Greece

Economy

Greece has a capitalist economy with a public sector accounting for about 40% of GDP and with per capita GDP about two-thirds that of the leading euro-zone economies. Tourism provides 15% of GDP. Immigrants make up nearly one-fifth of the work force, mainly in agricultural and unskilled jobs.

Greece is a major beneficiary of EU aid, equal to about 3.3% of annual GDP. The Greek economy grew by nearly 4% per year between 2003 and 2007, due partly to infrastructural spending related to the 2004 Athens Olympic Games, and in part to an increased availability of credit, which has sustained record levels of consumer spending. But the economy went into recession in 2009 as a result of the world financial crisis, tightening credit conditions, and Athens' failure to address a growing budget deficit.

The economy contracted by 2.3% in 2009, 3.5% in 2010, 6.9% in 2011, and 6.0% in 2012. Greece violated the EU's Growth and Stability Pact budget deficit criterion of no more than 3% of GDP from 2001 to 2006, but finally met that criterion in 2007-08, before exceeding it again in 2009, with the deficit reaching 15% of GDP. Austerity measures reduced the deficit to about 8% in 2012.

Deteriorating public finances, inaccurate and misreported statistics, and consistent underperformance on reforms prompted major credit rating agencies to downgrade Greece's international debt rating in late 2009, and has led the country into a financial crisis. Under intense pressure from the EU and international market participants, the government adopted a medium-term austerity program that includes cutting government spending, decreasing tax evasion, overhauling the health-care and pension systems, and reforming the labor and product markets.

Athens, however, faces long-term challenges to push through unpopular reforms in the face of widespread unrest from the country's powerful labor unions and the general public. In April 2010 a leading credit agency assigned Greek debt its lowest possible credit rating; in May 2010, the International Monetary Fund and Euro-Zone governments provided Greece emergency short- and medium-term loans worth USD 147 billion so that the country could make debt repayments to creditors. In exchange for the largest bailout ever assembled, the government announced combined spending cuts and tax increases totaling USD 40 billion over three years, on top of the tough austerity measures already taken. Greece, however, struggled to meet 2010 targets set by the EU and the IMF, especially after Eurostat - the EU's statistical office - revised upward Greece's deficit and debt numbers for 2009 and 2010.

European leaders and the IMF agreed in October 2011 to provide Athens a second bailout package of USD 169 billion. The second deal however, calls for Greece's creditors to write down a significant portion of their Greek government bond holdings. In exchange for the second loan Greece has promised to introduce an additional USD 7.8 billion in austerity measures during 2013-15. However, these massive austerity cuts are lengthening Greece's economic recession and depressing tax revenues. Greece's lenders are calling on Athens to step up efforts to increase tax collection, privatize public enterprises, and rein in health spending, and are planning to give Greece more time to shore up its economy and finances.
Many investors doubt that Greece can sustain fiscal efforts in the face of a bleak economic outlook, public discontent, and political instability.

**Current State of Economic**

The Greek economy is heading for another year of sharp contraction, having already shrunk more than 20% in the five years to 2012. Fiscal austerity, rising unemployment and ongoing difficulties in the banking sector is expected to result in GDP declining by about 5.5% in 2013 and a further 0.3% in 2014.

However, growth is expected to gradually resume in second half of 2014, as a milder stance towards fiscal consolidation at the European level allows for an easing of austerity, while the acceleration of global growth results in a rebound of exports — helped also by the marked decline in unit labor costs since the start of the recession. Overall, GDP growth is expected to average 1.5%–2% in 2015–17.

Fiscal tightening will remain the main drag on growth in the short to medium term. In particular, although the medium-term fiscal targets have been lowered and the timing of the adjustment extended, fiscal tightening is still estimated at around 6% of GDP in 2013–17. Moreover, while fiscal consolidation will bring the budget deficit towards 3% of GDP in 2017, the ratio of public debt to GDP is not expected to decline before 2016 and will not fall below 110% in 2022 (the current target) without further exceptional support from lenders.

The odds of Greece abandoning the Eurozone shrank significantly in 2013, partly because of the perceived stronger commitment of the Eurozone authorities to preserve the monetary union. This also resulted in a decline of the government bond yields in peripheral countries.

However, downside risks are still significant, as the effects of austerity may continue to surprise policy-makers, resulting in missed growth and fiscal targets and additional social costs — youth unemployment was close to 60% in Q1 2013. As a result, the focus should now shift to the delayed structural reforms, such as reforming the tax administration system, liberalizing the economy and trimming the public sector.

**India-Greece Bilateral Relations**

Interaction between India and Greece goes back to antiquity. In modern times, the two countries have developed a warm relationship based on a common commitment to democracy, peace and development in the world and to a social system imbued with principles of justice and equality. India and Greece also share common approaches to many international issues, such as UN reforms and Cyprus. Greece has been consistently supportive of India’s core foreign policy objectives.

Presently bilateral commercial and economic relations do not measure up to the closeness the two countries have politically, exacerbated by the fact that Greece is also going through an economic and financial crisis. FDI is negligible both ways.

**Trade**

Bilateral trade which grew by around 100% in the year 2011-12 after consecutive decrease in 2009 and 2010, due to global financial crisis, dropped again in the year 2012-13 by more than 50% to USD 424.6 million.
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<tr>
<td>EXPORT</td>
<td>878.43</td>
<td>452.80</td>
<td>364.88</td>
<td>790.06</td>
<td>300.12</td>
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<tr>
<td>%Growth</td>
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<td>-19.42</td>
<td>116.53</td>
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<td>IMPORT</td>
<td>69.49</td>
<td>154.13</td>
<td>93.39</td>
<td>116.07</td>
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<td>%Growth</td>
<td>121.82</td>
<td>-39.41</td>
<td>24.28</td>
<td>7.28</td>
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<td>TOTAL TRADE</td>
<td>947.91</td>
<td>606.93</td>
<td>458.27</td>
<td>906.13</td>
<td>424.64</td>
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<tr>
<td>%Growth</td>
<td>-35.97</td>
<td>-24.49</td>
<td>97.73</td>
<td>-53.14</td>
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The main items of Greece’s exports to India are machinery, rubber and plastic products, cotton, copper products, iron and steel products and chemicals.

The main items of India’s exports are machinery, automobiles and auto parts, iron and steel, aluminium, copper, dyes and chemicals, and textiles and garments.

**Investments**

There are no major investments in Greece or in India from either side, but some companies in the field of IT and construction are leading the way.

Greece ranks 85th worldwide in terms of investments into India, with a cumulative FDI from April 2000 to April 2013 amounting to just USD 3.72 million. There are currently five Greek companies operating in India.

I. The Pisani Group has set up Arkay Glenrock Pvt. Ltd. in India, with office in Dindigul and factory at Sempatti near Madurai, Tamil Nadu, for production of high quality granite stones.

II. M.J. Maillis & Co. has set up a joint venture with Strong Strap Pvt Ltd, Mumbai, for manufacture of secondary packaging materials in Gandhinagar district of Gujarat.

III. European Dynamics is a provider of specialised IT/e-business and telecom services in Greece, and has set up a 100% subsidiary in Bangalore in the IT sector.

IV. Frigoglass, which manufactures ice cold merchandisers, glass containers, plastics, metal crowns and home refrigeration, is active in India through their subsidiary Frigoglass India Pvt. Ltd., in Gurgaon, Haryana, for manufacture and distribution of coolers.

V. Topos Trading has established a marketing office in Chennai for Greek Olive oil.

**Indian companies in Greece**

Infosys, TCS and I-flex have acquired software contracts for providing mainly banking software to Greek banks. I-flex has set up a subsidiary "I-flex solutions S.A." in Athens in partnership with Fourlis Group, one of the largest holding houses in Greece. With the taking over of I-flex solutions by Oracle, the Greek subsidiary has been renamed as Oracle Financial Services.
I. Jain Irrigation Systems, an Indian manufacturer of agricultural implements, has a stake of 7.5% worth 3.5 million Euros in Eurodrip S.A.

II. Quoprro Global Services opened a subsidy in Greece.

III. Tata Steel has formed a consortium with Elastra.

IV. Indian Register of Shipping has opened an office in Piraeus in Greece.

India’s economic success is greatly admired in Greece, and it seeks to attract Indian investments. Greece is presently struggling under an economic and financial debt crisis and will seek greater commercial and economic contacts with emerging economies such as India and China. It seeks to upgrade cooperation in key sectors such as ICT and science and technology in view of its goal of becoming a knowledge-based economy. In this regard, it is presently trying to upgrade and bring its educational standards to world class levels aimed in the future to attract students from India and other emerging economies to develop synergies.

A bilateral Joint Economic Commission (JEC) was established in 1983. It held its 6th session in Athens on March 28, 2011. The JEC noted that substantial possibilities for enhanced trade and investment exist in the information and communication technology, pharmaceutical, bio-technology, machinery, energy, maritime as well as tourism sectors. Next round of JEC is scheduled to be held in New Delhi. The JEC is an effective instrument to widen and deepen economic cooperation, including new areas such as Shipping, IT, Food Technology, Tourism, Pharmaceuticals, Ayurveda Medicines, Film industry, Renewable energy and Green technology, Education etc.