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***Evaluation of the Competitiveness and
Business Environment in Greece
in comparison to the Black Sea Region***

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MA IN BLACK SEA CULTURAL STUDIES

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I hereby declare that the work submitted by me is mine and that where I have made use of another's work, I have attributed the source(s) according to the Regulations set in the Student's Handbook.

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ABSTRACT

There is no doubt that the greatest challenge the global economy faces is how to respond to the rapid changes in today's competition-intensive marketplace and mostly how to cope with the uncertainty created by the economic crisis. Now, more than ever countries' economies need to be familiar with the concept of competitiveness and the efficiency of the Business environment as their evaluation helps to critical strategic movements for sustainable development. This study aims to examine Greece profile by measuring the economy's competitiveness and evaluating the Business environment, in comparison to the economies of the Black Sea Region countries and highlight those issues that the country needs to pay attention. The analysis was based to two of the most common indices: the Global Competitiveness Index (GCI) by the World Economic Forum and the Doing Business Index (DBI) by the World Bank. According to the Global Competitiveness Report 2012-2013, Greece scored on the 96th level in a total of 144 countries, which means six places lower than the previous year and significantly below the average of the Black Sea Region GCI (3,36 vs 4,14). Following the past results, Greece has significantly worsen its position since 2002, when the score was on the 36th place, which means that Greece has lost 58 levels as far as competitiveness is concerned. As a part of this analysis, this work tries to identify the issues and answer to questions such as: why Greece seem to be the worst performer, what happened during the period from 2002 to 2013 and how those scores can be improved so as the country to become competitive and come out the economic crisis? However and during the development of the study the new GCI Report 2013/14 was produced, according to which Greece is ranked in the 91st position and scored 3,93 in a total of 148 countries, a quite impressive progress, for which a special reference is made, at the end of the first part of the study.

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ABBREVIATIONS:

GCI : Global Competitiveness Index

EDB: Ease of Doing Business

WEF: World Economic Forum

BS: Black Sea

BSTDB: Black Sea Trade and Development Bank

BSEC: Black Sea Economic Cooperation

GDP: Gross Domestic Product

GDP PPP: Gross Domestic Product (Purchasing Power Parity)

Curr Acct Bal/GDP: Current Account Balance /Gross Domestic Product

FDI/GDP = Foreign Direct Investment/Gross Domestic Product

IMD : International Institution of Management Development

ICT: Information and Communication Technology

BRICS: Acronym of the association of the emerging economies of Brazil, Russia, India, China and South Africa.

OECD: Organization for Economic Co-operation and Development

MRI Scanners: Magnetic Resonance Imaging

CT Scanners: Computed Tomography Scanners

WTO: World Trade Organization

AUEB: Athens University in Economics and Business

IFC: International Financial Corporation

GNI (per capita) : Gross National Income (per capita)

SMS Companies: Smal/Medium Sized Companies

SMEs : Small/Medium Enterprises

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INTRODUCTION

In our today's global economy, the national competitiveness seems to be the basic requirement for a country's ability to improve the quality of life and achieve higher levels of income. Productivity and efficiency are the key drivers that each country, according to its philosophy, uses to grow faster and for a long term. Although economies are quite different in the global arena, however the concept of competitiveness and business environment are the fundamental interest of each nation and totally associated with economic development. The last decade, due to the economic crisis many nations saw significant changes in their financials figures and their economic environment.

Greece is one of these nations and the subject of this study, which aims to evaluate the existing data of the country and its performance in comparison with the Black Sea area countries and the European Union. The analysis is based on the indicators of the two globally recognized measuring Reports: The Global Competitiveness Index Report from the World Economic Forum (WEF) and the Ease of Doing Business Report from the World Bank (EDB). The structure of this work is based on seven Sections.

The first Section refers to general information and financial data of the examined Economies of **Greece and the Black Sea Region**, highlighting the global economic background. The second Section analyzes the general concept of the Competitiveness, its measurement by the Global Competitiveness Index and the methodological structure, whereas special reference has been done for the criticism that has been exposed by economist and analysts for this. The third Section describes in detailed the competitiveness profile of Greece, organized into the 12 pillars of the GCI, focusing on the period 2002-2013, in comparison with the Black Sea Region, EU-28, USA and China, so as to understand Greece's economy status among the various groups of economies. The fourth Section informs about the concept of the Business Environment, whereas the fifth Section refers to the detailed analysis through the ten Business Environment pillars, providing the Country's position profile for the same period. In both above Sections a comparative analysis of Greece to the Countries of European

Union and Black Sea Region is included. The sixth Section is based on the previous assessments and comparisons and draws some conclusions and special remarks whereas at the last seventh Section, the Policy Recommendation is exposed.

Across the Sections further critical issues and questions are examined such as: the reason of Greek low performance, the dramatic fall in the GCI during the last decade and the Country's positioning comparing to the countries of the Black Region. The analysis and critical overview of the current study has been based on data collected by the Supervisor Professor's Lectures Course pack upon the International Benchmarking Indicators, the World Economic Forum and the World Bank. Additionally the analysis relied on data selected by other official electronic sources available on Internet that the author is referencing on the relative Section.

1. GLOBAL ECONOMIC OUTLOOK 2013

The global economy is still trying to recover from the crisis of 2008-2009 which seems to have a long-term impact on Global Growth, which during 2012 has been reduced by 3%, indicating a trend of a long-term economic delay. Emerging Markets didn't show any sign of recovery in 2012, nor will do it in 2013. The uncertainty that exists across the Regions of the USA, China and Euro Area will continue to conduct to serious slowdown in trade and investments and to a hesitant and uneven recovery. According to the World Bank forecasting the Global Economy during the next two years 2014-2015 is expected to grow at a percentage of 3% and 3,3% respectively.

Specifically:

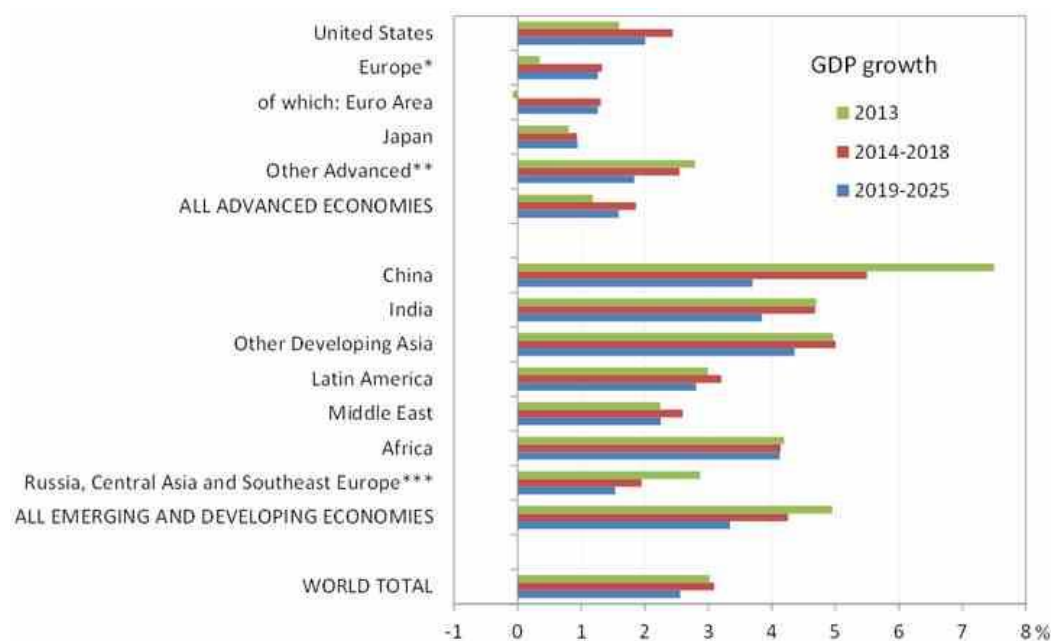
- In 2013 the advanced Economies will count a slight growth of 1,2% vs the 1,1% in 2012, due to Europe's return from the negative -0,2% to 0,3%. However the global picture shows a small drop from 5,5% to 5%.
- In the following medium-term period it seems that US have an average annual growth of 2,3% ,whereas Japan shows lower figures about 0,9%. At the same period the global growth shows a slowdown.
- In the long-term period the global growth seems to be more balanced than the previous periods of the high speed growth. The expected global economic growth for the years after 2013 is likely to slow down and projected to be 3,3%.

In a global economic environment of a general slowdown of growth, **Greece** is struggling to recover from the crisis and gain confidence.

www.ibtimes.com/world-bank-cuts-2013-global-economic-growth-outlook-lowers-forecast-china-india-brazil-raises

www.conference-board.org/data/globaloutlook.cfm

Table 1.1 Global Outlook for Growth of Gross Domestic Product, 2013-2025



Europe includes all 27 current members of the European Union, as well as Iceland, Norway, and Switzerland.

**Other advanced includes Canada, Israel, Korea, Australia, Taiwan, Hong Kong, Singapore, and New Zealand.

***Southeast Europe includes Albania, Bosnia & Herzegovina, Croatia, Macedonia, Serbia & Montenegro, and Turkey.

Source: *The Conference Board Global Economic Outlook 2013, May 2013 update*

1.1 GREECE Profile and Economic Outlook 2013

CAPITAL: Athens



TOTAL AREA: 131,900 sq. kilometers

CURRENCY: Euro €

POPULATION: 12 millions

Greece is a country situated in the south part of the Balkan Peninsula and belongs to the Eurozone, since 1981. Until today, it plays a significant role throughout the modern World as far as its art, philosophy, history, culture and literature it concerns. It combines the mainland of high mountains with the complexes of over 1400 islands.

The period that followed the World War II, the country saw a totally social change and enjoyed a rapid economic growth especially due to the two main sectors of the Greek economy: tourism and shipping. The global crisis of 2008-2009 was a great hit for the country as it revealed the major problems of the high public expenses and the extended tax evasion which combined with the global credit recession, in 2010 resulted to huge external debts by the Eurozone, under the name of "rescue packages". During 2013 Greece is still on progress of the fiscal adjustment, at a continuing declining of wages and the unemployment rate increasing at the historical highest level. The Growth Domestic Product runs at the negative rate of -4,8% and the new economic programs aim to reduce the deficit of the budget below the 3% of the GDP, so as to create a prosperous business environment for investments and gain the confidence and competitiveness that may conduct to a better economic climate. Growth is expected to return positive only during 2014, as a result of exports demand strengthen and improvement of competitiveness.

http://news.bbc.co.uk/2/hi/europe/country_profiles/1009249.stm

Specifically the economic indicators as of May 2013 have as follows:

- GDP- The real growth rate (2012) ..-4,8%)
- GDP (Purchasing power parity) 303,1 billion
- GDP Per capita (PPP): (US \$) 27.073
- GDP Per capita(PPP) as share% of world total 0,37
- GDP (Official Exchange Rate) 255 billion
- Inflation Rate 1,1%
- Public Debt as a % of GDP 161,3
- External Debt (in \$ billion) 583,3
- **GCI Rank & Score (2012-13).. 96/ 3,86**
- **GCI Rank & Score (2013-14).. 91/ 3,93**
- **EDB Ranking 2012.. 100**
- **EDB Ranking 2013.. 78**

www.indexmundi.com/greece/economy_profile.html

www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

1.2. The Black Sea Region Profile and Economic Outlook 2013

The Black Sea Region

COUNTRIES: ALBANIA*, AZERBAIJAN, ARMENIA, BULGARIA, GEORGIA, GREECE, MOLDOVA, ROMANIA, RUSSIA, SERBIA*, TURKEY, UKRAINE

TOTAL AREA: 436,400 sq. kilometers

POPULATION: 327 millions

*both countries are members of the BSTDB financial institution but the GCI includes 10 countries (BS-10)

The Region of the Black Sea is a heterogeneous group of countries that their economies are diverse in terms of the size, the level of development, the institutional characteristics, the integration status and as a consequence the issues that they face. So far, no integration projects have been presented for implementation, although the Black Sea Economic Cooperation¹ (BSEC) exists for 20 years now. However, there are some common things among the countries, such as the long-term Agricultural sector's decline, the rapid growth of Services's sector and the fact that the expenditures are based on private consumption. On the other hand, the economies of the Region are progressively drifting apart, as some are de-industrializing, while others's growth is based on industrial expansion and others owe their growth on energy (imports and exports). Even in Services sector, various and different areas in the countries are responsible for economies's growth, such as construction, retail, financial services, tourism, shipping. Actually, the Region, as a whole comprises a crucial economic and cultural area, whereas a significant factor is its strategic geographical position as a transit channel for energy from the Caspian Sea to Europe. Additionally, the Region is mostly affected by their main neighbors's competing interests, the EU and Russia.

¹Int'l Regional Economic Organization for the Black Sea Region

The period 2000-2008 the countries of BS enjoyed a sustainable development with the GDP to increase up to 6% per annum, achieving that period an average rate of expansion up to 68%, with the rates of trade and investments to increase, a fact that resulted to the reduce of poverty and to better living standards. Of course, for each country separately the development level based on the way that economic growth was achieved and the quality of growth. However, the GDP increase was generated by services, the financial transactions and the non-market services. That period was actually an illusion of sustainable development, where new trends occurred such as those of the rising wages, the social benefits, the increase of the private sectors lending balance etc.

The first months of 2009, all the BS countries experienced the effect of the economic crisis, each one in a different way, strength and scope. The crisis in EU led to the reduced foreign demand for the regionally products, a fact that resulted to decline of prices of the raw goods and of energy carriers as well. As a consequence, all the countries, except Azerbaijan, saw the dropdown of their GDP which by the end of 2009 led to a regional decrease of GDP by 6,3% with Ukraine and Armenia experiencing the biggest production decrease (- 15,1% and 14,2% respectively). The BS countries saw a rapid downturn and a list of problems such as business bankruptcy, increase of unemployment rates, growing poverty which resulted to seriously to budgeting imbalances. As the revenues dropped while the expenditures for the crisis recovery increased, the economies used the budget funds to close the gaps which led to growing foreign debts. The way that the crisis was managed was ineffective and created chances for corruption.

However, in 2010 the negative economic climate was progressively alternated by the growth of the basic macroeconomic indicators: GDP, Industrial production index, the cost of imports and exports and the investments activity rate. The positive trends expanded to labor market, consumer activity and credit market. The GDP reached up to the 4% per annum for the years 2010 & 2011.

Table 1.2 Summary of Key Economic Indicators for 2012, by BSEC Member

	GDP Growth	Inflation	Cur/Acct Bal/GDP	Budget/GDP	Public Dept/GDP	FDI/GDP
Albania	1,1%	2,0%	-11,7%	-3,4%	60,9%	6,5%
Armenia	7,2%	2,6%	-8,4%	-1,5%	44,2%	5,4%
Azerbaijan	2,2%	1,1%	21,7%	0,3%	12,6%	1,2%
Bulgaria	0,8%	3,0%	-1,3%	-0,8%	18,5%	3,7%
Georgia	6,1%	-0,9%	-11,5%	-2,9%	34,9%	5,5%
Greece	-6,4%	1,5%	-2,9%	-6,6%	157,5%	0,2%
Moldova	-0,8%	4,6%	-7,0%	-2,5%	28,3%	2,2%
Romania	0,2%	3,3%	-3,8%	-2,5%	34,6%	1,2%
Russia	3,4%	5,1%	3,7%	0,4%	11,5%	2,6%
Serbia	-1,7%	7,8%	-10,6%	-6,4%	44,5%	0,9%
Turkey	2,2%	8,9%	-6,0%	-2,0%	36,1%	1,6%
Ukraine	0,2%	0,6%	-8,4%	-3,3%	34,7%	4,4%

Source: National Statistical Agencies

In 2012, the Region as a total had an GDP of about 3,6 \$ trillion and an average per capita income of about \$ 11,000. Analyzing each country's profile and figures, it becomes clear that great differences exist between the countries, which makes quite difficult to identify the critical issues that the Region, as a whole, faces, but at the same time great possibilities for further economic cooperation exist.

During 2012 the BS Region Growth slowed, as the Real GDP Growth was 2,1% vs the 4,1% of the two previous years (2010-2011). Actually it was an unexpected fact as growth rates of the years 2010-2011 after the negative rate of the 2009 implied that the crisis was left behind and the BS Region recovered from it. The downturn of 2012 indicates that a post-crisis trend exists, whereas the main reason for this is the Eurozone's remaining problems, as actually the countries of the EU are the main sector of financing and investments. Observing the GDP figures separately on the Table 1.2, it can be seen that a great variation in growth rates exists between the 12 countries, whereas only two of them Armenia and Georgia have achieved rates in excess of 5%. Three of them (Azerbaijan, Russia and Turkey) posted in the medium rates between 2-5% and four of them (Albania, Bulgaria, Romania, Ukraine) posted low rates. Three out of the twelve countries (Greece, Moldova and Serbia) have posted negative rates. The general observation is that almost all countries have been posted lower growth rates in 2012 vs 2011 and some of them with a difference

exceeding the 5%. It is obvious that the countries of the West side of the Region and those that are closer to the Eurozone have been affected more as they are tightly connected, as far as the financial, trade and investment sector is concerned.

The Expenditures are actually from the private consumption as the governments are trying to improve the two main problems that increased during 2009: the adjustment of the fiscal situation and the reduction of the debts. Investments were very weak in the area, as a consequence of the existing uncertainty across the countries, with the exception of the energy rich countries. The very strong trade climate of the two previous years, in 2012 had a significant downturn with the exports to grow only per 2,3% vs the 26% and 28% of the two previous years. The inflation rate seems to decline to all countries not exceeding the single number, whereas for nine countries is less than 5%, as a result of the governments' efforts to establish new monetary policies. During 2012 the fiscal adjustments seem to be sustainable as a result of the countries' continuing efforts to close the gaps due to reduced revenues as a consequence of the low economic activity resulted by the crisis of 2008-2009 and the high rate of unemployment. As a general observation the key indicators in the Region seem to be stable and show a sustainable trend.

<http://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS>

www.bstadb.org/countries/the-black-sea-region

www.cisr-md.org/pdf/BSea-region_En.pdf



“If you look at competitiveness, what we are talking about is productivity. It’s countries that are productive that can support the sorts of rising living standards and high wages that everyone is looking for”, Blanke¹ told CNBC²

www.cnbc.com/id/48905756

¹Jenifer Blanke: Senior economist at the World Economic Forum

² Business News Channel and market Reports

2. THE CONCEPT OF COMPETITIVENESS

Defining competitiveness

Defining "competitiveness" as an economic term seems to be hard and complex. Many policy makers in the global arena consider competitiveness as the main tool of the national economic policy. The WEF defines competitiveness as all national policies, factors and institutions that determine a country's productivity. Actually, both terms are essentially linked, as the more competitive economies seem to be the more productive ones and these that can achieve the highest levels of income for their citizens. Considering that productivity, in turn determines the investment's rate of return, which leads to economic growth it is obvious that the more competitive economies are those which can grow faster in the medium and long-term. The definition that many analysts use is wider and focused on factors such as productivity, innovation, skills, investments, clusters, information and all those factors that affect the performance in medium to long-term (Fagerberg, 1996). However, recently the concept of national competitiveness has largely been criticized by many academics such as Krugman (1994) and De Grauwe (2010), who have expressed their skepticism for its validity, measurement and applications. According to Krugman (1994), the concept of competitiveness in economy is meaningless and dangerous as well as at the same time he raises the argument of its validity in the economic environment, where the use of the term "competitiveness" may vary and as Boltho (1995) states, the major problem is the number of different definitions that exist in literature. The fact that many analysts use economic growth to measure the competitiveness for Krugman is a *poetic way of saying productivity has nothing to do with any actual conflict between countries* (Krugman, 1996, p.18). The competitiveness debate between the policy makers and academics will probably continue for a long time and remain in confusion about what the term actually means in the economic world.

The Global Competitiveness Index (GCI)

As the determinants driving to productivity and competitiveness are many, since 2005 the WEF based its competitiveness analysis to the Global Competitiveness Index (GCI), a comprehensive index, which captures many of these determinants, both of microeconomic and macroeconomic foundations of competitiveness, by including a weighted average of many different components, each measuring a different aspect of competitiveness. Actually the GCI has been developed by Xavie Sala-i-Martin, Professor in Columbia University and was first introduced in 1979. In a globalized environment understanding, analyzing and measuring competitiveness across the various geographical areas has become a vital factor for any country to ensure its economy and remain competitive. On the other hand, it gives the readers the opportunity to understand the strengths and weaknesses of a country's economy and evaluate its competitiveness across countries. Although the need of constructing measuring indices for a reliable and objective benchmarking of the national performance is strong, however the task is not easy. Various examinations upon WEF index concluded in several methodological, quantitative and analytical weaknesses, whereas analysts and examiners argue that the WEF Index has major problems to analyze growth due to factors such as: its model structure, the choice of the variables, the data it uses and the identification of causal relations that result to confused and fuzzy results. Although it evaluates many aspects related to governance it has to be used very carefully as a governance index. The GCI makes clear that the ranking is based on relative positioning which means that one country's movement from one level to the other isn't necessarily caused by changes in the certain country but in other countries as well (e.g.in case of one country goes to upper level, another should go after it).

www.gaportal.org/global-indicators/global-competitiveness-index

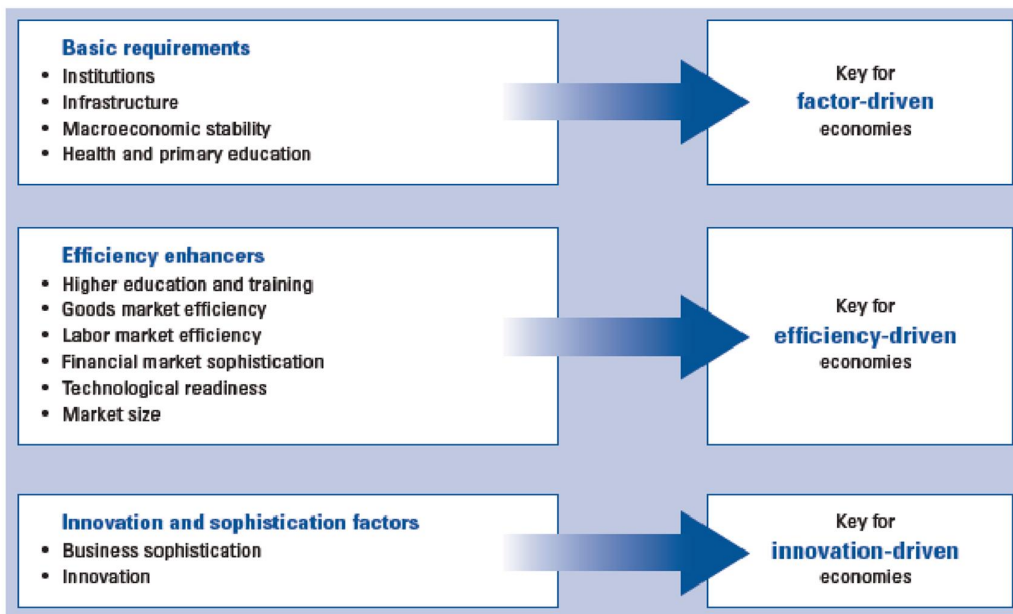
http://biblioteca.fstandardbank.edu.ar/images/3/34/Politiclas_2.pdf

The Components of Competitiveness Pillars

Since 2007/8 the various components of the GCI are grouped into 12 pillars (previously in 9 pillars) under three main categories: the Basic Requirements, the Efficiency enhancers and the Innovation and Sophistication factors. The 12 pillars capture the key factors of micro and macro-economic responsible for the competitiveness in the different stages of development. According to the economic theory there are three stages of development: a) the first stage, that is the factor-driven, the economies compete with their factor endowments, the unskilled labor and the natural resources. Companies on this stage compete on basic prices and sell their basic products produced with low productivity which reflects low wages b) the second stage that is the efficiency-driven; the economies compete with increased product quality and more efficient production quality. At this stage the country becomes more competitive and productive c) the third stage, that is the innovation-driven, the economies compete with advanced products, unique services and advanced processes. Economies are more competitive and the standards of living are higher with high level of wages.

Table 2.1. The Global Competitiveness Index framework

3



Source: *Global Competitiveness Report 2012-2013*

The 12 pillars are classified in the 3 stages as follows: The first four pillars of the GCI are grouped in the Basic Requirements category and are very important for the countries on the factor-driven stage. The next six pillars refer to the efficiency-driven stage and determine the factors of the Efficiency enhancers. Finally the third stage of innovation-driven economies is driven by the last two pillars, determining the Innovation and Sophistication factors. The criteria that are used to group countries into the three stages are two: the first is the level of GDP per capita at market exchange rates and the second is measured by the share of the mineral goods exports and is assuming that shares over 70% refer to countries that are mainly factor-driven. The second criterion is used mainly for the countries that base their prosperity on the goods extraction. The GCI includes the stages of development by calculating higher weights to those pillars that are more relevant for an economy on the particular stage of development. In case that a country falls between two stages then is considered to be in transition stage and the weights change smoothly.

→ Greece's economy is among the 35 economies worldwide, that are at the third stage of development the Innovation-driven stage.

According to the GDI Report 2012-2013 the countries/economies at each stage of development are shown to the following table being highlighted the countries of the BS Region:

Table 2.2 Countries/economies at each stage of development

Stage 1:	Transition from	Stage 2:	Transition from	Stage 3:
Factor-driven	stage 1 to stage 2	Efficiency-driven	stage 2 to stage 3	Innovation-driven
(38 economies)	(17 economies)	(33 economies)	(21 economies)	(35 economies)
Bangladesh	Algeria	Albania	Argentina	Australia
Benin	Azerbaijan	Armenia	Bahrain	Austria
Burkina Faso	Bolivia	Bosnia and Herzegovina	Barbados	Belgium
Burundi	Botswana	Bulgaria	Brazil	Canada
Cambodia	Brunei Darussalam	Cape Verde	Chile	Cyprus
Cameroon	Egypt	China	Croatia	Czech Republic
Chad	Gabon	Colombia	Estonia	Denmark
Côte d'Ivoire	Honduras	Costa Rica	Hungary	Finland
Ethiopia	Iran, Islamic rep.	Dominican Republic	Kazakhstan	France
Gambia, The	Kuwait	Ecuador	Latvia	Germany
Ghana	Libya	El Salvador	Lebanon	Greece
Guinea	Mongolia	Georgia	Lithuania	Hong Kong SAR
Haiti	Philippines	Guatemala	Malaysia	Iceland
India	Qatar	Guyana	Mexico	Ireland
Kenya	Saudi Arabia	Indonesia	Oman	Israel
Kyrgyz Republic	Sri Lanka	Jamaica	Poland	Italy
Lesotho	Venezuela	Jordan	Russian Federation	Japan
Liberia		FYROM	Seychelles	Korea, Rep.
Madagascar		Mauritius	Trinidad and Tobago	Luxembourg
Malawi		Montenegro	Turkey	Malta
Mali		Morocco	Uruguay	Netherlands
Mauritania		Namibia		New Zealand
Moldova		Panama		Norway
Mozambique		Paraguay		Portugal
Nepal		Peru		Puerto Rico
Nicaragua		Romania		Singapore
Nigeria		Serbia		Slovak Republic
Pakistan		South Africa		Slovenia
Rwanda		Suriname		Spain
Senegal		Swaziland		Sweden
Sierra Leone		Thailand		Switzerland
Tajikistan		Timor-Leste		Taiwan, China
Tanzania		Ukraine		United Arab Emirate
Uganda				United Kingdom
Vietnam				United States
Yemen				
Zambia				
Zimbabwe				

Source: Global Competitiveness Report 2012-2013

The 12 pillars of the Global Competitiveness Index

It seems useful for a better understanding of what the pillars are and how they are measuring the economies' competitiveness, to follow a short description, based mainly on the information of the WEF Global Competitiveness Report 2012-13:

1. The first pillar: Institutions

The first pillar refers to the institutional framework, public or private, within which governments, firms and individuals operate to produce income and wealth. As the civil, political and legal environment plays a significant role to a strong business environment and investments' decisions, its efficiency determines the economy's competitiveness. Factors such as red tape, corruption, dishonesty, crime and violence, affect business environment by worsening the business activity and investments rates. The first pillar refers to the property rights as well, including the intellectual property rights' protection.

2. The second pillar: Infrastructure

The second pillar refers to the readiness of countries' infrastructure as the critical factor for economic development. The extensiveness and quality of the rail, port, road and air transport network, as well as the efficient electricity and communications systems is a prerequisite for the countries' economic growth, as they support movements of people, they connect national markets and reduce distances and cost and allow the speed of the information flow.

3. The third pillar: Macroeconomic environment

The third pillar refers to the macroeconomic indicators and measures the stability of the macroeconomic environment as a crucial factor for the economies' competitiveness and development. The recent economic crisis especially in Eurozone revealed the problems of the macroeconomic instability and its impact to the countries development. The fiscal deficit, inflation rates, the public debt/GDP rate, the unemployment rate harmed business environment and economies' sustainability.

4. The fourth pillar: Health and primary education

The fourth pillar is related to the crucial factors of health care and quantity and quality of the educational level of the country. Both factors seem to be very important for the workforce and consequently for the productivity rate of a country.

5. The fifth pillar: Higher education and training

The fifth pillar is related to the higher levels of education and training as those factors seem extremely crucial to current economies and the complexity of the challenged and turbulent economic environment. Globalization and the new demanding business environment requires advanced-educated workforce, with the ability to perform in multitask positions. Training and especially on-the-job training is a prerequisite for the workers' constant skills upgrading.

6. The sixth pillar: Goods Market efficiency

The sixth pillar is related to the positioning and efficiency of the goods and services markets, factors that affect seriously the countries' international trading. Countries with healthy, innovative and customer oriented markets are more competitive and productive, a fact that governments should take care and correct any distortion so as to maintain the domestic market's efficiency and economy's growth.

7. The seventh pillar: Labor market efficiency

The seventh pillar relates to the labor market efficiency and measures the ability of the flexibility of the market to use the workers at the most effective and productive way. The crucial factor in this pillar is the labor market's well-functioning in every economic environment and situation; otherwise the rates of unemployment increase rapidly. The recent economic crisis and inefficient labor market has highlighted the social disruption in Eurozone by the great rates of youth unemployment. The labor market is also related with the institutional and legislative rules that ensure the clear business relations and provide equity between men and women in the business environment, which is the main factor of the workers performance rate and consequently economy's productivity and competitiveness.

8. The eighth pillar: Financial market development

The eighth pillar is related to the most crucial factor of the economic activity that is the financial sector. A well-functioning financial sector is characterized by a proper and sophisticated allocation of the resources, either from the citizens' savings or from those entering from abroad, to productive and profitable uses and investments projects with a high rating of profit, based on a thorough risk assessment. Additionally access to the credit lines is as well crucial for the daily operations and development. A healthy financial market should be supported by a strong and trustworthy banking sector, for investors' protection. The recent global economic crisis and the financial system instability that impacted to the significant damage of the real economy in the most countries worldwide highlighted the importance of the financial sector.

9. The ninth pillar: Technological readiness

The ninth pillar is related to the technological readiness and measures the ability of the country to successfully adopt and integrate technology into operations. The current globalized environment created the need of the direct and rapid access to information and communication, a fact that conducted to a new way in business industry, where technology enhances productivity, increases efficiency and enables to innovation and competitiveness. Undoubtedly, technological readiness is the key factor for a cost-efficient and productive economy; however it requires the country's ability and resources to conduct research, to exchange knowledge and to proceed to technological advancements and innovation. To this extend the quality of public ICT network plays a key role for a country's technological readiness and development, as it facilitates the cooperation worldwide.

10. The tenth pillar: Market size

The tenth pillar is related to the market size and measures the domestic ones as well as the accessibility to the overseas markets and the trade openness. Globalization and Trade liberalization, especially for countries with small sized domestic markets has significantly lowered the barriers to enter to foreign markets that have led to growth, and opportunities for innovation and expansion. The market's size is synonymous to productivity as economies of scale are allowed in larger markets and consequently the firms' profitability and competitiveness is increased.

11. The eleventh pillar: Business sophistication

The eleventh pillar is related to the practices that can be characterized as sophisticated in business and result to productivity and higher efficiency in local business. According to the WEF Global Competitiveness Report 2012-13, two are the elements that are linked with business sophistication: the quality of the economy's business network as well as the quality of the individual's companies' strategic operations. Concerning the first element, it seems that the quality and quantity of the local suppliers with their interactions play a significant role, especially when they function as clusters and provide opportunities for new products. Concerning the second element the higher level of strategies such as branding, marketing, production etc. lead to more sophisticated and innovative processes and consequently to higher competitiveness.

12. The twelfth pillar: Innovation

The twelfth pillar is related to a country's capacity and ability to use its productive resources for technological innovation. The level of competitiveness is totally linked with the development of new and innovative ideas and the designing of cutting-edge products. Such environments is not easily to be developed, especially in less-advanced economies, as great investments in research and development areas is needed, suitable and appropriate market conditions should exist, and strong intellectual property rights are necessary. Under the financial pressure of the recent economic crisis it seems possible that countries may reduce the funds for innovation, a fact that may be very critical for the sustainable growth of the economies.

The Global Competitiveness Report

The Global Competitiveness Report is released by the WEF since 1979 and the last three decades turned out to be the most respected document of the national competitiveness assessment globally together with the World Competitiveness Yearbook that is released by the Swiss Business School International Institute of Management Development (IMD). The WEF Report is published by the Oxford University Press and prepared by the distinguished academics of the Harvard University Jeffrey Sachs and Michael Porter. However, it has been exposed to criticism by many economists and analysts who have argued that the structure has to be improved. The WEF Report aims to give comprehensive information on the key factors of the economic growth and provide the citizens of a nation with the economic position and growth of their nation. The 2012-2013 edition of the Report includes a comprehensive analysis for 144 countries as well as their ranking as far as the national competitiveness is concerns. It uses qualitative and quantitative data from various sources and surveys. In addition to the two famous published rankings there are many unpublished ones, released by consultants, institutions, governments aiming to provide strategic guidelines. Rankings have become useful tools for countries' economic policy, despite the criticism that occasionally have been exposed to. A remarkable note is that in 2007-2008 edition the methodology of the WEF Report changed in the structure and the weighting of the model, a fact that should be taken into serious consideration when comparing the Indices over the years. A short description for the methodology follows, based on the data provided by the Supervisor Professor.

GCI methodology of the competitiveness ranking and score

The GCI score is the outcome of the following process: Firstly, the countries are grouped on the 3 stages of development or the transition stages. Secondly, the score in every pillar is resulted according to the weights that have been attributed to each stage of development. The result of the multiplying gives a score in each pillar that varies from 1 to 7, whereas 1 is the worst performance score and 7 is the best performance one. The total GCI score becomes as the result of the average scores in the 12 pillars and indicates the total competitiveness performance of the economy. According to the

above economies with a total score of approximately 7 are characterized by high competitiveness, which in further analysis indicates economy with well-developed infrastructure, high-sophisticated business environment, high innovation level, strong intellectual property's protection, strong institutional quality. Respectively, economies with the total score of approximately 1 are characterized by low competitiveness.

The Global Competitiveness Report 2012-2013

According to last Report's outlook, global economy seems to be still in slow recovery and uncertain future. For one more year the estimated growth rates are low due to unexpected events such as the China's property bubble, the trade decline and the capitals volatility in emerging markets. Specifically, growth in emerging economies such as Asia, Middle East and North Africa is faster than in the advanced ones, the Eurozone is estimated that has posted 0,3% and the USA are still experiencing a slow recovery, whereas the future seems uncertain. The year 2012 for the large economies of Russia, Brazil, China and South Africa is significantly weaker than the previous one. The Global Competitiveness Report 2012-2013 places Greece in the 96th place among the 144 countries worldwide with a total score 3,86. The top 10 economies are mainly European countries with Switzerland to dominate in the first place for the fourth year in consequence and Singapore at the second place. Finland (3rd), Sweden (4th), the Netherlands (5th), Germany(6th) and United Kingdom (8th) are among the most competitive countries of the world with USA(7th), Japan (10th) and Hong Kong SAR(9th).

3. RANKING OF GREECE- EVALUATION

So far, the study described in Section 1 the current global economic environment as well as the BS Region's profile and economic outlook, highlighting Greece profile and economy's overview. In Section 2 a detailed analysis for the better understanding of the competitiveness concept as well as its components and the GCI Framework has been done, while the Global Competitiveness Report of 2012-13 has been introduced highlighting the top ten countries' ranking. This Section refers to **Greece**, as the central subject of the study, and the Greek economy's evaluation in the Global Competitiveness Index in comparison to the BS Region countries. As Greece is a member of the Black Sea Region group and at the same time a member country of the EU-28 its economy competitiveness evaluation should be done in comparison with both Unions. In this chapter, the author aims to provide a thorough report of:

1. The country's competitiveness evaluation **key points for the year 2012/13** in comparison to the previous year (Table 3.1).
2. The **BS-10 GCI** evaluation in comparison to **EU-27¹, USA and China** (Tables 3.2, 3.3,3.4)
3. The country's ranking and scoring by the detailed analysis **pillar by pillar** of the three sub-indexes of the Basic Requirements, the Efficiency enhancers and the Innovation and Sophistication factors **in comparison with the Black Sea Region** countries and special reference to the EU-27.
4. The country's performance during the last decade (2002-2012/13), whereas a special reference for the dramatic moving down of the 58 places has taken place.

¹The Region is EU-27 is referred to data until 1st July 2013, when Croatia entered the Group and became EU-28

3.1 Greece GCI 2012-13 profile: Key Points

Table 3.1 The Global Competitiveness Index of Greece 2012-13 vs 2011-12

GCI- GREECE	Rank 2012/13 out of 144 countries	Rank 2011/12 out of 142 countries	Score 2012/13 out of 144 countries	Score 2011/12 out of 142 countries
OVERALL INDEX	96	90	3,86	3,92
Basic Requirements	98	80	4,13	4,36
1st pillar:Institutions	111	96	3,37	3,52
2nd pillar:Infrastructure	43	45	4,7	4,5
3rd pillar:Macroeconomic environment	144	140	2,42	3,3
4th pillar:Health&Primary Education	41	37	6,04	6,1
Efficiency Enhancers	69	65	4,05	4,06
5th pillar:Higher education&training	43	46	4,74	4,7
6th pillar:Goods market efficiency	108	107	3,92	3,9
7th pillar:Labor market efficiency	133	126	3,56	3,6
8th pillar:Financial market development	132	110	3,13	3,5
9th pillar:Technological readiness	43	47	4,54	4,2
10th pillar:Market size	46	42	4,38	4,4
Innovation and Sophistication factors	85	81	3,37	3,39
11th pillar: Business sophistication	85	77	3,74	3,8
12th pillar: Innovation	87	88	3	3

Note: The Country coverage in 2012-13 increased to 144 vs 142 in 2011-12

The table has been created by the author based on World Economic Forum, Data from GDI 2011-12 & GDI 2012-13 retrieved from : www3.weforum.org/docs/WEF_GCR_Report_2011-12.pdf

KEY POINTS

This year **Greece moved to the 96th place** in the Global Ranking out of 144 economies with a score of **3,86** and is characterized as innovation- driven economy. It is the lowest-ranked country of the Eurozone and of the BS Region countries. In comparison with the last year's performance the country has deteriorated its position by 6 places. Specifically, in the Basic Requirements the economy moved down 18 places (from the 80th to the 98th), as a consequence of the dramatic drop of the macroeconomic environment to the 144th place, due to the continuing sovereign debt and to the very low assessment of 111 overall on 1st pillar of the institutions. In Efficiency Enhancers the economy is also in worse position than the previous year, as

it moved down 4 places (from the 65th to the 69th), with the main areas of concern those of labor market and financial market to have been ranked in 133rd and 132nd place respectively, and assessed as inefficient and of low confidence. In Innovation and Sophistication factors, the economy has fallen 4 places (from the 81st to the 85th), but it's worth mentioning the improvement by one place (from the 88th to the 87th) of the 12th pillar of Innovation. According to the WEF GCI 2012-13 notes, Greece is expected to correct its competitiveness index in the future as it has *ōa number of strengths, where the country can build upon* such as the very well educated workforce with the ability to adopt new technologies.

3.2. Competitiveness evaluation of the Black Sea Region in comparison with EU-27, USA and China

Table 3.2 Global Competitiveness Index BS-10 2001/02 ó 2012/13

BS-10	2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Armenia									79	3,44	82	3,75	93	3,76	97	3,73	97	3,71	98	3,76	92	3,89	82	4,02
Azerbaijan									69	3,64	54	4,06	66	4,07	69	4,1	51	4,3	57	4,29	55	4,31	46	4,41
Bulgaria	59	3,82	62	3,68	64	3,67	59	3,98	58	3,83	72	3,96	79	3,93	76	4,03	76	4,02	71	4,13	74	4,2	62	4,27
Georgia							94	3,14	86	3,25	85	3,73	90	3,83	90	3,86	90	3,81	93	3,86	88	3,95	77	4,07
Greece	36	4,46	38	4,32	35	4,58	37	4,56	46	4,26	47	4,33	65	4,08	67	4,11	71	4,04	83	3,99	90	3,92	96	3,86
Moldavia									82	3,37	86	3,71	97	3,64	95	3,75			94	3,86	93	3,89	87	3,94
Romania	56	3,84	66	3,59	75	3,38	63	3,86	67	3,67	68	4,02	74	3,97	68	4,1	64	4,11	67	4,16	77	4,1	78	4,07
Russia	63	3,7	64	3,64	70	3,46	70	3,68	75	3,53	62	4,08	58	4,19	51	4,31	63	4,15	63	4,24	66	4,21	67	4,2
Turkey	54	3,86	69	3,31	65	3,65	66	3,82	66	3,68	59	4,14	53	4,25	63	4,15	61	4,16	61	4,25	59	4,3	43	4,45
Ukraine	69	3,26	66	2,97	84	3,17	86	3,27	84	3,3	78	3,89	73	3,98	72	4,09	82	3,95	89	3,9	82	4	73	4,14
No of economies	75		80		102		104		117		125		131		134		133		139		142		144	
AVERAGE	56	3,82	63	3,59	66	3,65	68	3,76	72	3,6	72	3,97	77	3,97	76	4,02	74	4,03	79	4,04	80	4,08	71	4,14
EU-27 AVR	27	4,9	30	4,4	29	4,6	30	4,8	31	4,7	30	4,9	33	4,7	34	4,7	35	4,7	36	4,5	37	4,7	37	4,7
USA AVR	2	6	1	5,9	2	5,8	2	5,8	2	5,8	6	5,6	1	5,7	1	5,7	2	5,6	4	5,4	5	5,5	7	5,5
CHINA AVR	39	4,4	33	4,4	44	4,2	46	4,3	49	4,1	54	4,2	34	4,6	30	4,7	29	4,7	27	4,8	26	4,7	29	4,8
BAL-12		3,9		3,9		3,8	64	3,9	70	3,6	70	4	81	3,9	78	4	75	4	76	4,1	78	4,1	77	4,1

Note: The 10 countries of the BS Region are included in GCI since 2005/06, as the period before there were only 6.

The table has been created by the author based on World Economic Forum Data

According to the **WEF GCI Report 2012/13** the average ranking of the Black Sea Region countries was in the 71st place out of 144 economies, with Turkey to have been ranked as the best performer in the 43rd position and Greece as the worst one in the 96th position. Azerbaijan is the second best performer (46th), with Bulgaria and Russia to follow in the 62nd and 67th position respectively. As less competitiveness economies have been ranked those of Ukraine (73rd), Georgia (77th) and Romania (78th) and the three worst performers in Region are the economies of Armenia (82nd), Moldavia (87th) and as above mentioned Greece (96th). Actually the Region's economy has seen a significant improvement in current period as it moved up by 9 places (from the 80th position to the 71st), as a result of the progress made by several countries of the BS Region, with Turkey to be the best performer as it moved up by 16 places whereas the country's economy grew by 8,4% presenting considerable improvement in many areas of the GCI. Additionally, the average score for the Region that didn't moved up to 3,97 from the starting point 2001/02 until 2008/09 starts to have an upward trend reaching to 4,14 in 2012/13, which is still considered low and indicates lack of progress.

It's worth noting that during the decade **2001/02-2012/13** the trend of scoring and ranking of the Region have shown a significant fluctuation, confirming the uncertainty and market's volatility that global crisis has resulted to global economy. As Eurozone neighbors, the BS-Region countries were significantly affected by the economic recession and destabilization of markets that decreased investments, credits and exports of goods while at the same time the business environment has been deteriorated.

Comparing the **BS-10 GCI data with that of EU-27** for the examined period it is easily noticing that the Black Sea economy lags behind the EU-27, in all pillars (Table 3.3, 3.4, 3.5, 3.6). Although the European Region comprises by countries with significant diversity, having faced great challenges the past few years, it remains one of the most competitive economies worldwide. It's worth mentioning that 10 out of the top 20 economies in competitiveness index are of European countries, especially the Nordic economies that 6 of them are in the top 10: Switzerland (1st), Finland (3rd), Sweden (4th), the Netherlands (5th), Germany (6th) and United Kingdom (8th). On the other hand, other European countries' economies, especially in Southern and Eastern

Europe (Spain, Italy, Portugal, and Greece) didn't manage to recover from the global crisis and were brought to sovereign bankruptcy and consequently were forced to request for international bailouts, a situation that put the Eurozone in great difficulties such as the rising inflation and the viability of the Euro. The result of this was some weaknesses signs especially in R& D, Innovation, Technology in Information and Communication and the new skills development.

Comparing the **BS-10 data with that of USA** in both scores and rankings, it is easily seen that the economies' competitiveness are not close. Actually the comparison of the two Regions is not easy as they are quite different economies. The BS-10 economy stands almost at the end rankings of the Global Index, falling down several positions each year, the USA even it didn't manage to maintain the first two positions of the previous years (2001/02 until 2005/06) and is falling down for four years now, in the global ranking (2012/13 ranked in the 7th position), is still the most productive economy worldwide. As shown below, the US economy's strengths are in innovative and sophisticated companies (5,34) supported by the high educational system (5,72) which results to a competitive business environment and R&D (5,50) whereas these areas in BS-10 economy seem to stand behind the US. The labor market's efficiency (5,37) combined with the productivity and economies of scales that the largest worldwide market size (6,93) allows, are the main qualities and reasons of the competitiveness of the US economy, while in these pillars the BS-10 economy seem to lag behind, as a consequence of the domestic and foreign market growth downturn, due to limited foreign demand from the Eurozone. In spite its highly ranked competitiveness the US economy has weaknesses as well that have worsen the ranking and are responsible for the economy's lower position the last four years. According to Jenifer Blanket, Senior Economist of WEF "A number of weaknesses are chipping away at its competitiveness...the U.S. fiscal imbalances and continued political deadlock over resolving these challenges," (www.cnbc.com/id/48905756, Sept 5, 2012).

www.cnbc.com/id/48905756

According to the WEF annual survey, the critical weakness of US economy is the lack of macroeconomic stability (ranked in 111th place from the 90th of the last year) and the continual low position of Institutions (41st) due to the mistrust of the government, indicate that inadequate institutional framework hamper business through various ways.

Comparing the **BS-10 data with that of China**, it is easily seen that the 71st place on average is quite far from the 29th position that China achieved in 2012/13 and is remarked as the second most competitiveness economy in the Global arena, although it has fallen three places from the previous year, as in 2012/13 is ranked in 29th place from the 26th that was in 2011/12, while the BS-10 is struggling to improve the low ranking and scoring since the global crisis effect. The country's economy is categorized at the Efficiency-driven stage (see Table 2.2) and is by far the leader of the BRICS Economies. According to the economists the decline of the last evaluation and return to the 2009 ranking, has affected the scores of all the pillars of the GCI except the market size and that is the reason that the country should pay attention in the areas that are critical for its competitiveness: the financial market development (ranked in the 54th place from the 48th), the technological readiness (ranked in the 88th place from the 77th) and market efficiency (ranked in the 59th place from the 45th). However, China's economy, on the contrary of the BS-10 and other advanced economies, as far as the macroeconomic situation is concern, enjoys a favorable place in the Global Index that is the 11th position, despite the prolonged period of the high inflation. The country has a moderate budget deficit, a government debt-to-GDP rate up to 26% and the gross savings to GDP rate is above the 50%, rates that are by far better than those of the BS-10 economy. Another competitive advantage of China's economy, in comparison of those of the BS-10, is the ability to produce products in low cost, which meet the world markets specifications which results to successful capturing of the world export markets, although the last year's pillar of market efficiency deterioration should be of particular concern, as according to Professor Chi Fulin (Senior Researcher and Supervisor of PhD Students), China should be transformed from the largest manufacturer to a leading innovator worldwide.

Leaving behind the scores and rankings in the Global Competitiveness concept, Dennis Pamlin, (Founder and Consultant of the Sweden-based firm 21st Century Frontiers) said that the economies' competitiveness perspective for the 21st century should be the ability to create such conditions that be able to lift people out of the poverty and may deliver sustainable solutions for the 9 billion people of the world. In this context, China is quite advanced comparing to other economies, even in higher level in the GCI, as for the later the concept of competitiveness is based on the ability to produce and deliver goods and services to the wealthy part of the world.

Table 3.3. Trends of Global Competitiveness Index scores of BS-10 2001/02 ó 2012/13 in comparison with EU-27, USA, China (Diagrams)

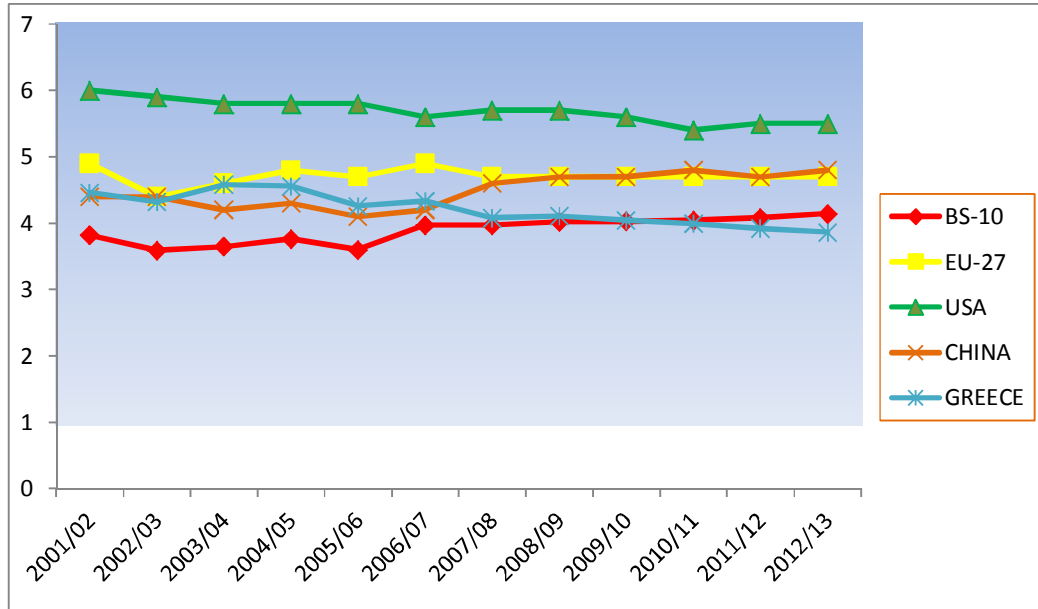


Table 3.4. Trends of Global Competitiveness Index ranking of BS-10 2001/02 ó 2012/13 in comparison with EU-27, USA, China (Diagrams)

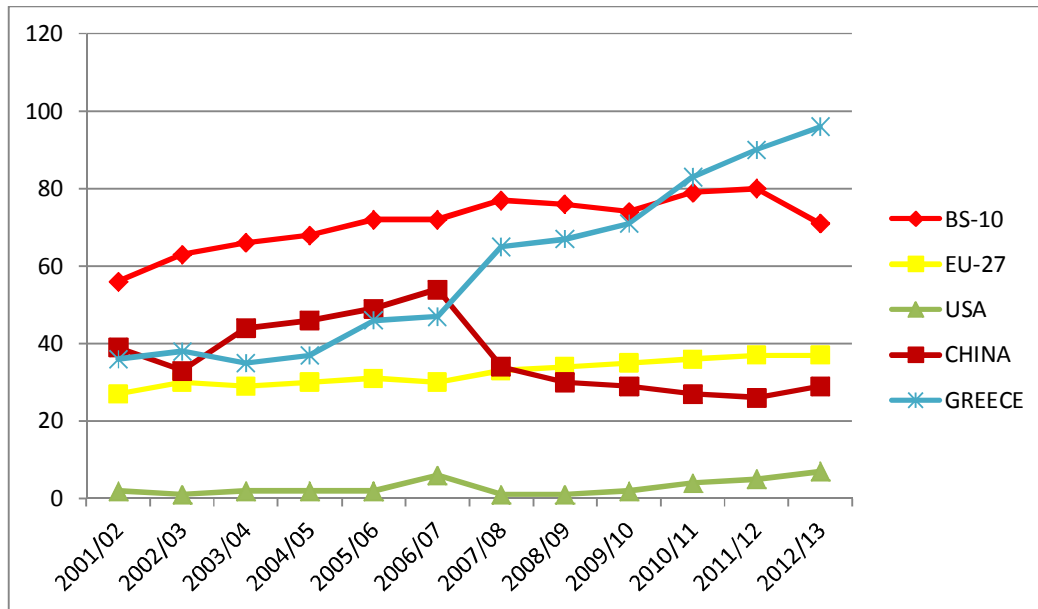


Table 3.5 GCI pillar ranking 2012/2013 ,BS-10 Countries

	BASIC REQUIREMENTS				EFFICIENCY ENHANCERS						INNOVATION	
	Institutions	Infrastructure	Macroeconomics	Health & Primary Education	Higher education & Training	Goods market efficiency	Labor market efficiency	Financial market development	Technology readiness	Market size	Business sophistication	Innovation
ARM	71	80	83	80	70	72	30	78	92	115	92	105
AZER	63	71	13	107	89	60	26	98	61	76	69	46
BUL	108	76	31	49	63	83	49	80	52	62	97	92
GEO	61	53	88	61	93	82	35	93	76	99	113	126
GRE	111	43	144	41	43	103	133	132	43	46	85	87
MOL	110	92	93	86	88	100	81	104	65	121	120	135
ROM	116	97	58	83	59	113	104	77	59	43	110	102
RUSS	133	47	22	65	52	134	84	130	57	7	119	85
TUR	64	51	55	63	74	38	124	44	53	15	47	55
UKR	132	65	90	62	47	117	62	114	81	38	91	71
BS-10	96,9	67,5	67,7	69,7	67,8	90,2	72,8	95	63,9	62,2	94,3	90,4
usa	41	14	111	84	8	28	8	18	11	1	10	8
EU-27	42	31	68	28	28	37	67	68	27	60	80	31
CHINA	60	48	11	86	82	69	41	64	88	2	46	33

Table 3.6 GCI Pillar scores 2012/13 ,BS-10 Countries

	BASIC REQUIREMENTS				EFFICIENCY ENHANCERS						INNOVATION	
	Institutions	Infrastructure	Macroeconomics	Health & Primary Education	Higher education & Training	Goods market efficiency	Labor market efficiency	Financial market development	Technology readiness	Market size	Business sophistication	Innovation
ARM	3,9	3,71	4,5	5,53	4,22	4,22	4,72	3,97	3,4	2,62	3,7	2,89
AZER	3,98	3,94	6,05	5,08	3,91	4,31	4,8	3,73	4,04	3,51	3,91	3,45
BUL	3,39	3,79	5,42	5,92	4,31	4,17	4,54	3,97	4,3	3,82	3,62	2,98
GEO	4	4,35	4,4	5,79	3,82	4,18	4,67	3,79	3,71	2,87	3,4	2,6
GRE	3,37	4,7	2,42	6,04	4,74	3,92	3,56	3,13	4,54	4,38	3,74	3
MOL	3,38	3,46	4,35	5,44	3,96	3,98	4,26	3,65	3,91	2,51	3,3	2,4
ROM	3,33	3,22	4,83	5,51	4,36	3,86	4,01	3,98	4,09	4,41	3,47	2,92
RUSS	3,09	4,52	5,8	5,75	4,59	3,62	4,23	3,19	4,13	5,76	3,31	3,01
TUR	3,98	4,38	4,86	5,78	4,15	4,55	3,79	4,45	4,29	5,28	4,26	3,33
UKR	3,13	4,1	4,4	5,78	4,7	3,82	4,44	3,52	3,6	4,6	3,7	3,16
BS-10	3,555	4,017	4,703	5,662	4,276	4,063	4,302	3,738	4,001	3,976	3,641	2,974
EU-27	4,54	5,13	4,82	6,22	5,13	4,64	4,49	4,39	5,27	4,31	4,61	4,15
USA	4,59	5,81	3,97	6,11	5,72	4,88	5,37	5,07	5,84	6,93	5,34	5,5
CHINA	4,22	4,46	6,22	6,11	4,32	4,31	4,6	4,31	3,5	6,82	4,25	3,85

Source: Papapanagos H., IHU Section 3 BS-BL Economies 12-13

3.3. The Greek competitiveness compared to the Black Sea Region economies

In the previous chapter, the competitiveness of the Black Sea Region countries is being analyzed and compared to the economies of EU-27, USA and China. This chapter highlights to Greek economy and its position in the Global Competitiveness Index of 2012/13. For better understanding the areas of concern a detailed breakdown of the country's ranking in the 12 pillars follows, according to the data collected by the WEF GCI 2012-13, while a comparison with the Black Sea Region countries is provided.

3.3.1 Basic Requirements

The analysis of the sub index of the Basic Requirements for the period 2012/13, that comprises by the first four pillars of GCI (Institutions, Infrastructure, Macroeconomics, Health & Primary Education), shows that Greece - as already mentioned above - moved down 18 places from the previous year's ranking, scoring 4,13 vs the 4,36 of the last year's index. Specifically, as the detailed analysis shows the main reasons for this are the very bad performing on *Institutions and Macroeconomics*, whereas it's worth noting the improvement done on the Infrastructure pillar.

- ❖ **The 1st pillar**, as already mentioned in chapter 2, relates to the quality of the Institutional framework and plays a significant role on competitiveness and growth. In public sector, bureaucracy, corruption and lack of transparency as well as dishonesty are factors that affect negatively the development and growth. In private sector, as well, transparency and honesty are the main factors for avoiding mismanagement and enhance consumers' and investors' confidence.

What is the quality of the Institutions in Greece and how strong is the economy's first pillar in the Global Competitiveness Index?

Table 3.7 Greece GCI 6 1st pillar analysis

BS-10	1st PILLAR: INSTITUTIONS AVR: 97/3,56	
Economy	Rank	Score
Armenia	71	3,9
Azerbaijan	63	3,98
Bulgaria	108	3,39
Georgia	61	4
Greece	111	3,37
Moldavia	110	3,38
Romania	116	3,33
Russia	133	3,09
Turkey	64	3,98
Ukraine	132	3,13

2011/12	Rank	Score
Greece	96	3,5

1st pillar: Institutions	
Property rights.....	4.2 .....73
Intellectual property protection.....	3.7 .....64
Diversion of public funds	2.5 .....119
Public trust in politicians	1.5 .....141
Irregular payments and bribes	3.4 .....104
Judicial independence	3.1 .....98
Favoritism in decisions of government officials í .í í	2.5 .....114
Wastefulness of government Spendingí í í	2.0 .....137
Burden of government regulation	2.2 .....141
Efficiency of legal framework in settling disputesí í í	2.5 .....135
Efficiency of legal framework in challenging regs. í í í ..í	2.6 í .....132
Transparency of government policymaking í í í	3.7 .....122
Govt services for improved business performanceí í í í í í í ..2.3 .....	.....134
Business costs of terrorism	5.3 .....88
Business costs of crime and violence.....	4.7 .....81
Organized crime	5.3 .....68
Reliability of police services	3.9 .....84
Ethical behavior of firms	3.1 .....130
Strength of auditing and reporting standards	4.4 .....82
Efficacy of corporate boards	3.9 .....131
Protection of minority shareholders' interests	4.3 .....61
Strength of investor protection, 0ó10 (best)*	3.3 í í .....125

Source: WEF 2012/13

Globally the Greek economy has scored 3,37 and is placed in the 111th level in the GCI of 2012/13 that is 5 places down from the previous year, a ranking that is lower than the average of the Black Sea Region and quite far from the other compared economies of EU-27, USA and China . Among the countries of the Black Sea Region, Greek economy stands at the 7th place out of the ten countries, with Georgia having the highest score (61/4), followed by Turkey (64/3,98) and Azerbaijan (63/3,98). It is easily seen that the economic crisis has affected the Institutional background of the Region as a total, being at a quite low position in the Global ranking.

In the attempt to evaluate the significance of the Institutions ranking in Greek competitiveness, we may say that this position indicates that the country is characterized by the low quality of Institutions that impact seriously on the overall economy's competitiveness. The major areas of concern according to the analytical table 3.7 are the government's efficiency, the corruption and the legal administrative framework, factors that Greece needs to take seriously into consideration and improve. More specifically, the burden of the government's regulation (141st place) and the low public trust in politicians (141st place) are significant barriers to the business environment improvement. The wastefulness of the government's spending (137th place) worsens the public services functionality such as security, education and sanitation. The efficiency of the legal framework (135th place) is another problematic aspect that Greece should take care in order to provide the basis for the commercial transactions. The importance of a strong institutional environment becomes vital especially in economies that have been harmed by economic crisis and are struggling to recover, as Greece does the last years. The country has to take in serious consideration the need of rationalization of the government's regulations (132nd), the cost of the red tape and the creation of a sound environment for doing business, as inefficiency in institutions leads to low investment activity (Mauro, 1995) .

- ❖ **The 2nd pillar** - as already mentioned in chapter 2- relates to the infrastructure systems and their impact in developing trade and international relations. The quality of infrastructure leads to improvement of productivity and commercial activities/growth.

What is the efficiency of infrastructure in Greece and what is the quality across the region of the BS Countries?

Table 3.8 Greece GCI ó 2nd pillar analysis

BS-10	2nd pillar: INFRASTRUCTURE AVR 67,7/4,02	
Economy	Rank	Score
Armenia	80	3,71
Azerbaijan	71	3,94
Bulgaria	76	3,79
Georgia	53	4,35
Greece	43	4,7
Moldavia	92	3,46
Romania	97	3,22
Russia	47	4,52
Turkey	51	4,38
Ukraine	65	4,1

2011/12	Rank	Score
Greece	45	4,5

2 nd pillar: Infrastructure	
Quality of overall infrastructure.....4.5	.....61
Quality of roads..... 4.0	.....71
Quality of railroad infrastructure.....2.5	.....69
Quality of port infrastructure	4.2 .....66
Quality of air transport infrastructure.. 5.3	.....45
Available airline seat kms/week, millions*.544.8	...36
Quality of electricity supply í í	5.2.....57
Mobile telephone subscriptions/100 pop.* í í	106.5.....70
Fixed telephone lines/100 pop.*.....	49.9 .....13

Source: World Economic Forum Data

Globally, the Greek economy has scored 4,7 and is placed in the 43rd position in the GCI of 2012/13 that is 2 places up in comparison to last year's data, quite advanced than the average of the Black Sea Region and close to the other compared economies of EU-27, USA and China. Among the countries of the Black Sea Region, Greek economy holds the first place out of the ten countries, followed by Russia (47/4,52) and Georgia (53/4,35) whereas in Europe is placed 20th. In terms of Infrastructure the Black Sea Region, is behind the other compared economies of EU-27, USA and China, but it remains a medium performer in the Global Arena. Greece's good performance in this pillar is mainly due to the holding of the 2004 Olympic Games in

Athens, when extended improvements had been implemented in many areas, resulting to a modern and efficient infrastructure system mainly in Athens.

In a further analysis of the components, according to the WEF Data of 2012/13, it's worth noting that ranking and scoring of the quality of **port infrastructure** (66/4,2) can be characterized satisfied, but improvement is needed due to the neuralgic geographical location of the country and the importance of shipping in Greek economy. The country counts more than 140 ports, 16 of which are international with the Port of Piraeus to be the largest in Europe and the third largest in the world servicing cargo and visitors that in 2012 numbered 15,5 million. The agreement that has been signed in 2008 with Cosco (Chinese company) to manage a part of Piraeus Port for 35 years is estimated that will upgrade the port's capacity and efficiency and additionally with the further collaboration of Cosco and Hewlett Packard, is projected to become a leading point in Europe.

Although in the item of **roads quality** the country has scored in the middle level (71/4), the last decade great infrastructure projects have been materialized in the road network of the country. The largest ones in the national road network are: the ðEgnatia Odos- the highway that connects Igoumenitsa Port (in Ionian Sea) with Alexandroupolis (near Turkey)- the ðPATHE Highway- the highway that connects the port of Patra with Athens and Thessaloniki and continues to FYROM- and the ðIonian Highway- the highway that connects the ports of Patra and Igoumenitsa. In the area of Athens, ðAttiki Odos ó the highway Ring Road- has significantly upgraded the transport in the capital.

Air transport in Greece ranks in very good position (45/5,3) as the country since 2001 has International Airport ðThe Eleftherios Venizelos, which is considered to be one of the best airports in Europe, and other 45 airports from which 15 are international 26 domestic ones and 4 municipal, mainly on the islands. Additionally, the country proceeds to significant upgrade of airports infrastructure and facilities, while projects for new airports exist.(www.ypa.gr).

The upgrading of the **railroad infrastructure** that is being on progress the last decade has resulted to reduced traveling time especially between Athens and Thessaloniki, while the connection between Athens, Korinthos and Kiato is very

convenient. One of the most successful infrastructure projects of the last decade was the Athens Metro, which is still expanding its connecting lines to various stations in Attiki while at the same time the Metro system is on progress in Thessaloniki.

Regarding telecommunications, the last decade's market conditions resulted to competitive and high standards services in Greece. The country since 2007 has made a significant progress on cellular phone and Internet as in 2012 the broadband penetration reached to 23,8%.

As described above, the last decade, Greece has made a significant progress on the area of infrastructure and due to the country's geographic location, its natural resources and the market's liberalization on energy and telecommunications the country has considerable opportunities to improve its competitiveness. However, the economic crisis and the reduced resources lead to the necessity of the private investments so as the country to be able to continue the implementation of the strategic projects for development.

www.investingreece.gov.gr/default.asp?pid=17&la=1

www.ypa.gr

- ❖ **The 3rd pillar-** as already mentioned in chapter 2 ó relates to the macroeconomic indicators and measures the stability of the macroeconomic environment as a crucial factor for the economies' competitiveness and development.

[What is the macroeconomic environment in Greece and how stable can be considered?](#)

Table 3.9 Greece GCI ó 3rd pillar analysis

BS-10	3rd pillar: MACROECONOMICS AVR 68,2/4,70	
Economy	Rank	Score
Armenia	83	4,5
Azerbaija	18	6,05
Bulgaria	31	5,42
Georgia	88	4,4
Greece	144	2,42
Moldavia	93	4,35
Romania	58	4,83
Russia	22	5,8
Turkey	55	4,86
Ukraine	90	4,4

3 rd pillar: Macroeconomics	
Government budget balance, % GDP*	-9.2 .....139
Gross national savings, % GDP*	4.8 .....135
Inflation, annual % change*	3.1 .....30
General government debt, % GDP*	160.8 .....143
Country credit rating, 0ó100 (best)*	19.6 .....129

2011/12	Rank	Score
Greece	140	3,3

Source: World Economic Forum Data

Globally, the Greek economy has scored 2,42 and is placed in the last position (144th) in the GCI of 2012/13, that is 4 places down in comparison to last year's data, considerably below than the average of the Black Sea Region, which scored quite well in this pillar (4,70) and far from the other compared economies of EU-27, USA and China (Tables 3.5, 3.6, 3.11). Being the last country in the Global Index, Greece macroeconomic environment is quite unstable, continuously deteriorating its indicators for the fifth consecutive year since the country entered to a sovereign debt crisis in 2009. The annual growth rate is negative (-6,5%), the inflation rate is below 1%, the unemployment rate has raised to 30%, the public debt is the 170% of the GDP, while the public deficit is more than 9% of the GDP.

- ❖ **The 4th pillar** - as already mentioned in chapter 2 ó relates to the factors of health care and quantity and quality of the primary education of the country that are crucial for supporting businesses and enhance productivity, as comprise the most significant elements and foundation of an economy's workforce.

What is the performance of health care and educational system in Greece?

Table 3.10 Greece GCI ó 4th pillar analysis

BS-10		4th pillar: HEALTH & PRIMARY EDUCATION AVR 69,7/5,66	
Economy	Rank	Score	
Armenia	80	5,53	
Azerbaija	107	5,08	
Bulgaria	49	5,92	
Georgia	61	5,79	
Greece	41	6,04	
Moldavia	86	5,44	
Romania	83	5,51	
Russia	65	5,75	
Turkey	63	5,78	
Ukraine	62	5,78	

2011/12	Rank	Score
Greece	37	6,09

Source: World Economic Forum Data

4th pillar: Health and primary education	
Business impact of malaria	NA .....1
Malaria cases/100,000 pop. í í ...	NE.....1
Business impact of tuberculosis..6.4	21
Tuberculosis cases/100,000 pop. 4.6	6
Business impact of HIV/AIDS ....6.1	21
HIV prevalence, % adult pop.....0.1	12
Infant mortality, deaths/ 1,000 live births.í í í í ..í í .3.2 ..í	13
Life expectancy, years.....80.4	19
Quality of primary educationí ..3.6	77
Primary education enrollment, net % í í í í í í í í í í í í 98.3	24

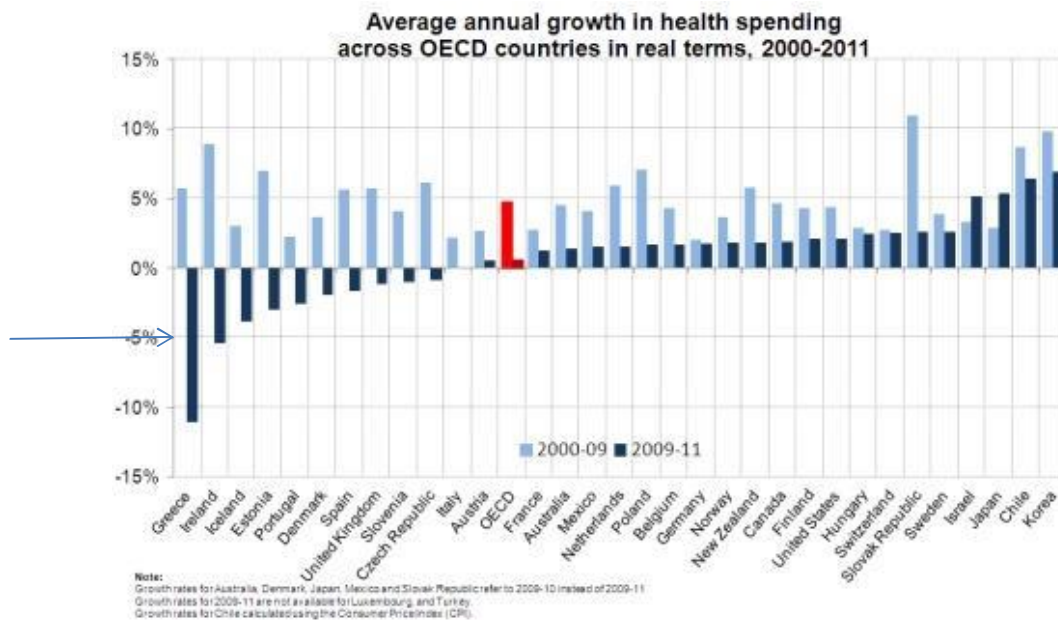
Globally, the Greek economy has scored 6,04 and is placed in the 41st position in the GCI of 2012/13, that is 4 places down in comparison to last year's data, although remaining the leading country in the BS-10 Region following by Bulgaria (49th) and quite advanced than the average scoring of the countries of the BS Region (68th /5,66) in this pillar, which seems to be one of the best practices of the Region. Compared with the EU-27, the country remains in the middle of ranking but quite far from the average ranking of the Region (26), whereas the first positions are held by Finland, Belgium and Netherlands. The further analysis of the components shows that Greece needs to improve its performance and invest on both health and primary education areas, from where the country reduced spending as a result of the economic crisis. It's

worth noting that the country remains stable on the top twenty countries globally in Life expectancy, with 80,4 years on average.

Healthcare sector

Health Spending: According to the OECD data by the end of June 2013, the impact of economic crisis on health spending the last 4 years remain at the same rate, especially in Europe. After the average growth of 5% year on year during the decade 2000-2009, the years that followed the crisis show a significant drop, with Greece to be on the top with an average drop of 11%, due to the country's effort to reduce the large budgetary deficit, as the 65% of health spending is funded by public sources (2011). Actually, the greatest part of this reduction is related to cuts in the number of workers in health sector, cuts in wages and prices reductions to pharmaceuticals.

Table 3.11 Average annual growth in health spending across OECD Countries 2000-2011



Source: OECD available on www.oecd.org/els/health-systems/health-spending-continues-to-stagnate-says-oecd.htm

Health Recourses : Following the data of OECD, it seems that the whole structure in health sector needs reengineering and improvements, as far as the hospital management it concerns. The human, physician and technological recourses are quite far from the European and OECD¹ Countries average. The number of doctors that remain to the highest average worldwide as there are 6,1 physicians per 1000 population, whereas on the contrary the number of nurses that is characterized quite low as there are 3,3 nurses per 1000 population indicate the inefficient allocation of the human recourses, while for many years the country has over-supply of doctors and under-supply of nurses. The average number of hospital beds per 1000 population is 4,9 quite close to the European standards. As far the technological recourses are concerned, it seems that the country has no guidelines of regulations for the use of the CT Scanners or the MRI Scanners from which, most of them are in the private sector.

The average numbers of CT (34,3 per million) and MRI Scanners (22,6 per million) are still quite far from the other countries standards.

Health status and Risk factors: Life expectancy in Greece for the fourth consecutive year stood at the 80,4 years, remaining on the top 20 countries globally, while on the top is Japan, Hong Kong, Switzerland, Italy and Australia. However, Greece should control the high risk health factors such as the high percentage of smokers (32%) and the high obesity rate (18%) which result to serious health problems such as diabetes, cancer and cardiovascular diseases, and consequently the probability for higher healthcare costs.

Education sector

The level of education is a critical factor for the economy's productivity and standards of living. Although the data of the last two years showed increased percentage that is about 67% of the adult population to have completed at least secondary education compared with the 50% of the last decade's data, the percentage is still low. Education in Greece has been hurt by the economic crisis as many other sectors of

¹ There are currently 34 members, including all 17 from Eurozone except for Malta and Cyprus

social and economic life. Significant reductions have been taken place in education spending, actually by cutting the teachers' wages, the number of teachers and school infrastructure spending. These actions led to a low level of schools infrastructure and teaching techniques, as well as the lack of incentives for teachers.

A further analysis of the components of the pillar, the quality of primary education, where the country stands on the middle of the global arena (77th) for four years now, indicates the necessity of modernization and adequate staffing and rising funding. Greece, according to the OECD report should pay particular attention to the early childhood education level by modernizing the system, providing better technical support and proceeding to an integrated approach that could result to the efficient resources allocation and better quality of services.

Furthermore, a serious consideration should be paid by the country on the component of the Primary Education enrollment rate, which on the GCI 2012-13¹ dropped to the 24th position from the 8th position that the country stood the previous years, being steadily on the top ten countries worldwide, a change that indicates the inefficient pre-school services.

¹On Index of 2012/13 relative data of the enrollment rate is referred on the year 2007 for Greece

www.oecd.org/edu/Greece_EAG2013%20Country%20Note.pdf

www.oecd.org/greece/44785912.pdf

3.3.2 Efficiency Enhancers

The analysis of the second sub index of the Efficiency Enhancers, that includes the next five pillars of GCI (Higher Education & Training, Goods Market efficiency, Labor Market efficiency, Financial Market Development, Technological readiness, and Market Size), shows that Greece- as already mentioned on the chapter 3.1 - is also in worse position than the previous year, as it moved down 4 places (from the 65th to the 69th), with the main areas of concern those of Labor market and Financial market to have been ranked in 133rd and 132nd place respectively, and assessed as inefficient and of low confidence. Specifically,

- ❖ The 5th pillar -as already mentioned in chapter 2- relates to the qualification of the workforce and the quality of the higher levels of education.

What is the competitiveness of Greece in higher education and Training? What are the challenges for improvements?

Table 3.12 Greece GCI 6 5th pillar analysis

BS-10		5th pillar: HIGHER EDUCATION & TRAINING AVR 67,8/4,28	
Economy	Rank	Score	
Armenia	70	4,22	
Azerbaija	89	3,91	
Bulgaria	63	4,31	
Georgia	93	3,82	
Greece	43	4,74	
Moldavia	88	3,96	
Romania	59	4,36	
Russia	52	4,59	
Turkey	74	4,15	
Ukraine	47	4,7	

2011/12	Rank	Score
Greece	46	4,74

5th pillar: Higher education and training	
Secondary education enrollment, gross %*í í í í í í	100.9 .....28
Tertiary education enrollment, gross %*í í í í í í í	89.4 .....4
Quality of the educational systemí ..í ...3	.....115
Quality of math and science education í .í .í í í í í í í	.....4.2 .....54
Quality of management schoolsí í	.....3.7 .....104
Internet access in schools.....	3.9 .....81
Availability of research and training services í í í í í í í í í í í í	.....3.8 .....92
Extent of staff training	.....3.3 .....115

Globally, the Greek economy scored 4,74 and is being ranked in the 43rd place in the GCI of 2012/13, improving its position by 3 places up from last year's ranking (46th), indicating that serious improvements have been done especially in the enrollment rates and education and training services. Being quite advanced from the average ranking of the Black Sea countries ranking (67,8 /4,2). It's the first country, followed by Ukraine (47th), Russia (52nd) and Romania (59th), while comparing with EU-27 it stands by far behind the average (28 /5,13), indicating that further improvements needed.

According to OECD data, Greece has problems to higher education as teachers in secondary level are not preparing students for the post-school life, whereas this level is extremely focused on university entrance system. The university system, composing mainly by the public institutions suffers from the lack of a reliable assessment procedure. Additionally, the teaching time in secondary level of education is 429 hours (2008) which compared to the OECD Countries average of 599 hours and EU-19 average of 566 hours is lower creating a gap that should be covered by teachers' work loading. At the same report many other problems and challenges are stated such as the lack of resources, the absence of effective teachers, the lack of authority to school directors resulting to inefficient management which combined with the absence of evaluation and assessment system leads to the necessity of quick and urgent actions for the education reformation.

The tertiary education needs as well serious improvements and initiatives for being more efficient and of better performance. The operation of Private institutions should be allowed and the financing of the public Universities should be on reconsideration and be aligned with other countries system. All above recommendations stated by OECD, should be in serious consideration of the country's authorities no matter the hit of the economic crisis.

www.oecd.org/edu/Greece_EAG2013%20Country%20Note.pdf

As the today's global economy and technology evolution require professionals, well trained workers and specialists the quality of education system is the prerequisite for the competitive advantage. Greece ranks on this component at the 115th position, while on the tertiary education enrollment it ranks on the 4th place worldwide, which means that universities should provide better knowledge and opportunities to students, by enriching the research and training services for the staff and pay particular attention to the improvement of the quality so as to be aligned with the international standards.

- ❖ The **6th pillar** as already mentioned in chapter 2- relates to the efficiency and positioning of the goods and services markets resulting to economy's growth.

What is Greece performance in Goods Market Efficiency and what are the challenges?

Table 3.13 Greece GCI 6th pillar analysis

BS-10		6th pillar: GOODS MARKET EFFICIENCY AVR 90,2/4,06	
Economy	Rank	Score	
Armenia	72	4,22	
Azerbaijan	60	4,31	
Bulgaria	83	4,17	
Georgia	82	4,18	
Greece	103	3,92	
Moldavia	100	3,98	
Romania	113	3,86	
Russia	134	3,62	
Turkey	38	4,55	
Ukraine	117	3,82	

2011/12	Rank	Score
Greece	107	3,88

<i>6th pillar: Goods market efficiency</i>	
<i>Intensity of local competition</i>	<i>4.4 .....95</i>
<i>Extent of market dominance</i>	<i>3.7 .....69</i>
<i>Effectiveness of anti-monopoly policy</i>	<i>3.8 .....91</i>
<i>Extent and effect of taxation</i>	<i>2.3 .....138</i>
<i>Total tax rate, % profits*</i>	<i>46.4 .....101</i>
<i>No. procedures to start a business*</i>	<i>10 .....110</i>
<i>No. days to start a business*</i>	<i>10 .....48</i>
<i>Agricultural policy costs</i>	<i>2.7 .....140</i>
<i>Prevalence of trade barriers</i>	<i>4.8 .....33</i>
<i>Trade tariffs, % duty*</i>	<i>0.9 .....6</i>
<i>Prevalence of foreign ownership</i>	<i>4.4 .....92</i>
<i>Business impact of rules on FDI</i>	<i>3.2 .....137</i>
<i>Burden of customs procedures</i>	<i>3.8 .....85</i>
<i>Imports as a percentage of GDP*</i>	<i>25.7 .....128</i>
<i>Degree of customer orientation</i>	<i>4.5 .....91</i>
<i>Buyer sophistication</i>	<i>3.3 .....80</i>

Globally the Greek economy has scored 3,92 and is being ranked at the 103rd place of the GCI 2012/13, that is 4 places up from the previous year's positioning but still is very bad performance. Comparing to the Black Sea Region Countries is the third country by the end with Ukraine and Russia, scoring lower than the average score of the Region, which generally ranks in bad position in this pillar, as well as by far lower of the EU-27 average (41,37 /4,61), excluding Turkey(38th) that is the leader of the Region in this sector and close to the EU- 27 average score. By analyzing the components of the pillar it is easily seen that in all components the score is very low indicating the bad performance and inefficacy of goods market. The procedures and policies related to starting business (110th), the weak intensity of local competition (95th), are drawbacks in the country's competitiveness and particular attention should be paid and taken urgent actions: to facilitate entrepreneurship, new businesses openness and foreign participation, by reducing the barriers of bureaucracy and costing. Moreover, competitiveness is extremely hurt by the burden of taxes (138th) or the business impact of rules on FDI (137th), components that Greece has scored very low, indicating the problematic environment of goods market and the necessity of government's urgent intervention. Customers' demand conditions are components that affect the market's efficiency as well and force the economy for innovation and advanced quality of products and services. Greece ranks very low in the degree of customer orientation (91st) and is not competitive in buyers' sophistication component (80th) as well. The most weakness point in this pillar seems to be the Agricultural policy costs, to which the Greek economy is the less competitive globally, as it ranked on the 140th place, in spite its agricultural character. Greece, agricultural sector plays a dominant role as of in land-use, which exceeds 60% and of employment rate as well, which exceeds 30%.

www.oecd.org/greengrowth/sustainable-agriculture/44668202.pdf

www.oecd.org/site/oecd-faoagriculturaloutlook/oecd-fao-expect-slower-global-agricultural-production-growth.htm

According to the recent report of OECD-FAO as of 6/6/2013 , agriculture has turned to a market-driven sector, on the opposite of the policy-driven as it used to be in the past, providing to the developing countries opportunities for investment and economic growth and as a consequence governments should invest in this sector while encouraging innovation and raise productivity. Greek government should pay attention to support competitiveness.

- ❖ **The 7th pillar** óas already mentioned on chapter 2- measures the ability of the economy to use the workers at the most productive and effective way, as labor is the main cost in businesses and a crucial success factor.

What is Greece performance in Labor Market, what is the flexibility and efficiency of the labor?

Table 3.14 Greece GCI ó 7th pillar analysis

BS-10	7th pillar: LABOR MARKET EFFICIENCY AVR 72,08/4,30	
Economy	Rank	Score
Armenia	30	4,72
Azerbaija	26	4,8
Bulgaria	49	4,54
Georgia	35	4,67
Greece	133	3,56
Moldavia	81	4,26
Romania	104	4,01
Russia	84	4,23
Turkey	124	3,79
Ukraine	62	4,44



<i>7th pillar: Labor market efficiency</i>	
<i>Cooperation in labor-employer</i>	
<i>Relationsí í í í í í í í</i>	<i>3.5 .....130</i>
<i>Flexibility of wage</i>	
<i>determination</i>	<i>3.3 .....136</i>
<i>Hiring and firing practices</i>	
<i>.....</i>	<i>3.3 .....111</i>
<i>Redundancy costs, weeks</i>	
<i>of salary* í í í</i>	<i>20 .....89</i>
<i>Pay and productivity</i>	
<i>.....</i>	<i>3.0 .....132</i>
<i>Reliance on professional</i>	
<i>management</i>	<i>3.8 .....103</i>
<i>Brain drain</i>	
<i>.....</i>	<i>2.4 .....123</i>
<i>Women in labor force,</i>	
<i>ratio to men*</i>	<i>0.73 .....89</i>

2011/12	Rank	Score
Greece	126	3,6

www.oecd.org/site/oecd-faoagriculturaloutlook/oecd-fao-expect-slower-global-agricultural-production-growth.htm

Greece, globally, holds the 133rd place in the GCI 2012/13, having deteriorated its competitiveness by falling 7 places from the previous year's ranking (133rd from 126th). For one more year Greece is the last country in the Black Sea Region and together with Romania (104th) and Turkey (124th) have the worst performance in labor market, being quite far from the average ranking of the Region that is 72,08 and scoring 4,30 that for the period 2012/13 was one of the three best practice pillars. At the same time it's the last country among the EU-27 economies that stand to the average score 4,49 and ranked on the 57th place. Moving on the analysis of the pillar's components, the worst performance seems to be on the flexibility of wage determination (136th), as this action is actually a centralized process, a fact that hurts competitiveness and workers' productivity, which as the score shows (132nd) is badly hurt by the relationship with pay. The low score in the component of Cooperation in labor-employer relations (130/ 3,5) indicates a rather confrontational situation that leads to non-desired situations such as: non motivated employees, high turnover, loss of profits, big rate of absenteeism and generally bad working conditions. Another issue for Greek economy is the high rate of brain drain (123rd), which probably hasn't reached its peak, as it started 3 years ago and is quickening, as the youth unemployment rate has reached to 64,2%. Recent studies from the University of Thessaloniki reported that more than 120.000 scientists (doctors, engineers and other professionals) have left Greece since 2010, when the crisis started. Brain drain is expected to cause serious problems for the future as talented and educated people are leaving the country and the ageing population, which is left behind, does not constitute a competitive labor market. As far as hiring and firing practices it concerns, the economy is still inflexible and quite different from the European or US practices. The country stands on the (111th) place in the GCI, a fact that impedes productivity and competitiveness, especially in current environment. According to the Eurozone leaders (The Guardian, June 4, 2012) *it is increasingly accepted that these policies are not working in the current environment. But less widespread is the recognition that there is also plenty of historical evidence showing that they have never worked.*

www.bbc.co.uk/news/business-22702003

www.theguardian.com/commentisfree/2012/jun/04/austerity-policy-eurozone-crisis

- ❖ **The 8th pillar** ó as already mentioned on chapter 2- is related to the most crucial factor of the economic activity that is the financial sector.

What is Greece status in financial sector and how the economic crisis affected the country's competitiveness?

Table 3.15 Greece GCI 6th pillar analysis

BS-10		8th pillar: FINANCIAL MARKET DEVELOPMENT AVR 95/3,74	
Economy	Rank	Score	
Armenia	78	3,97	
Azerbaija	98	3,73	
Bulgaria	80	3,97	
Georgia	93	3,79	
Greece	132	3,13	
Moldavia	104	3,65	
Romania	77	3,98	
Russia	130	3,19	
Turkey	44	4,45	
Ukraine	114	3,52	

2011/12	Rank	Score
Greece	110	3,5

8th pillar: Financial market development	
<i>Availability of financial services ...4.2</i>	<i>.....90</i>
<i>Affordability of financial services...3.7</i>	<i>.....97</i>
<i>Financing through local equity market .....2.5</i>	<i>.....121</i>
<i>Ease of access to loans .....1.7</i>	<i>.....138</i>
<i>Venture capital availabilityí .....1.8</i>	<i>.....134</i>
<i>Soundness of banks .....3.1</i>	<i>.....141</i>
<i>Regulation of securities exchanges ...3.9 í ...</i>	<i>...90</i>
<i>Legal rights index, 0ó10 (best)* í ...4</i>	<i>.....99</i>

Greece, globally, holds the 132nd place in the GCI 2012/13, having deteriorated its competitiveness in this pillar, by falling 12 places from the previous year's ranking (132nd from 110th), confirming its suffering in this sector as well. Compared to the Black Sea Region economies is the last one and together with Russia (130th) and Ukraine (114th) are the worst performers in the Region that suffers too by the post-crisis trend. At the same time it's the last country among the EU-27 economies that stand to the average score 4,39 and ranked on the 53rd place. Following a further analysis on the components we understand that the economic crisis hit the country's economy resulting to a huge distress in the financial markets. The banking sector is considered as the main part and the key factor for economy's sustainable

development. In GCI 2012/12 this component is being ranked in the worst position for the Greek economy (141st), confirming the negative climate in banking sector since 2010. According to a recent Global Research conducted by Moody's (Moody's, April, 2013), the *ø Greek Bank's profile and liquidity will remain weak, as they still lack access to market funding and remain heavily depended on the central bank funding.ø* As a consequence of the above situation, Greeks access to loans (138th) and Financing through the local equity market (121st) seem very difficult, as the ranking of the GCI indicates. In spite the negative projections for the Greek economy, some urgent actions to the euro area in general should be done, such as: strong economic governance, appropriate procedures to avoid imbalances in macroeconomic, recovery of the banking sector.

- ❖ **The ninth pillar-** as already mentioned on chapter 2 ømeasures the economy's ability to adapt and integrate technology into operations.

[What is Greece competitiveness in the pillar of Technology and to what extend is ready to adopt the new technology?](#)

Table 3.16 Greece GCI ø 9th pillar analysis

BS-10	9th pillar: TECHNOLOGY READINESS AVR 63,9/4	
Economy	Rank	Score
Armenia	92	3,4
Azerbaija	61	4,04
Bulgaria	52	4,3
Georgia	76	3,71
Greece	43	4,54
Moldavia	65	3,91
Romania	59	4,09
Russia	57	4,13
Turkey	53	4,29
Ukraine	81	3,6

<i>9th pillar: Technological readiness</i>	
Availability of latest technologies	5.2 .....58
Firm-level technology absorption.....	4.4 .....94
FDI and technology transfer.....	3.9 .....116
Individuals using Internet, %*	53.0 .....51
<i>Broadband Internet subscriptions</i>	
/100 pop. *	21.6 .....33
<i>Int'l Internet bandwidth,</i>	
kb/s per user*	26.0 .....49
<i>Mobile broadband subscriptions</i>	
/100 pop. *	31.8 .....36

2011/12	Rank	Score
Greece	47	4,21

www.moody's.com/research/Moodys-Greeces-banking-system-outlook-remains-negative--PR_271273

Greece globally is being ranked in the 43rd position and scored 4,54 , presenting this pillar as one of the best practices. Compared to the last year's ranking, Greece has improved its position, by moving up 4 places, reaching the first place in the Black Sea Region, which as a whole has a moderate performance, with the best economies in this pillar, Greece, Turkey and Bulgaria. On the contrary, Europe has high performance (27th), showing that has a long time before adopted technologies in the daily activities to enhance productivity and increase competitiveness. Moving on components analysis, we notice that in spite the general good performance, the components of Firms-level technology absorption (94th) and FDI and technology transfer(116th), are very low indicating the limited potential of companies to adopt new technologies due to downsizing or cost reduction in research and development. Very satisfactory indicators are those of the Internet usage (51st) and Mobile broadband subscriptions (36th), as a result of the privatization of the telecommunications and the mobile communications companies in the country.

- ❖ **The tenth pillar-** as already mentioned in chapter 2- is related to the market size and measures the domestic ones as well as the accessibility to the overseas markets and the trade openness.

What is Greece market size , domestic and foreign one ?

Table 3.17 Greece GCI ó 10th pillar analysis

BS-10		10th pillar: TECHNOLOGY READINESS AVR 62,2/3,98	
Economy	Rank	Score	
Armenia	115	2,62	
Azerbaija	76	3,51	
Bulgaria	62	3,82	
Georgia	99	2,87	
Greece	46	4,38	
Moldavia	121	2,51	
Romania	43	4,41	
Russia	7	5,76	
Turkey	15	5,28	
Ukraine	38	4,6	

10th pillar: Market size	
<i>Domestic market size index, 1-7 (best)* ....4.3</i>	40
<i>Foreign market size index, 1-7 (best)*</i>	4.6
	57

2011/12	Rank	Score
Greece	42	4,42

Greece is being ranked in the 46th position globally, scoring 4,38 that is a very satisfactory position comparing to the Black Sea Region countries (3rd behind Russia that comes first and Turkey that comes second), although the deterioration of both the ranking and scoring from the last year's performance, falling down 4 places. Comparing to Europe-27 has also good performance as it's quite advanced than the average ranking of EU-27 (60th) and close to the average scoring (4,31), which means that Greece is better performer than many other European countries. Greece as well as Europe countries is on the World Trade Organization (WTO) since 1995, which plays a trade monitoring role for its members by giving the domestic market the opportunity to resist in pressures and keep the markets open, not ignoring the potential danger and uncertainty in the global economy, due to high rates of unemployment and the increasing trade tensions (WTO, A year in Review 2013) The challenge for Greece would be to provide easy entry to the foreign firms so as to succeed knowledge transfer that could lead to business competitiveness.

3.3.3 Innovation and Sophistication factors

The analysis of the third sub index of the Innovation and Sophistication factors, that includes the next two pillars of GCI (Business Sophistication and Innovation), shows that Greece- as already mentioned on the chapter 3.1 ó has a decline, falling down 4 places (from the 81st to the 85th) from the previous year, following the general trend of the BS-10 Region that does not provide an environment of innovation. On the contrary Europe is a very good performer in this area, with Switzerland, Germany and Sweden to be on the top ten best performers globally. This should be a matter of great concern for Greece as a member of Eurozone as well, as not improving this index may affect the country's future. Specifically:

- ❖ **The eleventh pillar-** as already mentioned on chapter 2 ó is related to the practices that can be characterized as sophisticated in business and result to productivity and higher efficiency in local business network.

What is Greece performance in this pillar and how can the business environment be characterized ?

Table 3.18 Greece GCI ó 11th pillar analysis

BS-10		11th pillar: BUSINESS SOPHISTICATION AVR 94 /3,64	
Economy	Rank	Score	
Armenia	92	3,7	
Azerbaija	69	3,91	
Bulgaria	97	3,62	
Georgia	113	3,4	
Greece	85	3,74	
Moldavia	120	3,3	
Romania	110	3,47	
Russia	119	3,31	
Turkey	47	4,26	
Ukraine	91	3,7	

2011/12	Rank	Score
Greece	77	3,8

<i>11th pillar: Business sophistication</i>	
<i>Local supplier quantity</i>	<i>4.6 .....83</i>
<i>Local supplier quality.....</i>	<i>4.5 .....67</i>
<i>State of cluster development.....</i>	<i>2.9 .....126</i>
<i>Nature of competitive advantage.....</i>	<i>3.6 .....57</i>
<i>Value chain breadth</i>	<i>3.3 .....94</i>
<i>Control of international distribution.....</i>	<i>4.0 .....77</i>
<i>Production process sophistication.....</i>	<i>3.6 .....69</i>
<i>Extent of marketing</i>	<i>4.0 .....73</i>
<i>Willingness to delegate authority.....</i>	<i>3.2 .....110</i>

Globally the country stands in the 85th place having scored 3,74 and comparing with the BS-10 it's the third country in the Region after Turkey (47th) and Bulgaria (69th), after a sharp decline from the previous year's ranking, falling down 8 places, indicating some weakness of the economy on this pillar, that characterized the total Region of the Black Sea , ranking on average at the 94th position, indicating the low quality of the overall business network. Comparing to the EU-27 in this pillar, Greece seems to be the weakest member of the Union as Europe is a very good performer, standing on the average at the 30th place, globally. Moving on the components further analysis, we note that the component of the state of cluster development, which

according to WEF measures how prevalent is well-developed and deep clusters in the country's economy, is very weak, having ranked behind all at the 126th position. Well-developed clusters create further opportunities for the economies; lead to innovation and make easier the entrance of new firms. The Value chain breadth ranking is low as well, as it's on the 94th place, indicating that according to WEF- that the local companies have a narrow presence in the value chain. The low position of the last component of willingness to delegate authority (110th), shows low control for important decisions by the side of the top management, areas that the country should reconsider in order to enhance competitiveness.

- ❖ **The twelfth pillar-** as already mentioned on chapter 2 is related to the country's capacity and ability to use its productive resources for technological innovation.

What is Greece performance in this pillar and to what extent Greek economy can be characterized innovative ?

Table 3.19 Greece GCI's 12th pillar analysis

BS-10	12th pillar: INNOVATION AVR 90 / 2,97	
Economy	Rank	Score
Armenia	105	2,89
Azerbaija	46	3,45
Bulgaria	92	2,98
Georgia	126	2,6
Greece	87	3
Moldavia	135	2,4
Romania	102	2,92
Russia	85	3,01
Turkey	55	3,33
Ukraine	71	3,16

2011/12	Rank	Score
Greece	88	3

12th pillar: Innovation	
<i>Capacity for innovation</i> .....2.7	.....104
<i>Quality of scientific research institutions</i> ...3.3	.....93
<i>Company spending on R&D</i> .....2.4	.....129
<i>University-industry collaboration in R&D</i> ..2.9	.....123
<i>Govt procurement of advanced tech products</i> .....2.7	.....130
<i>Availability of scientists and engineers</i> ...5.2	.....10
<i>PCT patents, applications/million pop.*</i> ..9.4	.....35

Globally, Greece is classified among the medium level innovators, being ranked in the 92nd position and scoring 3, a place that is close to the average of the Black Sea Region countries that hold the 90th position and score 2,97. Greece has the 5th position out of the 10 countries, behind Azerbaijan (46th), Turkey (55th), Ukraine (71st) and Russia (85th). Moreover, compared with EU-27, as a member of the Union, holds the last position out of the 27 countries that on average hold the 31st position, among which the Nordic ones are the strongest in this pillar, whereas Sweden, Finland, Germany and Denmark are in the list of top ten globally and traditionally leaders in innovation. The detailed analysis of the components of the pillar shows that in most of them Greece rankings are very low and below the average of the other European countries. In particular, the indicators of the capacity for innovation (104th), the quality of scientific research institutions (93rd), the companies spending on R&D (124th), the University ó Industry collaboration in R&D (123rd) and Government's procurement of advanced tech products (130th) are disappointingly low, a fact that pushes the country for reforming simultaneously in many policies areas and across various levels of the economy. It's worth noting that although in some indicators Greece seems to be on above of many European countries, such as the ability of scientists and engineers (10th) and PCT patents applications (35th), however those strengths at the end are not used for implementation of the ideas, probably due to low performance in other areas such as the low quality of the tertiary education, as already mentioned in the 5th pillar, the lack of national innovation strategy or an integrated innovation policy. Considering that small countries such as Sweden, Finland and Switzerland, as mentioned above are in the top ten innovators globally, we understand that innovation is not the big countries such as USA, Japan privilege but small countries as well, with the appropriate policies may become top innovators. According to Spyros Lioukas, Professor in AUEB¹, Greek firms are better on adopting than creating innovation, a situation that should drive on models based on this capabilities and qualities. Additionally, Greece should invest on the education

¹www.finnoeurope.eu/wp-content/uploads/2012/10/Report_on_Innovation_Executive_Summary_en.pdf

System and create Universities and research centers of high quality, something that may not occur in near future as the budget reduction is still on progress due to the continuing austerity in Greece.

3.4. The WEF's Report 2013/2014- Special Reference

During the development of this study the new WEF's Report 2013/14 is being released (5/9/2013), so the author decided to make a special reference on the key points of the global economic situation of the Report and summarize Greece's competitiveness ranking of this year.

The key points of the year 2013/14

1. The significant changes that have been taken place in the global economic arena as a result of the deep economic crisis led to the increasingly importance of the role of the emerging markets and developing economies and to the creation of stronger ties between them and the advanced economies, which seem to be characterized by a modest economic growth. Especially the low pace of growth in USA, Canada and China and the continuing uncertainty in the Eurozone lead to the non-easily distinguished concept of competitiveness between advanced and developing and emerging economies, as the latter have become significant drivers of economic recovery.
2. The economic environment seems more positive this year and perspectives for recovery look more assured, as some progress to regain global confidence has been done. However some uncertainty still exists.
3. The unemployment remains the great challenge and a continuing threat for the sustainable growth and competitiveness.
4. The increasingly growing perception that the improvement in education systems is the key factor for the labor markets efficiency, enhancement of business activities, the development of innovation capacity and the well trained human resources.
5. The leaders are called to play significant role and proceed to decisive actions in their countries for crucial reforms and transformations that competitiveness and growth require.

www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

Table 3.20 The Global Competitiveness Index of Greece 2013-14 vs 2012-13 (pillars)

	Rank 2013/14 out of 148 countries	Rank 2012/13 out of 144 countries	Score 2013/14 out of 148 countries	Score 2012/13 out of 144 countries
GCI - GREECE				
OVERALL INDEX	91	96	3,93	3,86
Basic Requirements	88	98	4,3	4,13
1st pillar:Institutions	103	111	3,49	3,37
2nd pillar:Infrastructure	38	43	4,79	4,7
3rd pillar:Macroeconomic environment	147	144	2,82	2,42
4th pillar:Health&Primary Education	35	41	6,1	6,04
Efficiency Enhancers	67	69	4,06	4,05
5th pillar:Higher education&training	41	43	4,81	4,74
6th pillar:Goods market efficiency	108	108	3,93	3,92
7th pillar:Labor market efficiency	127	133	3,77	3,56
8th pillar:Financial market development	138	132	2,86	3,13
9th pillar:Technological readiness	39	43	4,62	4,54
10th pillar:Market size	47	46	4,37	4,38
Innovation and Sophistication factors	81	85	3,46	3,37
11th pillar: Business sophistication	83	85	3,84	3,74
12th pillar: Innovation	87	87	3,08	3

The table has been created by the author based on World Economic Forum, Data from GDI 2012-13& 2013-14

Table 3.21 BS-10 GCI Index 2013/14 ó 2012/13 (ranks and scores)

BS-10	2013/14		2012/13	
	Rank	Score	Rank	Score
Armenia	79	4,13	82	4,02
Azerbaijan	39	4,51	46	4,41
Bulgaria	57	4,31	62	4,27
Georgia	72	4,15	77	4,07
Greece	91	3,93	96	3,86
Moldavia	89	3,94	87	3,94
Romania	76	4,13	78	4,07
Russia	64	4,25	67	4,2
Turkey	44	4,45	43	4,45
Ukraine	84	4,05	73	4,14
No of Countries	148		144	
AVERAGE	70	4,185	71	4,14

Table 3.22 GCI ranking 2013/2014 ,BS-10 Countries

	BASIC REQUIREMENTS				EFFICIENCY ENHANCERS						INNOVATION	
	Institutions	Infrastructure	Macroeconomics	Health & Primary Education	Higher education & Training	Goods market efficiency	Labor market efficiency	Financial market development	Technology readiness	Market size	Business sophistication	Innovation
ARM	65	80	64	85	77	58	50	76	72	117	87	103
AZER	59	69	8	109	87	71	30	88	50	72	70	51
BUL	107	75	30	45	69	81	61	73	44	63	106	105
GEO	64	56	61	70	92	67	40	75	68	103	120	126
GRE	103	38	147	35	41	108	127	138	39	47	83	87
MOL	122	88	77	93	90	107	95	105	64	124	125	138
ROM	114	100	47	84	59	117	110	72	54	46	101	97
RUSS	121	45	19	71	47	126	72	121	59	7	107	78
TUR	56	49	76	59	65	43	130	51	58	16	43	50
UKR	137	68	107	62	43	124	84	117	94	38	97	93
BS-10	94,8	66,8	63,6	71,3	67	90,2	79,9	91,6	60,2	63,3	93,9	92,8

The table has been created by the author based on World Economic Forum, Data from GCI 2013-14

 Table 3.23 GCI scores 2013/2014 ,BS-10 Countries

	BASIC REQUIREMENTS				EFFICIENCY ENHANCERS						INNOVATION	
	Institutions	Infrastructure	Macroeconomics	Health & Primary Education	Higher education & Training	Goods market efficiency	Labor market efficiency	Financial market development	Technology readiness	Market size	Business sophistication	Innovation
ARM	3,98	3,81	4,88	5,46	4,18	4,34	4,49	3,91	3,74	2,73	3,82	2,99
AZER	4,06	4,06	6,42	5,07	4	4,27	4,72	3,8	4,17	3,6	3,97	3,45
BUL	3,38	3,93	5,61	6	4,25	4,19	4,36	3,95	4,45	3,87	3,59	2,97
GEO	4	4,31	4,91	5,75	3,79	4,29	4,59	3,91	3,83	2,96	3,47	2,68
GRE	3,49	4,79	2,82	6,1	4,81	3,93	3,77	2,86	4,62	4,37	3,84	3,08
MOL	3,24	3,57	4,62	5,38	3,88	3,93	4,09	3,6	3,89	2,55	3,32	2,42
ROM	3,34	3,33	5,14	5,47	4,41	3,89	3,96	3,95	4,14	4,44	3,62	3,01
RUSS	3,28	4,61	5,93	5,71	4,66	3,8	4,31	3,93	3,97	5,78	3,56	3,13
TUR	4,08	4,45	4,62	5,86	4,29	4,52	3,74	4,4	4,05	5,3	4,36	3,47
UKR	2,99	4,07	4,2	5,84	4,75	3,81	4,18	3,46	3,28	4,6	3,68	3,03
BS-10	3,584	4,093	4,915	5,664	4,302	4,097	4,221	3,777	4,014	4,02	3,723	3,023

The table has been created by the author based on World Economic Forum, Data from GCI 2013-14

Greece GCI 2013/14 profile: Key Points

After nine consecutive years, it's the first year, that Greece improves its competitiveness moving up 5 places, being ranked in the 91st position from the 96th that was ranked the previous year. However, it remains the lowest-ranked country in Europe and in Black Sea Region, quite far from the average ranking and scoring, with main areas of concern the macroeconomic environment that is still deteriorating its position (147th from 144th)- being the second country to the last- and the financial market development, that continues to fall (138th from 132nd) indicating that still lacks of confidence. Some small improvements have been done as a result of the country's effort in the areas of Institutions (corruption, politicians trustworthy etc.), efficiency Labor market (flexibility, increase of retirement age etc.) but the level of competitiveness remains low. However WEF's Report notes that the country has the prerequisites of being better in the forthcoming future, regarding the well educated workforce and the ability and the experience to adopt new technologies.



“Increasing transparency and access to regulatory information is important to creating a healthier business environment” said Sylvia Solfi¹

“Research shows that a streamline business regulatory environment helps a country’s economic growth, said Augusto Lopez-Claros²

¹ Lead Author of the Report

²Director, Global Indicators and Analysis, World Bank Group.

4. THE CONCEPT OF BUSINESS ENVIRONMENT

Definition of the Business Environment

The definition of the business environment in a general concept is the environment where a business is conducted and is referring to all those internal and external forces, factors and surroundings that influence business operations. Namely, those factors are the customers, the suppliers, the competitors, the distributors, the substitutes, the laws and regulations, the government's activities, the economy demographics, the cultural factors, the industry, economic and social trends, improvements in technology and innovation developments. As the internal factors are those within the organization, the role of leadership is critical to recognize the strengths and opportunities and manage the threats and weaknesses. Another crucial internal business factor is the employees' strength, which the rate of talent and productivity has a significant impact on the organization efficiency and effectiveness. On the other hand the major external factor is competition. The competitive analysis is a business priority and necessity upon which the business will build its competitive advantage. Other external factors are categorized as socio-economic, ethical, legal, technological, and political.

The economic forces play a significant role to the business environment that is highly affected by the economic indicators, such as: income, inflation, recession, interest rates, exchange rates etc. Specifically, *income* indicates the ability of customers to spend money on products or services, while the existence of dual income families increase the demand for luxury products and lifestyle, whereas the unemployment results to low demand of products.

www.managementstudyhq.com/external-factors-affect-business-environment.html

<http://smallbusiness.chron.com/internal-external-environmental-factors-affect-business-69474.html>

At the same time the customers' purchasing power is influenced by the rate of *inflation* which in high rates the real income is decreased and customers reduce the demand for many products as they try to balance income and spending. The *recession* is an extremely crucial external factor that is related to the period of economic activity when income, employment and production tend to fall. It's the period when production should be done by the lowest cost. The *interest rates & exchange rates* are key performance drivers for economies as they influence the business lending and trade and consequently the operating costs and profits.

The various political and legal forces such as government's attitude, policies, political stability, governments intervention, laws, are highly affect the business environment and its ability for flexibility and innovation.

The technological factors are significant key drivers in economies performance as they are used in many ways such as to counter recession and inflation, to reduce operating costs, to provide information, to facilitate research and development.

The ease of doing business¹

Doing business and consequently economic growth and job creation progress requires a regulatory environment with transparent and effective rules, efficient and simple in their implementation and accessible to all who need to use them. This regulatory environment includes rules for establishment and clarification of property rights, for reducing of the cost of resolving dispute, for the increase the predictability of economic interactions and rules that provide contractual partners with core protections against abuse.

The Ease of Doing Business as a project started 10 years ago; it refers to domestic small and medium sized companies (SMS) and is measuring the efficiency, accessibility, simplicity and transparency of regulations that are applied to the companies during their life cycle.

¹Papapanagos H., (2013). *Economics of Eastern and South Europe Course, Course pack,[PDF]*, International benchmarking indicators, University of Macedonia, Thessaloniki

It provides a quantitative measure for the evaluation of the regulations upon the operations of starting a business, dealing with constructions permits, registering property, getting credit, taxes payment, getting electricity, closing a business, protecting investors. However, *Doing Business* does not measure all the aspects of the business environment, as for example the macroeconomic stability, corruption, the labor skills of the population, the quality of the infrastructure, the strength of the institutions nor does it refer on regulations concerning foreign investments. Furthermore, it doesn't assess two very important factors, the market regulations and the financial system strength, whereas the rapid changes in economies and technology lead to inability of *Doing Business* covering all new areas of regulation.

It is stated that during the years 2009 and 2010 in 117 countries the governments implemented 216 business regulation reforms so as to make easier the business environment for new businesses, as far as transparency and property rights it concerns, to make easier trade and tax payments and simplify the bankruptcy and commercial dispute resolution procedures. Facilitating the start-up of businesses has become a critical issue especially on developing countries. Last year the 75% of the economies in East Asia and the Pacific Region have implemented such reforms, as well as emerging economies as Indonesia, Malaysia and Vietnam. At the same year Kazakhstan was the country that implemented the most regulatory improvements such as companies' laws, reduction of the minimum required capital for a new company, legal requirements for disclosure.

The Ease of Doing Business index report

“The Doing Business report, which has started in 2003, has become one of the key ways in which the bank and other observers gauge business climate within developing countries”

The Financial Times

“[Doing Business started] as a way to encourage countries to reduce obstacles to entrepreneurship. Developing countries compete to land a spot on the top 10 list of most-improving countries because it is seen as a way to get attention and investment.”

The Wall Street Journal

“[Doing Business] has succeeded in putting the issue of business red tape on the international political agenda.”

The Economist

The Ease of Doing Business Index is an index that has been created by the World Bank in partnership with the International Financial Corporation (IFC), and measures the regulations that directly affect businesses. It was first produced in 2003 and circulated in 2004 while very few global reports with regularly updated information existed and since then has attracted great attention. The first report covered the ranking of 133 economies in 5 topics, with first place to be the best. The *methodology* is based on the study and data of laws and regulations that are input by more than 9600 lawyers, government officials, accountants, consultants and other professionals of 185 economies, while it makes possible the relative, inexpensive and replicable way of the indicators’ regular updating. However we should note that the methodology has some *limitations* as it doesn’t measure directly general conditions such as quality of infrastructure, inflation, crime etc. The higher rankings indicate better and simpler regulations for businesses and higher protection of property rights. The World Bank, to justify its work has funded empirical research for the optimal level of the business regulation. Actually, since its launch the report has inspired economies to implement many business regulations and laws reforms-as already stated - while it helps many policy makers and entrepreneurs for decision making, as the data not only indicate the difficulties to doing business but it helps to identify the source of the difficulty, providing information for the design of the reform or the decision making. Furthermore, since its inception it has contributed to about 1.245

academic papers, and 4.071 working papers available through Google Scholar, as it provides useful data for the economic climate and growth (World Bank, 2013). However, the report has received some *criticism* by the International Trade Union Confederation¹, especially for the flexibility of the employment regulations, as for example the easy dismiss of a worker for economic reasons is considered a highly ranked factor, while at the same time the evaluation and assessment conducted by an Independent Evaluation Firm (2008) of the World Bank Group included some recommendations upon the nature of the indicators and the structure of the methodology, issues that are exposed by the Norwegian government as well, in addition with the uncertainty upon the ability of the indicators to measure the business climate. Similar to the Ease of Doing Business Report is the already described in this paper Global Competitiveness Report and the Indices of Economic Freedom.

¹ The world's largest trade union federation

http://en.wikipedia.org/wiki/Ease_of_doing_business_index

http://publications.worldbank.org/index.php?main_page=product_info&products_id=24391

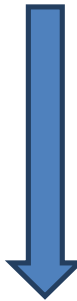
<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-Chapters/About-Doing-Business.pdf>

The 10 Pillars of Ease of Doing Business

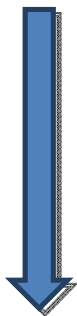
An economy's ranking on the EDB Index is based on the average of 10 pillars, aiming to evaluate and provide quantitative measurement on the regulations that are relevant to the life-cycle of a business. (WEF, 2013) .Specifically:

START-UP (entry)

1. Starting a business: Procedures, time, cost and paid in minimum capital requirement

EXPANSION (Property rights, Access to credit, Investors protection)

2. Registering property: Procedures , time and cost to register the commercial real estate
3. Getting credit: Strength of legal rights , depth of credit information index
4. Protecting investors: Disclosures and liability in related party transactions
5. Enforcing contracts : Procedures, time and cost to enforce a debt contract

OPERATIONS (Administrative burden, Flexibility in Hiring)

6. Dealing with construction permits: Procedures, time and cost to build a warehouse
7. Getting electricity: Procedures, time and cost required for a business to get electricity connection on a permanent basis for newly built warehouses
8. Paying taxes: Payments, time and total tax rate as share of gross profit
9. Trading across borders: Documents, time and cost of imports and exports

INSOLVENCY (Recovery rate, Reallocation of assets)

10. Resolving insolvency: Time, cost and recovery rate (%) of the bankruptcy proceeding

It seems useful for better understanding of what the pillars are and how they are measuring the regulations, to follow a short description, based mainly on the information driven by the Supervisor professor's Course pack and the World Bank, Doing Business Report 2013 p. 58- 95

1. The first pillar: Starting a business

The first pillar is related to all the necessary procedures that a small or medium sized commercial or industrial business company needs to obtain for starting operations formally and include the licenses and permits and completion of all required inscriptions and notifications with authorities. The ranking of this pillar is calculated as the average of the percentile rankings of the 4 components of the pillar, as follows: The *number of procedures*, as mentioned above, *the time*, that is the calendar days required to complete each procedure, *the cost*, required for each procedure (% of income per capita) and the *paid-in minimum capital* (% of income per capita).

Note: It is assumed that all government and non-government entities respect the process function and involve to this without corruption.

2. The second pillar: Dealing with construction permits

The components of this pillar are related to the *procedures (number)* required in construction industry: to build a warehouse, which include the submission to the authorities of all necessary documents (site maps, building plans etc.), the approvals, the required notifications as well as the necessary inspections; to obtain utility connections such as electricity, water, telephone etc. The ranking of this pillar is based on the 3 components of the pillar that are: the number of procedures, as mentioned above, the time (in calendar days) and the cost required for the completion of each procedure (% of income per capita).

Note: It is assumed that all procedures are well known by the entrepreneurs and no intermediaries are involved, unless it is required by the process.

3. The third pillar: Getting electricity

This pillar is related to all the necessary procedures that a SMS company does to obtain permanent electricity connection and supply for the official warehouse under certain electricity needs. These procedures include all the documents, approvals, inspections among the involved parties for getting the electricity. The ranking of this pillar is calculated by the 3 component indicators average, namely procedures, time and cost required for each procedure. It's worth noting that researchers have stated that getting electricity is uneasiness business factor around the World, as according to many managers it constitutes the biggest issue to their businesses, additionally they estimate that the loss due to power outages may reach at an average the 5,1% of the annual sales. As studies have shown, the poor electricity supply affects negatively the productivity and investments and when happens is a great loss. The same studies have shown that eliminating the electricity outages in Eastern Europe and Central Asia the GDP would increase by 0,5% (World Bank Enterprise Surveys, 2012).

4. The fourth pillar: Registering property

This pillar is related to all the necessary procedures on the standard case of transferring the property titles from the seller to the buyer, assuming that the building is already registered and only the titles transferring is needed. The whole process includes the documents (e.g. the seller's title), the due diligence and finishes when the buyer can use the property as mortgage for a bank loan or can sell it. The ranking of this pillar is calculated by the 3 component indicators average, namely the number of procedures required for the legal transfer of property, the time (in calendar days) and the cost required for the completion of each procedure.

Note: It is considered that for the property transfer all procedures are included either by the side of seller or the side of buyer.

5. The fifth pillar: Getting credit

This pillar is related to the legal rights of borrowers and lenders, whereas the components for a sound credit market environment are two, namely the strength of the legal rights and the depth of credit information index. The first set of indicators describes to what extent the available legal documents facilitate lending and the second one measures the scope, quality and the accessibility of the borrowers and lenders. Through the Public registry and the Private bureau lenders are able to enter to formal finance.

6. The sixth pillar: Protecting investors

This pillar is related to the investors' protection, which plays significant role for the companies to raise the capital for various purposes through other sources such as investors and not only the bank financing. Three indices have been constructed to protect investors: *the extent of disclosure index*, which measures the transparency of related parties transaction, namely the approval procedures, or the requirements for disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place, *the extent of the director liability index*, that measures the liability for the self-dealing namely the ability of investors to hold both the director and the majority of the shareholders of a company and the board of directors liable for damages, *the ease of shareholder suits index*, that measures the shareholders' ability to sue directors and officers for misconduct, namely the availability of documents that can be used to a trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents etc. Those indices are mainly structured upon the strictness of regulations, companies' policies and laws and the judicial rules.

7. The seventh pillar: Paying taxes

This pillar measures the taxes and the mandatory contributions of a SMS company in a year's period in addition to the administrative burden of paying taxes and contributions. As recently the tax issue is the one of the most critical parts of a business investment and innovation, countries with rationalized tax systems will offer the suitable business environment for economic growth. This pillar calculates three indicators namely *the number of tax payments*, which takes into account the method of payment or withholding, the frequency of payments and the number of agencies involved, *the time*, that is the hours required for the file preparation and payment and *the total tax rate*, that is the total amount of the taxes payable by the company during the second year of its operation.

8. The eighth pillar: Trading across borders

This pillar measures the time and cost related to importing and exporting goods by ocean transportation, as well as the number of documents required for the completion of this transaction. In today's globalized environment the trade capacity becomes increasingly of high importance for the businesses. Countries that have efficient customs, fewer documentation, good transport networks and fast and easy imports and exports procedures are more competitive in the global arena. This pillar calculates three components, namely *the documents*, that include port filing documents, customs' declaration and clearance documents and other official documents, *the time* that is in calendar days from start to finish of each procedure, *the cost*, that is the fees of the transaction such as documents costs, administrative fees for customs, technical control, terminal handling charges, excluding tariffs or trade taxes.

9. The ninth pillar: Enforcing Contracts

This pillar measures judicial efficiency in resolving a commercial dispute, as the market performance is highly associated with the well-functioning courts. The pillar measures three indicators namely *the number of procedures*, that includes all those that demand interaction among the involved parties and the judge and court officer, *the time*, that counts the days required for the action to take place and for the waiting period between the actions and *the cost*, that is the official cost of the ongoing court procedures and include court costs, enforcements costs and attorney fees.

10. The tenth pillar: Resolving insolvency former closing a business

The last pillar measures the legal and financial procedures, required for closing a business. Additionally it examines the time, the cost and the outcome of the insolvency proceedings associated to a domestic entity. The ranking of this pillar is based on *the recovery rate* that is calculated as a cent of a dollar, taking into account whether the firm comes out from bankruptcy or insolvency proceedings, *the costs and the loss* in the value date of closing. When the mechanism of recovery and proceedings is well- functioned and easily available then the default risk is reduced and confidence is higher in the credit markets.

The Easy Doing Business Report 2013

This year the EDB Report runs the first decade since its inception and the 10th version that has been circulated ranks 185 economies focusing in 11* areas of business regulations. Current year's data covers the regulations that have been measured from June 2011 until May 2012 and it is measured that over the past decade 2000 regulatory reforms, implemented by 180 countries, have been reported.

**Although the Report states 11 areas, the "Employing workers" indicators are not calculated in this year's ranking*

The *key points* of this year's Report is that **Singapore** for the seventh consecutive year ranks on the top of the global list, followed by Hong Kong SAR, China, New Zealand, the US, Denmark, Norway, United Kingdom, Korea, *Georgia* and Australia being the top ten economies of this year's project. It's worth noting that Georgia is a new entrance in the top ten list.

Poland was the top improver during the examined period as it initiated reforms in four areas of the business environment, while nine more countries among which is *Greece* (Sri Lanka, Ukraine, Burundi, Costa Rica, Mongolia, Uzbekistan, Greece, Serbia and Kazakhstan) were recognized as top performers in improving regulations in several areas.

Worldwide, during the examined period, 108 economies out of the 185 implemented 201 regulatory reforms, succeeding by this way to improve the business environment focusing mainly on three policy areas, namely to facilitate starting business, increase the efficiency of tax administration and simplify the trade across international borders.

5. EDB- RANKING OF GREECE- EVALUATION

So far, in the second part of the study that is associated with the Business Environment, the general concept of Business Environment has been described and a detailed analysis for the Ease of Doing Business, the global Index and the relative annual Report, has been done. Furthermore for the better understanding of the Ease of Doing Business Index methodology structure and its components, a detailed description of the 10 pillars followed. This Section refers to **Greece** as the central subject of the study and the Greek economy's evaluation as far as the Ease of Doing Business it concerns in comparison to the BS Region countries. Furthermore the BS-10 ranking is compared to the averages of EU-28, USA and China for better understanding the Business Environment globally.

In this chapter the author aims to provide a thorough report of:

1. The country's EDB evaluation **Key points for the EDB 2013** (Table 5.1)
2. **The BS-10 EDB** evaluation in comparison to **EU-28, USA and China**
3. The country's ranking by the detailed analysis pillar by pillar in comparison with the Black Sea Region Countries and EU-28.

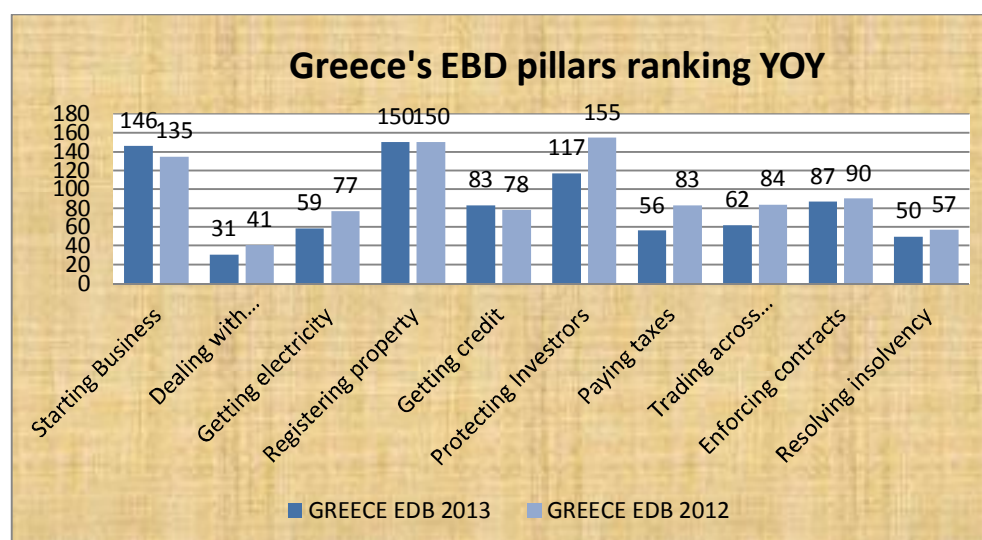
Table 5.1 EDB Greece YOY Comparison

EBD- GREECE	Measures the regulations from June 2011 until June 2012	Measures the regulations from June 2010 until June 2011
	2013	2012
No of countries	185	183
OVERALL INDEX(Rank)	78	100
Starting a Business(rank)	146	135
Procedures(number)	11	10
Time (days)	11	10
Cost (% of income per capita)	20,5	20,1
MInimum capital(% of income per capita)	24,4	22,8
Dealing with construction permits (rank)	31	41
Procedures(number)	15	14
Time (days)	89	169
Cost (% of income per capita)	27,5	3,4
Getting Electricity (rank)	59	77
Procedures(number)	6	6
Time (days)	62	77
Cost (% of income per capita)	62,4	59,2
Registering property(rank)	150	150
Procedures(number)	11	11
Time (days)	18	18
Cost (% of Property value)	11,8	12
Getting Credit (rank)	83	78
Strenght of Legal rights index(0-10)	4	4
Depth of credit info index(0-6)	5	5
Public Registry Coverage(% of adults)	0,00	0
Private Bureau(% of adults)	84,0	82,4
Protecting Investros(rank)	117	155
Extend of disclosure index(0-10)	5	1
Extend of director liability(0-10)	4	4
Ease of Shareholder suits index(0-10)	5	5
Strenght of Investor protection index(0-10)	4,70	3,3
Paying taxes (rank)	56	83
Payments (number/year)	8	10
Time (hours/year)	202	224
Total tax rate(% of profit)	44,60	46,4
Trading across borders(rank)	62	84
Documents to export(number)	5	5
Time to export (days)	19	20
Cost to export(\$/container)	1,115	1,153
Documents to import(number)	6	6
Time to import (days)	15	25
Cost to import (\$/container)	1,135	1,265
Enforcing contracts(rank)	87	90
Procedures(number)	39	39
Time (days)	819	819
Cost (% of Claim)	14,4	14,4
Resolving insolvency(rank)	50	57
Time (years)	2,0	2,0
Cost (% of estate)	9	9
Recovery rate (cents on the\$)	44,50	41,8

5.1. Greece EDB 2013 – Key points

This year Greece's Business Environment is ranked in the 78th position worldwide out of 185 countries according to the annual BDE Report of World Bank, moving up 32 places from the previous year (78th from 100th). As already mentioned above, Greece is included in the top ten improvers worldwide, as it has achieved to improve the Business Environment by reforming regulations in three critical areas namely the *Dealing with constructions permits, Protecting Investors and Resolving insolvency*. Specifically, Greece improved the 2nd pillar by moving up 10 places from the previous year by reducing the time required to obtain a construction permit as it introduced strict time limits for processing permit applications at the municipality. Additionally it improved the 6th pillar by moving up 38 places from the previous year, as it strengthened investors' protection by requiring greater immediate and annual disclosure of material related-party transactions and last it improved the 10th pillar by moving up 7 places as it enhanced its insolvency process by abolishing the conciliation procedures and introducing a new rehabilitation (World Bank, EDB 2013, p. 146). Despite the progress of Doing Business in Greece is not that easy as it compares less favorably with the EU-28 economy that is ranked in the 42nd position (on average), and is positioned at the fourth to last place in comparison with the BS-10 Region economies and at the third to the last place in comparison with the EU-28 economies.

Table 5.2. Greece's EDB Pillars ranking YOY



5.2. Ease of Doing Business and ranking of the Black Sea Region in comparison with EU-28, USA and China

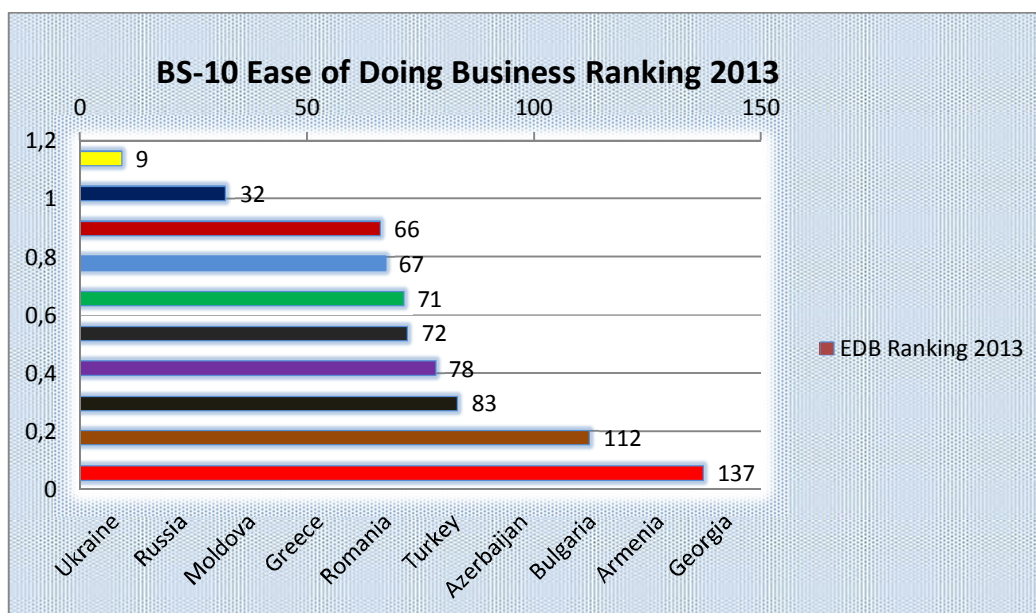
Table 5.3 EDB Ranking BS-10 2005/06 - 2012/13

BS-10	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Armenia	46	46	39	44	43	48	55	32
Azerbaijan	98	97	96	33	38	54	66	67
Bulgaria	62	54	46	45	44	51	59	66
Georgia	100	35	18	15	11	12	16	9
Greece	80	95	100	96	109	109	100	78
Moldavia	83	90	92	103	94	90	81	83
Romania	78	55	48	47	55	56	72	72
Russia	79	112	106	120	120	123	120	112
Turkey	93	65	57	59	73	65	71	71
Ukraine	124	139	139	145	142	145	152	137
AVERAGE	84,3	78,8	74,1	70,7	72,9	75,3	79,2	72,7
No of countries		178	178	181	183	183	183	185
EU-27 AVR*		37,42	34,12	37,52	40,5	37,12	38,54	41,67
USA AVR		3	3	3	4	4	4	4
CHINA AVR		93	83	83	89	87	91	91
BAL-13		86,33	81,5	80,83	76,67	73,5	76,46	71,6

Source: The World Bank

* The EDB 2013 average ranking of Europe region calculated 28 countries including Croatia

Table 5.4 BS-10 Ease of Doing Business Ranking 2013



Note: The EDB Index2013 ranks 185 economies from 1-185. A high ranking means that the business environment is more favorable for starting and operating a local business.

According to the Annual Report of Doing Business Index 2013 the Business Environment in the Black Sea Region is ranked in the 73rd place on average among the 185 economies globally, with Georgia to be the best performer for the seventh consecutive year, ranking in the 9th place worldwide, thanks to which the average ranking of the Region improved. Ukraine remains the worst performer, ranked in the 137th place. Armenia is the second best performer (37th) in the Region, with Bulgaria, Azerbaijan and Turkey to follow in the (66th), (67th) and (71st) position respectively. Greece is the seventh country of the Region, as it ranked in the (78th) place globally, but with remarkable progress on reforms in three areas of regulations, being among the top ten improvers for the 2013 and consequently an impressive as well improvement on the global ranking as it moved up by 32 places. Doing Business in Russia and Ukraine is still not very easy as both countries are ranked last in the Region and in the global arena, although this year they both have implemented reforms in several areas and especially in paying taxes. Nine out of the ten economies of the BS Region have implemented at least one reform, while the most countries implemented on average two reforms, with Georgia, Greece and Ukraine to have implemented six and three reforms respectively (Table 5.5) Specifically, the Region's economies reforms for the period 2011/12 were 23 and have as follows:

Table 5.5 BS-10 Business Reforms in 2012

BS-10	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Armenia			✓			✓				
Azerbaijan										
Bulgaria	✓									
Georgia			✓		✓		✓	✓	✓	✓
Greece		✓				✓				✓
Moldavia						✓	X		X	✓
Romania	✓				✓					
Russia		✓					✓			
Turkey		✓							✓	
Ukraine	✓			✓			✓			

Source: EDB Index 2013

According to the annual report of EDB 2013 during the period 2011/12, 36 economies made it easier **to start a business**, among which *Bulgaria, Romania and Ukraine* that simplified the registration formalities (EDB 2013, p.56). In the area of **dealing with constructions permits**, out of the 20 reforms have been implemented globally, *Greece* reduced the time for processing permit applications, *Russia* streamlined the procedures and *Turkey* introduced risk-based approvals (EDB 2013, p.61). The Doing Business report recorded 13 reforms in the **Getting Electricity** area, among which *Armenia and Georgia* that streamlined the procedures and revised the connection costs through various amendments to the existing regulations (EDB 2013, p.64). According to the measurements the formal transferring and **registering property** globally, is easiest in *Georgia*, which ranks in the first place globally and *Ukraine* introduced effective time limits by reforming the existing regulations on this area (EDB, 2013, p.68-69). In the examined period 5 economies worldwide improved their **access to credit** among which *Romania and Georgia* (4th) that harmonized their secured transactions legislation by expanding the range of movable assets that can be used as collaterals (EDB, 2013 p.73). Thirteen economies have strengthened the **Investors' protection** including *Armenia*, that made it easier to sue directors *Greece* that increased disclosure requirements and *Moldova* that allowed the rescission of the prejudicial related-party transaction. Despite the improvements, the high income economies of OECD continue to provide the best and strongest protections and New Zealand to be ranked in the first place for eight consecutive years (EBD, 2013, p.78). During the examined period, 31 reforms have been recorded on the area of **paying taxes**, where *Georgia, Russia and Ukraine* improved by introducing new electronic systems, that led *Georgia* to be the 5th economy globally with the fewest taxes, whereas the leading position is held by the United Arab Emirates (EBD, 2013, p.82). In **trading across the borders**, *Georgia* has made the greatest improvement for several years now while during the examined year it improved customs administration, that led the country in the 38th place globally with *Singapore* on the first place of the global list (EDB, 2013, p. 86). **Enforcing contracts** is easiest in *Luxemburg* (1st) and in other European countries and *China* that are ranked in the top ten economies, however *Georgia and Turkey* simplified and speed up the procedures in court, increasing efficiency (EBD, 2013 p.92). The financial crisis led many economies globally to proceed to reforms on different aspects of insolvency, which

reached the 17 for the examined period mostly by the OECD high income economies. In BS Region, *Georgia* introduced tightened time limits, *Greece* promoted reorganization and Moldova regulated profession of insolvency administrators (EDB, 2013 p.94).

Reviewing the **BS-10 economies** performance during the period **2005-2012** (Table 5.3) we notice many fluctuations concerning the flexibility of business environment. A general observation is that some countries of the Region have implemented a serious number of reforms in almost all the areas of regulations resulting to remarkable improvements in business environment with *Georgia* to be globally the top performer all these years, as it achieved to move up 91 places and the current year to be ranked among the top ten economies with the most friendly business regulations, by implementing 26 reforms since 2008. The other countries that followed a progressive route as well are *Azerbaijan*, that moved up 31 places, *Turkey*, that moved up 22 places and *Greece* that although the various fluctuations all these years, the current year is included in the list with the top improvers globally and is ranked in the 78th place, that is 32 places up from the previous year. Although *Bulgaria* (66th) and *Romania* (72nd) are on the average of the global arena and somehow followed remain without impressive ups and downs, they have both implemented critical reforms during the examined period, other positive and other negative for their business environment. The countries that the examined period have not improved their position are *Russia* (112nd) that has fallen 41 positions and *Ukraine* (137th), that still remains one of the worst performer globally, despite the slight improvement of current year's position, by implementing 3 reforms in three areas as already mentioned.

Although the following method is not the appropriate one, comparing the **BS-10** Region economies performance with that of **EU-28**, it's noticing that the average ranking of BS-10 is 72,7 slightly improved from the previous year while the EU-28 is 41,7 slightly declined from the previous year, a fact that is explained by the entrance of a new country (*Croatia*) under low ranking, whereas additionally it seems necessary to take into consideration some interactions between the two Regions:

www.doingbusiness.org/reforms/overview/economy/georgia

Table 5.6 **EU-28** Ease of Doing Business Index 2005-2012

EU-28	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Austria	32	30	25	27	28	32	32	23
Belgium	18	20	19	19	22	25	28	33
→ Bulgaria	62	54	46	45	44	51	59	66
Cyprus	X	X	X	X	40	37	40	36
Czech Repub	41	52	56	75	74	63	64	65
Croatia	X	X	X	X	X	X	X	84
Denmark	8	7	5	5	6	6	5	5
Estonia	16	17	17	22	24	17	24	21
Finland	13	14	13	14	16	13	11	11
France	44	35	31	31	31	26	29	34
→ Germany	19	21	20	25	25	22	19	20
→ Greece	80	109	100	96	109	109	100	78
Hungary	52	66	45	41	47	46	51	54
Ireland	11	10	8	7	7	9	10	15
Italy	70	82	53	65	78	80	87	73
Latvia	26	24	22	29	27	24	21	25
Lithuania	15	16	26	28	26	23	27	27
Luxemburg	X	X	42	50	64	45	50	56
Malta	X	X	X	X	X	X	X	102
Netherlands	24	22	21	26	30	30	31	31
Poland	54	75	74	76	72	70	62	55
Portugal	42	40	37	48	48	31	30	30
→ Romania	78	49	48	47	55	56	72	72
Slovak Repub	37	36	32	36	42	41	48	46
Slovenia	63	61	55	54	53	42	37	35
Spain	30	39	38	49	62	49	44	44
Sweden	14	13	14	17	18	14	14	13
United Kingd	9	6	6	6	5	4	7	7
AVERAGE	35,75	37,42	34,12	37,52	40,5	37,12	38,54	41,67
<i>No of Econom</i>	155	175	178	181	183	183	183	185

First, some countries of BS-10 as marked on the table (5.6) joining the European Region as well, had to implement reforms so as to be aligned with the European business environment and consequently improved the average ranking index; secondly the European Region shows big disparities among the members, as six of them, that are Denmark (5th), United Kingdom (7th), Finland (11th), Ireland (15th), and Germany (20th) are ranked in the top twenty economies on business ease globally and other that are Malta (102nd), Croatia (84th), Greece (78th), Czech Republic (65th) are close to the middle of the global ladder. Third, the fact that a country such as Georgia (9th) that impressively improved its business environment more than other such Italy (73th) is not more attractive for international investors, but more initiative as many emerging economies are. However, it seems that the global crisis boost legal and institutions reforms especially during the period 2009-2010-2011 in both Regions, as many Europe members, such as Poland, Austria, Denmark, France, Slovenia, Italy, as well as BS economies such as Bulgaria, Romania, Greece faced insolvencies and debt disputes. According to the data of the World Bank, 29 economies implemented reforms in the area of the Resolving Insolvency, during the above mentioned period most of them being high-income OECD countries, Eastern Europe countries, including China.

As far as the comparison of **BS-10 economies** with **USA** it concerns, it seems difficult not saying impossible, due to the fact that are completely different entities in capabilities and strength. The US economy is ranked in the 4th position globally, following a steady route and impressive performance over the years, presenting a friendly and attractive business environment easy for doing business. According to the EDB 2013, the range of ranking in all pillars moves between 4 and 25, except ranking in paying taxes that is ranked (69th). The best components of the index is "Getting credit" and "Protection investors", while starting a business in US it takes only 6 days, it requires 6 procedures and costs 1.4 of GNI per capita

www.doingbusiness.org/data/exploreeconomies/united-states

www.doingbusiness.org/data/exploreeconomies/united-states#paying-taxes

www.doingbusiness.org/data/exploreeconomies/united-states#starting-a-business

Regarding the comparison of Business environments in **BS-10 and China**, it seems that the latter stands behind on the average, as it is ranked in the 91st position while the average of the BS-10 is 72,7. The indicators in all pillars range between 19th, that is the ranking of the 'Enforcing contracts', where the country has the best performance and by far in front of BS-10 (49,8th) and 181st that is the ranking of 'Dealing with construction permits', where the country is the fourth to the last worst performer globally, although the current year implemented reforms and changes in the process of 'Dealing with constructions permits' that eliminated 14 procedures and 31 days (EBD, 2013, p.61). On the ease of 'starting a business' in China it requires 33 days and 13 procedures at a cost of 2.1 of GNI while in BS-10 it requires 12 days and 6 procedures. According to the reported data it seems that *BS-10 is more bureaucratic than EU-28* in many of the procedures such as: dealing with constructions permits (118 vs 71,4), paying taxes (91,8 vs 61,4), trading across borders (106,8 vs 61,8), closing a business (90,8 vs 38,1), whereas it seems that *BS-10 is less bureaucratic than EU-28* in other procedures such as: Starting a business (62,2 vs 73,8), registering property (55,7 vs 60,2)

www.doingbusiness.org/data/exploreconomies/china

5.3. EDB in Greece compared to the BS-10, EU-28

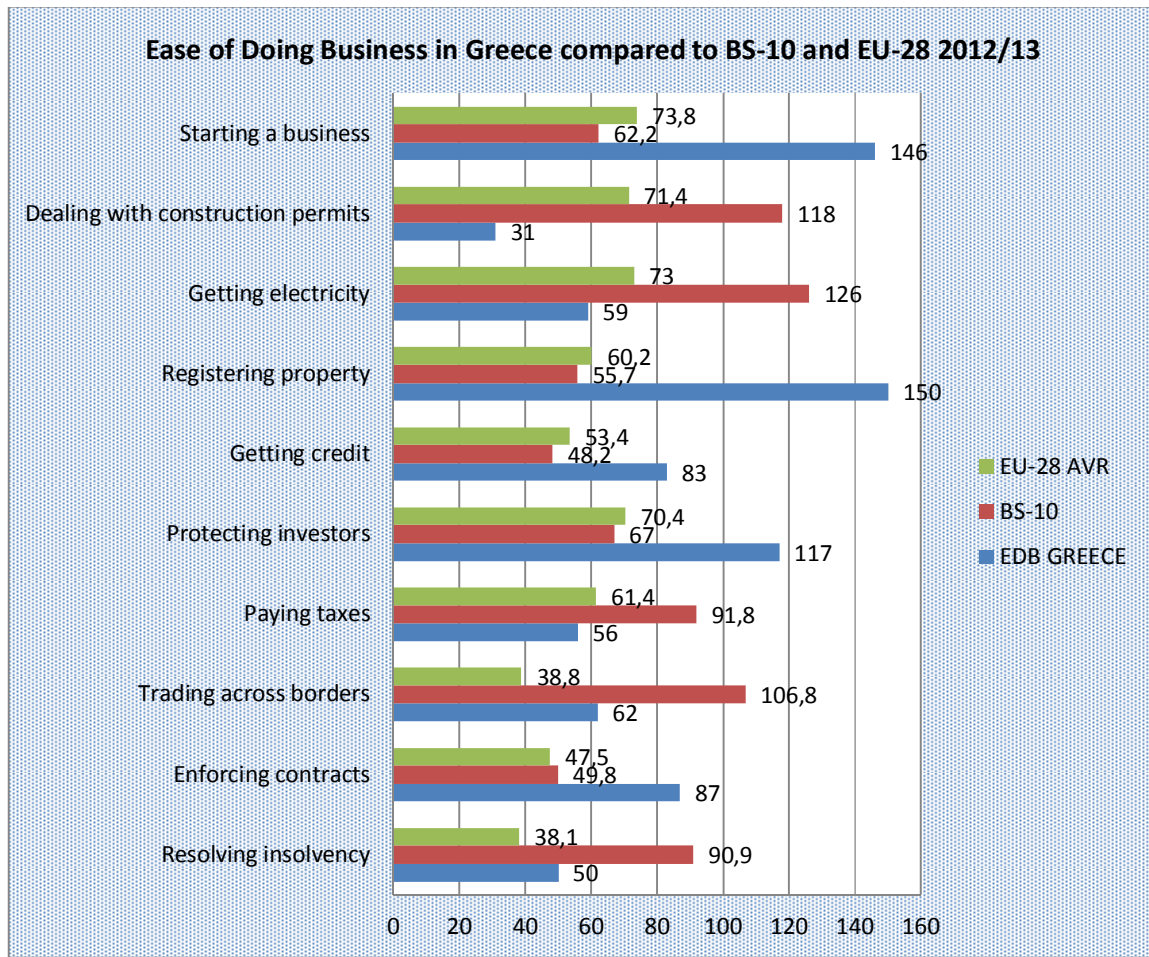
As already mentioned in chapter 5.1 of the study, this year Greece's Business Environment is ranked in the 78th position worldwide out of 185 countries according to the annual BDE Report of World Bank, moving up 32 places from the previous year (78th from 100th). So far, we have analyzed the Environment of Doing Business in the broader background of Greece, so we will now move on the analysis of the Greek economy's reported indicators pillar by pillar, aiming to explore and identify country's position in the regional context and compare with those for the Black Sea Region economies and EU-28.

Table 5.7 EDB Index, country ranks pillar ,BS-10 2012/13

BS-10	Starting a Business	Dealing with constructions permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolve
Armenia	11	46	101	4	40	25	108	107	91	63
Azerbaijan	18	177	175	9	53	25	76	169	25	95
Bulgaria	57	123	128	68	40	49	91	93	86	93
Georgia	7	3	50	1	4	19	33	38	30	81
Greece	146	31	59	150	83	117	56	62	87	50
Moldova	92	168	161	16	40	82	109	142	26	91
Romania	68	129	168	72	12	49	136	72	60	102
Russia	101	178	184	46	104	117	64	162	11	53
Turkey	72	142	68	42	83	70	80	78	40	124
Ukraine	50	183	166	149	23	117	165	145	42	157
BS-10 AVR	62,2	118	126	55,7	48,2	67	91,8	106,8	49,8	90,9
EU-28 AVR	73,8	71,4	73,0	60,2	53,4	70,4	61,4	38,8	47,5	38,1
USA	13	17	19	25	4	6	69	22	6	16
CHINA	151	181	114	44	70	100	122	68	19	82

Source: World Bank, 2013

Table 5.8 Ease of Doing Business in Greece compared to BS-10 and EU-28 2012/13(Diagramm)



Note: The EDB Index2013 ranks 185 economies from 1-185. A high ranking means that the business environment is more favorable for starting and operating a local business.

Table 5.9 EDB Index, country ranks pillar, EU-28

EU-28	Starting a Business	Dealing with constructions permits	Getting electricity	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Austria	134	75	24	34	23	100	77	26	7	12
Belgium	44	57	82	176	70	19	75	29	18	7
Bulgaria	57	123	128	68	40	49	91	93	86	93
Cyprus	37	80	98	99	53	32	31	18	108	25
Czech Rep	140	74	143	27	53	100	120	68	79	34
Croatia	80	143	56	6	40	139	42	105	52	97
Denmark	33	8	14	6	23	32	13	4	34	10
Estonia	47	35	52	14	40	70	50	7	31	72
Finland	49	34	21	24	40	70	23	6	9	5
France	27	52	42	146	53	82	53	27	8	43
Germany	106	14	2	81	23	100	72	13	5	19
Greece	146	31	59	150	83	117	56	62	87	50
Hungary	52	55	109	43	53	128	118	73	16	70
Ireland	10	106	95	53	12	6	6	28	63	9
Italy	84	103	107	39	104	49	131	55	160	31
Latvia	59	113	83	31	4	70	52	16	24	33
Lithuania	107	48	75	5	53	70	60	24	14	40
Luxemburg	93	33	63	134	159	128	14	32	1	52
Malta	150	167	111	80	176	70	27	34	121	67
Netherland	67	89	67	49	53	117	29	12	32	6
Poland	124	161	137	62	4	49	114	50	56	37
Portugal	31	78	35	30	104	49	77	17	22	23
Romania	68	129	168	72	12	49	136	72	60	102
Slovak Rep	83	46	100	8	23	117	100	98	69	38
Slovenia	30	61	31	83	104	17	63	57	56	42
Spain	136	38	70	57	53	100	34	39	64	20
Sweden	54	25	9	35	40	32	38	8	27,0	22
United King	19	20	62	73	1	10	16	14	21	8
EU-28 AVR	73,8	71,4	73,0	60,2	53,4	70,4	61,4	38,8	47,5	38,1
USA	13	17	19	25	4	6	69	22	6	16
CHINA	151	181	114	44	70	100	122	68	19	82

Source: World Bank, 2013

5.3.1. Indicators of the Ease of Doing Business in Greece

❖ *The 1st pillar: Starting a Business*

Empirical researches and studies in USA and Canada have shown that economic growth is resulted by the entrance of new businesses rather than the development of the existing ones (EDB, 2013). However, starting a new business is an experience that differs from country to country and is highly affected by the regulations governing this process.

Table 5.10. EDB Index, country ranks pillar, EU-28

BS-10	Starting a Business	Procedures(no)	Time (days)	Cost (% of income per capita)	Minimum capital(% of income per capita)
Armenia	11	3	8	2,5	0
Azerbaijan	18	6	8	2,3	0
Bulgaria	57	4	18	1,1	0
Georgia	7	2	2	3,8	0
Greece	146	11	11	20,5	24,4
Moldova	92	7	9	5,7	8,7
Romania	68	6	10	2,8	0,8
Russia	101	8	18	2	1,4
Turkey	72	6	6	10,5	7,2
Ukraine	50	7	22	1,5	0
BS-10 AVR	62,2	6	11,2	5,27	4,25
EUR-28 AVR	73,8				
USA	13				
CHINA	151				
BEST PERFORMER GLOBALLY:	NEW ZEALAND: 1	NEW ZEALAND: 1	NEW ZEALAND: 1	SLOVENIA 0.0	91 Economies 0.0

www.doingbusiness.org/reports/global-reports/~media/giawb/doing%20business/documents/profiles/country/GRC.pdf

[How easy is to start a new business in Greece?](#)

It remains difficult to start a new business in Greece, according the EDB 2013 indicator that the country is ranked in the (146th) position globally, being far from the average rankings of the BS-10 and EU-28 Economies and the worst performer (Table 5.9). Comparing to the previous year (Table 5.1) the country seems to have fallen down 9 places, deteriorating all the sub-indices rates. Analyzing the indicator, the required number of 11 procedures compared with those of both regions economies is quite great number that stands behind to the impressive number of the 2 procedures in Georgia. Greece seems a quite discouraging environment for new business. However, as far as the time is concerned, the required 11 days to start a business is on the average of the required days in BS-10 Region, leaving behind Ukraine, Russia and Bulgaria and many European countries such as Ireland, United Kingdom, Czech Republic, Austria, Germany, and Luxemburg. The most discouraging indicator seems to be the cost as it is far from the average cost of BS-10 (5,7) and EU-28, while many countries have diminished the cost to 0.0. Regarding the minimum capital required for the new firm, although it seems quite far from the average of BS-10 policy (4.25), however is not far from many European countries strategy such as Netherlands (50.5), Austria (49.1), Denmark (24.2), and Luxemburg (20.8). According to the historical data, the country implemented 2 reforms during the decade in the years 2008 and 2010 as far as the minimum capital required and the number of procedures is concerned.

Concluding the analysis of this pillar, starting new business in Greece is an area that the country lags behind most countries globally, a fact that obviously leads to inefficiency, lack of productivity and macroeconomic performance.

In order to improve its position in the global arena, Greece should encourage new businesses creation by reviewing not only the number of procedures and facilitate the process but the cost as well, while significant role plays the time in this mechanism. Especially for Greece starting up a new business should be a priority and a challenge against the unemployment that according to the statistics has reached the 26,7% whereas EU-28 rate is 11%. Greece should develop new simplified procedures and reduce bureaucracy as well as the cost of start-up businesses so as to be able to face the continuing economic recession.

❖ *The 2nd pillar: Dealing with construction permits*

Recent studies report that the construction industry in the OECD economies accounts on average the 6,5% of GDP. Proper regulations ensure the safety standards on the other hand complicated or costly ones lead the builders to act without permits, a fact that is estimated to be done in the 60-80% of the construction projects in developing countries.

Table 5.11 EDB Index, country ranks pillar, EU-28

BS-10	Dealing with construction permits	Procedures (number)	Time (days)	Cost (% of income per capita)
Armenia	46	17	77	50,1
Azerbaijan	177	28	212	292,4
Bulgaria	123	21	107	293,5
Georgia	3	9	74	17,7
Greece	31	15	89	27,5
Moldova	168	26	291	69,3
Romania	129	15	287	79,1
Russia	178	42	344	129,2
Turkey	142	20	180	164,3
Ukraine	183	20	375	1262,6
BS-10 AVR	118	21,3	203,6	238,57
EUR-28 AVR	71,4			
USA	17			
CHINA	181			
BEST PERFORMER GLOBALLY:	HONG KONG,SAR CHINA 1	HONG KONG,SAR CHINA 6	SINGAPORE 26	QATAR 1,1

www.doingbusiness.org/data/exploretopics/dealing-with-construction-permits

What's Greece's situation in construction regulations?

Concerning this pillar, as shown on table 5.8 the most outstanding ranking is dealing with construction permits as Greece is ranked (31st) among the 185 countries globally, that is quite impressive position as it moved up 10 places from the previous year for second consecutive year, being the second best performer in the BS-10 economies after Georgia which is ranked in the (3rd) place worldwide and the 5th best performer in EU-28 after Denmark (8th), Germany(14th), United Kingdom(20th) and Sweden (25th). As already stated in Business Reforms 2012 (Table 5.5), during 2012 Greece was among the economies that eased the constructions permitting and specifically it reduced the time for the processing permit applications from 169 days to 89 days that is much better than the average time in the BS-10 economies (203,6 days) and that of EU-28 (143 days). The number of procedures is below the average of the BS-10 and close to those of EU-28 (14), however it could be improved, following the example of many European countries such as Denmark (8), Cyprus (9), Croatia (12), Germany (9) that continuously simplify the procedures by introducing the on-line submission of all applications and for further streamline the country could cap the approval times. Regarding the cost it seems that after Georgia, Greece is the best performer, being by far less expensive than the BS-10 average cost that is quite high (238,57) due to the contribution of Ukraine high costing.

❖ *The third pillar: Getting electricity*

Getting electricity is among the greatest issues for a business and the easiness of its supply is a priority.

Table 5.12 EDB Index, country ranks pillar, EU-28

BS-10	Getting electricity	Procedures(n o)	Time (days)	Cost (% of income per capita)
Armenia	101	5	242	107,3
Azerbaijan	175	9	241	591,2
Bulgaria	128	6	130	340,7
Georgia	50	4	71	561,8
Greece	59	6	62	62,4
Moldova	161	7	140	578
Romania	168	7	223	584,2
Russia	184	10	281	1573,7
Turkey	68	5	70	517,9
Ukraine	166	11	285	192,3
BS-10 AVR	126	7	174,5	510,95
EUR-28 AVR	73,0			
USA	19			
CHINA	114			
BEST PERFORMER GLOBALLY	ICELAND 1	GERMANY 3	GERMANY 17	JAPAN 0,0

What is happening in Greece, and what does it take to get a new connection?

Greece is ranked in the (59th) place globally, is the 2nd country in the BS-10 Region after Georgia (Table 5.13) and the 10th country in the EU-28, where the leader is Germany, being ranked in the 2nd place globally (Table 5.10). Greece improved its position since the previous year by moving up 18 places (59th from 77th). Getting electricity in Greece, it needs 62 days, it requires 6 procedures and it costs 62,4% of income per capita. Compared to the BS-10 Greece has the minimum cost, the minimum time and is below the average of the procedures number, the only component that Georgia ranks in better position as it requires only 4 procedures to get the connection, but it needs more days and higher cost, while in Europe the leader country Germany needs 17 days to get the connection, it requires only 3 procedures but the cost is higher as it is the 48,3% of the income per capita .

Concluding the analysis of this pillar, there are some actions that Greece should take in order to improve its position and performance in general, that is the use of an online applications system, the elimination of the various institutions that are involved in the process, and the further streamline of the procedural mechanism.

❖ *The fourth pillar: Registering property*

The economies proceed to simplify the property registration for the local businesses regarding procedures, time and cost as it is increasingly known that the owners with registered properties titles is more luckily to invest and they have better chance in getting credit.

Table 5.13 BS-10 Registering property 2012/13

BS-10	Registering property	Procedures (number)	Time (days)	Cost (% of property value)
Armenia	4	3	3	0,2
Azerbaijan	9	4	11	0,5
Bulgaria	68	8	15	2,9
Georgia	1	1	2	0,1
Greece	150	11	18	11,8
Moldova	16	5	5	0,9
Romania	72	8	26	1,2
Russia	46	5	44	0,2
Turkey	42	6	6	3,3
Ukraine	149	10	69	3,7
BS-10 AVR	55,7	6,1	19,9	2,48
EUR-28 AVI	60,2			
USA	25			
CHINA	44			
BEST PERFORMER GLOBALLY	GEORGIA 1	GEORGIA 1	PORTUGAL 1	BELARUS 0,0

What's Greece's performance on registering property?

Globally, Greece is ranked in the 150th place being the last country in the BS-10 and quite far from the average ranking of the Region, which thanks to Georgia (1st), Armenia (4th), Azerbaijan (9th) and Moldova (16th) that are ranked in the top twenty countries globally, is ranked in the 55th position on average offering more favorable environment than EU-28 that is ranked in the 60th position on average. Moving on the

analysis of the components, in Greece transferring a property from one firm to another needs 18 days, it requires 11 procedures and 12% of the property value, while in Georgia this action requires 1 day, 2 procedures and 0,1% of the property value, while in Belarus the cost is zero. Comparing with EU-28 it comes second to the last, followed by Belgium (176th) in the last place. According to the historical data, since 2008 the country didn't implement any positive reform in this pillar but only a negative one when in 2010 it increased the transferring tax from 1% to 10%, which resulted to higher cost in general, that it seems to be the hardest part of this component, compared with BS-10 average and EU-28 many countries' policy. Regarding the required number of procedures it seems that Greece is one of the nine countries globally that record more than 10 procedures, while in the compared Region BS-10 only Greece, Bulgaria and Ukraine record more than 8 procedures, whereas the average number is 6. However, time seems to be in better position not only in the BS-10 Region, that the average is 20 days, but in the global arena as well, where the average time is 54 days and by far better than many European countries such as Czech Republic (24 days), Austria (21 days), Luxemburg (29 days), France (59 days), Italy (24 days) etc. The leading country in this component is Portugal requiring only 1 day for transferring property. Introduction of integrated procedures and reduce of the cost of transferring should be in the country's priority, since it aims to be aligned with European policy.

❖ *The fifth pillar: Getting credit*

According to the International Trade Law all kind of businesses need working capital to operate, to grow and to compete successfully in the marketplace and the most proper and effective means of getting it is through secured credit.

Table 5.14 BS-10 Getting credit 2012/13

BS-10	Getting Credit	Strength of legal rights index(0-10)	Depth of credit info index (0-6)	Public Registry coverage(% of adults)	Private Bureau(% of adults)
Armenia	40	6	6	20,5	56,0
Azerbaijan	53	6	5	17,7	0,0
Bulgaria	40	8	4	56,3	0,0
Georgia	4	9	6	0,0	35,5
Greece	83	4	5	0,0	84,0
Moldova	40	8	4	0,0	3,9
Romania	12	9	5	14,0	44,9
Russia	104	3	5	0,0	45,4
Turkey	83	4	5	23,5	63,0
Ukraine	23	9	4	0,0	23,0
BS-10 AVR	48,2	6,6	4,9	13,2	35,57
EUR-28 AVR	53,4				
USA	4				
CHINA	70				
BEST PERFORMER GLOBALLY	UNITED KINGDOM 1	MALAYSIA 10	UNITED KINGDOM 6	PORTUGAL 90,7	UNITED KINGDOM 100

Figure a. Strength of legal rights

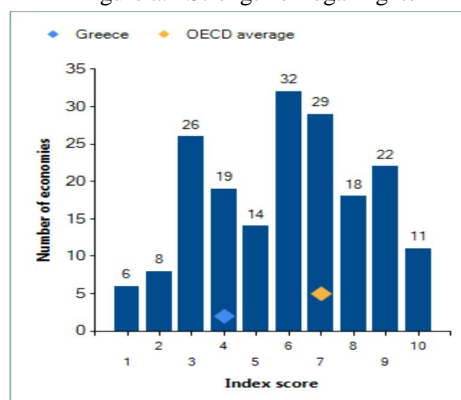
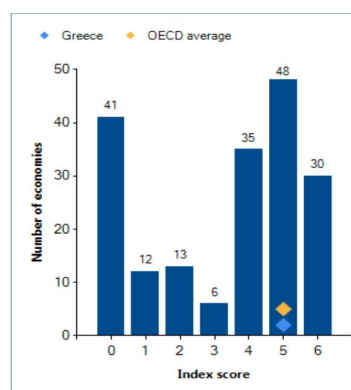


Figure b. Depth of credit info



www.doingbusiness.org/reports/global-reports/~/_media/giawb/doing%20business/documents/profiles/country/GRC.pdf

How all the components in Greece are ranked and how do they facilitate Getting Credit ?

Globally, Greece is ranked in the 83rd place, having deteriorate its position in this pillar by 5 places from the previous year, being together with Turkey(83rd) the second to the last country in the compared BS-10 Region, followed by Russia(104th) in the last place. It's quite far from the average ranking of the Region which thanks to Georgia (4th), Romania (12th) and Ukraine (23rd), is ranked on average (48th) place in the global arena, close to the average of EU-28 . Compared to EU-28 Greece is the 22nd country out of the 28 countries of the Region with United Kingdom to be the in the first place globally. According to the historical data, since 2008 only one reform has been implemented in this pillar in 2009, when Tiresias, the country's private credit bureau enhanced the access to credit information by expanding significantly the distributed information in its credit reports. The above figures drawn from the recent EDB Report for Greece Profile show that: *on the Strength of legal rights Index*, the country is underdeveloped as the index is quite below the average and indicate that serious actions should be taken for collateral and bankruptcy laws design to facilitate credit access, whereas *on the Depth of credit info* the index is quite satisfied, as well as the increasingly development of the percentage coverage of private bureau that according to the recent Doing of Business database cover 160.419 firms and 6.174.840 individuals and meets the international standards.

❖ ***The sixth pillar: Protecting investors***

Successful investment activity is totally connected with the economy's ability to provide protection to investors and the proper financial information for their business key decisions.

Table 5.15 BS-10 Protecting Investors 2012/13

BS-10	Protecting investors	Extend of disclosure index(0-10)	Extend of director liability (0-10)	Ease of shareholder suits index (0-10)	Strength of investor protection index (0-10)
Armenia	25	6	6	8,0	6,7
Azerbaijan	25	7	5	8,0	6,7
Bulgaria	49	10	1	7,0	6,0
Georgia	19	9	6	6,0	7,0
Greece	117	5	4	5,0	4,7
Moldova	82	7	3	6,0	5,3
Romania	49	9	5	4,0	6,0
Russia	117	6	2	6,0	4,7
Turkey	70	9	4	4,0	5,7
Ukraine	117	5	2	7,0	4,7
BS-10 AVR	67	7,3	3,8	6,1	5,75
EUR-28 AVI	70,4				
USA	6				
CHINA	100				
BEST PERFORMER GLOBALLY	NEW ZEALAND 1	HONG KONG ,SAR,CHINA 10	SINGAPORE 9	NEW ZEALAND 10	NEW ZEALAND 9,7

Figure a for Disclosure Index/

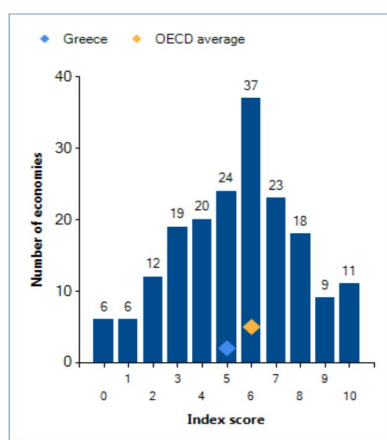


Figure b. Extend of director liability

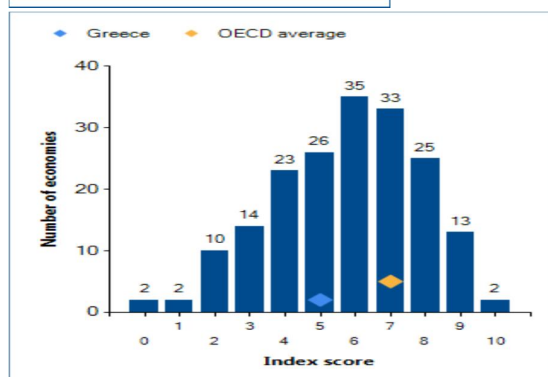
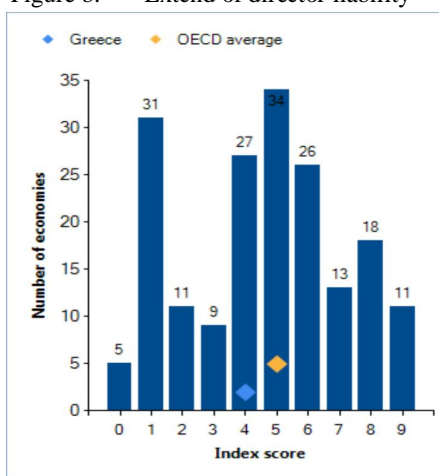


Figure c. Ease of Shareholder suits

How strong is Investors' protection in Greece?

Globally the economy is ranked in the 117th position that is 38 places up from the previous year, but still indicating weak performance on this pillar. Comparing to the BS-10, Greece holds the last position the same with Ukraine and Russia, being quite far from the average ranking of the Region, which thanks to all the other economies is ranked in better place than the EU-28, while it is worth mentioning that the top performer in this pillar is *New Zealand*, being the top performer as well to the indices of the Ease of shareholder suits and Strength of Investor protection. According to the historical and current data, the country, during the last 5 years, implemented two reforms, one in 2008, when it reduced the required threshold to initiate a derivative suit against directors, and the other in 2012 when it required immediate, greater and annual disclosure for the material transactions of the related parties. As the above figures show, Greece tries to be aligned with European standards, being increasingly close to the average ranking of indices in OECD economies, but is still undergone especially in the ease of access to the internal documents of the company and as a consequence to the ease of shareholders suits, that indicate the low power of shareholders to challenge the transaction. Compared to the BS-10 economies it seems that the country suffers from the weak disclosure regulations, where the other BS countries seem to be in higher level, with Bulgaria to be on the top of the ranking (index 10) and followed by Georgia (index 9) and Turkey (index 9). It is worth mentioning that on the index of the Extend of director liability, no economy has received a score of 10, indicating that in no country worldwide a strong liability regime for directors exists. The top performer in this index is Singapore, with the score of 9. Greece should keep on improving the components of this pillar as investing activity is of vital importance for the economy's growth during the period of the great recession.

www.doingbusiness.org/data/exploretopics/protecting-investors

www.doingbusiness.org/reports/global-reports/~/_media/giawb/doing%20business/documents/profiles/country/GRC.pdf

❖ ***The seventh pillar: Paying taxes***

The turbulent economic environment worldwide, business and individuals search for economies where the tax system offers possibilities for growth and encourage business activities.

Table 5.16 BS-10 Paying taxes 2012/13

BS-10	Paying taxes	Payments (number/year)	Time (hours/year)	Total tax rate(% of profit)
Armenia	108	13	380	38,8
Azerbaijan	76	18	214	40,0
Bulgaria	91	15	454	28,7
Georgia	33	5	280	16,5
Greece	56	8	202	44,6
Moldova	109	48	220	31,2
Romania	136	41	216	44,2
Russia	64	7	177	54,1
Turkey	80	15	223	41,2
Ukraine	165	28	491	55,4
BS-10 AVR	91,8	19,8	285,7	39,47
EUR-28 AVI	61,4	12,3	179	42,8
USA	69			
CHINA	122			
BEST PERFORMER GLOBALLY	UNITED ARAB EMIRATES 1	HONG KONG,SAR, CHINA 3	UNITED ARAB EMIRATES 12	

What is the tax system in Greece, especially after the economic crisis?

According to the Doing Business Report 2013, the tax system for firms in Greece counts on average per year: eight tax payments, 202 hours of time consuming on filling preparing and paying taxes and a total amount of taxes reaching the 44,6% of profit. Globally, Greece is ranked in the 56th position having jumped 27 places from the previous year and compared to the BS-10 economies it stands 2nd in ranking after Georgia (33rd) being in much better position from the average ranking of the Region. The comparison with EU-28 brings the country in the 15th position that is in the middle of the ranking, leaving behind many developed European economies such as Italy (131st), Germany (72nd), and Austria (77th). Top performer in Europe is Ireland

(6th), followed by Denmark (13th), Luxemburg (14th) and United Kingdom (16th), while the United Arab Emirates stand the best performer globally. According to the historical data Greece implemented 3 reforms since 2007, and specifically in the year 2007 it reduced the tax burden by reducing the corporate income tax rate, in the year 2008 it facilitated the system by introducing electronic systems in social security tax and in the year 2011 the country reduced for second time the corporate income tax rate. Moving on the analysis in the components of payments number, time spending and taxes rate on profit we notice that Greece improved the number of payments by reducing them from 10 times to 8 times, that's much better than the BS-10 average and EU-28, however some European economies are better examples such as Sweden and Norway with 4 times with the best performer in this component to be Hong Kong, SAR, China that count 3 payments per year. As far as time spending is concerned Greece, reduced the required time from the previous year from 224 hours to 202 being slightly better than the average of the BS-10 and close to the average of EU-28, with Switzerland to be the best example in the European Region with 63 hours, and globally with the United Arab Emirates to be the best performer with 12 hours. Regarding the total tax rate as the percentage of profit is one of the three worst rates in BS-10, exceeding the average of the Region. However compared to the EU-28, is close to the average rate of the European economies, where only Cyprus, Switzerland and Luxemburg enjoy rates around the 30%. Concluding the analysis of this pillar and taking into consideration the remaining bad economic situation from the global crisis, Greece could improve at least the components of administrative burden regarding the number of payments and time spending, by introducing Internet-based platforms.

www.doingbusiness.org/data/exploretopics/paying-taxes

❖ *The eighth pillar: Trading across borders*

Globalization made the easiness of trading across borders the first priority of the markets.

Table 5.17 BS-10 Trading across borders 2012/13

BS-10	Trading across the borders	Documents to export(No)	Time to export(days)	Cost to export (\$/Container)	Documents to import(No)	Time to import(days)	Cost to import(\$/Container)
Armenia	107	5	13	1.815,0	8	18	2195
Azerbaijan	169	8	38	3.430,0	10	38	3490
Bulgaria	93	5	21	1.551,0	6	17	1626
Georgia	38	4	9	1.355,0	4	10	1455
Greece	62	5	19	1.115,0	6	15	1135
Moldova	142	7	32	1.545,0	7	35	1870
Romania	72	5	12	1.485,0	6	13	1495
Russia	162	8	21	2.820,0	11	36	2920
Turkey	78	7	13	990,0	7	14	1235
Ukraine	145	6	30	1.865,0	8	33	2155
BS-10 AVR	106,8	6	20,8	1797,1	7,3	22,9	1957,6
EUR-28 AVI	38,8	4,46	10,75	908,9	5,214	10,39	1.055
USA	22						
CHINA	68						
BEST PERFORMER GLOBALLY	SINGAPORE 1	FRANCE 2	SINGAPORE 5	MALAYSIA 435	FRANCE 2	SINGAPORE 4	MALAYSIA 420

What is the situation of imports-exports in Greece today?

According to the data of Doing Business 2013 in Greece the exportation of a standard container of goods needs 5 documents, 19 days and it costs \$ 1.115. Accordingly importing the same container needs 6 documents, 15 days and it costs \$1135. Globally, Greece is ranked in the 62nd place, improving its position by moving up 22 places from the previous year, winning the second place among the BS-10 economies, behind Georgia that is ranked 38th globally, however the Region is not ranked as favorable environment for trading compared to EU-28 that on average is ranked in the 39th place and figures that are by far better than those of Greece, especially regarding the costs. Greece is ranked in the 22nd place among the European Region economies, where Denmark, Finland, France, Sweden, Estonia are among the top ten performers

globally following the best performer globally that is *Singapore*. According the historical data, since 2008 Greece hasn't implemented any reforms in this area that could improve the trading environment and boost business competitiveness. Moving on the analysis of the components, it seems that the average number of documents and time of both imports and exports need to be reduced so as to be aligned with the EU-28 standards, as for example the top performance globally of France in the documents number. Regarding time the top performer is Singapore that is far from the average examined Regions with 5 and 4 days for exports and imports respectively. As far as the cost it concerns Greece is more aligned with the EU-28 standards than with the BS-10 that on average the cost is higher and therefore less competitive.

❖ *The ninth pillar: Enforcing contracts*

A well- functioned economy is based on trust and confident participation, where the contract enforcement is efficient.

Table 5.18 BS-10 Enforcing contracts 2012/13

BS-10	Enforcing contracts	Procedures(no)	Time (days)	Cost (% of claim)
Armenia	91	49	40	19,0
Azerbaijan	25	39	237	18,5
Bulgaria	86	39	564	23,8
Georgia	30	33	285	29,9
Greece	87	39	819	14,4
Moldova	26	31	327	28,6
Romania	60	32	512	28,9
Russia	11	36	270	13,4
Turkey	40	36	420	24,9
Ukraine	42	30	343	41,5
BS-10 AVR	49,8	36,4	381,7	24,29
EUR-28 AVR	47,5	32	456	21,0
USA	6			
CHINA	19			
BEST PERFORMER GLOBALLY	LUXEMBURG 1	IRELAND 21	SINGAPORE 150	BHUTAN 0,1

www.doingbusiness.org/data/exploretopics/enforcing-contracts

What is the situation of courts in Greece and how efficient is the process of enforcing contracts?

According to the data of Doing Business 2013, in Greek economy enforcing a contract requires 39 procedures, 819 days and it costs 14,4% of the total value of claim. Globally, Greece is ranked in the 87th place, slightly improved from the last year's position (90th), being the second to the last country in the compared BS-10 economies, with Armenia to follow in the last place (91st). Compared with the EU-28 is the third to the last country, leaving behind Cyprus, Malta and Italy. The best performer is Luxemburg with mainly low cost, the best in the EU-28 economies. As reported to the Doing Business 2013, since 2008 Greece hasn't implemented any reforms in the area to make it easier, as many other economies do especially by introducing new technologies. Moving on further analysis of the components, the number of procedures seems to be close to both compared regions average but still need improvement. Regarding time, Greek is far worse than the average of both compared regions, indicating the great necessity for reforms in this area, while the cost is much better than many European countries and almost all the BS-10 economies except Russia that is slightly better.

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❖ *The tenth pillar: Resolving insolvency*

In today's economic environment the need for efficient fast and well-functioning insolvency systems is a priority in order to keep viable businesses and improve sustainability and growth.

Table 5.19 BS-10 Resolving insolvency 2012/13

BS-10	Resolving insolvency	Time(years)	Cost (%of estate)	Recovery rate(cents on\$)
Armenia	63	1,9	4	41,2
Azerbaijan	95	2,7	8	30,6
Bulgaria	93	3,3	9	31,7
Georgia	81	2	4	35,7
Greece	50	2	9	44,5
Moldova	91	2,8	9	32
Romania	102	3,3	11	29,2
Russia	53	2	9	43,4
Turkey	124	3,3	15	23,6
Ukraine	157	2,9	42	8,7
BS-10 AVR	90,9	2,62	12	32,06
EUR-28 AVR	38,1	2,2	10,3	61,45
USA	16			
CHINA	82			
BEST PERFORMER GLOBALLY	JAPAN 1	IRELAND 0,4	SINGAPORE 1	JAPAN 92,8

What's the status of the insolvency mechanism in Greece?

According to the Doing Business 2013 data, the process of resolving insolvency in Greece takes approximately 2 years, it costs 9% of the debtor's estate and it has a recovery rate of 44,5 cents on dollar. Globally Greece is ranked in the 50th place moved up by 7 places since the last year's ranking, winning the first place in the BS-10 Region ranking and being much better than the average ranking of the Region, which it seems to suffer from inefficiency in the insolvency procedures. Compared to EU-28, the country is ranked in the 21st place, being far from the average ranking of the Region from which six countries are in the ten top performers in the global arena (Belgium, Finland, Ireland, Netherlands, United Kingdom, Denmark), while the best

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performer in this area is Japan. According to the historical data, since 2008 Greece implemented two reforms, one in the year 2008, when it introduced a new bankruptcy law, expected to lead to more restructurings and the other in the year 2012, by introducing a new rehabilitation proceeding. Moving on the analysis, it is seen that time, cost and recovery rate is close to the average of EU-28, but improvements are needed, taking as example the best performers of each component namely, Ireland for time, Singapore for the cost and Japan for the recovery rate.

6. POLICY RECOMMENDATIONS

Although Greece is an innovation driven developed economy, member of the Eurozone with great potential for growth and development it still faces macroeconomic instability and key issues that must be addressed. Competitiveness and productivity have been devastated mainly by the bad management and reckless spending. Austerity measures that have been introduced to the country since 2010, aim to remedy discrepancies but more to increase competitiveness. However, Greece needs an immediate reshaped and restructured economy. It needs to exploit its strengths and bold its priorities, supported by effective legislation and a government that understands that time is crucial and consider that active reforms should be implemented to face the problems and lead to a healthy and competitive economy. Despite some progress in implementation reforms the Global Competitiveness Report and Doing Business indicators point out some critical areas as challenges that is the access to financing, the high level of bureaucracy, tax regulations, policy instability, tax rates, corruption, government instability and inefficient capacity for innovation. To ameliorate its position in the global rank, the country needs a comprehensive and coherent response to the above challenges by the combined effort of national authorities and European Union. In working for this is supported by a number of

strengths including the well educated workforce that is well trained to adopt new technologies, its strategic geographic location and natural resources.

Regulatory and administrative reforms: Greek government should focus on the *rationalization and modernization of public sector* by implementing a Public Administration Reform Strategy tackling with critical issues such as corruption, red tape, transparency, cost and time saving, unpredictability. Corruption is a factor of a vital importance for being competitive and having access to quality public services. Effective regulatory reform processes that reduce the policy risks and the regulatory costs would improve the business climate. Furthermore it would minimize the red tape level and improve the administrative efficiency, by the use of on-line public services so as to facilitate internal and external administrative processes leading to less time and cost consuming, cutting red tape and increasing transparency. Introducing new technologies and new management and administrative information system would achieve transparency, whereas corruption could be prevented by implementing new practices that have been proved to be effective combined with the participation of civil society structures. Additionally, making the public administration responsive to the SME firms needs leads to reduce of the administrative burden especially in the start-up period. A well and professionally functioning public sector is of a vital importance for the country to meet the needs and achieve the goals and the strategic management of the Human Resources is the prerequisite for this. Greece should adopt fast-track approaches in case it wants to succeed the desired results. Another priority of significant importance that the country should work on is the *Institutional environment*; the quality of Institutions has a strong bearing on competitiveness and growth especially during the economic crisis to solidifying the recovery. Despite the country's recent reform in protecting investors, it lags behind the European standards and it needs urgent improvements and reforms of the way the judges are trained, the way and time that the cases are decided, a better judicial system and higher disclosure, so as to come closer to the International

http://ec.europa.eu/europe2020/pdf/themes/34_public_administration.pdf

standards and policies. Another factor and pointed out by the GCI report as negative one and Greece should pay particular attention is the *tax system*, that the cost and time required should be minimized to promote firms efficiency and productivity.

Infrastructure investment: As already mentioned in chapter 6 Greece's competitive advantage is its geographic location that constitutes a natural gateway for more than 140 million consumers in Southeast Europe and Eastern Mediterranean, remaining a promising investment location. Although the country stands in good ranking as far as infrastructure is concerned, however due to its location it needs to invest more in strategic projects so as to facilitate transportation of goods, services and information with the lowest cost and time and raise the investors' interest. As already mentioned in relative section (p.44) the impact of economic crisis and the reduced resources should not raise the barriers in infrastructure initiatives as they should be considered of a high importance factor for growth and development.

Educational investments: Greece should pay special attention in human capital and promote the labor market so as to boost innovation, growth and job creation, as the best answer for the high rate of unemployment especially in youths. As mentioned in the analysis of the 5th pillar of GCI, the quality of staff training and the quality of the educational system is underdeveloped despite the high enrollment rate of the population in the higher education. The country should pay special attention as the current situation is not only impediment for the economy's competitiveness but for its future as well, by the increase of the rate of brain drain, instead of generating the smart growth. Greece should promote training programs with easy access in cooperation with the EU financing, whereas it should pay particular attention and active participation in the "Europe 2020" program which may lead to positive results for the youth, that should be equipped with special skills that may drive innovation, and create new markets. Furthermore, the country should be able to provide with no cost the continual learning activity and opportunities across the working life, so as to obtain and maintain a well trained workforce ready to response to any challenge that may occur, such as technological advances or new globalized standards etc.

http://ec.europa.eu/europe2020/pdf/themes/30_quality_of_education_and_training.pdf

On the contrary, the rate of participation of adults in lifelong learning in Greece was reported very low (4%), compared to the benchmark of 15%, a fact that should put the authorities into serious consideration and urgent and fast-track approaches.

Financial markets: Access to financing is the most problematic factor for doing business in Greece, so improving this is essential for growth, productivity and increasing competitiveness. As the banking system remains the most important external source of financing, it is obvious that the deterioration of the banking sector in Europe since 2008 affected negatively the lending mechanism as the access to lending became difficult and spreads were increased resulting to economic uncertainty and decline of the financial status of the companies and as a consequence the market's size. As the situation remains difficult in Greece, creating a quite unfavorable business environment, the authorities should pay great attention to find alternative ways of financing in venture capital or well-regulated securities exchanges or other financial products.

Innovation : Greece is characterized by inefficient capacity for innovation and although it has efficient number of scientists and engineers, it is one of the moderate innovators in Europe. As there is a great potential through the existing and planning programs of the EU, the country should invest in knowledge-intensive projects and promote enterprises that have the capacity to absorb and increase the R&D and the innovation system.

Closing the chapter and the study as well, the conclusion is that Greece is still suffering from the economic crisis, that had a holistic impact to the financial, social and political aspects of the country and consequently to its competitiveness and global ranking. The fact is that the history has shown that the Greeks have tremendous strengths and abilities to survive and become stronger against all odds.

7. CONCLUSION

The aim of this study was to conduct a thorough comparative analysis and evaluation of the business environment and competitiveness of Greece in the regional context of the 10 economies of the Black Sea region and the 28 European economies and present the issues that the country should focus on. The analysis used the databases provided

by two Global Publications: the Global Competitiveness Index 2012/13 and 2013/14 (WEF) and Ease of Doing Business 2013 (World Bank and IFC) taking into consideration, what Michael Porter states (Porter et al, 2007) that both Reports include information that indicate strength and weaknesses of the countries and help the policy makers setting priorities and design reforms for improvements. In this framework, Greece is the less competitive economy in the Black Sea Region and EU-28, as it ranked in the 91st place of the GCI 2013/2014 out of 148 economies, being the last country in both Regions. Regarding the Easy of Doing Business Index is ranked in the 78th position out of 185 economies globally and is positioned at the fourth to the last place in comparison with the BS-10 Region economies and at the third to the last place in comparison with the EU-28 economies. The general conclusion is that Greece isn't at the pace of evolution of the European economies (EU-28), whereas in the Black Sea Region has a mediocre performance.

The European regional context, despite the past year's financial and structural challenges due to economic crisis it continues to be by far a business friendly economy, with Denmark to dominate in this area and several countries to dominate in the twenty top competitive economies globally. In this context Greece's indicators reveal the unfriendly and uncompetitive business environment as a result of the barriers posed to financial markets and trade, the high level of bureaucracy, the inefficient labor market and the continuously bad macroeconomic environment.

On the other hand in the Black Sea regional context, a rather erratic trend is observed mainly due to the effort to recover from the economic crisis and monitor the huge disparities among the economies, while Georgia presented an impressive progress in all areas. In this context Greece is ranked in the last position as far as the competitiveness is concerned and in the 6th position as far as the business environment is concerned; however is a very important player that is expected to play a rather significant role in the area.

After a decade of consecutive deterioration of its position, Greece has just started to show improvements in several critical areas, namely in Institutional environment, in the efficiency of the labor market and technological readiness, but it still remains a non-competitive economy. The macroeconomic environment is in critical situation and an area of a serious concern; the public debt, the budget deficit and negative rate of the

GDP, as well as the economy's funding by international institutions are barriers to growth and productivity and deteriorate seriously the financial market's position as there is lack of liquidity and difficult access to capital. Goods market and labor market remain inadequate, while the country suffers from the brain drain, thus a business cannot be productive.

However, Greece has some factors that make it stand out compared to the other economies of the Black Sea Region, such as higher education and training level, an area that is worth noting that Greece is ranked in the top five economies as far as the percentage of the enrollment in higher education is concerned. Furthermore the well educated workforce is adept to adopting new technologies, improving country's position in technological readiness, while Greece's competitive advantage is the availability of scientists and PCT patents. Additionally, Greece holds a unique strategic geographic location, being a natural gateway for more than 140 million consumers in Southeast Europe and Eastern Mediterranean, remaining a promising investment location. The country, continuing the efforts to growth and enhancing reforms has many chances to be competitive again in the near future.

In the framework of the Business Environment, Greece has made an impressive progress last year, improving its position in many areas, by implementing three reforms, however it still remains less favorable compared to Regional economies of the Black Sea and Europe, in starting a business or registering a property. The most problematic factors for doing business seem to be the access to financing, the government instability, the high rate of bureaucracy and tax regulations. Moreover, the government should pay attention for extended reforming in procedures, time an required minimum capita for starting a business, as this could be the answer to the country's high rates of unemployment. In no doubt, prerequisite for this is the rationalization of the public sector.

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