

The future of Greece revisited

New perspectives on “Greece and the EU in 2035”

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Background and acknowledgements

This paper presents a set of critical as well as forward-looking expert responses to three alternate scenarios on the future of Greece and the EU, which were published by the European Academy Berlin in December 2017. Against the background of the original scenarios and, more importantly, in light of current developments, the arguments and viewpoints captured here continue a vivid and innovative discussion among Greek and German analysts and practitioners from various fields, guided by the question: **What is to be done and by whom to overcome the current crisis in Greece, and how will developments on the European level impact the country's future?**

That discussion was started in June 2017 during an expert scenario workshop, which resulted in the aforementioned scenario paper entitled "Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy".¹ In June 2018, the debate on the future of Greece and the EU was continued during a second workshop, in Athens, where the original paper was discussed and new ideas and arguments were added to the previous line of argumentation. The paper at hand brings several of these new perspectives together. They are presented here in order to continue to incite a rich and productive debate on how the challenging situation in which Greece still finds itself can be overcome in the most productive manner.

We therefore thank the authors of this paper, as well as all the other workshop participants and interlocutors who kindly agreed to engage in this multifaceted debate and to share their expertise. Moreover, we are especially indebted to the Friedrich Ebert Stiftung. In addition to supporting crucial aspects of the entire project since June 2017, the latest workshop in Athens, and the paper at hand were realized in partnership with the Friedrich Ebert Stiftung. We are sincerely grateful for our highly fruitful cooperation throughout the entire project.

Objectives

The prime objective of the present paper is to take the original arguments of the 2017 paper a step further by providing a set of innovative answers to the above-mentioned question: What is to be done and by whom to overcome the current crisis in Greece, and how will developments on the European level impact the country's future? Through twelve brief interventions, it critically examines and expands on arguments raised in the original paper. It provides new analyses and viewpoints regarding current challenges facing Greece within the wider context of European politics, as it aims to debate ways to master those challenges in the future – alongside the objective to point out viable ways of sustainably deepening European integration.

Along the foci set by its twelve authors, the present paper develops its own dynamic. It brings together arguments, which focus on the Greek political system (section I), a second set of viewpoints, which focus on the Greek economy vis-à-vis structural conditions emerging from EU politics (section II), and another set of arguments, which concentrate on Greece's role as regional as well as global player (section III). In addition, several authors provide more comprehensive views on key aspects of a sustainable reform agenda in Greece (section IV).

The paper thereby assembles a plurality of different points of view, some of which are complementary, whilst others are in opposition to one another. Thus, rather than providing a consistent but potentially monolithic approach to the question at hand, it presents a variety of perspectives and recommendations.

¹ Europäische Akademie Berlin, "Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy", ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxql>, last access August 19, 2018.

Key findings

While the views expressed in the twelve responses below are not necessarily those of the European Academy Berlin (EAB) and the Friedrich Ebert Stiftung (FES), the editors – Samuel F. Mueller and Max Ostermayer – have summarized their recommendations for action as follows. These recommendations correspond closely with the arguments presented by the twelve contributors of this paper and refrain from going beyond the argumentative frame, set by the authors. They are structured along the lines of the paper's overall outline, not indicating a hierarchy regarding their importance.

In view of Greek politics and the political system:

- It would seem reasonable for the Greek government and political decision-makers from the legislative power to provide better opportunities for civic participation, i.e. for a multifaceted dialogue between state and society. This dialogue, as it exists so far, has to become more open and inclusive, strictly problem-oriented, and geared towards sustainable consensus. This proposition is based on the argument that a high level of trust in the political system is necessary, in order to safeguard the legitimacy of representative democracy. In Greece, however, political trust is perceived to be low, ultimately hampering the government to act more effectively. Furthermore, decision-making processes within the Greek political system are perceived as to lack transparency, which might bear additional negative consequences on the effectiveness of government actions in Greece.
- It seems desirable for all political parties represented in the Greek parliament today to engage in a more problem-oriented as well as consensus-oriented dialogue, in order to increase the effectiveness and the quality of present and future reforms. Democratic deliberation in Greece, however, especially between government and opposition, are often influenced by specific interest groups geared towards satisfying particularistic concerns rather than addressing the needs of the entire society.

In view of the Greek and the European economy:

- Decision-making bodies in Greece, all other European countries, and on the EU-level have to deepen their efforts to jointly develop more effective and long-term strategies how to respond to and, ideally, prevent future economic crises. Such a strategy might include new institutional arrangements, making it easier to achieve a higher degree of (fiscal) solidarity among all EU member countries, especially in times of crisis. Moreover, as the next Multiannual Financial Framework is presently debated, such a strategy might go hand in hand with bolstering the EU's social cohesion programs, in order to help equalize living standards across the EU.
- Decision-making bodies in Greece together with EU institutions and other EU member countries have to work towards more sustainable and inclusive economic growth in Greece. As the current course of action appears to many Greeks as the mere management of public debt, this proposition might mean nothing less than a **paradigm shift from austerity-measures to more prudent and progressive economic policies**. Such policies might entail both a greater degree of economic freedom for new enterprises and economic ventures in Greece as well as necessary regulations, which ensure that all parts of the Greek society benefit from a striving economy.
- In Greece, the growth potential of new technologies (IT, software development, renewable energies and other areas) has not been fully considered yet. Enterprises, developers, scientific institutions, including universities, as well as the relevant decision-making bodies in Greece have to work better towards synergies, ensuring pioneering collaboration among them. Convincing economic perspectives in this field might also prevent further "brain drain", while attracting those young Greeks being educated and living and working abroad to return to Greece.

In view of international politics:

- **Greece has not yet realized its full potential to establish itself as a crucial partner and mediator in Southeast Europe (and beyond).** Greece, in close cooperation with the relevant states and the EU, might shape the EU accession process of the Western Balkans. Greece might better establish itself as **liaison between Brussels and Ankara**, if it can solve remaining disputes with Turkey. In view of economic relations, Greece, in close cooperation with the Western Balkans and, ideally, with several Eastern European states, might **significantly help shape relations between the EU and China**, as the latter already has significant impact on Greece's as well as Europe's economies.

Structure of the 2017 scenarios: Being strangled by, untying, or cutting the Gordian knot?

As stated above, the following responses take the scenario paper "Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy" as their conceptual starting point and, hence also account for a critical examination of the previous arguments and attitudes. Thus, it seems apt to briefly recapture the 2017 scenarios, while the full paper can be downloaded from the EAB homepage (<https://bit.ly/2rYGxql>).²

The original scenario paper put three scenarios on the future of Greece up for debate. When looking at them, each scenario introduced a distinct overarching trend and elaborated this trend in the form of a narrative:

- **Scenario 1 – "Being strangled by the Gordian knot"** posits an accelerating downward spiral of economic and political stability in Greece. It addresses the question of the possible circumstances under which Greece might disintegrate as a nation-state.
- **Scenario 2 – "Untying the Gordian knot"** posits a gradual overcoming of the crisis in Greece, i.e. the step-by-step disentanglement of a complex historical situation towards an economically viable and politically sustainable situation. It addresses the question of what it might take to gradually overcome the crisis in Greece.
- **Scenario 3 – "Cutting the Gordian knot"** also posits that the crisis in Greece can be overcome. However, it does so with a twist, proposing that Greece can resolve many of its problems faster than laid out in scenario number two. Consequently, it addresses the question of what it might take to overcome the crisis in Greece sooner rather than later.

But how plausible are the assumptions made in the 2017 report? Are the arguments raised in the previous paper still relevant? What does the future look like when seen from today's perspective? And, most importantly, what conclusions can be drawn regarding concrete further steps and actions?

² Ibid.

I. Inside Greek politics

Political trust after the crisis: Getting citizens back on board with representative democracy

Antonios Souris

Political trust, which is at a low ebb in Greece, needs to be restored to safeguard the legitimacy of representative democracy in the future. Concrete actions might include an effective civil society dialogue, as well as organisational and behavioural changes to political parties.

In all three scenarios, the reform of the state and its institutions – or the lack of it – is a key driver for the future trajectory of Greece. In the first scenario, “a significant degree of non-transparency and cronyism” on the part of established political and state actors pushes the electorate into the arms of a populist leader who would destabilise the country.³ In the other two scenarios, the comeback of Greece as a well-performing, appreciated member of the EU is supported by a modernised state, creating an environment that is conducive for business and investment.⁴ What the two scenarios tend to overlook, however, is that, beyond economic recovery, the profound reform of state structures is a prerequisite for safeguarding the legitimacy of representative democracy. Fuelled by the sovereign debt crisis, Greece has witnessed a growing public disaffection with the state and its institutions, best captured by the alarming low level of political trust. Defined as the belief that those in authority will not harm the citizens and do their best to look after public interests⁵, political trust is widely understood as a requirement for a functioning democratic life and for social cohesion.

Eurobarometer data⁶ reveal the extent to which citizens (mis)trust the four core institutions of the Greek political system. In March 2018, 78 percent of Greek respondents answered that they tend not to trust the *public administration*, a staggering result when compared to the EU average of 44 percent. *Parliament* and *government* come off even worse, with 86 and 87 percent respectively of respondents saying they tend not to trust them, whereas *political parties* appear to have lost all public confidence. A whopping 95 percent of respondents tend not to trust them, which exceeds by far the (already worrisome) EU average of 77 percent.

Restoring political trust, which would help get citizens back on board with representative democracy and thus guarantee its legitimacy in the future, presupposes concrete actions. The second scenario mentions – rather briefly – an instructive measure: a “dialogue between the state and civil society”.⁷ The encouragement of dialogue between state executives and civil society, at both the local and the national level, would channel ideas and local knowledge into administrative and legislative procedures. Organised grass-roots activities in the wake of the sovereign debt crisis, for example in providing free health services or food, as well as Greek volunteers who have rescued and helped refugees, promise an increasingly dynamic civil society.⁸ It is now up to those newly-formed initiatives and projects to use the momentum and make a case for active citizenship vis-à-vis decision-makers, state players, and the general public. Immediate steps for allowing the dialogue to take off include the launch of a

³ Ibid., 6.

⁴ Cf. *ibid.*, 10-12, 13-15.

⁵ Kenneth Newton, “Trust and Politics,” in *The Handbook of Social Capital*, ed. by Dario Castiglione, Jan W. Van Deth and Guglielmo Wolleb, Oxford: Oxford University Press, 2008, 242.

⁶ European Commission, “Eurobarometer Interactive”, European Commission, online, URL: <https://bit.ly/2H4SWMx>, last access July 9, 2018.

⁷ Europäische Akademie Berlin, “Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy”, ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxqj>, last access August 19, 2018, 11.

⁸ Jennifer Clark, Asteris Huliaras, Dimitri A. Sotiropoulos, “Crisis and Civil Society in Greece”, *The European Financial Review*, October-November 2016, 28-30.

collaborative website to establish transparent procedures and raise awareness, as well as events to bring together civil society and state actors to develop best practices for civil participation and recommendations for improving its legislative framework. To make the dialogue fruitful in the long run, civil society actors will need a lot of staying power when tilting against the windmills of bureaucracy, while public officials must change administrative culture in a way such that civic engagement is understood as a valuable resource.

Since parliament and government are composed of political parties, the loss of public confidence in the latter is a particular problem for representative democracy, not only in Greece, but across Europe, as the Eurobarometer shows. Party leaders must initiate unimpeachable measures to fight patronage, and make an effort at profound organisational changes. Intra-party discourse has to be more open and programmes responsive to actual public needs, while internal recruitment procedures need to come up with representative candidates for public office. At the same time, parties have to prove to citizens that they are able to work together to solve current issues. Successful cooperation, which does not necessarily have to take the shape of the formal “grand coalition” suggested in the second scenario,⁹ would be supported by political debate characterised by task-oriented deliberation and not by ‘blame games’ between politicians.

Two major impediments weaken optimistic scenarios

Dimitri A. Sotiropoulos

Any chance of untying the Gordian knot depends on overcoming, first of all, a tradition of anti-reform coalitions, reflecting a corresponding cultural pattern of non-reform and, secondly, a legacy of re-occurring acute political polarization, regardless of whether a coalition or a single-party government is in power.

The two optimistic scenarios (“Untying the Gordian knot”, “Cutting the Gordian knot”) rely on a premise acknowledged, but not fully analysed by the authors of the scenarios. This is the formation of “a broad-based political reform coalition in parliament and civil society, effectively pressing the government to undertake transformative policies”.¹⁰ This is a major, possibly the single most important premise to take into account if the pessimistic scenario “Being strangled by the Gordian knot” is to be avoided.

There are at least two reasons why a broad political coalition for reform is of such significance. First, experience has shown that in contemporary Greek democracy even the most necessary and long-awaited reforms are thwarted if there is a broad anti-reform coalition. Since the transition to democracy in Greece (1974), anti-reform coalitions have emerged every time the prospect of serious reform arose in education, health, agriculture, transport, or other policy sectors. Among the many relevant examples, one stands out. That is the scrapping of the pension reform put forward in 2001 by then socialist Minister of Labour and Social Security Tassos Giannitsis, in view of the fact that it was already evident that the pension system was unsustainable. The pension reform bill was never submitted to parliament and the reform was scrapped owing to the mobilization of a broad anti-reform coalition. The latter consisted of opposition parties, the press, strong interest groups (public sector labour unions and associations of liberal professions), the members of which enjoyed high replacement rates in their pensions and early retirement opportunities, and even other socialist ministers of the same government, who feared losing their personal political clientele. Pension reform occurred under unfavourable conditions after the economic crisis struck, but by then, the requirements for financing the pension system had contributed to the derailment of Greece’s public finances. A similar example of aborted reform was the reform of higher education, pursued in 2010–2011 by then socialist Minister of Education, Anna Diamantopoulou.

⁹ Europäische Akademie Berlin, “Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy”, ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxqJ>, last access August 19, 2018, 12.

¹⁰ *Ibid.*, 10.

Secondly, as in other European countries today, in Greece democracy means party democracy. Despite the weakening of their organizations, parties still have the capacity to mobilise, formulate public policy proposals, dominate public debates and attract media attention, and to recruit and socialise citizens interested in serving in the political arena. However, the type of party system that exists in a party democracy affects the chances of building not only government coalitions, but also consensus on reforms. Greece has traditionally a polarized party system, which until 2011 inhibited the formation of coalition governments. The fall of the governing coalition of New Democracy and Pasok in 2015 was accompanied by the rise to power of a completely different coalition, namely Syriza and Independent Greeks (the Anel party). Before New Democracy and Pasok governed in coalition, from 2011 to 2014, they participated in a fierce electoral contest, during which it seemed as if they wanted not just to defeat, but to annihilate their opponents. That same climate of extreme polarisation was visible in the short march of Syriza and Anel to power in 2011-2014, and in the conduct of political debates after the change of government in 2015. Moments of consensus have been very rare, even on major issues such as foreign policy.

In brief, in contemporary Greece there is a strong tradition of anti-reform coalitions, while pro-reform coalitions have been very sparse. Moreover, that political tradition of anti-reform, and an electoral system that disproportionately favours the rallying of voters around the two most important competitors for government power, fosters a polarised party system in Greece. Unless those cultural and structural conditions are changed, the policy improvements envisaged by the second and third (i.e. the optimistic) scenarios¹¹ may remain a distant possibility.

It would take time to change such cultural and structural conditions. However, concerned agents of reform may unleash initiatives that, in the long run, could help turn the tide in favour of reform and political consensus. A first step would be to depoliticise decision-making in policy areas in which it is obvious that Greece has fallen behind other EU member states, and in which reform is necessary regardless of the party in government. Examples would be public health care, education, and social welfare, which had been in disarray before the crisis, and are now even more poorly served. A second step would be to reform political education and political socialization. The way political mentalities are shaped by schools, mass media, and other agents of socialization is counter-productive. It is vital to gradually spread the idea that zero-sum games in politics are not fruitful, as the tremendous economic crisis in Greece has shown to all competitors for political power.

¹¹ Ibid., 10-12, 13-15.

II. The future of the Greek economy

What kind of GRecovery? Greece's sustainable growth at risk

Panagiotis Vlachos

As the end of its 8-year bailout programmes approaches, Greece's fiscal obligations, half-completed domestic reforms, and acute social problems generate significant political risks. To achieve sustainable and inclusive growth for the country, a national political economic plan, combined with anti-austerity policies in the Eurozone is required.

Steadily overcoming or continuous dismantling? The future might unfold somewhere in between the two first scenarios of the report under discussion. As Greece exits its 10-year odyssey, the international cacophony against the "unreformable" Greeks has turned into a symphony of appraisals in Brussels, Berlin, and Athens. However, both scenarios ("Being strangled by the Gordian knot" and "Untying the Gordian Knot"¹²) present a set of challenges that can hamper sustainable growth and jeopardise the country's meaningful participation in the European future.

The first is political risk. As the country enters a period of consecutive elections in 2019 and 2020 (local, regional, general, European), political polarisation acquires a more nativist and anti-establishment aspect, a development that might favour the appearance of new extreme-right parties. Moreover, the proportional electoral system that will be put in place following the forthcoming election might also trigger political uncertainty and result in governmental paralysis.

Secondly, the political economy of austerity is still dominant. According to the country's fiscal commitments to its creditors, as dictated by the excessive public debt (178% of GDP), Greece will remain a) under enhanced supervision status until 2022, by which time it is obligated to show a significant budget surplus, and b) under special supervision status until 2032, when its creditors will make major decisions regarding the sustainability of its public debt. Once again, the latest Euro group decisions were fully aligned with the "extend and pretend" philosophy and the austerity-driven policy model that prioritises fiscal consolidation with supply-driven growth, including low labour costs, deflation, privatisation, cuts in social expenditures, and a small, centralised, and frugal banking sector. In that context, negotiations always end up with small concessions to Greece (i.e. extension of debt repayment) as a result of political calculations. Decisive steps forward, such as a generous investment plan to reinvigorate the evaporated public investment program in Greece, or the introduction of a European Monetary Fund as a lender of last resort for national banking crises, are absent from the solution package.

Consequently, meeting the country's fiscal targets is based on excessive taxation, more pension cuts, and increased pension and welfare contributions. In addition, Greece suffers from rapid demographic decline and intergenerational imbalance,¹³ as the flexible and cheap labour market coincides with high unemployment rates, brain drain, poverty, and consecutive cuts in pensions. And although the volume of exports has grown, the country's overall performance is still weak and very much dependent on tourism, whose rapid growth contributes 19.7% of the country's GDP.¹⁴

Deprived of institutional imagination and experimentation, national and foreign policy-makers lend their voices to the chorus coming from Berlin and Brussels about Greece's 'need' to attract foreign investment, privatise its public assets, and make the best use of the EU's structural funds. But in reality,

¹² Ibid., 6-9, 10-12.

¹³ Daniel Schraad-Tischler, Christof Schiller, Sascha Matthias Heller, Nina Siemer, "Social Justice in the EU - Index Report 2017 - Social Monitor Europe," *Bertelsmann Stiftung*, 2017, online, URL: <https://bit.ly/2BgDLjX>, last access August 19, 2018, 107.

¹⁴ World Travel and Tourism Council, "Travel and Tourism - Economic Impact 2018 - Greece", *World Travel and Tourism Council*, 2018, online, URL: <https://bit.ly/2BqqMOy>, last access August 19, 2018.

the mantra of “structural reforms” overlooks the decline of the middle class, rising inequality, and the precarious situation of the younger generation; it discourages rather than mobilises the exhausted Greek electorate, which has been repeatedly disillusioned by a TINA (there is no alternative) doctrine, and remains sceptical about the country’s real future prospects.

Following a decade of harsh austerity, and regardless of the governing party or coalition, a sustainable “Grecovery” needs a national political economic plan that focuses on sustainable and inclusive growth in close coordination with the country’s creditors. Lower primary budget surplus targets would allow the Greek government to provide tax incentives for businesses, to support social expenditure, and to boost domestic demand. More fiscal space would allow the government to direct resources to public investment in education, health, clean energy, networks, and government technology. A new multi-pillar pension system, combined with an inclusive social safety net, and life-long educational opportunity for everyone, could alleviate poverty and empower the elderly to participate actively in public life. Finally, the central administration should delegate its daily operations to the municipalities, and its development policies to the regions, in order to focus on policy design and innovation through skilled, qualified personnel, and synergy with the private sector and civil society.

Nevertheless, much of the above will depend on developments at the EU level, the degree of economic integration, the distributive effects¹⁵ of a divisive two-speed euro, the cooperation of France and Germany, and the management of future national political crises that throw the common currency or the Union per se into question, e.g. the rise of the extreme right. However, in order to build a resilient economy and a prosperous dynamic society for the 21st century, Greece needs its own ambitious national goals, a political economy for the middle class, new ‘missions’ to mobilise social groups, businesses, and government.

The transformation of the Greek economic model: A crucial factor for a successful future

Angelos Efstratoglou

Any successful future for Greece must inevitably be linked with the transformation of its economic model. However, evolution in the Greek economy during the crisis period (2008–2017) showed no existence of a clear transformative process, so strengthening transformation through a combined set of private and public policies is necessary.

Scenario 2 of the original report, “Untying the Gordian knot”, identifies “reforms concerning [...] the economy (i.e. efforts undertaken to strengthen the economy through investment programmes and market liberalization)”¹⁶ as an important driver of any recovery. Here, however, I argue that economic reform must go beyond that and directly address the transformation of the Greek Economic Model (GEM). That transformation has been considered the main goal by all governments, scientists, and experts since 2010, and is a crucial condition for achieving sustainable economic growth. The GEM and its transformation during the economic crisis (2008–2017) have either been discussed as a division of the economy into a competitive (internationalised) and a non-competitive (internal) sector, or in terms of technological specialisation in the industrial sector and the level of skills, mainly in the service sector. In any case, a conflicting picture seems to emerge: the development of some factors, such as employment, investment, and intensity of skills provide indications of a transformation process, while the development of some other factors, like gross added value, technological specialisation of the industrial sector, and labour productivity provide indications of a reproduction of the existing model.

¹⁵ Wolfgang Streeck, *How Will Capitalism End? Essays on a Failing System*, London and New York City: Verso, 2017, 172.

¹⁶ Europäische Akademie Berlin, “Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy”, ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxql>, last access August 19, 2018,10.

This conflicting picture is supported by medium-term forecasts (2018-2025) of factors like gross value added, employment, and professional skills in different branches of the Greek economy.

On the policy front, the agenda is determined mainly by management of the Greek public debt. However, sustainability of debt should not be the result of continuous austerity policies and systematic undermining of democratic institutions (like social dialogue and collective bargaining), but rather of economic and social progress. At the political level, that is directly linked to the political environment and to the prevalence of progressive ideas in the EU in the near future. At the economic level, the main prerequisite for sustainable public debt is that the government surplus is higher than interest payments on the debt.¹⁷ That can only be plausibly assumed when economic growth is high. Major factors enhancing economic growth are investments, mainly foreign ones, exports, and domestic demand. The first two, even though very welcome, are medium and long-term factors that come with pre-conditions, such as the ability to finance investment, the international economic environment, and improvements to necessary infrastructure. Raising domestic demand, via an increase in employment and wages (like raising the minimum wage), thus increasing disposable income, is a short-term factor that should take high priority.

Furthermore, a combination of public and private policies is necessary to effect a long-term transformation of the GEM. Public administration and public policies should be more targeted and effective, whereas private policies, through social partners, skilled trade associations, chambers of commerce, etc., should be directed at increasing added value in goods and services. The way to achieve that is by improving the productivity and competitiveness of enterprises, the creation of new jobs, and the development of skills. To the degree that the Greek economy is involved in processes of technological change related to what is called the 4th industrial revolution, it should be a national priority to politically shape those processes. There are two more aspects to consider. First, to what degree the Greek economy is capable of producing technological tools and instruments, setting the economy to the detriment of those processes and second, to what degree the Greek economy and society make use of those technological tools. That raises the following question: are these technological changes labour intensive or capital intensive? As at least some of them are labour intensive, requiring highly skilled labour, they constitute a major challenge to the state and to the large number of highly qualified young Greeks. In general, a question that has to be answered is under what circumstances the Greek economy and certain branches of economic activity could produce the best possible results, and how they could transform those results into social wealth.¹⁸

Finally, with regards to the labour market, a holistic mixture of active and passive policies that do not compete with each other is necessary. Active labour market policies (creation of new jobs, training, matching policies) are highly significant at a time when official unemployment estimates climbed to almost a million, a rate of about 20%. Given that the concept of employment is very loose, with statistics counting employment as even one hour of paid work per week, real unemployment is much higher, creating a large number of working poor. Improvements to the Greek welfare system are also a major priority, particularly the creation of a safety net that insures against the risk of unemployment and which invests in training and consultation.

¹⁷ Otherwise part of the interest is added to the base debt and the debt becomes unsustainable.

¹⁸ This is a major challenge for labour unions. Not to become modern Luddites, but to transform the results of technological change into social wealth.

Greece's steady recovery is also subject to Eurozone reforms: The Greek economy and labour market can overcome the crisis as long as the Eurozone adopts a sustainable, growth-oriented model

Dimitris Rapidis

Inclusive economic recovery in Greece is largely dependent on Eurozone's reforms and the quest for a growth model that tackles austerity. SYRIZA is putting much effort into getting the economy back on track, and it is considered a solid political alternative to the surge of far-right and conservative populism.

There are a number of challenges inherent in the enhanced supervision of the Greek economy in the post-bailout era. Scenario 2¹⁹ seems plausible, as it considers a much-needed structural reform in the EU and the Eurozone while acknowledging a steady, but slow overcoming of the Greek economic crisis. Nevertheless, there are three major elements in Scenario 2 that are at odds with the political and economic reality in Greece and the EU.

The first element is political backlash and social pushback in Greece. The recovery of the economy and the implementation of an inclusive growth agenda in the coming years is expected to progressively diminish or control social grievances. The opposition political parties cannot provide a convincing narrative at a time when far-right and populist rhetoric is gaining ground in the public sphere, restricting the main opposition party New Democracy from reaching out to a more liberal audience.

Empirical and political evidence from the SYRIZA-led government so far suggests that financial obligations will be met in the coming years, the economy will continue to show a high surplus, and support for vulnerable populations will still be the case for as long as it is necessary. That provides the government with more political and fiscal space to re-negotiate better terms with respect to prospective austerity cuts, while maintaining electoral support at competitive levels.

The second element is the reform process in the EU and the Eurozone. The migrant crisis shows that EU leaders have many different approaches, and that it is almost impossible to reach a final agreement and implement the associated measures. In addition to that, the Eurozone reform process is slowing down, and it is quite possible that by May 2019 and the EU Elections few changes will have been adopted by the EU Council and the European Commission.

Furthermore, according to the current draft of the Multiannual Financial Framework for 2021-27, the EU Council seems determined to shift funds from cohesion policy toward defence policy, thus limiting efforts to attain more social and economic convergence between member states, i.e. especially between the weak periphery and the robust northern economies. In such a scenario, social inequality will continue to detract from stronger cohesion, youth unemployment will not be efficiently addressed, and Europe 2020 strategy targets will not be reached.

In this context, sentiment against EU leadership is expected to grow, and to be channelled by populist and ultra-conservative or far-right parties. A negative development such as that would increase political confrontation in the EU Council, and further increase popular concern over the accountability of the EU institutions overall.

The third element is the political landscape in Greece. As Greece is exiting the bailout program, new political dynamics can grow and lead to new alliances, mainly between the left-wing SYRIZA and the centre left. At the same time, the New Democracy party is becoming more and more populist, incorporating the segment of the electorate that is prone to vote for far-right parties, namely Golden Dawn and other minor, nationalist political formations. In this new landscape, we might experience the

¹⁹ Europäische Akademie Berlin, "Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy", ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxql>, last access August 19, 2018, 10-12.

creation of two distinct political pillars, i.e. a progressive one with SYRIZA leading the way, and a conservative one with New Democracy on top.

That new divide will also be reflected at the EU level as we head towards EU Elections in May 2019. Therefore, it is doubtful that a fruitful debate over reforms can take place in either Greece or the EU.

In this context, there is a growing need for democratic dialogue at both the national and European level. The Greek government and the opposition should invest in that, and in that respect, there is an opportunity that should not be missed – constitutional reform and the progressive steps that the entire political system has to make to strengthen institutional transparency and accountability.

At the EU level, the European Parliament has already initiated a series of debates, mostly triggered by left-leaning political groupings, such as the socialists and the greens, on issues of wider concern. At the same time, the EU Council should focus on the reform agenda in upcoming sessions, so to that we have a solid framework of proposals ahead of EU Elections.

III. Greece and Southeast Europe in global perspective

Greece as regional stabiliser: The case for an Europeanised Balkan policy

Vassilis Gavalas

How can Greece establish itself as a pillar of stability in the Western Balkans? To examine key aspects of this question, this paper considers the Europeanization of Greek foreign policy, and the harnessing of disruptive technologies as prerequisites to achieving that goal.

In a 1975 interview with William F. Buckley, then U.S. Secretary of State Henry Kissinger suggested that foreign policy be conducted free of the influence of a favourable past, instead making practical accommodations that promote stability and avert disorder.²⁰ Without pushing the analogy too far, one might say that this suggestion could be of benefit to all those shaping Greece's external behaviour in 2018 and beyond.

The "Cutting the Gordian knot" scenario argues, among other things, that Greece can establish itself "as a key player in the regions of Southeast Europe and the eastern Mediterranean", while becoming a stabilising regional power, especially in view of EU enlargement in the Western Balkans.²¹ However, in order for Greece to transform itself into a robust pillar of regional stability, it has first and foremost to be willing and capable to adjust its foreign policy closer to EU external policy goals. According to Panayiotis Ioakeimidis, Greece, despite being at the core of the major western structures (e.g. EU, NATO), has proved incapable of adjusting to the requirements of its full membership to the EU, with only few exceptions.²²

When it comes to foreign policy, Greece has in the past undermined European integration, and the liberal consensus at large at the regional level. Greece's policy on the Former Yugoslav Republic of Macedonia (FYROM) name dispute is a clear manifestation of that. As Vessela Tcherneva of the ECFR tellingly points out, following the blocking of FYROM's bid for NATO membership back in 2008, "the government of then Prime Minister Nikola Gruevski started to capitalise on the resulting sense of isolation", leading FYROM "to backslide on democratic reforms, and thus losing its hopes for European and Euro-Atlantic integration".²³ In fact, the recent compromise between Greece and FYROM over the renaming of the latter indicates that national confrontations in the Balkans can indeed be alleviated. However, today's world is one where populism disrupts liberal democracies, and the Balkans is a region where western leverage is being substantially challenged by illiberal forces. China's excessive investment activities,²⁴ Russia's endeavour to deter Western Balkans states from joining NATO, and the EU²⁵ and

²⁰ Henry Kissinger, "Firing Line with William F. Buckley Jr.: The Politics of Henry Kissinger", televised interview by William F. Buckley Jr., *Public Broadcasting Service*, September 10, 1975, min. 59:22.

²¹ Europäische Akademie Berlin, "Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy", ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxqI>, last access August 19, 2018, 13.

²² Panayiotis Ioakeimidis, *Greece-European Union: Three Mistakes and Five Myths*, Athens: Themelio Publications, 2018, 14.

²³ Vessela Tcherneva and Daniel Stefanov, "Power words: Europe's stake in the Macedonian name dispute", *ECFR*, June 14, 2018, online, URL: <https://bit.ly/2BwSNmW>.

²⁴ Plamen Tonchev, "China's Road: into the Western Balkans," *European Union Institute for Security Studies*, 2017, online, URL: <https://bit.ly/2BniiAz>, last access August 19, 2018.

²⁵ Dusan Stojanovic, "EU and Russia battle for influence in Balkan region," *Independent*, February 24, 2018, online, URL: <https://ind.pn/2vXISll>, last access August 19, 2018.

Turkey's escalating influence in the region,²⁶ shall propel us to craft policies of containment so that illiberal and populist forces do not gain political influence at the expense of the EU.

Greece's foreign policy should move along those lines in order to secure its interests, as well as those of the structures to which it belongs. Specifically, a modernised and Europeanised Greek foreign policy should focus on using its leverage to support two key projects for stabilising the Balkans and promoting EU enlargement. These are the creation of a Balkan Security Union, and the strengthening of regional economic cooperation, eventually leading to a common Balkan market. The former should be a bold institutional cooperation initiative, which might help more efficiently tackling the security challenges facing the region and therefore contribute to EU periphery countries playing a more central role in Common Security and Defence Policy (CSDP). A common Balkan market could initially be a loose free trade area, whereby eventually regional market fragmentation will be softened and further inter-state cohesion will be secured. Both projects could make Western Balkan states less reliant on and susceptible to Chinese and Russian economic and political influence, and lead to smoother and faster EU accession.

Nevertheless, for Greece to act as the driving force of those initiatives, it has not only to overcome the ongoing crisis by implementing structural reforms at the economic and business levels, and by developing a more efficient and stable institutional complex. It has also to establish itself as a robust state, increasingly central at both the peripheral and European levels. A bold suggestion for making this possible would be for Greece to harness to the greatest extent possible transformative technologies such as artificial intelligence (AI). According to a recent study published by the Harvard Belfer Center, even a small country with significant progress in innovative AI technology is likely to acquire "a self-reinforcing" economic edge and superior military technology.²⁷ If Greece could manage to make use of AI applications properly, it might indeed develop an economic and military advantage that, combined with the suggestions mentioned above, could allow it to position itself as the preeminent pillar of stability in the Western Balkans.

Diplomacy vital for EU policy, domestic politics: Integration demands closer cooperation among members, bilateral ties with third countries

Nikos Konstandaras

Whether Greece manages to shake off its crisis and become an important player in the region within the next few years, or whether it will continue to struggle to have a voice, will depend both on the EU's evolution towards closer union and on Greek diplomacy becoming more active and inspired.

As the past year after the Berlin workshop on "Greece and the EU in 2035" showed, the EU has entered a very volatile phase, where much that was taken for granted is changing. Thus, in order for "Scenario 3 - Cutting the Gordian knot",²⁸ the most optimistic outlook for 2035, to materialize will depend on European and home-grown factors. Indeed, as Greece remained stable on its course towards the end of the third and final bailout agreement with creditors, it is the international climate and the EU's internal and foreign policy dynamics that have become more unpredictable. Since World War II, Greece's foreign policy has been framed by its membership in international institutions, notably NATO and the EU. Like all small countries, it has relied heavily on an alliance with a greater power, in Greece's case the United States. Despite this, relations with fellow NATO ally Turkey, mainly with regard to Cyprus, and to air and sea rights in the Aegean, have proved a perennial problem for Greece.

²⁶ Zia Weise, "Turkey's Balkan comeback," *Politico*, May 17, 2018, online, URL: <https://politi.co/2nOP4rt>, last access August 19, 2018.

²⁷ Greg Allen, Daniel Chan, "Artificial Intelligence and National Security," *Harvard University, Harvard Kennedy School, the Belfer Center for Science and International Affairs*, Cambridge, MA, 2017, online, URL: <https://bit.ly/2ylveb6>, last access August 19, 2018, 40.

²⁸ Europäische Akademie Berlin, "Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy", ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxql>, last access August 19, 2018, 13-15.

The unravelling of the global world order that is threatened by the current U.S. Administration, as well as the increasing impact of nationalist populism across the EU, will likely shake up the Union further; if this does not prompt greater consolidation of the EU's gains, it will imperil the union itself. Countries like Greece, which face problems that are too great for any one state to handle on its own, will find themselves in an increasingly precarious situation. Solutions to problems in the economy and trade, security, narcotics, climate change, mass immigration, and demographic profile (with declining births and greater emigration) can be found only within a far greater economic and political unit, such as a stronger EU. Ideally, Greece's borders will be seen as EU borders; immigrant and refugee issues would be dealt with at an EU level. In the footsteps of the Frontex border service, a more active "federal" agency for handling and processing immigration will become a necessity if the inflow of people picks up again.

The economic crisis pushed Greece's foreign policy from centre stage, as the country struggled to deal with the social and political impact of a massive economic adjustment. Dependence on the support of its partners in the Eurozone created a domestic climate that ranged from despondency to anger, all of which were exacerbated by cheap attacks in the news media on Greece and its partners. Overall, there was a sense that neither EU partners nor many policy makers in Greece were fully aware of what was at stake. It was the United States that seemed to see most clearly Greece's geostrategic importance, and the threat that a Greek bankruptcy could pose to the global economy and to the euro. The Obama Administration lobbied EU members for Greece to be rescued and kept in the Eurozone. That America is no longer there.

Throughout the economic crisis, foreign policy consisted mainly of maintaining existing relations within the EU and NATO, while also dealing with China (which had become a major investor in Greece) and Russia. Greece continued to support Turkey's bid to join the EU, even as Ankara took on an increasingly unpredictable role in its relations with allies and neighbours. In particular, Turkey increased tensions with Greece and Cyprus as President Recep Tayyip Erdogan turned to extreme nationalism to bolster his domestic support. In the past few years, the coalition government of SYRIZA/Independent Greeks has taken a more proactive approach to solving outstanding problems with the Former Yugoslav Republic of Macedonia (FYROM) and with Albania. If that is successful, it could open the way for a return of Greek business and influence in the Balkans. Bilateral relations between Greece and many other countries (such as Israel and Egypt, which are part of separate trilateral agreements including Cyprus) will be increasingly important.

A stronger EU will demand greater understanding between policy makers of member states in order to strengthen their hand in dealing with EU issues – such as immigration – which have a direct impact on domestic politics. A closer union will strengthen each of its members – but each one's influence and credibility within the EU will depend on active diplomacy, on fair and honest media representation of the issues, and on strong bilateral relations within the EU and beyond. A country strong in the EU is strong in the world; good relations outside the Union benefit the Union. Whatever will be necessary in 2035 is necessary today. A strong and credible Union, with visible benefits to member states, with supporters of liberal democracy reinforcing their bonds across EU member states, is perhaps the only way to defeat the forces of division and to secure a peaceful and prosperous Europe.

The impact of Sino-Hellenic relations: The growing footprint of China in Greece

Jens Bastian

The magnitude and pace of Chinese investments in key sectors of the Greek real economy, predominantly transport infrastructure, energy, and tourism, illustrates how the country is becoming a pivotal regional for Beijing. This section sheds light on recent developments and the underlying implications of China's growing footprint in Greece.

According to the third scenario, "Greece gradually establishes itself as a business hub for the entire region (in Southeast Europe, added by JB). The port of Piraeus is turned into a logistics centre in the Aegean Sea through significant Chinese FDI (Foreign Direct Investment, added by JB)."²⁹

Greece is the main point of entry to the region of Southeast Europe for Chinese investments under the landmark Belt and Road Initiative (BRI), launched by Chinese President Xi Jinping in 2013. Apart from the initial maritime focus in the Port of Piraeus, Chinese investments in Greece have expanded to other sectors, most prominently in tourism and energy.

The initial 2008 investment in the container port terminal opened a gateway and marked Beijing's expanding European ambitions, with major implications not only for Piraeus, but equally for neighbouring countries. In August 2016, the China Ocean Shipping Company (COSCO) acquired 51 percent of Piraeus Port Authority (PPA, Greek acronym OLP) for €280.5 million.

The strategic nature and long-term commitment of Chinese investments in Greece is further illustrated by Fosun International Holdings. The Chinese conglomerate formed a three-way consortium with Greek real estate company Lamda Development and Abu Dhabi developer Al Maabar in 2014 in order to acquire the licensing rights to reconstruct the former international Athens' Hellenikon Airport. The three members of the consortium paid the Greek privatization agency TAIPED a total of 915 million euros for the rights to Europe's largest real estate re-development project.

In addition, in December 2016, China's State Grid Corporation, the world's biggest public utility, purchased a minority stake (24 percent) in Greece's power grid operator ADMIE. This constituted China's second major investment in Greece in 2016, after the acquisition of PPA.

The diversity of these investment projects increases the need for the provision of financial services through Chinese banks. The largest Chinese bank (by assets), the Industrial and Commercial Bank of China (ICBC), obtained an operating licence in Greece in January 2018. A year earlier, in February 2017, the China Development Bank (CDB) announced its intention to expand its presence in Greece, mainly via the financing of infrastructure projects in the energy sector.

As is increasingly becoming clear, the initial Piraeus investment served as an anchor investment that subsequently started to attract follow-up investment in sectors beyond maritime ports and container shipping. That 'anchoring' process is at an advanced stage of realization in Greece. The process is based on a strategic bilateral partnership that started with port infrastructure and is maturing over time into sectors over and above ports and container terminals.

In the context of the BRI strategy for Greece in the coming years, the priority sectors will continue to be maritime transport infrastructure, followed by logistics networks for connectivity purposes, and a growing role for Sino-Greek cooperation in the energy sector. But these sectors are starting to attract new Chinese investment groups such as Dalian Wanda Group Co. or Greenland Holdings Corp. which are scanning other segments, e.g. targeting tourism, commercial real estate, insurance companies, and banking services in Greece and beyond.

China's growing footprint in Greece, and by extension its emerging presence in Southeast Europe, will impact the landscape of investments, lending arrangements, and infrastructure projects in the future. As

²⁹ Ibid., 15.

the previously cited quote from the 2017 Scenario Report stated, and subsequent developments underscore, Greece is successfully positioning itself as a logistics hub for countries in Southeast Europe.

We can expect that maritime connectivity through the Port of Piraeus, and the conclusion of various transport infrastructure projects in neighbouring countries (highways, bridges, and railroad corridors) financed by Chinese banks and built by Chinese companies, will establish a gateway to Europe for Beijing. Greece forms the port of entry for that gateway. It will shape and impact the country's outlook on Europe, and the latter's pivot towards China in the years to come.

This pivot towards China places Greece at the European forefront of the Belt and Road Initiative under implementation by the political authorities in Beijing. As Greece exits its third macro-economic adjustment programme, it is expanding investment options outside Europe and the United States.

To what degree those activities will also translate into a political acceptance of Chinese 'sensibilities', e.g. with regard to human rights or the South-China Sea, remains to be seen. There are initial indications that Athens is willing to take on board considerations of the Chinese authorities on such policy matters.

IV. Key challenges and gateways to a sustainable reform agenda

Our Greece: The ideal strategy for the future

Anna Visvizi

Smart state, considerate political system, smart society, smart education, regional cohesion, and a strong EU form the pillars of the ideal strategy for Greece's growth and development. Easier said than done; several challenges exist. But is our EU, it is our Greece, and concerted action needs to be taken now.

Following the June 22, 2018 Eurogroup meeting decision on Greece leaving the financial assistance program,³⁰ the question 'and now what?' is more salient than ever. The three scenarios on "Greece and the EU in 2035" discussed and drafted back in 2017 reflect exactly this concern.³¹ Several factors carry weight in an analysis of the Greek predicament. Greece is at an epochal moment in its history, i.e. a moment that in a path-dependent manner will define Greece's future. Five interdependent action areas need to be considered to create any prospect of putting Greece on a path of sustainable and inclusive growth and development. These include: smart state, considerate political system, smart society, smart education, regional cohesion, and a strong EU.

Smart state: Greece needs a state that acts as a smart regulator, not like a bull in china shop; the rule "don't harm" should be the priority here. This means less taxation, less regulation, less state agency in the economy; greater trust in citizens' own agency; more space in the market for private agents, less crowding out by the state. Smart state also stands for an efficient, less bloated, merit-driven public administration, benefiting from advances in information and communication technology (ICT). Above all, it means a state friendly to its citizens; a state that refrains from criminalising and penalising economic success; a state where the rule of law prevails.

Considerate political system: Even if not a Greek ailment per se, politicking and short-term thinking in political life ought to be replaced with coherent long-term strategies geared toward securing the common interests of society at large. Deep clefs run through the Greek political scene and the society. Establishing consensus across those clefs will not be easy. However, since our future is at stake, it is worth a try.

Smart citizens: Smart state requires smart citizens, i.e. citizens who are responsible, aware of their freedom to and freedom from; citizens accountable for their action and inaction in political and economic life at the local, regional, national and EU levels. Smart state requires citizens engaged but not overly ideologized; citizens equipped with the skills and knowledge to both create and seize personal and professional growth opportunities as they arise.³² This suggests a need for smart education.

Smart education: Smart education is a concept that brings together the imperative of teaching and learning excellence, frequently enhanced by effective use of sophisticated ICT, and ties it to the need to equip the populace with skills and worldviews corresponding to the challenges and opportunities the

³⁰ Consilium [European Council, Council of the European Union], "Completion of the fourth and final review and growth strategy", *Consilium*, Press release, June 22, 2018, online, URL: <https://bit.ly/2L6g52l>, last access August 19, 2018.

³¹ Europäische Akademie Berlin, "Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy", ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxql>, last access August 19, 2018.

³² Miltiadis D. Lytras, Anna Visvizi, "Who Uses Smart City Services and What to Make of It: Toward Interdisciplinary Smart Cities Research", *Sustainability* 10, 2018, online, DOI: <https://doi.org/10.3390/su10061998>, 1998; Susan Peck MacDonald, "The Erasure of Language," *College Composition and Communication* 58, 4, 2007: 619.

21st century generates.³³ In the Greek context, it means that an overhaul of the education system is needed, i.e. a move away from memorisation to critical thinking, a redesign of the curriculum to include EU-related content and the history of other EU member states, among several further actions.

Regional cohesion: The prospect of economic growth and development in Greece will be undermined if the imperative of strengthening cohesion across Greece's regions is not addressed. Greece may not be the only EU member-state that has islands and mountains, but the geomorphology of Greece's mountainous areas, and its islands, make reconstruction of basic infrastructure very expensive. Negative demographic trends and the ageing of society, place rural areas at risk. Greece's – amazingly beautiful by all standards of comparison – villages are depopulating at an extraordinary pace. The implications are manifold, including safety and security of current inhabitants, waste of cultural heritage, and governability, to mention just a few.³⁴

In conclusion, the three scenarios outlined in the report place the EU at the centre of the analysis. Recent developments in and outside the EU remind us, meaning the member states and EU citizens, that “united we stand” is imperative for survival. In this context the challenge for Greece is to turn into an active and committed policy-maker at the EU forum. The challenge for the remaining EU member states is to try to put themselves in Greece's shoes (in terms of geopolitics, history, geography, society) and see what the world looks like from that particular angle. The challenge for the EU institutions is to facilitate that. It is our EU, it is our Greece after all, and concerted action by all stake-holders needs to be taken now.

Migration, EU transfers and Chinese investment as game changers for Greek modernization

Ullrich Brückner

This response paper addresses what the (first) workshop (in June 2017) identified as key problems (political culture, functioning of institutions, brain drain, lack of structural reforms, lack of investment) that culminated in the Greek crisis. It discusses how they are interconnected and anticipates changes caused by migration, EU funding, and Chinese investment.

A review of the root causes of the Greek sovereign debt crisis, and the multiple mistakes in how it was handled, can identify external and internal factors. The political culture is an important one, but also one that is very difficult to address because it has a long tradition and is quite common in a conservative and rather closed society. If internal forces are not strong enough to transform the traditional Greek society into an open one, external forces could help to boost that transition. Scenario 1 “Being strangled by the Gordian knot”³⁵ sees the impact of migration as purely negative, while in fact changes in the social and cultural fabric can also positively affect the political culture and other drivers of reform.

When people perceive their state as not functioning very well, and young educated citizens begin to doubt their future, they are highly likely to leave the country in search of jobs and a better life. This not only negatively affects the investment climate, but it also leads to a brain drain, a loss of human capital, and long-term consequences due to unfavourable demographic trends.

³³ Anna Visvizi, Miltiadis D. Lytras, Linda Daniela, “(Re)defining smart education: toward dynamic education and information systems for innovation networks”, in *Enhancing Knowledge Discovery and Innovation in the Digital Era* eds. Miltiadis D. Lytras, Linda Daniela, Visvizi, A., Hershey, PA: IGI Global, 2018, 1-12.

³⁴ Anna Visvizi, Miltiadis D. Lytras, “Rescaling and refocusing smart cities research: from mega cities to smart villages”, *Journal of Science and Technology Policy Management* 9/2, 2018, online, DOI: <https://doi.org/10.1108/ISTPM-02-2018-0020>, 134-145.

³⁵ Europäische Akademie Berlin, “Greece and the EU in 2035: Scenario report on the first European Future Summit 2017 in the European Academy”, ed. by Samuel F. Müller, *Europäische Akademie Berlin*, online, URL: <https://bit.ly/2rYGxql>, last access August 19, 2018, 6-9.

Political culture can be improved with the help of endogenous and exogenous factors. I will focus on three topics that we discussed in the (first) workshop (in June 2017):

1. A civil society that experiences a dysfunctional state, and a political class that continues with old habits of nepotism, either gives up and responds with agony, or it sees itself as stakeholders and takes actions in areas like climate change, environmental protection, or immigration and social inclusion, to cite just two positive examples.

However, there are multiple cases of NGOs and individuals providing social services that the state is not able or willing to provide. A lot of highly professional and motivated volunteers or employees in that third sector receive their education, work experience, and political socialization from abroad. They do things differently and make an active contribution to a more modern political culture.

If the Greek government sees them as an asset, or at least does not hamper their work, the third sector will grow, expats will have more reasons to return home and follow the examples of successful models in areas such as renewable energy, social services, or culture as a very labour-intensive sector that also improves the attractiveness of the country for tourism.

2. Since 1981, when Greece became a EU member country, EU labour transfers have played an important role, but were not used most effectively. After 2010, the Troika enforced structural reforms based only on a narrow economic rationale, with high social costs for Greece and high reputational costs for the EU and creditors. New proposals in the EU Multiannual Financial Framework (MFF) come with incentives. This is more democratic than imposing reforms. Given the minor weight of the Greek economy, the Eurozone did not pay much attention, and Greek governments did what they could. With the rising number of refugees to Europe since 2015, Greece's role has changed. The EU has focused more closely on the Mediterranean situation, and will spend more money to empower border states to provide European common goods like the integration of refugees, as well as border protection, humanitarian assistance, and security. This will also change the composition of Greek society. Traditional norms and old habits will be challenged by immigration.

3. A third opportunity comes with another external change to the Greek geopolitical position. Greece is the gateway for China's Belt and Road Initiative to the EU. As part of a large-scale development plan, China is investing heavily in the regional infrastructure that connects Asia and Europe with Greece as a hub. This not only brings economic opportunities and changes the balance of power in the region, it also comes with cultural changes in all areas of society, which will in turn affect the political culture.

None of the three factors for change automatically guarantees success. However, it is important to consider that brain drain, migration from Asia and Africa, EU transfers, and the Chinese Belt and Road initiative may not just present problems, but also opportunities for the future of Greece and Europe.

A sustainable reform agenda for Greece

Despoina Lazaridou

What could be considered potential obstacles to implementing such an agenda, and what are the main issues that should be tackled in a reform agenda that leads to the mitigation of Greece's open-ended crisis?

Since the outbreak of the Greek financial crisis in 2010, the need for innovative ideas to overcome current and future challenges has become of paramount importance. The scenarios included in the report "Greece and the EU in 2035" are a step in that direction and are all based on important drivers. A wide range of drivers were taken into consideration – from structural transformations and demographic developments, to populism and international, economic, and fiscal policies.³⁶

³⁶ Ibid.

What the second and the third scenario have in common, among other attributes, is the idea of a sustainable reform agenda accepted by various political actors that would lead to crisis mitigation. Specifically, the original paper states that, “the Greek government, building on existing efforts, has to set out a sustainable reform agenda, which has to be as determined as it has to be balanced, including reforms to the economy, the social system (including the educational system) and public administration. Such a reform agenda must be based on prudent cooperation among different political actors (...)”.³⁷

In the past, however, Greek governments have failed or neglected to put the necessary educational, public administration, economic, and good governance reforms into effect.

The first underlying cause for that ineffectiveness has been the contradiction between the government’s own political interests, and the public interest. Good governance measures mean governmental transparency, thereby encouraging the creation of meritocratic societies, which in turn will lead to the decline of political patronage. As Tranditis argues in view of the crisis in Greece, “In response to external pressures for reform, politicians in a highly clientelist system will seek to mitigate the cost of its policies on client groups and will design a reform package that preserves clientelist supply as much as possible.”³⁸

In addition, governments considering the potential political costs, usually avoid the implementation of certain structural reforms, despite the necessity, and find quick-fix solutions instead. Structural reforms tend to provoke public reaction and, according to Rodrik, “the current disappointment arises from the very logic of structural reform: most of the benefits come much later, not when a country really needs them”.³⁹ For Greece, after almost a decade since the outbreak of the financial crisis, the demand for rapid economic recovery has become stronger than ever, and long-term beneficial reforms became unappealing as they are considered of minor importance.

Lastly, we should mention strong non-constructive criticism from the opposition as one of the main obstacles to the creation of a sustainable reform agenda. Lack of cooperation among political parties often leads to early elections and to a climate of uncertainty, and the planned changes in the electoral system in Greece – simple proportional representation – are expected to worsen the existing situation.

All things considered, the effectiveness of a sustainable reform agenda is tied to its acceptance by the various political parties. Given the constantly changing political scene in Greece, governments often do not have the opportunity to fully define and implement their agendas, and thus often fail to complete important reforms. New governments, on the other hand, are often unwilling to apply the structural reforms of the previous ones.

Thus, having a common agenda for the important reforms that need to be enacted and – most importantly – an institution with unbiased and non-partisan experts responsible for its implementation, would enable fundamental and long-term changes in the system, which could bring Greece a step closer to European integration. If we look at Greece’s current challenges, we can see that such an agenda should include the following:

- Educational reforms that could attract young scientists and stop “brain-gain”. The Greek climate and biodiversity, for example, make Greece an ideal place for research and technology centres in fields like biology and renewable energy. With reforms favouring the inception of such centres, the country could attract young scientists from around the globe and improve its academic reputation.
- E-governance measures that will make government services more easily accessible to the public, and more transparent on a lower budget.

³⁷ Ibid., 5.

³⁸ Aris Tranditis, *Clientelism and Economic Policy: Greece and the Crisis*, London and New York: Routledge, 2016, 19.

³⁹ Dani Rodrik, “Can structural reforms really help Greece?” World Economic Forum, October 09, 2015, online, URL: <https://bit.ly/2PHVaGy>, last access August 27, 2018.

- Control mechanisms that will support good reform changes with respect to EU-sponsored investment plans.
- Welfare reforms with a focus on the health care and pension systems, which currently change constantly, giving citizens a persistent sense of financial insecurity, fear, and anger.

On this basis, it is recommended that further discussions and workshops would be helpful in order to more thoroughly examine which issues should be tackled with this common agenda, and how the various political players could be induced to cooperate on it.

The future of the EU and the European future of Greece: Can we establish a “common vision” for a better future for EU citizens?

Zefi Dimadama

The European project has sometimes given the impression of being in perpetual crisis. But how should we respond to facts like the financial crisis and social collapse that have strongly affected countries like Greece? This essay argues in favour of a vision for a better and sustainable EU future.

Given the current and probably further evolving instability at the global and European level, the original scenario “Untying the Gordian knot” seems to be the most realistic out of the presented alternatives. This is particularly the case, because in an environment of instability it is hard to predict how the EU will look 17 years from now. However, if we want to push things in the right direction, the time has come for the gradual building of a democratic and institutional “European Federal Union”, as especially social democratic parties in Greece debate (including S&D and PES). It is, I believe, time to speak out loud for this vision to generate an environment in which, as the original report states, “an increasing number of EU member states wishes actively to engage in actions aimed at preventing further disintegration of the EU.”

The last ten years show, that this is now more necessary than ever. Growing poverty and inequality across Europe, also caused by severe austerity policies, have negatively affected European integration. For example, youth unemployment in Greece still stands at around 40 percent. Furthermore, relative income inequality in the EU has stagnated since 2009, whereas absolute income inequality has further increased.⁴⁰ As a result, disappointed citizens are now turning away from the EU and are more receptive for conservative and populist parties. However, their recipes of marginalizing certain groups of the population will not help to address the socio-economic crises created by austerity and the myriad of European challenges that need to be addressed.

Greece, the country that suffered most, is a case in point. After ten years and the signing of three memoranda that sought to address the structural economic problems of the country, it is now at a very critical juncture. On the one hand, the country has to make up lost GDP – almost a quarter compared to its pre-crisis level – in order to achieve real convergence with the rest of the member states. Domestically, the country will have to continue on a path of reformative structural change and transform its productive model in order to create sustainable development. On the other hand, it is simultaneously faced with new international crisis in its direct neighbourhood: migration flows, security issues and human rights violations.

It is here, where the EU comes into play. Making sure that neither Greeks nor other Europeans will have to pay the high economic and social costs of the latest crises once again. This has to be a collective effort – it cannot be done by individual member states alone. This firstly requires to strengthen the European Parliament through institutional reforms aimed at increasing its democratic legitimacy and bestowing it with an adequate budget enabling it to finance policies on:

⁴⁰ Michael Dauderstädt and Cem Keltok, “Inequality in Europe: Relatively Stable, Absolutely Alarming”, FES, 2017, online, URL: <https://bit.ly/2MJYjyv>, last access September 01, 2018.

- The further integration of the Economic and Monetary Union (EMU) by promoting the fiscal, economic, and banking union.
- The promotion of the EMU by all means and policies, i.e. through equitable sharing of costs and benefits, and the support of member states that face crises or adjustment problems.
- The strengthening of social Europe, development policies, employment, and social cohesion.

Given the fact that European member states are comparatively small players in the global economy, all of them are likely to profit from a more equitable integration of the union along those lines. Even - or rather especially - Germany, despite its strong productive structure, benefits greatly from the EU's common market and would suffer considerably from a disintegration of the EU. This is a message that has to be communicated stronger than before. For Europe to assume its role in a globalized world, it needs a new integration dynamic.

As for Greece, whoever constitutes its next government, the European future of the country will be uncontroversial. Greek people confirmed their decision to be part of the EU when the SYRIZA government reversed its originally euro-sceptic approach in 2015. However, populist Eurosceptic movements and governments, e.g. the AfD in Germany or the Orban government in Hungary, still present a threat to the European project. Whether the EU of 2035 will be the same EU as today will therefore depend on whether there will be a common approach to deal with Brexit, a potentially upcoming Italian crisis, and the Trump administration continuously challenging the economic and security pillars of the Euro-Atlantic alliance.

Above I outlined the first steps toward what I believe is the right direction. The future of Europe means the future of European citizens. If the populace feels despondent, it will be impossible to achieve a democratic and sustainable EU. Now is the time for making decisions. We need to strengthen the political institutions of the EU. We need more democracy in the EU. Today, not tomorrow.

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