

GREECE ON THE RISE:
TIME TO THINK OF INVESTING IN GREECE

Presented by:

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Greece is widely known as the country where democracy and western civilization were born, a country rich in history, archeological antiquities and hospitality, one of the premier tourist destinations in the world. It is also known for its shipping -Greek ship owners control more than a third of the world's maritime shipping industry- its moderate climate, its sunny beaches and its beautiful topography. But there is a lot more about Greece that is generally not known. In my brief presentation to you this evening, I will provide a general outline of why Greece should be considered a serious candidate for trade, investment and joint ventures.

Modern Greece was born following the Greek War of Independence, 1821-1827 that cost the lives of almost one million people. But it was not until the Balkan Wars of 1912-13 and the massive exchange of populations with Turkey in the 1920s that Greece assumed its present form. As if this was not enough, Greece endured the depression of the 1930s, World War II, the German occupation that took the lives of almost a half a million Greeks and destroyed much of the country's infrastructure and from 1945-1949 a costly civil war. The continuous warfare and instability exacted a heavy economic and human toll on the Greek population. Beginning with the 1890s, Greeks were forced to migrate in large numbers to many parts of the world, starting with Russia, Egypt, Romania and later the United States, Canada and Australia, to name a few. Today, aside from the 10.6 million living in Greece and the 600,000 in Cyprus, there is an additional 6 million Greeks living outside Greece, the product of the misfortune of their history. There are 3 million Greeks today in the USA, 0.5 million in the former USSR, 0.5 million in Western Europe, 0.5 million in Australia and over a quarter of a million here in Canada of which 80,000 in Quebec. In all, there are 17 million Greeks living all around the world.

It is then only since 1950 that Greece has known a degree of peace and stability and economic progress. From 1950 to 1973, the country that registered the fastest rates of economic growth was not Japan, as is commonly believed, nor Germany, but Greece. During this period the country underwent rapid industrialization, urbanization and profound economic transformation. Although the economy had advanced by leaps and bounds, the social and political institutions of the country were not mature enough to support this development. In 1967, the junta took power and suspended democracy for 7 whole years. When democracy was restored in 1974, the priorities of the Greek population shifted away from economics to social justice and political healing. This period saw the rise of the socialists to power in 1980 and was very favourable to Mr. Papandreou's populist policies. As a result, Greece's rate of growth fell from the highest in the OECD to one of the lowest. Budget deficits became chronic and there was a dramatic run-up in the country's public debt from 22.8% of GDP in 1980 to 111.7% by 1993.

The outcome of this period of social healing, socialist experimentation and lackluster economic growth has been the full maturation of Greek social and political institutions and attitudes, the healing of old wounds and the transformation of Greece into a pluralistic, western society. The recent political events that saw the orderly transition of power within the ruling socialist party from Mr. Papandreou to Mr. Simitis and the recent elections which were unprecedented in recent Greek history for their lack of emotion and political grandstanding is proof of the transformation that has taken place. Today in Greece there is a remarkable convergence of views amongst the leading socialist and conservative parties as to the economic and social policies that need to be followed. Also remarkable is the fact that when the socialists regained power from the conservatives in 1993 the direction of economic policy hardly changed.

One finds in Greece today a mature pluralist democracy very much what we have in Canada. There is a large, affluent and growing middle class that is providing the foundation for stability and economic growth that was largely absent in the 1950s and 1960s. It should not come as a surprise to you if the United Nations in its most recent **Human Development Report** ranks Greece as the 21st best country to live in, right next to Italy, Ireland, Germany, Denmark and the United Kingdom! The preconditions for growth and prosperity are finally in place and over the next twenty years should allow Greece to advance economically to the ranks of the most prosperous countries in the world. It came as no surprise to me recently when *The Economist* magazine identified Greece's economy as having one of the highest potential growth rates in all of the European Union.

Another important factor that needs to be considered by the prospective exporter or investor is the impact of the recent geopolitical events stemming from the collapse of communism in Eastern and Southern Europe. Greece has a very long history of trade and economic cooperation with the countries of Southeastern Europe and the Black Sea, namely the Balkan countries of Albania, Yugoslavia, FYROM, Bulgaria and Romania on the one hand and the Ukraine, Russia, Georgia and Armenia on the other. Every person knowledgeable in the history of the region knows that the Greeks have centuries-long economic, cultural, religious, linguistic and political ties with these countries. For centuries the Greeks have been the principal trading and financial intermediaries through which the commerce of this region has flowed. As a result, the collapse of communism tore down the wall that prevented Greece from developing its traditional links with these countries.

Over the past 5 years, Greece's exports to these countries have almost doubled and this is only the beginning. Greece has already become the second largest investor (in value terms) in Albania, and the largest (in number of investments) in Bulgaria. In Romania, the Ukraine and Russia over 1,000 business joint ventures have been initiated to date, many of which even benefit from generous EU financing. Just the Balkan nations

represent a market of 63 million people spanning an area greater than that of France with a combined GDP exceeding US\$300 billion. This is a prime virgin market composed of people with Western values and tastes that are eager to improve their material standard of living. Greece, aside from its historical ties, has become the major economic player of the region. The Greek Drachma along with the German Mark are the two most widely circulated hard currencies of the region. Greece's full membership in the European Union along with its highly developed market economy, commercial infrastructure and skilled work force provide the investor the ideal regional base with the competitive advantages they need in order to penetrate this promising market. Greek companies are well positioned to benefit from the reconstruction and development of this large region and so can any Canadian companies that are willing to explore investment and joint venture opportunities in Greece.

Another reason for thinking of trade and investment opportunities in Greece is Greece's full membership in the European Union and its strategic location as the European gateway to the Balkan and Black Sea region on the one hand and the countries of the Middle East on the other. Greece, for example, is less than three hours flight time from all the major capitals of the Middle East. A Canadian company with operations in Greece, does not only take advantage of the developing opportunities in the Balkans and the Black Sea region and the Middle East, but it can still sell everywhere throughout the 15-member European Union without being subjected to tariffs or customs complications. Greece's membership in the E.U. also means that you are subject to the same E.U. business and commercial laws that are applicable throughout the E.U.. It should not come as a surprise then if I tell you that Canadian direct investment in Greece amounts to almost \$1 billion and nearly as much as that of that of the U.S.A.. The largest Canadian investors in Greece are **Denison Mines** in the North Aegean Petroleum Corporation, **TVX GOLD** in Kassandra Mines and the **Bank of Nova Scotia**, which operates a network of 7 branches.

Further proof of the growing importance of trade and investment opportunities in Greece is the fact that last Spring Canada appointed an Honourary Consul to Thessaloniki, Greece's northern industrial and trading city which is in the process of becoming the largest industrial, financial and commercial centre of the Balkans as well as the establishment also this Spring of the **Hellenic-Canadian Chamber of Commerce**, in Athens.

Unfortunately the time is too short to discuss in detail the economic policy reforms that have occurred in Greece over the past few years. Suffice it to say that over the past few years Greece has liberalized money markets and the banking system, lifted foreign exchange controls in 1994 that have been in effect since 1928, has made the central bank independent of the executive branch of government, and has completely deregulated its financial markets. In its recent report on Greece the OECD has given Greece the highest marks for its job in the deregulation of its financial markets. Foreign investors have

confirmed this accomplishment with the show of confidence they have shown in recent years. Capital inflows to Greece greatly surpass its current account deficit, to the point that the country's foreign exchange reserves have risen to a record high of \$17 billion US, about the same as Canada's right now. Foreign direct investment (FDI) to Greece has averaged \$1 billion U.S. a year so far in the 1990s. Over the past three years the Greek Drachma, has ended the chronic slide that characterized the currency in the 1980s, and has become a freely convertible and more stable currency.

A quick look at the main macroeconomic indicators shows that over the past three years there has been significant progress in the direction of stabilization of the Greek national economy. The budgetary deficit of the Greek public sector has come down from over 16% of GDP in 1990 to 7.6% of GDP this year and is projected to fall to 4.2% of GDP in 1997. The public debt to GDP ratio has been finally stabilized at 110% of GDP and is projected to begin a steady decline starting with 1997. The current account deficit, which reached a record 5.9% of GDP in 1990 was nearly eliminated by 1994, and is presently running at a more sustainable pace which is under 3% of GDP, and this largely because of increased imports of capital goods. Fixed capital investment after languishing in the 1980s and early 1990s has finally revived. The recovery of profit levels in the private sector and the streamlining of tendering procedures for public sector infrastructure projects are contributing to a major investment boom the likes of which Greece has never seen before. From less than 20% of GDP, gross fixed capital formation is expected to reach 22.1% of GDP in 1996 and 23.1% in 1997.

Inflation, which averaged 20% in the 1980s is finally being brought under control. From over 21% in 1990, consumer inflation fell to 9.0% in 1995. This year the inflation rate should average 8.5%, but the newly re-elected government of Kostas Simitis has announced plans to bring it down to 4.5% in 1997. Growth in the economy is also showing improvement. After undergoing a recession in 1993, growth in the Greek economy is accelerating from 1.5% in 1994 to 2.0% in 1995 and a projected 2.6% in 1996. Interest rates are also on the decline. Short term rates have come down from 19% in 1994 to under 12% this September, while lending rates have come down even more from 29% to 21%. Clearly, although the progress that has been accomplished so far is significant, a lot more needs to be done before the Greek economy can attain a full state of health. It is most encouraging, however, to see that the Greek public is committed to continued reform. Now with a secure four year mandate, the new Simitis government seems bent on restoring the country's fiscal integrity and economic health.

In short, Ladies and Gentlemen, my message to you today is that Greece has successfully turned the corner and is poised to expand significantly over the next ten years. Canadian companies interested in trade and investment opportunities in Greece are presented with an excellent opportunity to expand in the Greek and surrounding market. A major resource that Canadian companies possess is the large network of Greek Canadian professionals who reside in Canada and Greece, including the resources and

market intelligence of the **National Bank of Greece (Canada)**, Greece's largest investor here in Canada. Now, I would like to turn the podium to my esteemed friend, Mrs. **Smaragda Economou**, who as Greece's chief economic representative to Canada will have a lot more to tell you about Greece.

GREECE

Hellenic Republic

Area: 131,945 sq km [= Nova Scotia + New Brunswick + P.E.I.]

Coast Line: 13,676 km, 11th longest in the world [longer than the coast line of the U.K., Japan or Brazil]

Greek archipelago of 2,300 islands of which 170 are inhabited

Maritime Area over which Greece has exclusive economic use is 505,100 sq km. [roughly the size of France]

Population: 10,600,000 [roughly equal to Ontario]

Urban: 59%

Ethnic Make-up: 98% Greek

Religion: Greek Orthodox, 98%, 1.3% Moslem, 0.7% Other

Principal Languages: Greek; English and French widely spoken

Life Expectancy: 77.7 years

Adult Literacy Rate: 93.8%

Largest Cities (1991):

Athens-Piraeus Metropolitan Area: 3,096,775

Thessaloniki: 739,998

Patra: 155,180

Irakleon: 117,167

GDP: \$156.9 Billion CAD, 1995 [roughly equal to Quebec]

GDP per capita: CAD \$14,802 [56% of Canada's per capita GDP]

Rank on Human Development Index: 21st

1 USD = 241 Greek Drachmas

1 CAD = 178 Greek Drachmas

Member: EU, NATO, OECD, IMF, WTO, World Bank, UN

**COMMERCE INTERNATIONALE
GRECE-CANADA**

en millions de dollars Canadiennes

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Exportations					
Greco	68.8	64.9	57.7	82.9	66.9
Exportations					
Canadiennes	62.6	66.7	86.2	75.8	115.0
Commerce					
Totale	131.4	131.6	144.0	158.7	181.9
Balance					
Commerciale	6.2	-1.9	-28.5	7.1	-48.1
Memo:					
Exportations					
non-petroliers	56.2	54.3	57.7	64.3	66.9
Croissance	-15.4%	-3.3%	6.3%	11.4%	4.0%

Source: Statistique Canada