

LIBERALIZATION AND GROWING COMPETITION IN RETAIL MARKETS

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The growth and competitiveness of retail trade in this country constitute a crucial part of the total planning of the Greek economy that the present Government is implementing since it took office in March 2004. This planning can be summarized in the following goals: First, constant reduction of public deficits, which in 2006 fell under 3% of GDP for the first time since Greece entered the eurozone. Second, reforms to the economy that rectify chronic malfunctions, create an Opportunity Economy and ensure viable and sustainable growth. Third, putting in effect a National Strategic Reference Framework for the next years, orienting the economy towards exports and competitiveness.

This framework includes our policies on retail trade.

Implementing these policies, the government changes the whole picture of the Greek economy by:

- Reducing bureaucracy.
- Stopping the enlargement of the public sector.
- Putting an end to the inefficiency of public authorities.
- Fighting corruption.
- Creating a National Zoning Plan.
- Reducing inflation, unemployment, and the public debt and deficit.

Greece has had a strong relationship with trade and particularly with retail trade since ancient times. We Greeks have thousands of years of history of superb records in trade and shipping. In trade, especially, we have achieved an intensely extrovert orientation. I would dare to associate the diffusion of classical Greek culture, in all the ancient world, with the growth of trade. Ideas, innovations, values, products and experiences were spread together with the contact of Greeks with other populations. From the period of classical antiquity, trade functioned as the accelerator and the locomotive of history.

Nowadays, undoubtedly, social conditions and human behavior have radically changed. Communication among citizens, societies and civilizations has also changed, together with consumer behavior and attitudes. The revolution of modern technology transforms the methods of producing and promoting goods and services, promotes new aspects of entrepre-

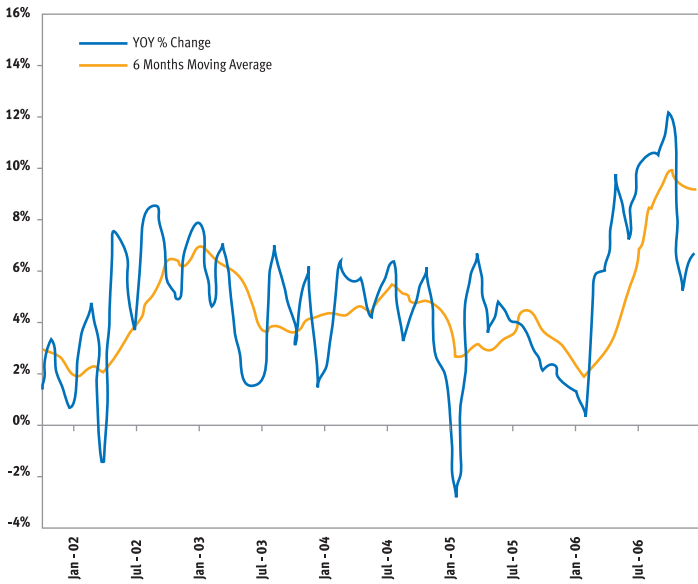
neurial and trading activities and creates new markets and new challenges every day.

What haven't changed through the centuries are the inventiveness and the diligence of the Greek tradesman. He continues to symbolize the uneasy spirit, the dynamism and the continuous search for whatever is new and unknown. He surpasses obstacles, borders and languages, in order to trade and prosper, based on his own powers alone, and not on the "Divine charm of the state" or invisible "support". These characteristics have followed Hellenism over the course of history. Based on these inalterable characteristics, we have to adapt our policies in order to produce the best possible result.

For these reasons bold reforms are required – and indeed are taking place today – in all sectors of our economy. The fragmented policies of growth in certain sectors, such as retail trade, which do not constitute an integral part of the total strategic growth of the competitiveness and the extraversion of the Greek economy, cannot produce the results that we expect. Furthermore, the model of a liberal open market backed by a net of social protection is the proposal of the developed states of Western Europe. It is also the goal of the Hellenic Government, adapted of course to the particularities and the current status of the Greek economy.

At a symbolic level, the Government declared the period 2005-2010 a "Five-year period of Competitiveness". We believe that we

Volume of Retail Sales (2002-2006)



need this, so as to launch a framework of initiatives and also to create an environment of confidence between society and the State. We don't merely want to establish the legislative framework, but we also to make it comprehensive and to implement it, so as to make our economy more competitive and extrovert.

In the economy – a very sensitive sector of policy making – it takes time for a new policy to bear fruit. And it is a fact that in Greece small and medium-size enterprises (SMEs) are the cornerstone of the economy, and retail trade is a preferential field for the growth of competitiveness.

Prime Minister Konstantinos Karamanlis designated September 22 as the “Day of Greek Trade”, in or-

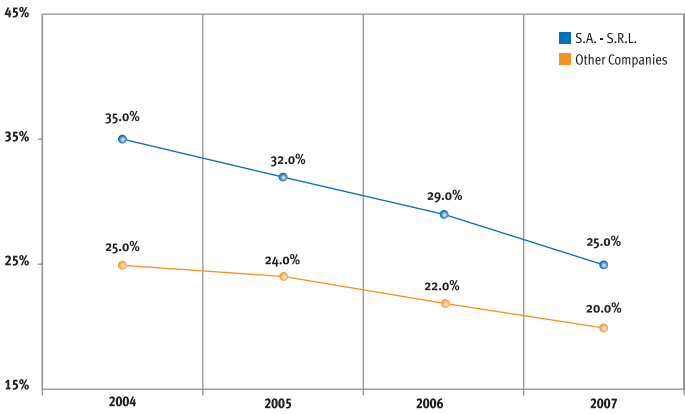
der to give a firm message on the importance that trade, and especially retail trade, has for the Government.

During the last three years, the Hellenic Government has steadily created an environment that encourages the growth of competitiveness. At the same time it ensures social cohesion with the reduction of unemployment – a reduction based mainly on the growth of small and intermediate enterprises – through retail trade.

Characteristically, I report that during those three years:

1. Tax rates for enterprises decreased progressively by 10 percentage points, strengthening the prospects of enterprises, particularly SMEs. Tax-free

Income Tax



limits have been increased and audit procedures simplified.

2. A new Investment Incentives Law supports the growth and modernization of enterprises, increasing financing limits for both new and existing companies.
3. A fund that guarantees small and very small enterprises' loans was activated. During the last 36 months the fund provided more than 5,000 guarantees for loans.
4. The opening of markets is promoted through a new generation of privatizations.
5. Solid rules were established for the outdoor trade, open public markets and fairs.
6. A new institutional framework covers sales and offers, so that the interests of consumers are protected and unfair competition is eliminated.
7. Below-cost sales have been regulated in favor of the consumer.
8. A new institutional framework for remote sales has been implemented.
9. Efforts to stop illegal trade in sectors such as books, music etc, have been made.
10. A National Council for Electronic Entrepreneurship has been created.
11. A national framework for the shop opening hours has been introduced, so as to help commercial activity.
12. The Competition Committee has been reinforced and upgraded in order to effectively deal with oligopolistic and harmonized practices. This was one of the first measures of the Ministry of Development that aimed first of all to map the market, effectively exercise

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pre-emptive controls and manage market contortions. The Committee appointment is now a responsibility of the Cabinet Council, following a proposal of the Parliamentary Committee of Institutions and Transparency, and not of the Minister of Development as it was previously. A framework of permanent and substantial cooperation between the Hellenic Competition Committee, EU authorities and other member states has been created, so as to coordinate their activities.

13. A new institutional framework for the creation and operation of commercial enterprises has been created, reducing bureaucratic ties and procedures.
14. A General Commercial Register has been created, while legislation concerning Chambers has been modernized, upgrading their role.
15. A Bill on the National Zoning

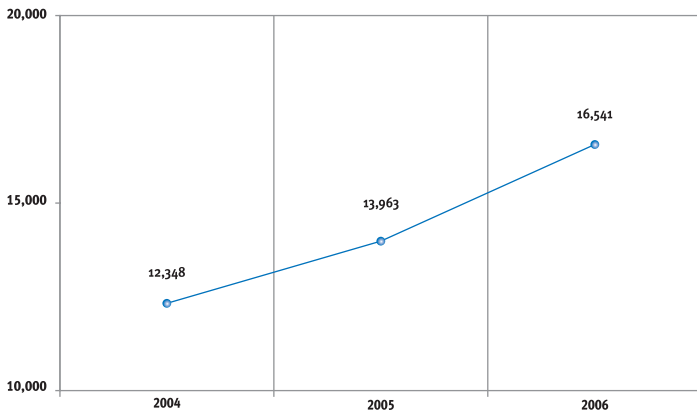
Plan is in the pipeline, in order to facilitate investments in all sectors of commercial activity.

16. The Bankruptcy Law has been reformed.
17. Initiatives that aim at the exploitation of knowledge, research and innovation are supported, so that products and services of increased added value can be created.
18. Codes of Conduct have been created for various professions, aiming to deregulate markets and promote respect for consumer rights.

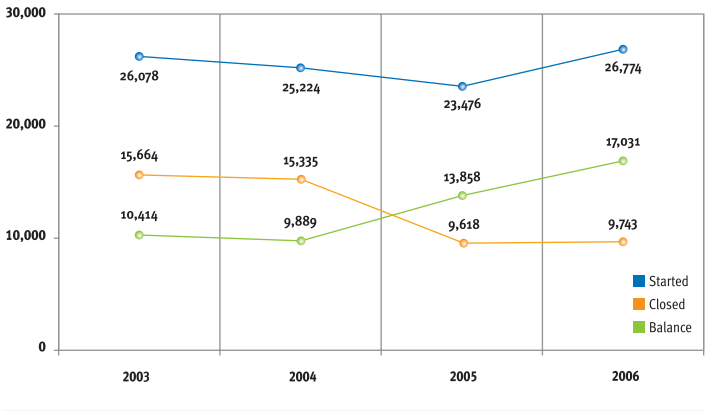
During the last few months, the results of these policies have become visible: New chains of retail trade are entering the Greek market.

The balance between new enterprises that start operations and existing ones that close down is constantly improving.

Exports (million €)



Entrepreneurship (companies that started - companies that closed down)



Exports are increasing, while domestic product is growing at a sustained record level of more than 4%, despite predictions of a post-Olympics recession.

In the Greek economy a landscape of zero political risk has been created, which, combined with currency stability attributed to the introduction of euro, renders our country an ideal destination for investments in key sectors of economic activity,

one of which is retail trade.

With this unity of activities and initiatives, we unveil a policy in favor of retail trade, because we believe that it constitutes a basic pillar of growth for the Greek economy.

We are convinced that this is the belief of the vast majority of Greeks, who support our policies in this sensitive sector.

GDP Growth

