

Speech by the Chairman of SEV

Mr. Theodore Fessas

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1. INTRODUCTION

Your Excellency President of the Hellenic Republic, Mr. Prime Minister, Mr. President of the European Commission,

Ladies and Gentlemen,

We thank you warmly for being here tonight.

We would like to thank, in particular, President Jean Claude Juncker, a great European leader and friend of Greece, for honouring us with his presence tonight.

2. LEAP TO 2018

The key message of my speech tonight is: “AT LAST, LET’S GET THE JOB DONE RIGHT, NOW”. In other words, all those responsible for the future of our country at European and national levels must do all the appropriate things and do them now.

We want everyone to do their job right. As we have to do ours.

And most of us, we do. We and our employees keep our businesses standing, pay our obligations consistently and feed the economy.

Where, in our opinion, should the bar be raised? What facts do we expect to hear from the country’s Prime Minister in our 2018 General Meeting?

Making an optimistic projection to the future, we expect to hear that in 2017:

- *The Greek economy ran at 3.5% growth rate.*
- *Tackling tax evasion, contribution evasion and smuggling, i.e. tax fraud, yielded €4 billion additional revenue in 2017 enabling an equivalent decrease in taxes and contributions.*
- *Total investment exceeded € 25 billion.*
- *Greece has been borrowing on the international markets at a ten-year rate below 3%.*
- *NPLs have dropped by 30%.*
- *Unemployment declined below 20%.*
- *Greece and its partners agreed to cut the primary surplus target for 2018.*

All this and much more must be shared by the country's Prime Minister in two years. It is everyone's ambition and demand.

Hence, the almost disastrous, traumatic 2015 will seem like a distant nightmare in two years from now. Our international partners, the Greek political system, employers, employees and the society will have built a new relationship of trust and cooperation.

Dear friends,

The work on our final exit from the crisis has to be done properly and systematically; with all the right people who will take the ownership and implementation responsibility. And it has to be done immediately. Then all of us will be proud.

To this end, today I would like to contribute some concrete thoughts on how we can achieve it.

Let us begin with a brief review of the major international challenges and the current Greek economy condition.

3. INTERNATIONAL CHALLENGES

For almost a decade now instability is the new global reality.

Inequalities are growing, extreme voices have found political representation and a new anti-systemic culture has been developing to express the losers of globalisation.

The migration crisis has hurt the European solidarity and affected the Europe of open borders.

In two days, people's vote in Great Britain may cause huge disturbance in and radical changes to the future of Europe. We have all been shocked by the heinous murder of Joe Cox, which was committed in a country that is not characterized by strong political feelings.

The European Union seems to be weak and blocked by national agendas; it is finding hard to take quick and effective decisions.

At the same time, though, highways of opportunities for growth and jobs are opening up before us.

Technology has been ceaselessly and rapidly transforming businesses, economies, human behaviours and societies.

The 4th industrial revolution, circular economy, the real union of Europe can mobilise the economies of all Member-States, rather than only of the strongest.

Faced with these challenges, all of us, we only have one viable option: cooperation.

The traditional Right-Left divide is outdated.

There is only one real dilemma: Do we want an open society of competition, engagement, opportunities, mobility, or do we want closed systems of discriminations, meritocracy deficit, stagnation and introversion?

History, knowledge and technology have already given the answers. The future belongs to open societies and open economies.

4. GREECE'S CURRENT POSITION

Our economy is gasping for breath. Our country's competitiveness has been declining.

The conclusion of the review alone is not enough. With this policy mix and aloof program implementation, we cannot turn page.

Certainly a lot has to change in the country; the Constitution, the election law and much more.

But the urgent GROWTH that is needed now cannot wait.

So let us focus on the basics.

The main weaknesses of our economy are its relatively small size and low competitiveness of the productive sector. A serious growth policy must aim at its augmentation rather than further contraction.

Grey economy, recessionary measures and low productivity of the public sector, prevent the private sector from growing.

Grey economy is estimated at 25% of GDP, i.e. more than €40 billion, and tax evasion amounts to almost €10 billion.

Taxes and contributions disproportionately aggravate the cost of businesses and reduce the employees' available income. Many people work hard and are left with nothing in the end.

The unequal burden distribution challenges compliant citizens. 3% of taxpayers contribute over 40% of total income tax, while 55% pay no tax at all.

If those who pay alienate themselves or leave the country, who will sustain the approximately 2.7 million pensioners and 700,000 civil servants?

Borrowing cost is manifold higher than for the rest of Europe and the banking system operates with capital controls.

The productivity of the public sector is very low and services to citizens are deteriorating.

These phenomena are alarming. Businesses are moving to other countries and have difficulty in deciding to return.

Many worthy and productive Greeks, salaried employees and self-employed, find jobs abroad. Labour over-taxation makes their stay in Greece disadvantageous.

Emigration is not only relevant for young unemployed people; it is currently attractive even for those who have a job in our country.

The more we delay to face the reality, the deeper we will sink in deadlocks.

Let us turn the resolution of the most severe problems into national targets, and let us benchmark everyone's success against them!

5. THINGS TO BE DONE

A lot has to be done.

I will only focus on three national targets. The ones that will predominately unblock the economy.

- 1. Implementation of an integrated plan for the combat against tax evasion, contribution evasion and smuggling.*

Tax fraud is a national disgrace and a plague for the country's economy. There is no excuse for any deferral of problem-solving to the future.

The plan can and must be completed in a few months. All the necessary knowhow, infrastructure and assistance are available.

After deliberation and agreement with our partners, it may take effect in the beginning of 2017.

We are therefore addressing a concrete proposal to both our partners and the Greek government:

The integrated plan for the combat against tax fraud should be a prior action for the next review, with measurable revenue targets, tight schedule, clear implementation responsibilities and mutual commitment to the outcome. We will support it with proposals, good practices and people.

Tackling tax fraud will change the picture of the country and will provide huge potential for development and social policy.

This will turn us into a normal country, where the sense of justice will prevail and corruption will decline.

After so many years of fruitless efforts, and with abundant knowledge, technological solutions, tools, data and experience, it is only fair and legitimate to say that whoever fails to ensure the solution is part of the problem.

Indeed, there are solutions. Let me list only a few:

- Widespread use of online invoicing, transfer and flagging of all business transaction;
- unique digital identification for all citizens and businesses;
- measures and incentives for maximization of e-payments;
- wages, contributions and fees payments via the banking system;
- counterincentives for cash payments;
- fully implementation of fuel inflows-outflows systems and installation of scanners in customs offices,
- assignment of arrears assessment to reliable auditing firms.

There is no time for half-measures!

And another substantial remark: the battle against tax fraud is the mother of all battles. When it is won, it will radically change the entire Public Administration.

2. Rationalisation of the taxation system

The policy mix implemented is wrong; the core of the mistake is over-taxation, and it has to be corrected immediately.

The tax hike causes recession and, ultimately, fails to generate higher public revenue.

It is against any economic sense, or other logic, to insist on measure that do not perform. The new tax wave is dangerous, for the market, as it threatens it with recession, the society and the public revenue.

Because in Greece we raise tax whenever we fall short on revenues... But in fact we increasingly drive people to grey economy.

It is high time we thought differently. As in Romania, for instance, where VAT on food was reduced from 24% to 9% and the respective revenue rose by 12%.

The right solution for Greece, in our opinion, is to immediately implement low tax rates and a rigorous collection procedure.

Of course, we understand and respect the fiscal obligations of the country.

We therefore suggest the introduction of an “automatic tax rate cut mechanism”, whereby tax rates will be cut immediately upon achievement of measureable revenue targets from tax fraud detection. I am certain that our partners would keenly agree with such a measure.

3. Integrated investment attraction plan

Annual investments in Greece have declined from 21% of GDP to 11% in recent years. European and national resources do not suffice to finance the country's investment needs.

We propose and volunteer to decisively help in drafting and implementing an integrated investment attraction plan including the following pivotal points:

- *Privatisations*

The recent major privatizations agreements are undoubtedly a very important development.

Many more privatisations are already planned. Let us move as fast as possible, ensuring the highest possible investments.

Before another 15 years lapse, as was the case of the Hellinikon development project.

- *Public Private Partnerships (PPPs)*

The fiscal situation dictates the involvement of the private sector in a long-term partnerships and concessions plan for major public-interest projects.

Typical examples are the electrical interconnection of Crete; solid waste management; public transportation infrastructure concession contracts, and so many other projects... The state does not have the necessary resources to construct them, but it may and must attract private investment funds.

- *Non-Performing Loans (NPL's)*

As long as business NPLs are not settled, they are a bomb in the foundations of the economy. However, they are also a potential investment attraction pole.

It is imperative that they be immediately managed on market terms, with transparency and without competition distortions.

- *Energy Interconnection*

Our country's isolation from EU developed countries in energy results in the decline of our industrial competitiveness.

We believe that Greece's energy interconnection with the rest of Europe and full implementation of the Target Model are imperative.

- *Digital Economy*

According to European indicators, Greece holds the 26th place among the 28 countries in terms of digital economy. Moving up to higher places presupposes considerable investments, mostly in telecom network infrastructure.

- *Tourism*

I don't want to state the obvious. Simply imagine the funds that can be invested in six-star hotels, golf courses and marinas for the development of Attica's seafront!

- *Productive sectors with high development prospects*

There are many sectors, some well-known, such as logistics, agri-food, energy, mineral wealth, IT, medicines, health, and other more innovative, such as biotechnology, art productions, fashion, etc., where Greece can build a "brand name" and attract considerable investments.

Essential components of the plan are:

- *Friendly business environment*

In our country we have to reconcile with the concept and contribution of healthy entrepreneurship. Anyone who invests, provides jobs and generates profit should be encouraged.

- *Contemporary industrial relations*

The core issues that must be eventually addressed are the high non-salary cost, rife undeclared work and contribution evasion. Mass layoffs and lock-outs are not the solution and are certainly not on the agenda of SEV.

We have to ensure the proper functioning of arbitration to avoid salary excesses and backtracking.

The trade union law is outdated. It needs to be revised. We witness its adverse effects on critical activities, such as the ports that have been paralysed recently threatening the cruise sector.

Many more actions need to be taken in order for Greece to become a modern and competitive country: social security, health, justice, public administration, education, research, etc.

We nonetheless believe that if we immediately achieve the three national targets mentioned earlier, i.e. tackling tax fraud, cutting tax rates and aggressively attracting investments, the success will act as a catalyst.

This is also conditional, of course, on ensuring the critical success factors, which I will briefly list.

6. CRITICAL SUCCESS FACTORS

- 1. Joint ownership of solutions and common strategy with our partners.*

We often highlight the responsibilities of the Greek governments for the protracted crisis.

But I wonder, is the failure of MoU implementation only Greece's fault? How did so many Euro Area Prime Ministers and Ministers of Finance agree on dead-end, recessionary policies? Are these the policies they implement in their countries?

The MoU experiences entail lessons both for Europe and Greece. The MoUs have identified the problems of Greece, set targets, but have not ensured either the correctness or the prioritization of the measures.

There has to be joint ownership of the solutions as well as joint commitment to the correctness and results; benefits must be evident on both sides.

Dear President Juncker,

We are grateful for everything you have done for Greece. We kindly ask of you, though, to take another initiative. A Greece-specific Juncker plan for:

- faster revision and rationalisation of recessionary measures;
- acceleration of structural changes;
- increase in investment funds from European funding organisations.

Thus, the trust of markets will be restored, private capital will flow into the country and a substantial debt settlement will be made possible.

When Europe and Greece succeed in replacing antagonism with effective collaboration, Europe will be strengthened and Greece will skyrocket.

2. Realism, Immediacy and Effectiveness in choices and decisions

How much longer will we all pay for the mismanagement of the economy on political terms? How many more former Hellinikon airports are there? No further comment.

3. Suitable people for the implementation of measures

For any serious effort to be successful, it has to be implemented by people who have the capabilities, believe in, commit themselves to and want it.

4. Reconstruction of our value system

The deterioration of our value system led to the crisis. Exit from the crisis requires its reconstruction.

Trust, Honesty, Responsibility, Integrity, Dutifulness, Justice, Respect, Meritocracy are the values that we must reconstruct in our country.

The role of education is decisive and the responsibilities of leaderships of all kinds are vast.

7. CONCLUSION

Ladies and Gentlemen,

There are no easy solutions to the Greek problem. There are, however, correct solutions and approaches.

The picture I painted of Greece for 2018 at the start of my speech is feasible! We firmly believe that everything we say can be done. We expect from everyone who has the responsibility and legitimacy to do them and do them now.

This is what we expect from you, Mr. Prime Minister, Mr. Juncker; this is what we expect from the institutions and the Greek political system.

From our side, we will do our best, we will support every effort in the right direction and anyone who undertakes it. But, at long last:

Our country is entitled to and deserves reliable and sustainable solutions; our society and economy are entitled to believe in a credible vision for the future. All Greeks are entitled to hope and smile again.

We fervently support anyone who does their job properly. We fervently support Greece. We fervently support Europe and euro.

We hope the UK referendum will further reinforce the European cohesion.

I would like to paraphrase a great British, Winston Churchill, and say that we have to put an end to the quarrel between past and present, because we are losing the future. We say that it is not enough to do everything we can, we must do whatever it takes.

SEV has always highlighted the sense of responsibility and collectiveness that we need to manifest, especially in crisis periods.

This is the stance that we promise to uphold, acting as a pillar of reliability, stability and optimism.

Thank you very much!