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**Article**

## "Economic reinvention: Greece's path forward": Six questions to Alexander Kritikos

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Prof. Dr. Alexander Kritikos, Research Director at DIW Berlin

## SIX QUESTIONS TO ALEXANDER KRITIKOS

# »Economic Reinvention: Greece's path forward«

1. Dr. Kritikos, despite first reform successes, the Greek economy is still in dire straits. Why? The Greek government has initiated a couple of institutional reforms, in particular the liberalization of closed professions, wage reductions, and making it somehow easier to venture new businesses. However, the economy will not become prosperous only by cutting costs and making institutional reforms, as much as these are needed. The central problem is that the structure of the Greek economy is different from that in other Euro-zone economies: small businesses, in sectors with little value added like in tourism, trade, or agriculture; and not much room for innovation. The Greek economy lacks a strong export sector enabling it to create sustainable, growing wealth for the whole country.
2. What kind of structural reforms should be done? Looking at other Euro-zone countries of comparable size, such as the Netherlands, Belgium, Austria, or Finland, we see that these are innovation-driven economies. All of them are investing around three percent of GDP in research and development (R&D). As a result, their economies are driven by innovation and continual refinement, with new products and technologies regularly introduced. Greece invests much less in R&D. So there is only a small share within the Greek economy that can produce products and services with sufficiently high value added.
3. From where should the money come from to be invested into more R&D? True, currently the Greek government is not able to make such investments. There are, however, a large number of EU programs that allow the financing of R&D. For the funding period starting 2014, the EU has set the goal to making Europe more innovative. It provides several *new* tools that would help Greece for instance to found and finance new research institutes. While Greece does have some high quality research institutes, it needs to cluster many more of them in one and the same geographical area and in the same research area as well to start establishing an innovation system. Currently, Greece is not making sufficient use of these funds.
4. Is there any specialization in Greece which could be expanded? Areas that can become more innovative are on the one hand the traditional sectors of agriculture, food, and tourism. However, this will not be enough to create growing wealth for the whole country. On the other hand, there are also a certain number of IT companies in Greece and some highly innovative companies in the pharmaceutical and energy sectors. Greece needs more of them and these companies require research-based support. Institutions such as the Fraunhofer Institutes are what Greece should build up: applied research providing product-related solutions to innovative firms in the private sector.
5. Has Greece any other assets? Another hidden asset is the large number of top Greek scientists. A recent study found that more than three percent of the world's top scientists are Greek, although Greece only makes up 0.2 percent of the world's population. The problem is that 85 percent of these scientists work abroad. Greece must find a way to better exploit this great potential in the future in its own country and combine it with its domestic industry.
6. What are the largest obstacles? There are two further major obstacles. First, starting, running and closing a business in Greece requires exceptional patience to navigate through an overregulated legal framework. Second, cooperation between publicly financed science and private industry is kind of taboo. Many still believe that science should work in the "ivory tower", and that scientific discoveries should not be economically exploited.

Interview by Erich Wittenberg.

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