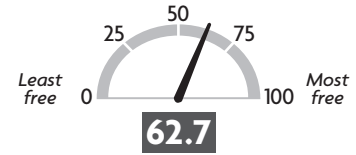


GREECE

Economic Freedom Score



World Rank: **73**

Regional Rank: **34**

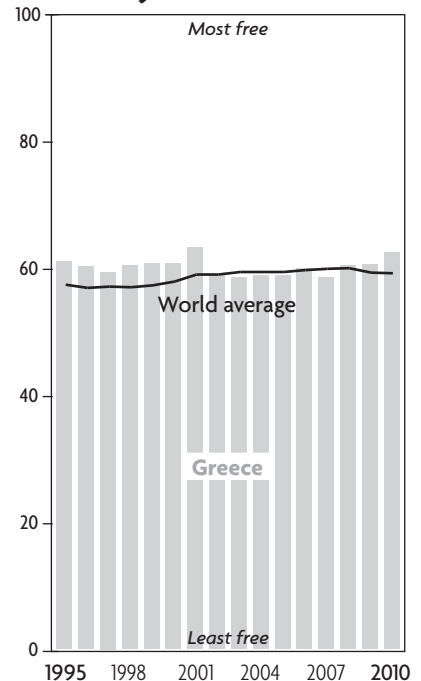
Greece's economic freedom score is 62.7, making its economy the 73rd freest in the 2010 *Index*. Its overall score has improved by 1.9 points from last year, reflecting better scores in five of the 10 economic freedoms. Greece is ranked 34th out of 43 countries in the Europe region, and its overall score is above the world average.

The Greek economy has been gradually transforming in ways that improve flexibility and openness, but progress has been sluggish. Privatization has reduced the state's dominant role in the economy, and the overall entrepreneurial environment has been enhanced by implementation of a more competitive corporate tax rate and more efficient regulation. Following mergers and privatizations, the financial sector has become more open and more efficient.

Challenges to economic freedom remain in such areas as government spending and labor freedom. High government spending chronically causes budget deficits and places upward pressure on an already high public debt. The rigidity of the labor market impedes productivity and job growth, undermining long-term competitiveness. Corruption is another lingering problem.

BACKGROUND: Greece became the 10th member of the European Union in 1981 and adopted the euro in 2002. The economy depends heavily on tourism and other services. More than half of Greek industry is located in the Greater Athens area and is focused on agriculture, tourism, construction, and shipping. Greece has been a member of NATO since 1952 but has enjoyed uninterrupted democratic rule only since 1974. Political life is dominated by the rivalry between the socialist PASOK party and the more centrist New Democracy party of Prime Minister Konstantinos Karamanlis. Political disputes with neighboring countries, especially Macedonia, simmer in political channels; a more deep-rooted rivalry with Turkey, focused on Cyprus but dating back to the Ottoman Empire or earlier, has come close to armed conflict, though not in the past decade.

Country's Score Over Time



Quick Facts

Population: 11.2 million

GDP (PPP): \$330.0 billion

2.9% growth in 2007

3.6% 5-year compound annual growth

\$29,361 per capita

Unemployment: 7.7%

Inflation (CPI): 4.2%

FDI Inflow: \$5.1 billion

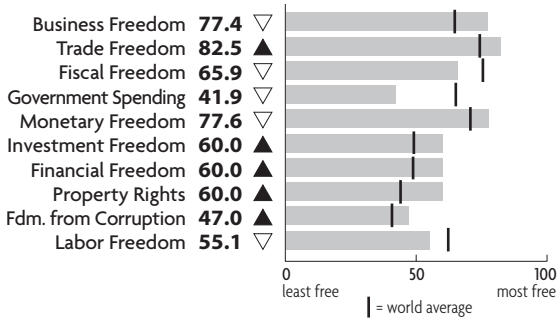
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

GREECE'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 77.4

The overall freedom to start, operate, and close a business is relatively well protected by Greece's regulatory environment. Starting a business takes about half of the world average of 35 days. Obtaining a business license requires less than the world average of 18 procedures and 218 days. Closing a business is relatively easy.

TRADE FREEDOM — 82.5

Greece's trade policy is the same as that of other members of the European Union. The common EU weighted average tariff rate was 1.3 percent in 2008. However, the EU has high or escalating tariffs for agricultural and manufacturing products, and its MFN tariff code is complex. Non-tariff barriers reflected in EU and Greek policy include agricultural and manufacturing subsidies, quotas, import restrictions and bans for some goods and services, market access restrictions in some services sectors, non-transparent and restrictive regulations and standards, and inconsistent regulatory and customs administration among EU members. Subsidies, regulations, and services market access restrictions exceed EU policy, and the enforcement of intellectual property rights is problematic. Fifteen points were deducted from Greece's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 65.9

Greece has a relatively high income tax rate and a moderate corporate tax rate. The top income tax rate is 40 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT), an inheritance tax, and a tax on interest. In the most recent year, overall tax revenue as a percentage of GDP was 34.4 percent.

GOVERNMENT SPENDING — 41.9

Total government expenditures, including consumption and transfer payments, are high. In the most recent year, government spending equaled 44.0 percent of GDP. Progress has been made in reforming and privatizing state-owned enterprises.

MONETARY FREEDOM — 77.6

Greece is a member of the euro zone. Between 2006 and 2008, Greece's weighted average annual rate of inflation was 3.8 percent. As a participant in the EU's Common

Agricultural Policy, the government subsidizes agricultural production, distorting the prices of agricultural products. It also can set a ceiling on retail prices and regulates prices for pharmaceuticals, transportation, and energy while setting margins for wholesalers and retailers. Ten points were deducted from Greece's monetary freedom score to account for policies that distort domestic prices.

INVESTMENT FREEDOM — 60

Greece officially welcomes foreign investment but restricts investment in some utilities, and non-EU investors in banking, mining, broadcasting, maritime, and air transport must obtain licenses and other approvals that are not required of Greek and EU investors. Bureaucracy is non-transparent and inefficient. The government caps private investment in companies of "strategic importance" at 20 percent without special approval. Residents and non-residents may hold foreign exchange accounts. There are no restrictions or controls on payments, real estate transactions, transfers, or repatriation of profits. Restrictions exist on land purchases in border regions and on certain islands due to national security considerations.

FINANCIAL FREEDOM — 60

Privatization and mergers have considerably reduced the government's influence in banking. Private banks account for 70 percent of assets. There are more than 60 domestic and foreign banks along with other special credit institutions. Foreign-owned banks are around 11 percent of the market. Five large commercial groups operate as private universal banks. The state directly controls one bank, indirectly controls another, and holds an approximately 30 percent stake in the Postal Savings Bank. Capital markets provide a wide range of financial instruments. A combination of state guarantees and participation in share capital has increased flows in financial markets.

PROPERTY RIGHTS — 60

The judiciary is nominally nonpartisan but tends to reflect government sensibilities. Expropriation is unlikely. The lack of a land registry and the multiple layers of authority concerning land use and zoning permits are among the most significant disincentives to Greenfield investments. Enforcement of intellectual property rights is not rigorous.

FREEDOM FROM CORRUPTION — 47

Corruption is perceived as significant. Greece ranks 57th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Bribery is considered a criminal act, and the law provides severe penalties for infractions, but implementation and enforcement remain problematic.

LABOR FREEDOM — 55.1

Labor regulations are restrictive. The non-salary cost of employing a worker is high, and regulations on work hours remain rigid, although employers have greater flexibility under a labor law passed in 2005.