



Universidad de Buenos Aires
Facultad de Derecho

Exercise N°		Professor's Name	Mark
Part I	1. Reading Comp.	.....	.../20
	2. Paraphrasing	.....	.../30
	Total Part I (Min. 26)		.../50
Part II	3. Essay	.....	.../50
	Re correction	.....	.../50
	Essay Final Mark	.....	.../50
	(do NOT fill in)	Total Part II (Min.26)	.../50

CARRERA DE TRADUCTOR PÚBLICO - ENTRANCE EXAMINATION - NOVIEMBRE 2018

NOMBRE y APELLIDO:

Nº de ORDEN: (NO es el DNI) **PAPER 2**

Privatization in Greece

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(Paragraphs are numbered to facilitate correction)

1-The latest study from the Transnational Institute (TNI) on the effects of the ‘privatizing industry’ in Europe concludes that ‘there is no evidence that the privatized companies are more efficient’. Instead, privatization has undermined wage structures, made working conditions worse and increased income inequality.

2-Greece is a textbook case. During the debt crisis the country’s creditors forced it to sell or lease as many public and semi-public companies as possible, with the sole aim of paying off the government debt. This selling off of public assets is the most absurd part of the ‘rescue programme’ imposed by the troika that has kept the Greek economy in recession for seven years. Forcing a bankrupt state to privatize public companies in the midst of a crisis always means selling them at discount prices, say the authors of the TNI study. Even the ‘family silver’ can’t be sold off at a fair price during a deep recession; selling it is an act of embezzlement.

3- That is true regardless of the social pros and cons of having a public sector. Some state enterprises that provide essential services such as power or transport links have a secondary *raison d’être*: to provide well-paid, secure and often easy jobs for the supporters of the government of the day, at the expense of the customer and the taxpayer.

4- This explains why the sale of public service providers was not at all unpopular with many Greeks. A large majority of them were in favor of the earlier part-privatization of the telephone company OTE (now Cosmote) and flag carrier Olympic Airlines, and believe they now function better and are more customer-friendly. As late as April 2011 more than 70% of Greeks thought privatization was ‘generally necessary’.

5- When evaluating a privatization plan there are three key questions to address. Are the proceeds from the sale or lease of a company proportionate to the income that will no longer go to the public purse? Does the privatization place an obligation on the purchaser to make new investments? What influence will the state retain over decisions of strategic national importance? These questions are particularly important for the two biggest privatization

projects in Greece: the sale of 67% of the shares in the Piraeus port authority, OLP, to the Chinese state-run Chinese Ocean Shipping Company (Cosco), and the lease of the operating rights to 14 airports to a consortium led by the German company Fraport.

6- A salient feature of Cosco's purchase of a majority holding in OLP can be seen in almost all of Greece's privatization tenders: in the end, Cosco was the only bidder and could therefore dictate not only the price but a range of other conditions. Cosco paid €368.5m for its shares in OLP, but how this price was established is still completely unclear.

7- The same scheme was followed for other privatizations that have already taken place. The German company Fraport, and Greek oligarch Dimitris Copelouzos, have acquired a licence to operate and expand 14 Greek airports for 40 years (with an option to extend to 50 years). The consortium made a one-off payment of €1.23bn, and the annual lease fee and tax revenues could bring the Greek state a scant €8bn over 40 years.

8- How the deal was made is a story in itself. There were originally three bidders for the airport operating licences, which was exceptional for Greek privatization procedures. Greece's 37 airports would be split into two groups, each containing profitable and loss-making airports, to prevent cherry-picking and force buyers to use some of the profits they made on flights to fashionable destinations to subsidize airports on remote islands. This plan was rejected by the troika, which insisted that the 'package' to be privatized should contain only highly profitable airports.

9- The majority of shares in Fraport are held by the federal state of Hesse and the city of Frankfurt (a total of 51.35%). This means a large proportion of the revenue from the most profitable Greek airports will go to the budgets of local authorities in Germany, a creditor country of Greece. Whether this is blatant pillage or not, the result is the same: Greece has lost a long-term source of income, which would have been far more useful for stabilizing government finances than a one-off (and cut-price) privatization payment immediately used up in servicing its debt.

10- Fraport is not only exempt from property and local tax, but also has the right to terminate the contracts and leases of all existing suppliers, shops and restaurants at its airports, and issue new licences to partners of its own choice, without having to compensate those it throws out. The Greek government must pay any contractual penalties.

11- That's not all. The Greeks must also pay off any employees dismissed by Fraport; compensate victims of workplace accidents, even when the fault clearly lies with the enterprise; and finance the environmental assessments required when expanding an airport. They even have to pay if extension works are delayed by archaeological discoveries.

12- This transfer of costs to the bankrupt Greek state is not only incredibly cynical, but also makes a mockery of the principles set out by the European Commission itself. The lessee of the fourteen airports can claim wide-ranging subsidies, transfer costs and guarantees from the Greek state. Yet the Greeks have no say on critical decisions affecting one of the country's key economic sectors, such as landing fees, which can be decisive for developing tourism on an island.

13- Supporters of the Fraport deal assert that the refurbishment of dilapidated, unappealing airports such as Corfu and Santorini cannot be financed without foreign investment. This begs the question of why it wouldn't have been possible to modernize their infrastructure with

loans from the European Investment Bank. (Incidentally, this would also have guaranteed neutral technical supervision of planning and cost-efficiency.) Productive investments like this would create guaranteed and growing income for the Greek state. Those who really want to help Greece should facilitate the creation of efficient, provident service providers, who would finally honor their claim to serve the public interest.

PART I (Minimum Passing Mark: 26 points)

PAPER 2

1. READING COMPREHENSION

All the correct answers are awarded 2 points each.

a- Choose the best option.

According to the article, in times of recession:

- 1- It is sensible to dispose of your assets.
- 2- It is wise to pay off the government debt.
- 3- Ill-gotten gains can be acquired by selling public assets.
- 4- None of the aforementioned options

b- According to the article, Private companies:

- 1- Promote more structured wages.
- 2- Foster a steady increment of wages.
- 3- Depress the value of salaries.
- 4- None of the aforementioned options.

c- According to the article, for a privatization plan to be successful:

- 1- The state should have a saying concerning matters of national interest.
- 2- Once a privatization plan is over, the purchaser of the company should be able to take any measure they may consider appropriate.
- 3- The purchaser should be given subsidies to make investments.
- 4- None of the aforementioned options

d- According to the article, the thought that privatization is generally necessary.

- 1- Proved to be right in Greece.
- 2- Proved to be wrong in Greece.
- 3- Did not prove to have any effect in Greece.
- 4- This is not stated in the article.

e- The three original bidders for the airport operating licences:

- 1- Came to terms with the idea that some of the routes should be unprofitable.
- 2- Accepted the terms dictated by the Greek government.
- 3- Introduced modifications to the original scheme that may benefit remote islands.
- 4- None of the aforementioned options.

f- According to the article, the annual lease fee and tax revenues of €8bn over 40 years offered by Fraport:

- 1- Is a fair one.
- 2- Is not a fair one.
- 3- This is not stated in the article.

g- According to the article, should you be the owner of a store at one of the airports acquired by Fraport:

- 1- The whole issue of the acquisition of the airports by this company will probably not affect you.
- 2- It may be sensible to be seriously concerned about your future.
- 3- You will certainly be positively affected in your business.
- 4- You are supposed to receive a reimbursement in case Fraport decides to terminate the contract.

h- According to the article, The Greek government had no alternative but use the privatization payment to service its debt.

- 1- True.
- 2- False.
- 3- This is not stated in the article.

i- The leasing of the fourteen airports may prove to be decisive for developing tourism on the Greek islands.

- 1- True.
- 2- False.
- 3- This is not stated in the article.

j- Were artifacts to be unearthed when extending an airport, thus deferring the setting in motion of sites under construction, the population of Greece:

- 1- Could benefit from the findings.
- 2- Would not be affected by such discovery.
- 3- Should be compelled to take charge of the expenses for possible delays.
- 4- Would have to pay to keep these findings.

2. USE OF ENGLISH: PARAPHRASING (30 points)

All the correct answers are awarded 3 points each.

**Use the given beginnings.
DO NOT change the meaning.**

- 1- It would have been possible for Greece to modernize their infrastructure with loans from the European Investment Bank if their government had not given in to coercions from the IMF.

But for the Greeks' _____

- 2- Now everyone agrees that the people in charge of the deal have misjudged the situation.

It is _____

- 3- This transfer of costs to the bankrupt Greek state is not only incredibly cynical, but also makes a mockery of the principles set out by the European Commission itself.

Not only _____

- 4- But for the shortsightedness of their government, Greece would not have lost a long-term source of income with the sole aim of paying interest for their debt.

If _____

- 5- Despite the concealment of the media, futile investments like this would create guaranteed and growing deprivation for the Greek state.

Even though _____

- 6- As late as April 2011 more than 70% of Greeks thought privatization was 'generally necessary'.

As late as April 2011 privatization _____

- 7- People generally reckon that some state enterprises that provide essential services such as power or transport links have a secondary *raison d'être*.

Some state _____

- 8- The government did not seem to acknowledge that when evaluating a privatization plan there are three key questions to address.

If only _____

- 9- The purchaser should never be given subsidies to make investments.

On no _____

- 10- Greece has lost a long-term source of income, which would have been far more useful for stabilizing government finances than a one-off privatization payment. (Relative clause)

A one-off privatization payment _____

PART II (Minimum Passing Mark 26)

3. ESSAY WRITING: OPINION ESSAY (320-350 words)

Write an **opinion essay** on one of the following rubrics:

- A- "Globalization affects the power of decision taking in governments."
Globalization, both as an ideology and process, has become the dominant political, economic and cultural force in the 21st century (Steger, 2002, 6). Increasingly there is a trend of policy areas that were once reserved for the state, shifting towards either being made or greatly influenced by international factors. Discuss.
- B- Let us not seek the Republican answer or the Democratic answer, but the right answer. Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future. John F. Kennedy. Discuss.
- C- "The Role of the Media in Influencing Political Attitudes in a Democracy."
The public gets political information on their preferred candidates or parties from different people and through the media. In today's world, social media has also been one of main platforms that shape the public opinion. Discuss.

ESSAY
