

Speech by the Greek Minister of Economy and Finance at the British-Hellenic Chamber of Commerce in London

London, January 26, 2007

"Greece: Your strategic partner in Southeast Europe. Investment Prospects and Business Opportunities"

Ladies and gentlemen,

Let me congratulate the British-Hellenic Chamber for the organization of this conference.

After two and a half years of consistent application, the reform policies we have been pursuing, have led to significant results. The performance of the economy has considerably exceeded initial anticipations.

The Greek economy is being transformed into a more dynamic, a more open and definitely more competitive economy. The Greek economy is becoming even friendlier to investment, friendlier to entrepreneurship, more favorable to business activity. And as a direct result, there has been a tenfold increase of foreign investment in Greece over the last year. Foreign direct investment in Greece has reached 4 billion euros in the period from January to November 2006.

The entry of Credit Agricole, an important banking institution into our banking system last August through the privatization of the Commercial Bank, in addition to the entry of a big French insurance company through the purchase of Alpha Insurance Company, are both events marking a turning point in the inflow of foreign investments. We had portfolio investments through London in the past. Equally significant, is the continuously increasing interest of several foreign companies in fields ranging from mining to energy and from the service sector to the development of real estate. All the above are concrete evidence that the Greek economy is moving forward in strides.

Today, more than ever before, we see that making Greece the entry gate of foreign investors to Southeast Europe and other Mediterranean countries is bearing fruit. By investing in Greece, a member of the EU for the past 25 years, or through Greece:

- One can gain access to the services of 3600 Greek companies which are operating in the Balkans and the Eastern Mediterranean,
- One can gain access to a wide network of 1000 Greek banking offices –outside Greek borders- which act as the development locomotive of the economies of neighboring countries.
- One can take advantage of Greece's infrastructure preparations in becoming a significant transfer and transit trade facility for Eastern Mediterranean and Southeastern Europe. While visiting China in October, I was impressed by the level of interest of big Chinese corporations in utilizing Greek ports and their strategic location and making Greece their entry point in Europe.
- Moreover, by investing in Greece or through Greece, one can take advantage of the opportunities in the dynamically developing tourist sector, whose development is hovering into double digit increases - an increase applying also to the number of tourists visiting Greece.

Ladies and Gentlemen,

The attractiveness of our country for increased foreign investment is not coincidental. It is a direct result of a carefully designed reform agenda with clearly specified targets and feasible methodology, which aims to influence and –where necessary- change radically the economic environment of our country.

Since we took office in March 2004, we had to deal with:

- the continuous deterioration of our economy's competitiveness,
- persistently high budget deficits,
- the associated escalating public debt,
- wide structural imbalances, and
- high unemployment rates.

It would not be far from the truth to attribute the above to inappropriate political and economic policies spanning for almost two decades. But definitely, the root and main cause of these symptoms that we had to deal with, were a disproportionately big and counterproductive public sector, and an overregulated business environment chocking innovation and investment.

Today, one can see not only the demise of the unsatisfactory past, but that improvement –definite improvement- is taking place:

- According to the Institute for Management Development, which is based in Switzerland, the competitiveness of our country is improving. As a result, our exports as well as our tourism are rising much faster than nominal GDP and thus contribute substantially to economic growth. Exports were 13.1% higher in 2005 as compared to 2004 and 19.4% higher in the period from January to October 2006, as compared to the same period in 2005.
- The business environment is significantly improving, as demonstrated by business sentiment indicators, which are on a constantly upward trend since July 2005.
- As a direct consequence of the above, the rate of growth is accelerating and employment is rising. The rate of growth reached 4.2% in the first three quarters of 2006, up from 3.7% in 2005. So we expect that the growth rate for 2006 will exceed 4%, against our initial estimation for 3.8%. Expectations for an economic downturn after the Olympics have not been materialized. Unemployment during the third quarter of 2006 has fallen to 8.3% versus 11.3% when we took office.

In addition, with our policies:

- We have managed to put the public finances back in order. Budget deficits have been reduced by 5.2% of GDP. They stood at 7.8% in 2004. They were reduced at 2.6% in 2006. We expect them to be 2.4% this year, certainly below the 3% limit of the SGP.

- We have managed to stimulate investment through reductions of corporate tax rates and the simplification of tax related procedures. We are implementing a 3year program (from the end of 2004) of gradual reduction of corporate tax rates from 35% to 25% in 2007. At the same time, we provided considerable investment incentives within the framework of the New Investment Law.
- We are proceeding with the second phase of tax reform, with the widening of tax bands and the reduction of personal income tax rates.
- We have managed to enhance competition through the implementation of a carefully designed program of privatizations. I shall elaborate on this year's privatizations agenda in a while.

Ladies and gentlemen,

- With the aforementioned policies, but also
- With the new law for Public Private Partnerships,
- with our policy for the promotion of exports,
- with labor market reform that took place in 2005,
- with the settlement of the banking system's pension funds,
- with the serious efforts underway for the rationalization of the operations of state owned enterprises, and
- by increasing the reliability and performance of the Athens Stock Exchange we have managed to fuel the performance of our economy. Careful regulation has been our target in order to avoid the problems of 1999 and 2000.

Our program's success does not mean that we 've come to an end. We cannot afford to relax or to become complacent. We do not have the luxury to deviate from our goals. We are still obliged to confront many challenges. We have to tackle tax evasion, especially for the small business sector. The social dialogue for reforming the social security system has begun.

Our policy, is designed to deal effectively with these challenges. We shall not stop, nor shall we yield to pressures stemming from short term political objectives. We are committed to carry on our reform agenda, while, at the same time, always aiming at the maximum possible social consensus.

Ladies and Gentlemen,

We are determined to continue our policies with vigor and in the sole interest of our people.

- We are pushing on with our privatizations agenda and the utilization of public real estate holdings. The privatizations program for 2007 focuses on the further privatization of OTE, the banking system, and infrastructure. We are looking for a strategic partner for OTE, in order to enhance better technological adaptation among other issues.
- We have enacted the second phase of the tax reform, which aims to reduce gradually taxes of individuals.
- We move forward with a solid plan to utilize funds amounting to 20.1 billion euros from the 4th Community Support Framework. These funds were obtained after tough negotiations with the European Committee and our partners in the European Union, last December. Among other priorities, we aim to use these funds in order to complete the infrastructure that we need in order to make the economy more productive and more competitive, as well as to improve the skills of our labor force.
- Furthermore, we actively support the efforts of our export-oriented businesses, through decisive intervention and marketing methods for our products.
- In addition, great emphasis is given to the sustainment of cooperation with our neighbors and we offer our full support to their European ambitions (Bulgaria, Romania).

Greece today looks ahead with optimism and self confidence. Within the framework of the great efforts that are being made, Greece is able to deal better with the challenges it faces and to take advantage of the

opportunities emanating from the economic development of Southeast Europe. We are determined to achieve much more.

Greece is the de facto financial and business center of Southeast Europe and the Eastern Mediterranean. Greece is the locomotive of development and progress in a region with almost 250 million inhabitants. The macroeconomic and business environment signal definite improvement. Our companies reinforce their position in the region- they become bigger and more reliable. By investing in Greece, one avails himself to the greater opportunities that are emerging in the greater region – a region poised to achieve very high growth in the years to come. Southeast Europe can become the miracle of the future. Greece is the ideal business partner for those who wish to participate in the economic progress of Southeast Europe.

Thank you very much for your attention.