract enforcement lasting more than 4 years on average. Recently introduced reforms in this area, such as tighter rules on adjournments and deadlines for court procedures, so far have not born expected results. Since there are no specialized commercial courts, commercial cases are presented before general courts. Obtaining real property in Greece is a complicated and expensive process, since there are multiple layers of authority in issuance and approval of land use and zoning, coupled with a number of different fees and a high transfer tax. In certain areas, a prerequisite for obtaining real property is permission from the local council. Also, there are restrictions on acquisition of land in border areas or on small islands, due to national security reasons. Comprehensive national land register has not still been finished, and many homes, especially outside big cities, are not yet registered. Insolvency procedures are long lasting, and lead to very low recovery rates (approximately one third of the claim), mostly through piecemeal sales. Greece also keeps its restrictions on foreign equity ownership in many industries, more than in other OECD countries, thus hindering investment and decreasing competition. This is mostly visible in the sectors of public utilities and energy, areas which the Greek government considers as being of strategic importance. After several delays during 2017, government electronic auction program for collateral and foreclosed platform is now functioning, which could lead to more secure and efficient processes in this delicate area.

Size of Government: Expenditures, Taxes, and Enterprises : 4.07

General government expenditure in Greece reached almost 49% of GDP in 2017. Due to the great political upheaval regarding the 2015 referendum on the ESM agreement, investments had come

to a halt and the economy had gone through another recession, but it finally recorded a growth, of 1.4% in 2017. Investments are slowly rising, but are still low, and the output gap is slowly closing. Unemployment is still extremely high, but also slowly decreasing, having fallen below 20% recently. Government budget is balanced, but the public debt remains among the highest ones in the world, standing at 182% of GDP in 2017. Although Greece successfully terminated the ESM program in August 2018, its public debt level is almost certainly still unsustainable. Public transfers remain very high, and pension expenditures are the highest in Europe, reaching the remarkable level of 17% of GDP. State-owned enterprises (SOE) are still present in the country, especially in industries considered to be of strategic importance, such as utilities, transportation, energy and defense. Most of them are supervision of the HCAP, an independent holding company for state assets, whose board is independent from the state, since it was partially elected by the international creditors. Some of the SOEs still enjoy privileged or quasi-monopoly status. The implementation of the privatization program, designed in 2015 as a prerequisite for the financial assistance by the international community, has yet to be fully implemented and to harvest high expected proceedings. The most important recent privatizations are the railway company Trainose, a major hotel complex in Athens, the Thessaloniki port, railroad services company Rosco, and the residual of government equity in the OTE telecommunication company. The international tender for the gas transmission system company DESFA is yet to be completed. Former Directorate General for Public Revenue, which used to be a part of the Ministry of Finance, was transformed into a more independent tax agency, with the aim to increase revenue collection (mostly through an expected decrease in the – currently still very high - rate of tax evasion) and prescribe future tax code reforms. High government consumption requires high tax rates: personal income tax is progressive, with rates of 22%, 32% and 45%, and there is a special solidarity tax, also progressive, ranging from 2.2% to 10%. On the other hand, corporate tax is set at 29%. High social security contributions lead to the overall high labour tax wedge, reaching 40% of the total labour costs, which is above the OECD average. The standard VAT rate is set at 23%, with two preferential rates of 6% and 13%, with a special case of some Greek border islands where the VAT rates would be lower by 30% until the end of 2018.

Regulation of Credit, Labour, and Business : 5.63

Regulatory environment in Greece is not overall business-friendly. Political and economic instability led to a freeze in new investments, which only recently surpassed 10% of GDP. Furthermore, corruption and burdensome bureaucracy continue to make barriers to new market entrants, leading to the low level of competition in many industries. Regulations could be competing, creating a level of business uncertainty. This situation is also evident in professional services – pharmacists, lawyers, notaries, etc. – where regulation creates quotas and similar entry barriers. On the other hand, starting a new business is easy and inexpensive, done within two weeks and with a symbolic minimum paid-in capital of just one euro. A unified social security institution was created, in order to make registration of new companies an easier task. Obtaining a construction permit and getting electricity, although demanding due to a high number of procedures involved, are overall streamlined processes. Tax procedure is also a weak point: although the number of annual payments is low, and they are filed online, actual compliance with regulation is considered as burdensome. Labour regulation has many built-in inflexible areas: fixed term contracts are prohibited for permanent tasks and restricted to just 36 months, while severance payments increase with the years in tenure, protecting more seasoned workers. Redundancy rules are strict, if the process involves more than 20 workers – in that case it requires consultations through the Supreme Labor Council (with worker, employer, and government representatives), and finally the authorization of the Ministry of Labour. Minimum wage is still

relatively high as compared to the median wage, but it has not been increased since 2012. There is a lower minimum wage (84% of the national one) for young workers below the age of 25. Centralized collective bargaining is dominant in the public sector, while in private sector it is present only in industries with a strong history of trade unions. Shadow employment in the economy is widespread. Since September 2017, the law stipulates temporary closure of businesses in cases where employers repeatedly violate the law concerning undeclared work or safety. Employers are obliged to declare in advance overtime work or changes in their work schedules. High tax rates, inefficient government bureaucracy and tax regulations are cited as problematic factors for doing business in the country.

Freedom to Trade Internationally : 8.19

Freedom to trade in Greece is generally respected. As an EU member state, Greece implements the common EU trade policy, with overall low trade tariffs. The Most Favoured Nation tariff rate on manufactured goods stands at 5.1%, while many agriculture products, such as sugar and dairy, face substantially higher tariffs. On the other hand, non-tariff obstacles to trade remain present mostly due to the complicated process of product standardization. Customs service is not well organized, with expensive or slow procedures and widespread corruption practices, which further hinders trade. High freight costs are partially attributed to the deteriorating public transport infrastructure, since there is a lack of resources for its maintenance and resolving of the transportation bottlenecks. The railroad infrastructure is of particularly low quality, while roads and ports are in a better shape. Some of the latter were privatized. Working permits for non-EU nationals are generally difficult to obtain, although recent legislation somewhat eased the position of non-EU immigrant workers by lowering the number of years necessary to obtain a residence permit. There is a "golden visa" program, which allows foreign nationals who buy property above a 250 000 euro threshold to obtain a five year residency permit. This program was widened to include buyers of Greek bonds. Although the most restrictive controls on the capital outflow from the country, that were set in 2015 during the negotiation process with the "Troika", were waived after the agreement with the European Stability Mechanism (ESM), some of them remain to this day. For example, the daily limit for commercial payment abroad stands at 250 000 euros. 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.