Far Away, So Close? Examining the Growth Potential of Greece Through the Lens of New Zealand's Paradigm

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1 Introduction

The Greek economic crisis demonstrates the problematic nature of the development paradigm the country has been following during the past four decades. This paradigm was based on loans and consumption to the detriment of savings and investment. Such a development pattern was not viable because its foundation was not the real economy (i.e.: production-based value creation) but consumption based on loans and, since 2002 when Greece joined the Euro-zone, artificially 'cheap money'. Another feature of this unsuccessful development paradigm was the comparison of Greece with the rest of Western European economies regarding the Agricultural Sector (henceforth Ag Sector). In developed countries the Ag Sector participates very little in the total GDP and its share to GDP constantly decreases. Consequently, the constant and sharp decrease of the Greek Ag Sector GDP share was mistakenly considered a success and a sign of maturity of the Greek economy. However, as we explain later, such transitional change is not absolutely accurate.

There is a widespread concern that the Ag Sector will suffer after 2014 because of the reform of the Common Agricultural Policy (CAP). However, the literature offers success stories from countries that not only overcame crises similar to the Greek one but also did not receive any CAP support. Such a success story is the case of New Zealand (NZ). NZ shares many similarities with Greece beyond mere

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geomorphological characteristics and climatic conditions. It also has economic and structural similarities and, most importantly, the country also went though a severe debt crisis, which successfully managed to overcome, and is now considered a powerful player in the international agri-food market.

In this chapter we attempt to demonstrate the growth potential of the Greek agri-food sector in light of the new CAP reform and by taking into account the special circumstances of the current economic crisis. The continuous increase of agri-food exports along with their increasing share in total exports shows that the primary sector of the Greek economy should not be underestimated. In this respect, the case of NZ is thoroughly presented and analyzed. Useful and fruitful discussion could be sparked from this paradigm regarding how a crisis can be seen as an opportunity rather than merely as a threat. The NZ case offers many fruitful ideas and best practices that, if adapted to the Greek environment, it can help the country not only to confront the crisis but also create a robust growth pattern. A growth pattern based on production and exports and beyond loan-based consumption.

The remainder of the chapter is divided into three sections. The following section includes a presentation and analysis of the NZ case. The next section analyses the similarities and differences between Greece and NZ and briefly outlines the potential of the Greek agri-food sector. Finally, lessons from the NZ experience are drawn, lessons that could prove to be useful for the redefinition of the Greek economy.

2 The Case of New Zealand

2.1 The Crisis (1984–1995)

NZ has traditionally been an agriculture-oriented economy much like Greece. Similarly to Greece's current situation, NZ's economy was insulated until 1984 when the domestic debt crisis erupted. Extensive subsidies to farmers and exporters, comprehensive controls on the financial sector and a highly-sheltered private sector were the main characteristics of the NZ economy preceding the crisis. An effective structural reform program helped NZ not only to overcome the economic downturn but also to become a world leader in the agribusiness sector.

Since its independence in 1853, NZ had special preferential trade relations with the UK. Especially after 1945 England was importing the major part of NZ's meat and milk production. This changed after 1972 when the UK joined the European Community and access to the English market become limited (Evans 2004). From 1940 until the crisis in 1984 state control over the economy was very strong. The manufacturing sector was protected through import tariffs and quotas, while agriculture was highly supported through subsidies. By 1984 NZ's agricultural sector

was very expensive and inefficient. The level of farmers' support was 30 % of the total Ag Sector value.[1]

This protectionist and subsidy-based policy increased agricultural production, but made it less efficient. The use of resources also became less efficient. Agricultural land prices increased as well as agricultural services and other input materials. The subsidies had a serious distortive effect. Farmers were producing more subsidized goods to the detriment of country's competitiveness at the global level. The government was assuming the risk of any bad decisions regarding agriculture. This structure was shaken by the oil crisis in the 1970s which led to an even higher level of control of the economy by the state and entailed additional government expenditure for the welfare state (Evans 2004).

In 1984 the economy of NZ entered a crisis period with high deficits (9 %), increasing public debt (60 %) and high inflation (18 %) (Evans et al. 1996). Previously highly ranked among the OECD high-income countries, NZ had now fallen behind most of them (Bale and Dale 1998). Government expenditure reached 40 % of GDP while citizens received low-quality and expensive public services from poorly-managed public companies. Bureaucracy was high, public organizations and enterprises had accumulated deficits and, as Bale and Dale denote, "creative accounting[2] was used to give the appearance of good performance" (Bale and Dale 1998, p. 104). Public and private debt escalated in June 1984 to 95 % of GDP. This resulted in NZ's creditworthiness downgrade by the international agencies, which sparked an exchange crisis (Evans 2004). Similarities with the Greek debt crisis are obvious though the Greek crisis is more severe due to deeper structural pathogenies.

The unfoldment of the crisis as well as the reform period lasted for more than a decade, namely during the 1984–1995 period. NZ's Ag Sector changed from a protected high-income (due to subsidies) and low-risk environment, to an unprotected, fully liberalized one, open to international competition where the risk is borne by the agribusiness sector (Evans 2004). Such 'shock' of direct and drastic reforms, which has been recorded by the OECD as a unique example of market liberalization of such extent, laid the foundations for a strong, productive, competitive and independent (from governmental support) agriculture sector which has since been a dominant player in the international market (Evans 2004).

Nowadays, NZ has the lowest rate of farmer support among the OECD countries, i.e. 1 % of the total value of agriculture production while the OECD average is 18 %. Norway has the highest support (61 %), the EU-27 20 % and the US 7 %

[1] It is worth mentioning that Mpourdaras (2005) in his thorough empirical study estimates the level of farmer's support in Greece for the period 1989–1997. His conclusion is that the support is 40.2 % of the total Ag Sector value or 51.2 % of the total Ag Sector's value added.

[2] 'Creative accounting' is not a new concept neither a 'privilege' of the Greek government. It is true that Greece made excessive use of creative accounting and the term 'Greek Statistics' was consequently coined to describe this practice in the international terrain. Still, creative statistics has always been a common practice for anyone (individuals, organizations or governmental bodies) who has a strong incentive to conceal aspects of negative performance.

(KPMG 2012). It is considered by the OECD as the country with the least – practically zero – distortion on the international dairy market. NZ produces just 2 % of the global dairy production but makes 20 % of the global dairy exports (Karanikolas 2005). Nevertheless, this shift in NZ's paradigm did not occur mildly. It was a dramatic shift, a real shock. Farmers were suddenly exposed to international competition. The well-protected, insulated, environment of subsidies and low interest rates was abruptly removed and the exchange crisis brought high interest rates and inflation. Moreover, farmers from then on had to decide what to produce based on world prices and global demand rather than on government payments, as they had been doing until then (Evans 2004).

In this context, it is important to denote how farmers received these changes without rigid protests or major complaints. As Bale and Dale (1998) explain, reforms in NZ were widely supported. All relevant stakeholder groups including intellectuals, politicians and academics understood that the country would continue falling back in competitiveness with its development path to be undermined unless drastic reforms took place. The reforms affected all stakeholders, all interest groups. Accordingly, resistance from specific interest groups was minimal. As Evans et al. (1996) point out: "farmer special interest groups have broadly supported the reforms since their inception" (p. 1890). This was the case because, on the one hand, farmers would lose from the decrease in subsidies but, on the other hand, they would gain from the price drop of imported goods due to a decrease in import tariffs as well as from the cheaper farm land due to the sharp increase of interest rates.

The same happened with all other interest groups, who had equal treatment and none was excluded. Every potential stakeholder group in the country was convinced that the existing economic model – based on heavy governmental intervention – had driven the country into the crisis, had eventually failed and needed to change. Taxpayers were funding inefficient and opaque government enterprises, which were immune to real competition and had no incentive to offer high-quality services to the citizens (i.e.: the taxpayers). Agriculture was inefficient, the domestic industry was uncompetitive and imported goods were very expensive. It became clear and all stakeholders agreed that only a deep change would take NZ out of the crisis. Every interest group was willing to accept a short-run sacrifice for a long-term development, growth and prosperity, as long as all other interest groups were willing to do the same with transparency and accountability to be in the first line of reforms (Evans et al. 1996).

All economic and social sectors were affected. Labor became more flexible, the credit-financial system opened up, import tariffs were abolished as well as export and farmer subsidies, bureaucracy was substantially limited, greater accountability and transparency of both private and public firms was introduced and the taxation system was refined. Specifically, tax rates were reduced and the taxation system focused more on indirect rather than direct taxes; a flat sales tax was introduced and substituted the plethora of existing excise duties. The labor market liberalization in 1991 further boosted flexibility, as well as innovation dynamics, which in turn

spurred the development of the agricultural sector as farmers had access to cheaper labor (Evans 2004).

While in 1960 NZ's agri-food exports were 90 % of total exports, nowadays (see Table 2) they are just over 50 %. This was the result of the fast growth of industry and tourism. NZ effectively combined agribusiness with tourism in an environmentally benign way. When the government's protective 'cage' was lifted from farmers, they were exposed to the market forces of supply and demand and they had to respond to the incentives these forces create. Bearing the responsibility and risk of their own actions, quality of production increased and, at the same time, the use of resources/input materials became more efficient. Wasteful usage of (subsidized) fertilizers stopped, and resources were allocated to their maximum effectiveness. For instance, forestry and crop production, previously underdeveloped due to extensive support of animal production, started to increase (Bale and Dale 1998).

It is notable that NZ's forestry industry recently introduced a 10-year business plan, the vision of which is to double the income from forestry exports by 2022 to 12 billion NZ$ (KPMG 2012). Farmers in NZ are no longer exclusive producers of agricultural products but actively contribute to a plethora of other services such as environmental conservation, picturesque landscape creation, and aspects of targeted tourism. They have managed to shape, endorse and promote the image of a traditional idyllic rural way of life coupled with modern facilities, goods and services, thus, achieved to increase tourism and boost long-term rural development (Evans 2004).

The NZ experience indicates that an Ag Sector not supported by subsidies and exposed to international competition is feasible. Entrepreneurship and innovation are 'unlocked', resource allocation within the sector and between interlinked sectors of the economy can be more efficient and synergies among sectors (i.e.: between agribusiness and tourism in this case) offer new opportunities for development (Evans et al. 1996; Bale and Dale 1998; Evans 2004).

2.2 *General Characteristics Compared to the Greek Economy*

New Zealand (NZ) has an area of approximately 270,000 km^2 (that comparatively puts it between Italy and the UK in terms of geographical area) and a population of 4.4 million, which means a population density of 16.4 persons per km^2, very low compared to European standards. For example, Italy has 60 million and the UK 62 million, that is, a density of 202 and 277 persons per km^2, respectively. The area of Greece is 132,000 km^2 and the population around 11 million, that is, a density of 83 persons per km^2. NZ is mountainous, and its climate is temperate, affected by the ocean but also differentiated a lot according the altitude and the distance from the sea, much like Greece. NZ economy includes a strong agricultural sector, which has the largest share of the GDP among the developed OECD countries (Table 1).

Table 1 Agriculture sector as a percentage of GDP for 2011

NZ	US	Canada	Australia	Denmark	France	Spain	Italy	Greece
4.8	1.2	1.9	4.0	1.3	1.8	3.2	2.0	3.3

Source: CIA The World Factbook, 2012

Table 2 Comparative macroeconomic figures for the year 2010 (in $US billion)

	GDP	Ag. sector		Total exports		Agri-food exports		
	$ bil	$ bil	*% GDP*	$ bil	*% GDP*	$ bil	*% GDP*	*% Exp.*
NZ	140	6.7	*4.8*	38.5	*27.5*	20.1	*14.4*	*52.2*
GR	300	9.9	*3.3*	22.4	*7.5*	5.8	*1.9*	*25.9*

Source: NZ national accounts (2011), ELSTAT (Hellenic Statistical Authority)

It is worth noting that countries with long tradition in and export-oriented agriculture, such as the US, Denmark, France, Canada, Italy and Spain have a significantly smaller Ag Sector than NZ. The Greek Ag Sector's share of GDP has also been exhibiting a continuous decrease over the past decades. While a similar pattern occurred in other developed economies, this was a result of a faster growth of other parts of GDP, namely, the industrial and manufacturing sectors. However, in Greece this was not the case. The country never had a mature industry as other European countries have. Louri and Pepelasis-Minoglou (2001) signify the 'hesitant' industrialization in post-war Greece reflected in manufacturing industry's share of output which reached its peak (20.2 % of GDP) in the mid 1970s and followed a sliding de-industrialization path ever since. Accordingly, it was the tertiary sector which was growing fast and had an increasing GDP share. Yet, the services sector reflects primarily aspects of consumption rather than production and exports. With no mature industry and no production or exports (namely, no 'real' economy) the construction and services sector was growing fast due to economic support from the EU and artificially low interest rates which made borrowing easier and cheaper. Following this development paradigm for many decades, Greece was headed 'full-speed' towards an economic turmoil which indeed erupted in 2008.

In this context, Table 2 compares Greece with NZ with respect to GDP, share of Ag Sector on GDP, total exports and agri-food exports as a percentage of total exports and GDP in 2010. It is striking how developed the NZ agribusiness sector is. While the value of its Ag Sector was $6.7 billion, the value of agri-food exports reached $20.1 billion, three times the initial agricultural production. This shows the value-added by the agribusiness sector, that is, processing, new products manufacturing, packaging, standardization and marketing of the final product.

On the other hand, Greece's primary agricultural production was $9.9 billion in 2010. The agri-food exports were less than 60 % of that amount ($5.8 billion) which indicates the untapped potential of domestic export-oriented agribusiness development. It is remarkable that NZ's agri-food exports make 52.2 % of total exports and 14.4 % of the country's GDP. Comparatively, Greece's agri-food exports make only 25.9 % of total exports and only 1.9 % of GDP. In this respect, given the decrease of

Greek GDP due to the economic depression, it is not a surprise that agri-food exports as a percentage of GDP have increased over the last 3–4 years.[3] Nevertheless, they remain very low compared to NZ's 14.4 %. If Greece's agri-food exports were twice (not thrice as in the case of NZ) the value of Ag Sector production, agri-food export would escalate to $20 billion, a figure that reflects Greece's total value of exports.

3 Greece's Situation and Potential

3.1 Barriers to Overcome: A Weak State Apparatus

New Institutional Economics (NIE) clearly explains that for-profit entities do not operate in a vacuum (North 2005). As Williamson (2000) asserts, firms operate within an institutional environment which determines 'the rules of the game'.[4] Such institutional environment is the broader society in general and the state in particular within which a firm interacts with the aim to function efficiently. According to the NIE theory, a weak state apparatus that does not adequately protects and enforce property rights will fail to boost its economy (North 2005; Williamson 2000; Acemoglu and Robinson 2012). Moving a step forward, we argue that a weak institutional environment will not be able to instill social responsibility in its agents (citizens, for-profit entities along with other social constituents). In this context, if it is the institutional environment which is irresponsible in the first place how can we expect citizens, firms and other organizations to be responsible? If it is the state itself, through its weak institutions, which puts obstacles in the way of the efficient functioning of a firm, how can one expect the firm to be socially responsible?

Institutions are closely intertwined with the overall performance of a national economy. As already mentioned, an effective institutional environment is the prerequisite for a thriving economy and social welfare. In this respect, a number of global indices that measure and rank countries according to their institutional effectiveness are available to point out such discrepancies among national terrains. The most commonly-used, and the ones we employed in this study, are the World Bank's Ease of Doing Business (DB), the World Economic Forum's Global Competitiveness Index (GCI) and Transparency International's Corruption Perception Index (CPI) which actually mirror the social responsibility of the state.

The DB index includes ten sub-indices many of which directly measure institutional effectiveness and the overall robustness of the state apparatus.

[3] For more information on how agri-food exports have evolved during the last few years see Chymis (2013). Despite the late increase of the share of total exports on GDP and, specifically, agri-food exports' share on GDP and total exports, there is much untapped potential for the Greek economy in general, and for the agri-food sector in particular, to further boost exports.

[4] For a comprehensive review of the New Institutional Economics literature see Furubotn and Richter (2005).

Table 3 Greece's ranking in international indices

Country/year	2007	2008	2009	2010	2011	2012
Ease of doing business index ranking						
DB Greece	109	100	106	100	97	101
OECD high-income countries average		22	27	30	30	30
Global competitiveness index						
GCI Greece	65	67	71	83	90	96
Greek institutions	49	58	70	84	96	111
Corruption perception index						
CPI Greece ranking	56	57	71	78	80	94

Source: World Bank Group (2012), World Economic Forum (WEF) (2012) and Transparency International (2012)

The sub-indices pertain to the following topics: starting a business, dealing with construction permits, getting electricity, registering the property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. In the OECD 'ease of doing business' rankings for 2011–2012 Greece ranks 101st among 185 countries down from 97th in 2010–2011 and this reveals the major reforms needed to reach the average rank (29th) of the OECD high-income group. Table 3 compares Greece's Ease of Doing Business Index ranking with the average ranking of the other OECD high-income countries.

Moreover, Table 3 also illustrates Greece's rankings in the general Global Competitiveness Index (GCI) and its 'institutions' sub-index. This offers an idea of how the Greek economy (including, and mostly, composed by Greek business entities) performs with respect to essential features of competitiveness. Since the outbreak of the national crisis, the country demonstrates sliding competencies as well as weak institutions that would otherwise avert such negative trend. The number of countries included each year in the GCI steadily increases and reached 144 in 2012, up from 104 in 2004. However, even when controlling for the increase in the number of countries included in the index the situation in Greece is steadily worsening. In order to put these figures into perspective, it is useful to keep in mind that Greece is ranked - income-wise per capita - 23rd among the OECD's high-income countries from a total of 185 countries of the OECD list.[5] Nevertheless with respect to most other indices, Greece falls far behind all its OECD high-income peer countries. More importantly, the view presented by the GCI's 'institutions' sub-index for Greece is deteriorating faster than the overall GCI country ranking which is indicative of the weak state apparatus, and, consequently, of the increasingly irresponsible institutional environment Greek firms face.

[5] The OECD lists 185 countries (as of 2012) and categorizes them in seven large groups with respect to income and region. These are: East Asia and the Pacific, Eastern Europe and Central Asia, OECD high-income, Latin America and the Caribbean, Middle East and North Africa, South Asia and, Sub-Saharan Africa. The OECD high-income category (31 countries) contains most of the richest countries in the world.

Moreover, the CPI measures the perceived levels of public sector corruption in almost 180 countries worldwide. As the Transparency International 2012 report states: "two-thirds of the 176 countries ranked in the 2012 index score below 50, showing that public institutions need to be more transparent, and powerful officials more accountable" (Transparency International 2012, p. 2). In the past 6 years Greece dropped from 56th to 94th which clearly illustrates that corruption is a deeply-rooted pathogeny of the Greek state.

All three international rankings point in the same direction and are interrelated. A well-developed country with a strong state apparatus and an effective institutional environment will most likely be ranked highly in all three indices. This means the country in question will be highly competitive, with low corruption and an efficient economy. In contrast, Greece, a country with a weak state apparatus and an inefficient and ineffective institutional environment, is ranked low in all three indices.

3.2 Greece vis-à-vis New Zealand

Beyond their similarities, the two countries presented in this chapter have important differences. Regarding the economic crisis, Greece is already in the sixth consecutive year of depression, an unprecedented record in modern economic history. The Greek crisis is indeed deeper than the NZ one. Public debt has escalated to 150 % of GDP and unemployment is over 27 %. In addition to these differences regarding the severity of the crisis, there are also some other important aspects in which the two countries differ, such as EU membership and the monetary union. NZ had the luxury of an independent monetary policy which Greece lacks.

On the other hand, the global credit-financial system is fundamentally different today than it was 25 years ago when the NZ crisis erupted, and therefore, Greece has an underlying 'benefit' of record high financial assistance from the European Commission, the European Central Bank and the International Monetary Fund, the so-called Troika. Moreover, Greece has the support of the National Strategic Reference Framework (NSRF) and the Common Agricultural Policy (CAP), tools which NZ did not and does not have. Consequently, NZ's Ag Sector went through an unprecedented shock that Greece does not have to go through thanks to the aforementioned support mechanisms. Moreover, the upcoming, reformed, CAP will emphasize on entrepreneurship and innovation, both of which the Greek Ag Sector needs.

Despite these obvious differences, the root causes of both countries' crises are common and pertain to an expanded, deficient, indebted, non-transparent and dysfunctional public sector. An inflexible labor market, distortive subsidies towards special interest groups to the detriment of the whole economy, high taxation, high bureaucracy costs and a bulk of administrative procedures of every kind create a hostile business environment for any prospective investor, either domestic or foreign. Examining any global index devised by international organizations such

as the World Bank, the World Economic Forum, Transparency International, etc. one can identify that Greece lags far behind all OECD high income countries regarding competitiveness, institutional effectiveness, transparency, protection of property rights and the overall 'attractiveness' of the domestic business environment.[6]

One may argue that NZ managed to develop the Ag Sector and successfully exit the crisis thanks to its agricultural land which, combined with its low population density, allowed the country to exploit much larger agricultural area than Greece. Indeed, NZ's size is twice that of Greece and its population less than half the Greek population. However, such an argument loses validity when we consider that Holland and Belgium, two European countries with much more developed and export-oriented agribusiness sectors than Greece, are just 25–30 % the size of Greece and with population density approximately four times higher.

It is indicative of the high potential of the Greek agribusiness sector, the fact that in 2009, the first year of significant decrease of external trade, total exports decreased by 17.1 % while agri-food exports remained stable (−0.31 %). Agri-food exports increased by 10.2 % in 2010, 2.2 % in 2011 and 16.4 % in 2012 (Chymis 2013). Despite these positive recent developments during the crisis, the Greek agri-food sector's potential is still mostly untapped if we compare it to NZ's performance on agri-food exports and given the primary production of agricultural business activities (see Table 2 above). Suffering from low extroversion, the Greek economy achieved in 2010 a mere 7.5 % of total exports over GDP[7] while for Spain and Portugal (two countries of similar socioeconomic conditions) this figure was 20 %, for Denmark 32 %, Ireland 56.6 % and, as we noted earlier, for NZ 27.6 %. The Greek economy is still a relatively 'introverted' economy which does not exploit its competitive advantages. A major reason for this is the previously indicated hostile business environment, government distortive intervention and subsidy policies that do not favor innovation and entrepreneurship.

This is in sharp contradiction with the country's natural wealth. It is not only the sun and temperate climate that can be attractive for tourists and potential investors. Apart from its rich subsoil,[8] Greece's soil is also very fertile thanks to extensive presence of limestone, in contrast to most of Europe's acidic soils. Greece's mountainous nature offers a huge diversity of local climates and precipitation varies from 300 mm in the Saronic Gulf area and the Cyclades Islands (areas with the most

[6] See Skouloudis et al. (forthcoming).

[7] According to the Hellenic Statistical Authority (ELSTAT), in 2012, and following a revision of previous years' data, exports have reached 14 % of GDP.

[8] According to recent data from ELSTAT, Greece has a significant amount of Bauxite (two million tons/year, Europe's first and world's 12th producer), Bentonite (one million tons –crude and processed, 9 % of world production), Gypsum (800,000 t), Kaolin (20,000 t), Lignite (65 million tons, Europe's 2nd and world's 6th producer), Marble (250,000 m^3), Perlite (850,000 t, world's first producer), Pozzuolana (Theraic earth – 1.5 million tons), Pumice stone (1.3 million tons, world's third producer), as well as sea salt (200,000 t), not to mention gold reserves that are estimated at $25 billion and hydrocarbons (gas and oil) that are under exploration.

sunshine in Europe), to 500–800 mm in most of the country, to 1,000 mm in more mountainous and western areas, to 2,000 mm in higher altitudes which makes ideal conditions for high quality pastures. Average precipitation is around 650 mm – comparable to places famous for their humidity and rainfall such as the Netherlands and Belgium (800 mm on average).[9]

The Greek coastline is second in length in Europe behind Norway. It is almost 15,000 km (very close to NZ's) and the great number of protected gulfs creates ideal conditions for aquaculture development as well as salt production. Italy for example, with half the coastline produces 12 times more salt than Greece. Turkey, also with half the coastline has almost similar aquaculture production with Greece. This is only a small but illustrative example of Greece's untapped potential.

The botanical wealth of the country has also not been given the attention it deserves. Crete alone (with an area of 8,300 km^2) has the same number of herb species with the UK (area 244,000 km^2). Likewise, 80 % of the Balkan and 50 % of European biodiversity can be found in Greece.[10] Many herbs are collected and exported as raw materials only to be imported as processed (i.e.: value-added) products at a much higher price. Likewise, another relatively underestimated product is wood and forestry products. Greece is 27.5 % forested,[11] similar to NZ (30 %) and much more than many other European countries. During the last decades, forests are actually slowly expanding and regaining abandoned pastures (Eurostat 2011). Still, timber industry is in decline but could be redefined – in a manner similar to NZ's 10-year forestry business plan – with the establishment of sector-specific goals.

In contrast to Greece, NZ had a well-developed livestock sector. Government support focused on livestock thus leaving crop and forestry activities relatively underdeveloped. The elimination of subsidies offered the opportunity to farmers to cover market demand for crop products such as kiwis. In Greece the problem is quite the opposite. CAP was mostly supporting crops to the detriment of livestock, and especially cattle. The CAP cattle milk production quota was the final blow for milk and meat-producing cattle. Livestock development is crucial for Greece because dairy and meat imports account for more than 30 % of total agri-food imports. Last year, 2012, the agri-food trade deficit was €1 billion while dairy and meat imports alone were €2 billion. If dairy and meat producing livestock (especially cattle and pork) develops in such a way that imports are partly substituted by domestic production, the whole deficit of the agri-food trade would likely disappear.

The new reformed CAP is not hostile to livestock development. For instance, the milk quotas which were very restrictive for Greek cattle farming are expected to be abolished by 2015. In Greece there are local breeds of unexploited and even sometimes unexplored potential such as the water buffalo in northern Greece, an

[9] http://www.climatedata.eu/continent.php?cid=150&lang=en

[10] http://www.e-geoponoi.gr/2010-03-20-19-19-06/2012-01-15-07-26-07/8176–a-.html (in Greek).

[11] Up from 25.4 % in the year 2000.

animal that produces low fat and high protein dairy.[12] The NZ experience shows that livestock and forestry can coexist; farmers in NZ combined livestock production with forestry development which resulted in natural beauty enhancement which in turn boosted the touristic industry development.

Moreover, the declining trend of CAP support (beginning a few years ago) on cotton and tobacco, two of the primary export-oriented Greek products, alarmed experts and farmers regarding the future of these production activities. Despite an initial decline of the cultivated area and the production in 2012 there was an impressive increase of mainly cotton and, to a lesser extent, tobacco exports. From the example of NZ, we learn that a decrease in support is not necessarily bad. In contrast, it can contribute to better resource allocation. According to Dr. Daraouse,[13] (researcher at the National Agricultural Research Foundation) and an expert on cotton production, Greece has some of the best cotton varieties in the world regarding yield and fiber quality. Due to a not-so-well designed CAP subsidy system and the lack of organization of producers and ginners, production quantity increased to the detriment of quality and export value. An official certification mechanism is lacking but is necessary in order to export to high-value markets such as the US where there is high demand for high-quality cotton. An improved reorganization of the supply chain from the producer to the ginner to the certifier to the exporter is a must in order for Greece to capture high-value markets.[14]

The most important handicap of the Greek economy in general and the agribusiness sector in particular is the lack of efficiency and coordination. Based on the NZ example we see that this is partly due to a system of widespread government intervention, which minimizes risk-taking incentives and entrepreneurship as well as innovation while drives for-profit entities to be inert and to rely on governmental support. Once this changed in NZ and the government stepped out of its citizens' economic life, they assumed the risk necessary to organize themselves, to effectively uptake the role of entrepreneurs – being innovative and, most importantly, responsive to market signals.

Market co-ordination, redefinition of the supply chain and collective action (farmer's co-operatives) in Greece suffer from heavy government intervention that distorts any market-driven incentive to develop and create value.[15] As Iliopoulos and Valentinov (2012) argue, continuous direct government intervention has impeded agricultural co-operatives from achieving their initial goals and purposes. In contrast,

[12] http://www.greekwaterbuffalo.gr/vouvali/galaktoparagwgh.html (in Greek).

[13] Personal correspondence June, 2013.

[14] For more details regarding Greek Ag Sector potential, we refer the reader to past issues of *Greek Economic Outlook* (e.g.: Chymis, issue 18, pp. 53–56 and Chymis and Konstantakopoulou, issue 19, 2012, pp. 63–75) available on-line at http://www.kepe.gr/EN_Pages/outlook_en.htm.

[15] For a detailed elaboration on the farmer's cooperatives weaknesses in Greece see Iliopoulos and Valentinov (2012).

NZ has a well developed co-operative logic which enables the Ag Sector to achieve high levels of market organization and coordination (Iliopoulos et al. 2012).

In this respect, the following example neatly illustrates the degree of the NZ farmers' organization and collective action. Fonterra is a co-operative dairy company owned by its member-farmers. It belongs to its 11,000 dairy farmers (the majority of NZ's dairy farmers). Fonterra's turnover is more than 10 % of NZ's GDP! In absolute values, this means US$15.7 billion, ranking fourth behind global giants such as Nestlé (US$25.9 billion), Danone ($19.5 billion) and Lactalis ($18.8 billion).[16] For illustrative reasons only, we make the following analogy: if the Greek olive oil sector[17] organized all the supply chain, much like NZ's dairy sector did, namely, from the raw olive oil farm gate production to the final product at the retailer's shelf as food, medicine, cosmetics or all the other innovative (market-driven) business ideas may create and address to millions of consumers worldwide (like Fonterra does), the initial field value of around €800 million could reach billions[18] as a retail final high-quality differentiated product.

Concluding Remarks: Lessons to be Drawn for Greece

The Greek economic downturn reveals the inefficiency and weaknesses of the domestic production system to maintain steady state growth path. Moreover, the Greek economy in general and Greek firms in particular are facing a major deficit compared to their foreign peers: a perceived lack of trustworthiness.

Consecutive political scandals and rampant corruption have aggravated a climate of declining trustworthiness in the Greek state's apparatus ability to act in a timely and adequate manner. The current situation increases opportunistic behavior and potential non-compliance, perpetuates a climate of suspicion and hampers performance. Therefore, since trustworthiness occupies a key role in shaping development trajectories, the domestic state apparatus needs to redefine its mission and actively restore integrity in the domestic and international socioeconomic terrains with the objective of economic restructuring.

In order to regain its trustworthiness the state apparatus needs to develop, implement and institutionalize new sets of performance-related features and appraisal mechanisms build on the triptych of transparency-productivity-responsiveness and adopt new management techniques, uninhibited from

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[16] http://www.fonterra.com/global/en/Financial/Fonterras+Place

[17] Although a large part of olive oil is domestically consumed (57 %), the quantity exported receives very low (if any) processing and is exported in bulk mainly to Italy, thus missing the value added of the processing industry.

[18] Specifically, in 2012 the export value was around €375 million out of the €800 million total farm gate production value. This export value can be at least tripled if the olive oil sector follows a similar to Fonterra paradigm, without any increase in quantity exported.

bureaucratic complexity, political clientism, corruption, weak policy implementation and operational inefficiencies (Dunshire 1995; Gruening 2001; Osborne and Gaebler 1992; Aucoin 1990; Dunleavy and Hood 1994; Kettl 2000; Pollitt 1990; Rhodes 1987; Stoker 1996; Talbot 2001). This involves an emphasis on trust-building managerialism and efficiency-driven operations, inter alia flexicurity, downsizing and decentralization of slack bureaucratic forms to more adaptable ones, inexorably intertwined with an overall focus on the quality of public services. The latter can be pursued through the modernization of the public sector's 'back-office' processes (including data gathering and monitoring for performance appraisal), the technological advancement of administrative processes and the mobilization of human resources to willing actors in the process of change by endorsing creative thinking, higher levels of employee participation/commitment as well as through new knowledge-skills acquisition (e.g.: IT skills). The adaptation to comprehensive e-government structures to achieve improved administration and management and to overcome current pathogenies of the Greek state should be desirable developments of existing foundational governance tools and capabilities. Still, the quality of public administration (and, hence, the performance of the state apparatus) can be improved primarily by applying interdisciplinarity rather than a mere technocratic problem-solution mindset together with a strong attachment to a citizen/customer-focused orientation (i.e.: refining the 'front office' of the state apparatus), an essential aspect that demonstrates the public sector responsibilities towards its essential stakeholders – with the business community being one of the primary ones (Graham 1995; Pollitt and Bouckaert 2000; Wollmann 2003).

There can be little trustworthiness in a domestic state apparatus devoid of new mechanisms for both monitoring and assuring the quality and efficiency of the various governmental agencies' functions (the 'micro-performance' which affects the domestic private sector among other social constituents) and the trust-based amelioration of the general economic climate (the 'macro-performance'). This involves the cultivation of an 'entrepreneurial' mentality at all levels of public organizations, identification of public management knowledge gaps and mobilization of resources towards the proliferation of the overall governmental integrity (Osborne and Plastrik 1997).

Indeed, the domestic fiscal crisis offers the domestic governmental policy-makers an opportunity to explore additional avenues of interaction and collaboration with the private sector in order to shape collective actions that will both meet social demands (e.g.: for funding and social investment needs) and solidify the economic and legal responsibility of the business sector. The Greek state should incorporate into its repertoire of tools used for governance new ways (i.e. enabling conditions) to involve the domestic agri-food sector as an active participant in the rectification of the economy.

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New Zealand shares certain similarities with the Greek case not only with respect to agriculture's significance to the national economy but also with respect to the economic crisis and the necessary reforms it undertook during the period 1984–1995. It was the reforms that reshaped the structure of the NZ socioeconomic environment and helped NZ exit the crisis and become one of the most successfully developed OECD economies, ranking high in almost all global indices measuring socioeconomic prosperity. It is true that 25 years ago the global economic conditions were much different than today. Still, the main structural problems of the Greek economy resemble the structural problems of NZ's economy at that time: high deficits; increasing public debt; highly ineffective government spending; deficient public enterprises; low quality, inefficient and poorly managed public services; high bureaucracy; and lack of transparency.

Undoubtedly, the Greek crisis is deeper with higher debt and unemployment rates. However, Greece has some important tools available that NZ did not have, such as the ability of financial support by the EU, ECB and the IMF. Moreover, CAP and NSRF are a 'luxury' NZ did not and does not have. NZ's Ag Sector had a really abrupt adaptation to new economic conditions. Many farmers sold part of their farms and other went bankrupt. But the sector survived and flourished. If Greece was left to go through the crisis as NZ did, the reform period would be much harder than it is now. Of course, a counter argument could be that a harder reform period could have more direct and quicker results. However, this argument goes beyond the scope of this study and it can be the subject of future in-depth examination.

The most important lesson Greece can draw from the NZ experience is that all stakeholders and all social constituents approved and endorsed the reforms. Everybody agreed that in order for the economy to get back on track each special interest group had to sacrifice something. Given that the reforms touched upon all stakeholders, resistance to change was significantly minimized (Evans 2004) and this is a key parameter for the success of any reform program. Trust among all stakeholders and lobbies, is the major component of a successful recovery and, in this context, NZ farmers agreed to suffer the elimination of government protectionism as long as the government would eliminate protectionism from other industries, too.

Import tariffs were lifted and farmers had access to cheaper input goods. Labor became flexible by opening up closed professions, so farmers had access to cheaper labor. Public enterprises and services had to become transparent, accountable and subject to evaluation. This significantly reduced the cost and increased the quality of public goods and services making all citizens better off. Taxation decreased and taxpayers' money was then used in a transparent and accountable manner, increasing the public sector's efficiency. Trade was liberalized giving the opportunity to citizens to have access

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to cheaper goods and services of higher quality and at the same time exposing domestic agriculture and industry to the international market signals so that entrepreneurship, innovation and risk-taking shaped the NZ economy to be internationally competitive. In short, nobody had special treatment and reforms touched all aspects of socioeconomic life.

More specifically, regarding the Ag Sector, lessons from NZ can be very useful. Although government support and protectionism was abruptly lifted from the NZ Ag Sector, not only did it not collapse but it became one of the most competitive internationally. As mentioned above, Greece has additional tools that in the case of NZ were not available, such as the CAP and NSRF schemes. The new reformed CAP (i) puts a ceiling on the support of large-farms (except farm co-operatives which distribute the support to their members), (ii) increases funding for new young farmers and, (iii) links 30 % of direct payments to environmental goals such as traditional varieties cultivation, pasture maintenance and wildlife ecological refuge creation.[19] If effectively utilized, CAP can offer unique opportunities for the development of the Greek Ag sector. In this regard, CAP should be used complementarily to international market forces and not in distortion of the market, as it was the case so far.

In NZ, farmers understood that they do not merely produce agricultural products, but they are producers of an array of interlinked goods and services such as recreation, tourism, landscape restoration and environmental conservation. In this way farmers responded to the increasing domestic and world demand for a multifunctional role of agriculture. Likewise, Greece has a strong potential in combining agriculture with alternative forms of tourism due to natural and historical endowments. It has the potential to offer a unique combination of natural beauty, pleasant weather, folklore and history, on one hand, with agri-food products of high nutritional, historical and mythological value.

Another important lesson from NZ is market and food production chain from the field to the final consumer. Background literature and practice suggests that an organized group of people can do much more than the sum of each one individually. Bargaining power is greater for farmer co-operatives than individual farmers. The example of Fonterra described earlier is eloquent. A single co-operative produces 10 % of NZ GDP. This is clear evidence of the potential of collective action if left free from any distortive governmental intervention. Organization at the level of farmers is needed in order to increase their bargaining power with respect to wholesalers. Organization and coordination is also needed at a second level, that of processing. Fonterra in NZ is not only a farmers' co-operative. It is a vertically integrated company that gets the raw milk from farmers, takes it though the whole processing procedure where a

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[19] http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf

spectrum of many different products is produced, and ships them all around the world. The initial value (farm gate value) of raw milk is around US$5.5 billion and added-value of processing brings the final product value (Fonterra's turnover) at $15.7 billion, almost three times more. This explains how NZ produces agricultural products of $6.7 billion farm gate value and exports $20.1 billion agribusiness final products – again, almost three times more than the initial farm gate value. If Greece organizes the processing and marketing of the agricultural production chain in such a way that would bolster the added-value of final products not threefold like NZ but, say, one and a half times, then the value of exports would increase by €7 billion without any increase of primary agricultural production. Considering that currently (as of 2013) agri-food export value reaches €5.4 billion, such high growth potential becomes more apparent.

Finally, Greece, despite the magnitude and depth of the crisis, has today greater flexibility more financial tools and leeway than NZ had 25 years ago to fight the crisis. NZ's successful example, in addition to the specific policy suggestions and solutions it can offer to Greece, indicates something equally important: Optimism. If NZ managed to overcome the economic crisis, revitalize the Ag Sector and make it one of the most competitive in the world without any external support, then, what one should expect from Greece, if the country uses investment funding prudently?

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