Poland's defense spending—the largest in NATO relative to GDP—is critical.

Europe needs deregulation and economies of scale first and foremost. The single market has been a success—as evidenced by Poland's impressive export performance—but remains incomplete. The EU's biggest barriers are imposed by the EU itself. According to IMF estimates, nontariff barriers within the single market are equivalent to a 44 percent tariff on industrial goods and a staggering 110 percent on services. Without a real single market, European companies cannot scale up, and homegrown innovations remain confined within national borders. This potential must be tapped.

Furthermore, a properly executed energy transition is essential. Decarbonization is and will remain a priority. However, it is critical to address the disparity in energy prices versus the US and China. European industry faces electricity and gas prices up to three times higher than those of our main trading partners. The energy transition is both an environmental necessity and an economic opportunity, considering both the indirect benefits of reduced pollution and the competitive advantage from the clean-industry value chain.

Above all, Europe is regaining confidence in the European project. European integration in the era of Adenauer, Schuman, and De Gasperi was a world-changing endeavor. It marked an epochal shift, made possible by visionary leaders who transcended the constraints of their times and short-term interests. Yet lately hesitation and fragmentation have slowed integration efforts. Parochial interests still stall some initiatives to deepen integration. Research on cutting-edge technologies on the scale of those of the National Aeronautics and Space Administration and the Defense Advanced Research Projects Agency in the US is hampered by concerns about joint funding. Regulatory inconsistencies between countries continue to pose challenges for the private sector.

The tide is turning, however. Following its geopolitical awakening, Europe recognizes the need for a new wave of economic integration, and with it, smart regulation and simplified laws to reignite the spirit of prosperity that has always defined the European way of life. I am optimistic. A competitive and secure EU is not just possible, it's within reach. And the way my fellow Poles adapted to geopolitical changes 35 years ago should inspire us all. Major positive change is possible even during times of global turbulence. EU governments are preparing Europe's economic revival. F&D

ANDRZEJ DOMAŃSKI *is finance minister of Poland.*

NATIONAL PERSPECTIVE: GREECE

REMARKABLE RECOVERY

Konstantinos Hatzidakis

Once regarded as Europe's economic Achilles' heel, Greece is now emerging as an unlikely success story. This remarkable turnaround is underpinned by positive growth rates outpacing the European Union average, a significant rebound in investment, historically high exports, and a decline in unemployment to levels unseen in over a decade. Fiscal policy remains consistent, delivering increasing primary surpluses, and public debt has decreased almost 55 percentage points of GDP, one of the steepest declines Europe has ever seen.

Strong reforms have turned Greece into one of Europe's fastest-growing economies

Beyond fiscal and macroeconomic indicators, the transformation also carries a qualitative dimension: a business climate increasingly favorable to investors, improved financing conditions, a state that is proving more adept at economic management, and, of course, the restoration of Greece's investment credit rating.

This strong economic performance did not occur in a vacuum. It is the result of implementing the right policy mix: a prudent fiscal policy to restore market confidence, a sustained effort to heal our banking system, and the completion of growth-enhancing structural reforms.

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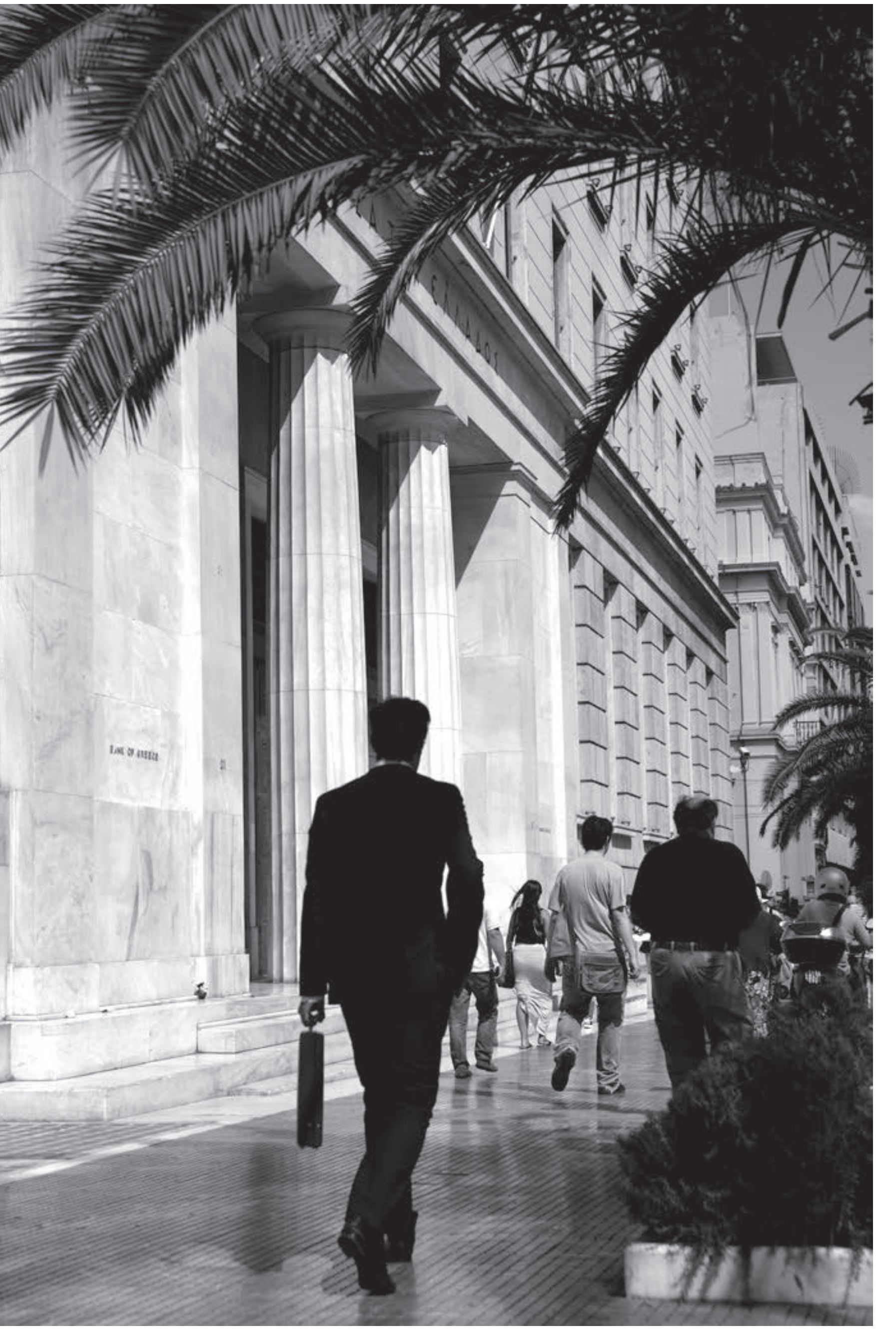

Pedestrians pass the headquarters of the Bank of Greece in Athens.

Competitive frameworks

On the fiscal front, we have improved our performance consistently since the pandemic, with the primary surplus reaching 4.8 percent of GDP in 2024, leading to an overall budget surplus of 1.3 percent in that year. Crucially, this was not achieved through draconian austerity, but through economic growth and, most important, a determined effort to tackle tax evasion, which we estimate increased revenues by almost 3 percent last year.

Turning to the banking sector, we have successfully cleaned up balance sheets and curbed nonperforming loans. This major milestone has enabled Greek lenders to fully regain their essential role in financing the real economy. At the same time, deposits have increased steadily, and strong profitability has further strengthened capital adequacy ratios. The successful sale by the Hellenic Financial Stability Fund of its holdings in local banks, which attracted significant interest from reputable long-term foreign investors, is a tangible vote of confidence in the Greek banking system.

With regard to structural reforms, we have reduced taxes and social security contributions, thus easing the burden on businesses and consumers alike. We cut red tape by simplifying licensing procedures and modernized labor legislation, aligning it with the evolving needs of businesses and employees. We established one of the most competitive incentive frameworks for research and innovation—including amortizations of up to 315 percent for R&D expenses. Privatizations have proceeded at record pace, generating public revenue and, most important, unlocking new opportunities for investment and job creation.

We introduced a state-of-the-art insolvency framework—classified by the Organisation for Economic Co-operation and Development as meeting best international practice—which is helping to rid the private sector of problem debt, as evidenced by a decline in the stock of private debt in absolute terms and relative to GDP. The restructuring of the GrowthFund, which manages public assets, represents another step toward more efficient resource use. Reforms have taken place across the board, including in digitalization, justice, education, upskilling and reskilling, the pension system, and transparency standards.

Of course, we still have a way to go. We do not downplay the challenges. Greece's debt-to-GDP ratio remains high, albeit with a favorable structure and interest rate provisions, mitigating risks. Inflation, while declining, remains sticky, particularly in the services sector. Investment is improving, but still lags the EU average, underscoring the need for further capital mobilization. Productivity, though rising, remains below the EU average. The same holds true for labor market participation, particularly among women. And of course, we must strengthen the resilience and adaptability of our economy against external challenges, including the green and digital transitions and increasing global economic fragmentation.

Future agenda

Our aim is to ensure that the hard-earned progress of recent years is not compromised. This is why we remain firmly committed to fiscal prudence. Over the next few years, we anticipate maintaining pri-

“We have cleaned up bank balance sheets and curbed nonperforming loans. This major milestone has enabled lenders to regain their essential role in financing the real economy.”

mary surpluses close to 2.5 percent of GDP, and the debt-to-GDP ratio is projected to decline by an additional 20 percentage points by 2028. Are these forecasts overly optimistic? If past performance is any indication, quite the contrary.

In recent years, Greece’s economy has consistently outperformed expectations, often by a significant margin. Furthermore, these projections do not yet factor in the strategic use of our substantial cash buffers for early debt repayments—a key pillar of our highly effective debt management strategy.

Strengthening tax compliance will remain a priority. To the extent that fiscal space becomes available through higher public revenues, the government aims to implement growth-friendly tax reductions for labor and businesses, boosting disposable incomes and enhancing competitiveness.

We are also determined to step up our efforts to transform the Greek economy into a model of fast, sustainable, and inclusive growth. To achieve this, we will continue transformational reforms focusing on the real side of the economy, including simplifying business regulation and improving the state’s administrative capacity. We intend to remove remaining market entry barriers, particularly in the services sector, to foster competition, improve efficiency, and enhance business dynamism.

Delivery of justice

Another priority is to enhance legal certainty for investors. Speeding up the delivery of justice is key, and we have major initiatives underway, including comprehensive legal reforms and expanding the use of advanced technologies. The full implementation of the National Cadastre and the completion of local and regional urban plans, which will clearly and transparently delineate land uses, will also foster a more predictable and efficient investment environment.

We will continue strengthening competition in the banking system to ensure that businesses and consumers benefit from better financial services, lower costs, and increased access to credit. But equally important is the expansion of financing options beyond traditional bank lending—particularly for innovative small and medium enterprises. That is why we are implementing a comprehensive strategy to strengthen the Greek capital market and foster venture capital and private equity activity. Optimizing the use of EU funds will also be the key to unlocking new investment.

Last but not least, we remain committed to strengthening both our physical infrastructure and human capital. Planned investments in renewable energy and electricity grids will help reduce energy costs, allowing businesses to operate more competitively. At the same time, upskilling initiatives will ensure that the workforce is equipped for the demands of a rapidly evolving economy.

Greece has staged a remarkable economic recovery over the past five years. The potential for further improvement is still substantial. Given the economy’s present state and its strong momentum, we expect growth to continue outperforming the European average for the foreseeable future. At the same time, Greece enjoys access to the large, high-income European single market, as well as low economic and institutional uncertainty. This advantage is compounded by the country’s strong political stability and its clear geopolitical orientation.

This set of attributes, combined with our commitment to an ambitious reform agenda, makes Greece an increasingly attractive option for investment that will benefit our citizens’ living standards and welfare. F&D

KONSTANTINOS HATZIDAKIS *is vice president of the government of Greece and a former minister of economy and finance.*