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Michalis Massourakis, Chief Economist at the Federation of Greek Industries (SEV) provides his expert insights on the roles and functions of the organization, the economic and political situation in Greece, and how the country is managing to implement policies to boost the economy and transition out of the crisis.

To begin, could you please provide our global executive readers with an overview of the Federation of Greek Industries (SEV) and its main functions?

SEV is the main business association of Greece with more than 350 members, which are major companies in all economic sectors. Through regional business associations, we represent around 3,500 companies. We are essentially the main employer organization. We carry out several functions. We negotiate with labor unions at the top-level and participate through lobbying in the social dialogue, influencing the government in adopting policies which we consider good for business and the economy. We take positions on all aspects of economic policy making. We publish position papers, for example, on the justice system, because of its importance for the functioning of the economy. We are a private organization, financed through membership fees and we ultimately aim to serve the public interest.

More specifically, please introduce your background and your specific roles and responsibilities as the Chief Economist for the Federation of Greek Industries (SEV).

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I have been a Chief Economist for many years at Alpha Bank in Greece and following my retirement from there, I was employed at SEV again as the Chief Economist. I coordinate a small team of economists who provide the support for the positions we make in the public domain. We publish a weekly report every Thursday in which we analyze major issues on the economy, policies and reforms in Greece. We discuss the macroeconomic landscape and conjectural developments. We also issue a special report twice a month on various structural issues. We are balanced in presenting our views. Our membership finds our publications useful for their work. We also publish a monthly report which is basically a tool for our members who want to monitor what is happening in the different sectors of the economy.

At the crux of SEV's mandate is to be an "agent of change towards a more open, fair society and economy". The national growth strategy is anchored on 6 pillars: namely, (1) Immediate investment boost; (2) Access to finance; (3) Rationalization of production costs, (4) Reform of Social Security System, (4) Universal electronic payments and e-government; (5) Acceleration of privatizations, EC structural funds and EFSI funding for major investment projects. Why were these the key areas identified?

We try to provide services to our members, not only data and facts, but also promote their interests through lobbying the government in particular policy areas. We are active on big issues like the national deficit but also on specific issues such as the law for investments licensing. When our members voice their dissatisfaction with aspects of government policy, we feel the responsibility to lobby with the administration and try to resolve the issue. We also organize all kinds of events such as conferences where we discuss particular issues. We organize road shows abroad so our member companies can network with counterparts in other countries and build their businesses. We also do similar events in Greece. For example, we had a B2B meeting between Greek and Turkish companies. Turkey is the third largest destination for our exports and a lot of Greek companies are doing business in Turkey.

Since 2014, the country has undergone two national elections, a referendum, three different governments, closure of banks and restrictions on capital movement, a third memorandum, and an unprecedented refugee crisis. How is Greece responding to these challenges?

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In order to overcome the 2010 crisis, we had to go into a very severe fiscal consolidation phase to reduce deficits. At the same time, we had to introduce different kinds of reforms in order to strengthen the dynamic sectors of the economy so that we could export much more than what was the case prior to the crisis. In term of structural reforms, there has been a consistent effort to improve our position in international competitiveness. This is done through the hard work of opening up and liberalizing markets as well as making the environment more business-friendly. This is a very difficult process. There are a lot of interests which do not like changes and will try to delay. Progress, however, has been achieved. Labor markets have been fully liberalized and investment licensing is in a much better position than it used to be. Products and service market liberalization is taking hold progressively and will create a business-friendly environment in Greece.

However, the country suffers from bad publicity, based on the fact that after seven years, we are still having problems in implementing the program of adjustment. This is why there is not much of an improvement in our competitiveness index, despite progress. Because of the fiscal consolidation, taxation has become impediment to growth. The government prefers to tax rather than to cut spending, which results in over taxation for businesses. This does not create a good operating environment.

A lot of things have happened but all we need now is confidence from investors in the prospects of the Greek economy. We are at a critical juncture where we have strong signals of a recovering economy. In 2017, we can go into strong and positive growth. We have never been strong on foreign investment, which does not exceed one percent of GDP, even if it seems to be the only hope as Greece does not have the resources to invest on its own. Also, the government has improved its savings position. Therefore, we expect that only an investment shock from abroad can actually bring us back to the trajectory for investment growth that we experienced in the past. Greece is a country that has always benefited from its geographic advantage. So most of its business focus is on tourism and shipping and not necessarily on industry, though industry is the sector that produces better jobs and pay.

Greece’s strategic position for both Eastern and European markets plays a vital role in the economy. It is analogous to Turkey as the crossroads between the East and West, though today Turkey faces a high degree of instability. Could Greece potentially become the next quintessential meeting point between East and West?

The Greek market differs from that of Turkey as it has 11 million people while Turkey has 75. We have an educated labor force who can speak English. We also have sound infrastructure. Nevertheless, it remains a challenge to invite foreign businesses to establish themselves here,

especially with more cost-effective countries such as Romania or Bulgaria in the vicinity, some investors are lured by the attractiveness of those markets. Nevertheless, China is investing in the port of Piraeus in Greece to make it a gateway for their exports to Europe. A greater focus on infrastructure development is imperative.

How is the “Made in Greece” brand perceived both domestically and internationally?

Manufacturing is a pillar for growth but it is still suffering from a very adverse economic environment in Greece. When you have very high energy costs, for example, manufacturers operate with a handicap. Taxes in general are also high so it is more difficult for businesses, especially in dynamic sectors, facing very strong competition from abroad. We want to double the presence of manufacturing industries, but it is very difficult given the present operating environment. Any company can be established in Greece and sell its products around the world. In order to have growth, you have to reduce uncertainty and most of the obstacles that companies are facing today. We are moving in the right direction. We are not China or India, but in this country things are happening too.

Given that the manufacturing/production sector is deemed to be an area of growth, what are the main industries where this is most relevant?

Recently, from exporting industries, I consider the pharmaceutical industry one of the strongest growth contributors, especially given the fact that it is already exporting. With aluminum and copper, they are the biggest exporters of the country. Food is always going to be a growth industry for the country. Every sector related to geography can be also a growth sector such as tourism, logistics, transportation, energy and agroindustry. They are the future growth leaders. However, the stake through incentives cannot channel resources to particular industries. We can only help them through changes in the environment. A lot of things rely on attracting the right companies to invest in Greece. If this doesn’t happen, it will be difficult to see growth. The country is full of opportunities but we have to convince people that it is the right place to invest. The good thing is that the situation is improving even if it does not happen fast.

What do you think about the pool of talent that Greece is offering nowadays?

Greece overall offers a highly–educated labor force. Nevertheless, because of the crisis, there are 300,000 to 400,000 Greeks who have already left the country and are now working abroad. This brain drain phenomenon is largely driven by the crisis. All the Greeks from my generation left the country, but came back. Now, not only do people study abroad but they are not incentivized to come back. Most of the graduates from Greek universities, whether they are doctors, engineers or

simply someone who wants a stable life and good prospects for employment, are going abroad. This deprives Greek companies from the best minds to run their businesses. Hopefully, once we move out of the crisis, this trend will be reversed and people will come back and establish companies here. You cannot find a specialized engineer in Greece even if you pay them well. Unemployment in Greece is around 23.5 percent. This implies that local people are not really performing to their capacity, education or potential. More than half of the employment contracts are short-term contracts. There are a lot of inefficiencies in the labor market because of the dire situation of the economy.

In today's economic reality, the only thing certain in Greece is uncertainty. How would you advise going about setting economic measures in the short-, medium-, and long-term, given the uncertain parameters?

We want adjustment to continue, but we would like to move at a greater speed because delays on program and reform implementation are commonplace. However, I think that the country overall is going in the right direction. The economic policies being pursued are right for the country at this stage and Greece is indeed on the road to a healthy recovery.

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