

# **Investing in Greece: An Olympic Opportunity**

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Mr. Costas Bakouris is the Chairman of the Hellenic Centre for Investment (ELKE). He delivered recently a keynote address at an important conference exploring new investment opportunities in Greece. Organized by the London-based IBC Global Conferences, this two-day event took place in Athens Greece. Here is the full text of Mr. Bakouris's address:

"Ladies and gentlemen,

I would like first to thank the organizers of this event for giving me the opportunity to make this presentation on Greece and discuss its new emerging role as a major economic force in Southeast Europe. Greece has become an attractive international business location centre, offering investors a sound base for expanding their activities in a region that presents many business opportunities.

During the last decade, Greece has enjoyed economic and political stability. It has undergone significant infrastructure improvements and major structural reforms in the public sector and a programme of market liberalisation, all of which have improved its economic profile.

The membership in the European Community and the recent entry to the European Monetary Union not only ensures economic stability, but also secures a large inflow of funds from the EU that are earmarked for specific investment projects, thus creating a stimulating business environment for our prospective business partners.

Moreover, the upcoming Olympic Games to be hosted in Athens in 2004, the Greek Reconstruction Plan for the Balkan Region, and the continuous expansion of Greek activities covering the entire Balkan and Black Sea regions, have indeed created significant business opportunities.

In terms of economic performance, you are more or less familiar with Greece's outstanding achievements. Therefore, I will only refer to two indicators:

- First, the growth of the Gross Domestic Product, which was 3.8% (for 2000) compared to 2.5% for the European Union average. While for 2001, the GDP rate is expected to be significantly higher than the projected European Union average.
- And second, the inflation rate, which is presently at the level of 3.8%, a rate last recorded in Greece more than three decades ago.

The continuous upgrading of the ratings by the various international evaluation agencies constitute the seal of approval by the international business community of Greece's solid economic performance. Greece is rated A2 by Moody's, A- by Standard and Poor's, BBB+ by Fitch IBCA, and B by the Japan Centre for International Finance.

Also, in the sphere of economic achievements, very briefly I would like to refer to certain important accomplishments in infrastructure development and in the privatization policy. These two accomplishments have paved the way for the transition of the Greek economy from a provincial player of limited importance to an international player influencing an economic Balkan region of 60 million consumers.

In infrastructure, important milestones include:

The new Athens International Airport at Spata, which recently started its operation, will serve as a hub for Southeast Europe, accommodating during its first phase 16 million passengers annually.

The Egnatia motorway (75% of the main access road has been completed), which establishes Greece as the link between Western Europe and Asia, while its nine vertical connections open communication channels towards Northern Europe and the Aegean Sea.

The PATHE motorway (north-south access), which is the extension of the Trans-European network to Greece, is characterized as the most important road-building project under construction in Greece today. The project includes the Rio-Antirio Bridge (2,290 metres), under construction, and the Preveza tunnel (4,710 metres), which was completed recently.

In the privatization policy, major milestones include:

In the energy sector, the market has already opened up for new players to enter the areas of high voltage electricity production, transmission and sales. Furthermore, the government has announced its intention to float, on the Athens Stock Exchange, part of the Public Power Corporation and has already issued 8 permits to private companies for energy production.

In the telecommunications sector, the government has recently announced its intention to lower its participation in the Hellenic Telecommunications Organization (OTE) below 51%. Within the general privatization plan, the first license for conventional telecommunications services by a private company was issued to a private concern of Greek and Italian interests (FORTHnet & Telecom Italia).

This attractive economic profile, complemented by access to regional markets, and business opportunities generated by the dynamic development of key economic sectors, has truly succeeded in turning Greece into an emerging international business centre.

Greece's geopolitical position was instrumental in helping her become the key player in the Balkans and the Black Sea regions. Today, the region offers a market with:

- Balkan consumer population of around 60 million
- total region consumer population of 183 million
- total GDP of EUR 400 billion, and
- average GDP per capita of EUR 2,200,

This market is dominated by an extensive network of about 1,500 active Greek companies in a wide range of industries, such as banking & insurance, telecom and information technology, food and beverage, tobacco, minerals, metals and machinery, clothing, paper and packaging, insurance, and healthcare.

In term of private investment, Greek firms and Greek-based foreign firms are already well established in Albania, Bulgaria, FYROM, Federal Republic of Yugoslavia, and Romania.

Greece is ranked...

- 1st direct foreign investor in Yugoslavia and FYROM
- 2nd in Albania
- 3rd in Bulgaria
- 6th in Romania

...with a total investment of approximately EUR 4 billion in the Balkan region and EUR 4 billion in other countries.

Greece is in a unique position to promote joint ventures in the region, not only because of its location, but also because of its long-standing tradition of doing business in the region coupled with an in-depth knowledge of the people and their cultures.

Aside from the Greek construction and engineering companies working on various projects in all of the Balkan countries, some noteworthy examples of international joint ventures with Greek companies are:

- BPI (Portugal) with EUROBANK in Romania
- HOLDERBANK (Switzerland) with TITAN CEMENT in FYROM
- SISCO (USA) with INTRACOM in all Balkan countries and Armenia
- VODAFONE (UK) with PANAFON in Albania
- BMC (USA) with INTRASOFT for all countries of the EU, Balkan area and Black Sea
- TELENOR (Norway) with COSMOTE in Albania

The Greek government is assisting to propel Greek companies into the neighbouring markets either directly through cash grants and tax incentives (e.g. Albania) or indirectly through regional institutions and initiatives. The Greek Export Guarantee Board along with MIGA (Multilateral Investment Guarantee Agency) also provides insurance coverage for investment projects in the region.

Greece is a major shareholder in the Black Sea Trade & Development Bank. It is also a member of the Southeast Europe Cooperative Initiative (SECI) and a major contributor to the Balkan Reconstruction Plan. This contribution to the Balkan Reconstruction Plan will cost the Greek government a total of EUR 550 million over the next five years.

Greek investments are also expanding into Africa (Egypt, Nigeria and South Africa) and reach as far as Mexico (joint venture of PEPSICO with CHIPITA), Argentina (CARDICO) and China (SILVER & BARYTE, PETZETAKIS, ETMA and the LATSIS GROUP).

Accessibility to a large, unexploited regional market and the dynamism of the Greek industrial, trade, and financial sectors are not the only attractive factors the Greek economy has to offer to prospective investors."

"Ladies and gentlemen, we all know that the foundation of any economic miracle is people and that people are and remain indeed the locomotive for the impressive performance of the Greek economy.

We believe that the quality of our human resources constitute one of the major factors in attracting foreign direct investment to Greece.

Most Greeks with university degrees have studied abroad -- either in North America or Europe -- and represent approximately 11% of the Greek population.

A recent study conducted by the Greek Association of CEOs in association with INSEAD (the European Institute for Business Administration) shows that 94% of Greek managers are graduates, of whom 54% are postgraduates. Some 45% of Greek managers speak a foreign language -- mainly English -- and half of

these speak a further language (mostly French, German or Italian), while the overall percentage of Greeks speaking English reaches 76% compared to 69% which is the EU average.

Greece combines a reasonable pool of skilled workers and a good supply of unskilled labour, with labour cost about 55% of the EU average (EUR 11.8 for Greece vs. EUR 21.5 for EU). The number of working hours lost by strikes in the private sector fell from 20.3 million in 1990 to 5.8 million in 1991 and 0.7 million in 1995. Strikes in recent years have been concentrated in the public sector (recently privatized public companies). Moreover, social relations in Greece are stable and, along with a high quality of life which characterises modern Greece, have helped create an attractive labour environment.

Finally, according to a survey by the Dutch Ministry of Finance (1998), Greece had the lowest effective marginal tax rate among the member states compared to the EU average. Nevertheless, recent tax reforms and incentives initiated by the Greek government will ensure that the Greek tax system will remain highly competitive. In order to have a complete picture of what Greece has to offer to a prospective investor, it is important to stress that along with the major attraction factors already mentioned, Greece offers one of the most competitive investment incentive packages in the European Union as well.

Cash grants for new investors and interest rate subsidies on long-term loans reach as high as 45% in certain regions and tax-free allowances on profit for new investors go as high as 100% of the investment cost.

Economic stability and a favourable investment climate have fostered foreign direct investment (FDI) during the last few years with some notable cases such as:

- the specialty chemicals sector where investment by RESILUX (Belgium) in pre-form manufacturing (EUR 5.3 million) has developed a strong export base
- the information and communications technology which is today the fastest growing industry in Greece accounting for 4.42% of its GDP. According to the European Information Technology Observatory '99, Greece enjoys the highest growth rate in all information and telecommunications sub-sectors in the Union. A significant number of multinational information and communications technology corporations are active in Greece and some have entered into production license agreements with Greek companies. Recently, Greece managed to attract the establishment of a world-class design centre for next generation system-on-a-chip- semiconductors by ATMEL Corp. which is located in Patras (EUR 20.5 million).
- aquaculture with recent investments on eel culture using recycling water technology (HUSH - Holland -- EUR 13.2 million) and production of fish feed (BIOMAR - Denmark -- EUR 11.7 million)
- tourism with several projects, including a major recent investment by VILLAGE ROAD SHOW (Australia)
- food sector with several major investments and joint-projects of foreign and Greek companies (e.g. DANONE – DELTA) and a recent investment by PILLSBURY (SELVIA NETHERLANDS BV) producing chilled dough and exporting to the European market (total cost EUR 5.9 million)

Finally, a recent EUR 150 million investment in glass manufacturing by ASAHI Glass (Japan) through its Belgian subsidiary GLAVERBEL, is expected to generate investment opportunities in several related sectors creating a strong industrial base in Northern Greece.

The latest figures regarding foreign direct investment in Greece would lend credence to my story.

The FDI level at the end of 1998 was three times higher than that of 1997 and reached the amount of EUR 10.852 billion (the corresponding figure for 1997 was EUR 3.706 billion), while in 1999 the total FDI reached EUR 15.5 billion. Although we do not have final data of FDI flows for 2000, the preliminary figure stands at EUR 16.4 billion, suggesting that the upward trend which in 1998 is continuing,

I have to admit, however, that despite the notable improvements in the domestic market and the remarkable success in securing a leading role amongst the South-Eastern economies, Greece still lags behind its European partners in many areas. I refer specifically to the crucial issue of competitiveness and the full integration of the Greek economy into the global market -- a formidable challenge.

Areas we have to work hard at in order to ensure continuity of our development effort include structural and other reforms to improve labour flexibility, to lower taxation, to complete privatization of business, to liberalise markets, to ameliorate infrastructure, to improve the effectiveness of the bureaucracy, etc.

Before closing this presentation, I would like to say a few words about the Hellenic Centre for Investment (ELKE) which I represent."

The Hellenic Centre for Investment was established in 1996 in order to attract, promote and support major investment projects in Greece with emphasis on foreign direct investment.

Specifically, the centre has been charged with the mandate to:

- Promote Greece as an investment location.
- Promote investment opportunities to foreign companies.
- Assist Greek companies in their plans for international co-operation (joint-ventures) both in Greece and abroad.
- Provide all necessary information to foreign companies considering investment in Greece.
- Assist the companies in overcoming obstacles arising from dealings with the Greek bureaucracy.
- Evaluate the feasibility of investment applications eligible for cash grants or tax incentives provided by Law 2061/98.
- Formulate proposals to the government for the amelioration of the investment legal and regulatory framework.

The centre:

- Is a new concept in the Greek public administration which is modeled after modern international practices for the attraction and promotion of foreign direct investment.
- It is client driven. The potential investor is our client and our services are free of charge.
- Has the function of the one-stop-shop providing the link between the foreign investor and the regional and national government authorities.
- Does not overlap with the function of other government agencies active in the field of investment promotion but assists them to work in a highly competitive environment where flexibility and efficiency are the major decisive success factors.

Ladies and gentlemen, over the next few years, Greece is uniquely positioned to create significant investment opportunities due to:

- The recent EU membership
- The significant flows of funds from the 3rd Community Support Framework (CSF)
- The Olympic Games of 2004
- Our position as a gateway to the South-eastern European region
- Our commitment to economic stability
- Our focus for continuous efforts to reform so that we improve our competitiveness.

These are indeed opportunities of Olympic proportions!

Thank you."

