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GREECE FORUM
Meeting in Athens

5-6 November 1992

Conclusions and recommendations

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The following conclusions and recommendations were expressed by the participants of the Meeting in Athens on 5 and 6 November 1992.

I. Financial system and monetary policy

1. Lack of the availability of long-term financing is an inhibiting factor for long-term investment in Greece. The creation of financial instruments suitable for long-term investment financing should be seen as a priority. One move in that direction should be ending the discriminatory tax treatment of government bonds vs. corporate bonds. This has proved to be an obstacle to many firms in Greece to raising long-term capital.

2. In more general terms, it was strongly felt that there should be a definite push towards deregulation of financial markets. But this would require that the Greek equivalent of the SEC (created this year) become truly effective. In the same spirit, participants advocated a deepening and broadening of capital markets. There was a proposal to create long-term savings funds similar to those already existing in Spain. Such funds could be used to generate long-term investment financing by promoting long-term savings through favourable tax treatment for the income earned by the fund.

3. Existing controls on foreign exchange should be lifted. There was a consensus that they are no longer justified. Restrictions on repatriation of profits on the payment of royalties and fees, for the transfer of technology and management know-how, for instance, should be lifted as they have become serious obstacles to business development and the creation of new ventures.

4. Although the recently adopted 35% corporate taxation rate was seen as a very positive move, some participants raised the point that further reduction would represent an added business incentive without necessarily meaning a loss of revenue for the government. Also related to taxation, the question of bookkeeping and the auditing system came up again as it appears that the system is still not working satisfactorily and that it is generating frustration.

II. Government practices and policies

1. There was definite consensus among the participants that the Government should see as a top priority the problem of the bureaucracy and how to tackle it. Action should be taken in two directions:
   - Streamlining an inflated bureaucratic system that creates a number of hurdles for business - with all the worrying aspects of extensive corruption at every level.
   - Creating a kind of "[illegible]" [illegible] that a number of requirements in the functioning of the bureaucracy are met. The question of the system of wages in the public sector was raised on many occasions as it was felt that the low salaries in the bureaucracy act as a strong incentive for corruption.

2. More generally, the size of the public sector should be reduced by keeping new hiring in the central government to a minimum and by accelerating the privatization of state-owned enterprises. Despite the efforts of the government on that issue, there was a general feeling that the process should be accelerated notwithstanding the political difficulties it might involve.

3. Most of the participants felt that there was an urgent need for the government to improve its credibility and to provide some long strategic perspective for Greece. Having said that, most participants felt that the government should stop trying to manage the economy on a day-to-day basis and that it should not indulge in an industrial policy, which would build-up industries through grants and subsidies.

4. Nevertheless, there was a clear sense among participants that the government should focus much more on actions aimed at enhancing Greece's competitive posture. It should urgently build up an adequate infrastructure and an educational system that would ensure the proper use and mobilization of human resources. There was a proposal that the government should support through various incentives a system of dual education between universities and industry to solve the present problem of a mismatch between what the education system provides and the needs of the economy.

5. All the participants agreed on the need to make a sustained effort to clarify and simplify the laws and the regulatory framework, which are today so opaque that they give quite an arbitrary interpretative power to the bureaucracy. The elimination of unnecessary regulations, simplification of the legal framework and a careful assessment of how new legislation affects business activities were urgently requested.

6. There was a strong plea for the depolitization of the public sector in order to ensure continuity and reliability. The management of public companies should be kept separate from politics, which would improve efficiency and reduce opportunities or temptations for patronage and corruption.

Internationalization of the Greek economy

1. Participants felt that not enough effort was made to provide sufficient information (not promotion) about investment opportunities in Greece. But it was also stressed that this meant, as mentioned above, a determined effort to improve infrastructure, to eliminate foreign exchange controls and to achieve predictable and well-publicized policies and "rules of the game".

The active promotion of joint ventures to breach the technological gap was also advocated, as well as a "leap" approach in the development of R&D.

3. Another suggestion was that government policy, especially in terms of foreign policy, should be geared towards supporting Greek enterprises in their efforts to penetrate international markets, particularly in the Balkans and in Eastern Europe. The role of Greece as an "entry point" or a platform for doing business in the Balkans is certainly a potential asset that should warrant more government attention.

4. Some participants even suggested that one or two top ministers organize in some key countries a "road show" based on what was done very successfully by the Mexican government to highlight the opportunities offered by the country with respect to foreign investment.

IV. Labour market

1. Many participants stressed the need to remove restrictive practices in the labour market, which are creating unsound rigidity and have an adverse impact on economic activity. They proposed the following:
   - Decentralizing the wage bargaining process to take into account the different positions of companies
   - Doing away with compulsory arbitration by the courts in conflicts between employers and employees
   - Abolishing the 2% limit on redundancies per month