

OPPORTUNITIES IN GREECE FOR CANADIAN COMPANIES

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Why Look to Greece for trade and investment Opportunities?

Greece is a country of nearly 11 million people, roughly the population of Ontario with a GDP of \$150 billion US, roughly Quebec's GDP. Since 1997, its growth rate has exceeded that of the European average. It grew by 4.0% in 2000 and is expected to grow between 4% and 4.5% in 2001, one of the highest in the world this year. Between 2002 and 2005, the rate of growth is expected to reach or surpass 5% per year. With a GDP per capita roughly 60% of that of the Euro average, the Greek government has set the goal to raise its standard of living to the European wide average by the year 2010, and effectively achieve real convergence. To accomplish this goal, the Greek economy is positioned to grow at rates well above those of its European partners until well passed the end of 2010.

Will Greece achieve this goal? My answer is an unequivocal yes. Here are some of the reasons why Greece is expected realize this goal.

1) Greece has done it before. Between 1953 and 1973, Greece's growth rate exceeded that of the miracle economies of Germany and Japan. Right now, Greece is on a path of no return. A full member of the EU since 1981 and a full member of the eurozone since January, 2001 Greece has undergone extensive re-structuring, enough to secure it at least nominal convergence with its European partners. Both major political parties accounting for more than 80% of the popular vote are in full agreement as to the direction the economy and Greek society should take. Budget deficits from over 14% of GDP have been eliminated and for this year the Greek Ministry of Finance is projecting the first surplus in almost 30 years. The rate of inflation has come down from over 22% in the early nineties to less than 3.5%, the same as Canada right now. The debt-to-GDP ratio has declined from more than 120% to less than 100% of GDP this year. Interest rates have declined from more than 27% to 4.5% now while the yield on 10-year Greek government bonds has fallen below that of 10-year Canada bonds. Capital flows have been liberated, the central bank has gained independence and its primary goal is price stability. The Greek banking system has been up-graded and re-structured, and today contains some of the strongest capital adequacy ratios in the OECD. In short, the re-structuring that has been achieved to date has set a solid foundation for higher growth in the future.

2) By entering the euro zone, the benchmarks for comparison have shifted from emerging countries to advanced developed countries. Greeks no longer compare themselves to the Turks but to Western Europeans and Americans. An attitude shift has occurred in individual, social and political attitudes over the past twenty years whereby the Greeks want to achieve nothing less than parity with the richest countries in the world. As long as they have set the right aim, it is only time before they reach it.

3) The Greek business and political elite and the upper middle class now realize that nominal convergence and entry into the Eurozone is not enough and does not imply real convergence. To achieve real convergence, a lot more work needs to be done in the restructuring front. This year, the Greek government has announced or initiated a number of measures to further re-structure the economy and enhance its competitiveness. Namely, starting January 1, 2001 it has liberalized its telecommunications

sector. On February 9, 2001 it has liberalized its power sector. It has announced

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that starting 2002 it is liberalizing the coastal shipping sector. It has announced that the management and control of two of the biggest enterprises in Greece, namely the National Bank of Greece (NBG), the Commercial Bank of Greece and Hellenic Telecom (OTE) will henceforth be exercised by the shareholders rather than the government. It has taken steps to liberalize the labour market and entrepreneurship and to streamline government administration, so that they can become more responsive to citizens' needs, more efficient and to reduce obstacles and barriers to business and entrepreneurship. It has initiated the process to reform and restructure the public pension and insurance system and it is continuing its program to restructure public enterprises and privatize state-controlled companies. The biggest challenge left for the Greek government now is to convince the lower middle and working classes and specifically the unions and public sector workers that these reforms are necessary and in time will lead to a drastic improvement in their standard of living.

4) The above changes are being greatly facilitated by the EU's moral, political, administrative and financial support. Under the Third Community Support Framework (CSF) Greece has been granted Euro 20 - 25 billion for the period 2000-2006 to modernize and upgrade its infrastructure. Structural funding over the last few years has averaged 4% of GDP and will continue to do so until well after the Olympic Games. A vast public investment boom is currently under way in Greece which is changing both the face and the psyche of Greece the likes of which has never been seen before. Six lane highways are under construction criss crossing all parts of Greece. Natural gas pipelines, waste treatment plants, railway, airport and port facilities are being up-graded. At the same time E4 billion have been earmarked for the up-grading of information technology from schools and universities to the public health care sector and public administration. The master plan calls for the construction of new buildings in the suburbs of Athens to house most of the ministries. While the public investment program is taking place, the private sector is also undertaking large investments in plant, equipment, information and telecommunication technology and software. The growth rate in private sector investment has now exceeded the 10% mark and is expected to remain high for the foreseeable future.

Under these circumstances I am hard pressed to find reasons why Greece will be unable to achieve its goal by 2010. Out of 24 emerging markets the Michigan State University Centre for International Business Education and Research has ranked Greece 6th out of a group of 24 countries, in terms of its market potential. Greece has been ranked behind Singapore, South Korea, Hong Kong and China but well ahead of countries like Israel, Poland, India, Argentina, Mexico, Chile, Brazil and Turkey. Clearly, the question that should be posed is not why trade and invest in Greece but why Canada hasn't taken more advantage of this once in a lifetime opportunity to expand its trade and investment with Greece?

Greece is the Ideal Staging Point for South Eastern Europe and the Black Sea Region

Another reason why Canadian companies should be keenly interested in trading and investing in Greece is that Greece is the natural staging point for exploring and developing trade and investment opportunities with the countries of South-Eastern Europe and the Black Sea area. This is a very important

strategic advantage that is not well known to Canadian companies and when

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known is very poorly understood. It has to do with Greece's geopolitical positioning and linkages in South-Eastern Europe and in the ties and long history that the Greeks have forged economically, culturally and spiritually with the people that inhabit the South-Eastern corner of Europe along with the region surrounding the Black Sea. I am talking about an emerging economic area of nearly 326 million people and a GDP exceeding \$1.5 trillion US, roughly 5% of World GDP! See Table.

This emerging economic area consists of two overlapping groups of countries. The first group is composed of the predominantly Eastern Orthodox Christian countries that occupy the South-Eastern part of the European continent known as Balkan peninsula, namely the countries of Greece, Albania, Bulgaria, FYROM, Romania and Serbia and Montenegro and Cyprus. This region comprises a market area of 58 million people, with a GDP of \$330 billion US (2000). 87% of this population is Eastern Orthodox and 12% is Muslim, primarily Albanian. This is a region with traditional western values, with deep European roots that aligns itself with the West. It is a region which with the exception of Greece and Cyprus had fallen victim of Communist rule over the past 50 years and is now in the process of transition to market and democratic values and institutions and in the process of massive reconstruction.

The second group consists of this Balkan region plus Turkey and the former Soviet Republics of Russia, Moldova, Ukraine, Georgia, Armenia and Azerbaijan. This is a broader grouping of countries that comprises a market area of 326 million people -as large as the 15-member EU) and a GDP exceeding USD\$1.5 trillion, as large as the GDP of Mexico, Brazil, Argentina and Chile put together. It consists of two religious cores, the Orthodox Christian (stretching from Greece, the Balkans, Ukraine and Russia, what has now come to be known as the AOrthodox Crescent≡ accounting for roughly 70% of the total population and the Muslim faith, centered in Turkey and extending to Azerbaijan, Turkmenistan and Kazakstan (within the Russian Federation), what is also known as the ATurkish Crescent≡, accounting for the other 30%.

Why should one view these ethnically diverse countries as comprising a common economic area? A quick review of history shows that from the time of classical antiquity, the Greeks had established numerous colonies all along the shores of the Black Sea, the Aegean and the Ionian Sea and of course all around the Mediterranean. All the major cities of the Black Sea starting with Byzantium, then Constantinople and now Istanbul, Odessa, Burgas, Costanza, Synop, Trapzon were founded by the Greeks, in total over 45 cities around the Black Sea alone. Then Alexander the Great unites the Greek city states and spreads Greek culture and civilization to present day Turkey, Iran, the Middle East and Egypt. By the time that the Romans take over as rulers of this vast empire the region becomes economically integrated through trade that was dominated by Greeks, where the main international language of discourse and communication was the Greek language. Following the split of the Eastern and Western Roman Empires, the Eastern Roman Empire goes on to live for another 1000 years, centered in Constantinople and economically dominated again by the Greeks who controlled the trade and investment in this vast region. During this period we have the descent of the Slavic peoples such as the Bulgars, the Serbs and the Russians, who with time adopt the Eastern Orthodox faith, adopt the Cyrillic alphabet -a Slav adaptation of the Greek alphabet- and adopt the Greek

culture and inter-marry with the Greek families of Byzantium. With the fall of

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Constantinople to the Ottoman Turks, the cultural and economic traditions go on to live for another 500 years, because the Turks did not understand nor did they care about the economy, which they left to their citizens, primarily the Greeks. In fact, the Ottoman economy and trade was primarily run and controlled by the Greeks, who because of their Christian links and cultural connections with the Slavs in the north were best able to carry on and facilitate this trade. Greek influence in the Ottoman empire only starts to decline after the Greek War of independence in the early 19th century and the rise of nationalism and culminates with the collapse of the Ottoman Empire, the rise of the Young Turks, the Anatolian Catastrophe, the exchange of populations and the establishment of the Turkish Republic in 1922 by Kemal Attaturk. Thus, you get a split in the Ottoman empire into two parts, the Western European part of the Empire which becomes independent, Christian Orthodox and aligned with Russia to the north and the eastern part of the Ottoman Empire which becomes Turkey. Although ethnically, spiritually and culturally different from the Western part, Turkey adopts a pro-western orientation, adopts a western alphabet and adopts western institutions. Still culturally, to this day the Greeks, the Serbs the Bulgars and the Turks have very much in common, from a shared cuisine, music and lifestyle, to values. One could even say that the Greeks, the Slavs and the Turks have more in common than they do with the Northern Europeans or the Catholics.

The economic reintegration of the region which begun after the Treaty of Lausanne in 1923 and the Greek-Turkish reconciliation of 1930 (when then Greek Prime Minister Venizelos visited Attaturk in Ankara and decided to bury the hatchet), suffered a major blow following the rise of Communism in Russia and then following WWII the creation of the iron curtain that cut-off Greece and Turkey from the Slavic people to the north. In effect, Greece became economically isolated, on one hand, cut off from Turkey because of years of ethnic animosity and on the other hand, the rest of the Balkan peninsula, because of ideology and the iron curtain. Communism did more damage to the trade links of the Greeks than the wars with Turkey ever did.

Since the collapse of communism in the early 1990s we are witnessing two major developments. First, Greece and the former communist states of the Balkans and the former Soviet states of Moldova, Ukraine, Georgia, Armenia and Russia are restarting and renewing their traditional economic relationships, based on centuries of trade, friendship and shared history, mainly the common threat of Islam and the Ottomans, based on a common faith and western or Greek values and civilization and based on a shared geopolitical area. Greek bilateral trade with all these countries is now expanding at a breath-taking speed while more than 3,000 Greek companies have established subsidiaries, joint ventures or businesses in this region, investing more than \$3.5 billion US. Greece's membership in the EU, in Nato and now the Eurozone have established Greece as a regional leader in the eyes of these people who are looking to the Greek government and Greek enterprises for assistance in helping them reconstruct their economies - something that Greece went through in the 1950s and 1960s with Western help- , helping them re-structure their economic institutions, -something that the Greeks have been doing successfully during the 1990s, helping them build sound democratic and pluralistic institutions, -something that the Greeks did successfully following the collapse of the junta and the return to democracy since 1974- , helping them to achieve membership in Nato and the EU, something that Greece has succeeded in doing in the post-war period and

helping them achieve economic convergence with the advanced countries of Western Europe,

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something that Greece is currently in the process of doing. In fact, after years of hardship and misfortune the peoples of this region share a common goal for peace, national security, economic advancement and the pursuit of individual well being and wealth and happiness.

Noteworthy are three initiatives that were launched during the 1990s. The first is the establishment in June of 1992 of the Organization of the Black Sea Economic Cooperation (OBSEC), based in Istanbul, Turkey. This Organization is composed of the aforementioned countries, namely Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine. Its goal is the establishment of BSEC-wide security, stability and prosperity through regional economic cooperation. This initiative has been followed by a second initiative, the establishment in 1996 of the Black Sea Trade and Development Bank (BSTDB), headquartered in Thessaloniki, Greece. BSTDB with nearly US\$200 billion in paid-up capital is a regional development bank and provides project financing to private and public projects that facilitate the reconstruction, development and economic integration of the region.

The third initiative is the Stability Pact for South Eastern Europe. Sponsored by the EU this initiative aims to help the formerly communist countries of the Balkan peninsula which in addition to the aforementioned states of Albania, FYROM, Bulgaria, Romania and Serbia includes Croatia, Bosnia-Herzegovina, Slovenia, Hungary and Turkey. This initiative launched following the Kosovo crisis in 1998 is patented after the Marshall Plan and aims to facilitate peace, security, economic reconstruction, investment and development. Its initial budget is E2.4 billion and is soon expected to be expanded to well over E10 billion, with the help of state contributions and other international multi-lateral lending institutions such as the EIB, the EBRD and the World Bank. This initiative along with other allied initiatives such as the South East European Co-operative Initiative (SECI), the South East Europe Co-operation Process (SEECF) and the Central European Initiative (CEI) all aim to help reconstruct and integrate the region economically, and to help them re-build democratic institutions and facilitate their future entry and integration into the European Union.

One might still wonder what does all this have to do with investment opportunities in Greece? Well, what I am arguing here is that in addition to the strong potential of the Greek market there is also an immense market potential in the surrounding region that is the natural extension of investing in Greece and that can be best accessed through Greece. If a Canadian company commits to invest in Greece, they should not view it as an isolated investment that has to pay off exclusively inside the Greek market, but as a strategic investment that will become the base of a much bigger trading and investment program focusing at the entire region. Once a beachhead has successfully been made in Greece, once the rules of the game and local practices and idiosyncracies have been learned and assimilated, and once personal and institutional relationships have been forged with local players, joint venture partners and government institutions, then through these very same networks you will be called upon and invited to go along and participate in trade and investment opportunities in the Balkans, Turkey and the Black Sea region. Greek entrepreneurs want to test your commitment, resolve and staying power, which takes few years to establish. Once they see that you are committed for the long haul, entry into these emerging markets will be a lot easier, more secure and

with reduced risk. Greeks do not like opportunistic players, especially when they are outsiders.

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Greeks are the only outsiders that the Balkan and Slavic people trust. The Orthodox bond that connects these people emotionally is a qualitative dimension that can be only appreciated and understood through experience but not through logic and reading. It is like membership in a club. The Orthodox bond almost always outweighs the ethnic difference. Moreover, once a Canadian company has become acclimatized to the Greek environment which at present is a hybrid between Western and East European cultures, then entry into the heart of South-East and Eastern European markets will be much easier, in effect an adaptive replication of the original entry plan into the Greek market. Furthermore, if a Canadian company establishes a Greek subsidiary with minority Greek partners, and presents itself as a Greek based firm, its chances for immediate and secure access into these markets will be greatly enhanced, not to mention the benefits of local market intelligence that come only if you have a base in the region and operate with local partners.

What I recommend Canadian clients when they are contemplating entry into the Greek markets are the following: 1) Go with a local Greek partner; 2) It takes longer to break/even because of the bureaucracy and barriers to outsiders are higher than other countries, the risk is clearly higher and so is the capital requirement; 3) But once you understand this, the profit margins and potential growth opportunities are significantly higher than those associated with investments in developed markets; 4) the time to enter these markets is now, while they are still in a chaotic state. Opportunity is found in Chaos. If you wait for the markets to settle and order to return, the opportunities will have flown away. The South-East European market is too vast to ignore and should not be underestimated.

I would also like to make a policy recommendation for the Canadian government. If it wants Canada to expand its trade and investment program in South-Eastern Europe it should design innovative programs and be prepared to throw some good money to assist financially Canadian companies to penetrate this market. The risks, I recognize, are quite high at this point for most small and medium-sized firms to go it alone. It is the government=s proper role to underwrite a large part of this risk, especially during the crucial initial phase of the effort. One vehicle is a public venture capital corporation that focuses in the promotion and development of trade and investment in emerging regions, such as the South-East European and/or Black Sea economic region.

Specific Trade and Investment Opportunities for Canadian Companies in Greece

Now lets turn to what you all have been waiting to here. What specific trade and investment opportunities exist in Greece this moment?

☐ The Telecommunications Market

Telecommunications services is a booming sector of the Greek economy and offers among the best

sales prospects for Canadian firms. Total spending on telecommunications services has grown at annual rates of 30% the past two years and has reached \$7.0 B US in 2000. The network

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has become completely digitalized with a penetration rate of 100% of households for land lines and 50% for cellular telephony. The major players are OTE in fixed telephony while the cellular market is divided amongst Panafon, Telestet and Cosmote. Since deregulation of the Greek telecommunications market begun nearly 200 telcos have obtained licenses to provide a range of different services primarily to business customers such as long-distance, voice for close user groups, data interchange services, among others. In December of 2000 the National Committee of Telecommunications (EET), the Greek equivalent of the CRTC awarded six licenses for fixed wireless access ending OTE's monopoly in voice telephony. Some of the companies preparing to challenge OTE's position are Panafon, Europrom (a joint venture between Eurocom Networks and Prometheus Gas, the Public Power Corporation (DEH) in cooperation with three Greek banks and Mediterranean Broadband Services, a joint venture between Telecom Italia and Greek ISP Forthnet. Quest Wireless, a joint venture led by Greek IT company Infoquest obtained a license, signaling a convergence in the ICT, telecom and internet sectors. Companies have two years to establish their networks but new service rollout is expected much sooner. Telephone equipment sales have also recorded impressive growth in the past few years jumping 62% in 1999 alone thanks in part to the introduction of new services such as WAP and now exceeding the \$1.0 B US mark a year. OTE has made impressive improvements in its network establishing 38 ATM hubs, installing 22,000 V51 network access switches and strengthening its fiber optic, undersea and satellite connections. Grapes, a partnership of private Mediterranean telcos backed by Warburg Pincus won a license in 2000 to set up an alternative fiber optic network, in addition to those being established by OTE DEH and the DEPA, the public natural gas distributor. Other opportunities exist in the establishment of cable TV and direct satellite TV networks. Industry experts predict that the most dramatic changes in the market will occur in the cellular telephony, Internet and Satellite/Cable TV sub-sectors. Among the best sales prospects for Canadian firms will also be network telecommunication services. Satellite communications equipment, cellular base stations, antenna equipment and application software, paging equipment and cable TV equipment provide some of the best sales prospects.

☐ **Computer Networking and Information Technology**

The computer networking and information technology sector has finally begun to take off, driven in part by EU funding aimed in the framework of the eEurope initiative and by private companies to feed their hunger for cutting edge IT solutions. Hardware accounts for over 50% of the market, software 30% and services for approximately 30% mostly systems integration. Total spending in 1999 amounted to \$6.1 B US. The IT market involves mainly distribution with some local manufacturing. Although the penetration rate of PCs is quite low (127 units per 1000 people) the number of PCs sold is rising rapidly reaching 400,000 units in 1999 and will continue to rise gradually over the next few years. The government has set a goal of installing computers in every school by the end of 2002. Analysts expect that PC consumption will be largely driven by Internet connectivity. An array of other opportunities will develop over the next few years as Greece shifts to the Euro and most importantly as it upgrades its infrastructure to host the Athens 2004 Olympic Games. Much of the demand will come from public sector entities as it gears to computerize

all government departments and public services. In this regard, the EU approved the government's program to spend Euro 2.8 Billion to upgrade the country's IT infrastructure by the year 2006. Some

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of the products that are expected to be in high demand include gateways, bridges and routers, LANS and WANS, integrated systems voice, data and video, mail messaging products, fiber optics, multiplexers, network interface cards, network management tools and networking software voice and data systems.

☐ **The Internet**

Greece's internet penetration is the lowest in the EU. With 1.4 million Internet users only about half are active on the internet. The number of active internet users is not expected to reach 10% of the population until the end of 2001. Still, it is impressive that the number of Internet users quadrupled in a year from 1.5% in 1999 to 6.0% in 2000. Internet use has been hampered by various factors, not least among them the high costs and low household ownership of computers. Telephone deregulation and EU pressure on PTOs to lower internet access costs through an unbundled local loop are expected to boost internet use by lowering access costs. Technological convergence is also expected to pull the computer networking and IT, telecom and Internet sectors together. Internet use in Greece got a huge boost by the rollout of in.gr, the Internet portal of Lambrakis Press in October, 1999. Since then a number of other portals have been introduced like Flash.gr and iBoom, which has the strongest roots in the Greek diaspora. Yahoo! Has partnered with OTEnet and was launched earlier this spring while Lycos will be launched in Greece by the end of 2001. E-commerce although in its infancy as getting ready to take off. In January, 2001 OTE introduced B2B in Greece through CosmOne, a joint partnership with CommerceOne of the US. A similar venture has also been developed by EFG Eurobank, Panafon and Hellas OnLine. B2B activity is expected to pick up parallel to the planning for the Athens 2004 Games. Cellular operators have all introduced mobile WAP services but consumer acceptance has been slow. Major portals and popular web sites, including banking and stock trading are mobile ready. WAP services are projected to do well in Greece because of the market's high cellular penetration and because of the introduction of third generation mobile services become available in the second half of this year. Finally, the Greek government is aiming to connect every public school to the Internet by the end of 2001.

☐ **Residential Natural Gas and Equipment**

In 1987 Greece and the former Soviet Union signed an agreement to supply Greece with natural gas from the Soviet Union by building a 510-mile pipeline to connect Athens to the Bulgarian network at a cost of \$1.9 Billion US. This 25-year contract calls for the supply of between 1 and 2.4 billion cubic meters of natural gas annually to Greece. Construction of the main North-South pipeline started in 1991 and was completed in early 1996. In parallel, the Greek government begun the construction of branch pipelines to distribute the gas to various cities and regions of the country. In December, 1997 the first natural gas started flowing into homes in Athens. Now residential natural gas networks are being built all over the Athens, Thessaloniki and Central Greece area, and thousands of homes and small and medium sized businesses are being hooked up to the system. Two weeks ago the Greek government approved the bids to construct six

privately owned electric power plants. Four of the six will use natural gas as their source. Aside from the opportunities to participate

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in the engineering design, construction and procurement program trade and investment opportunities are now presenting themselves in the residential natural gas equipment (RNGE) and products market. RNGE is an underdeveloped sector, despite its considerable potential. It has started attracting increasing attention with heating and cooking units getting the most attention. The number of homes served with natural gas is expected to rise from approximately 23,000 users right now to 500,000 who will use gas for heating and 400,000 who will use it for heating and cooking. Refrigerators using natural gas have also good prospects in this market. The cost of new RNGE is encouraged through a 75% exemption on taxes paid on this equipment. The best potential for sales in Greece are high quality RNGE products that are manufactured according to EU specifications, are environmentally friendly and satisfy safety and legislative standards. Best prospects include gas heating generators and burners, kitchen stoves, water heaters and refrigerators. Agreements for the transfer of technology for the manufacture in Greece of RNGE, as well as joint venture or licensing arrangements also have great potential.

Ξ **Power Production and Distribution, Co-generation, Wind Energy and Solar Energy**

The liberalization of the Greek power market started in October, 1994 and was completed this February, 2001. In 1994 the 45-year monopoly of the Public Power Corporation (DEH) as the sole producer of energy was ended. The Greek government allowed the private sector and industrial concerns to establish and operate power stations to produce electric power from renewable energy sources, either for their own use or for resale to the PPC. Taking advantage of this law, many US and foreign manufacturers of renewable energy equipment have proceeded with local joint-venture partners to create wind and solar parks in Greece. Even though no more than 30 units corresponding to 300 MW have been installed to date, rapid development is foreseen over the next few years especially on the Greek islands and Crete. Co-generation at present is an underdeveloped resource, despite its considerable potential. But its prospects for development in the near future are huge especially when combined with environmental and waste treatment projects. Now that the power market has been completely liberalized, Greek and foreign firms have submitted applications amongst them the Canadian Northland Power Inc. Two weeks ago, six such projects were approved with more to follow in the near future. The best potential for sales in Greece are high quality COG/WIN products which are manufactured according to EU specifications, are environmentally friendly. Best prospects are in wind power generators, as well as in co-generation systems and equipment, and small hydro-electric power stations. Canadian firms have very good sales opportunities for wind turbines, improved rotor blades for turbine generators and mixed diesel-wind turbine generators. Agreements for the transfer of technology for the manufacture of COG/WIN equipment and products, as well as joint venture or licensing arrangements also have great potential.

Ξ **Air-conditioning and Refrigeration Equipment**

Greece boasts some 300 sunny and warm days a year. A high concentration of

Greece's eleven million inhabitants live in six cities, and over 70 percent of Greece's industry is located in four cities. These factors make Greece an ideal area for the installation of air conditioning and

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refrigeration equipment. According to the CSF 2000-2006 Major Infrastructure Projects Program, many upcoming Greek infrastructure projects will require significant foreign technology and equipment in the ACR sector. This program includes the construction of new major airports, two subways, hospitals, tunnels, power stations and the modernization and upgrading of existing airports, ministries, hospitals and other government owned agencies by installing new units and/or upgrading the current air conditioning systems. Under the third CSF financial package, the European Union provides a large financing for the implementation of these projects. In addition, Greece relies heavily on the improvement of the quality of its food and industrial products to enable it to industrialize its economy and thereby complete its integration into the EU and compete more effectively in world markets. Despite current uncertainties in the Greek economy, the expected annual growth of the total market of the ACR products and parts over the 2000-2004 period is estimated to be at a real rate around 10 percent. Since imports supply 50 percent of the industrial and commercial air conditioning and refrigeration market, very good opportunities exist for Canadian manufacturers of industrial/commercial and refrigeration equipment. Best sales prospects include product categories under industrial and commercial air conditioning and refrigeration equipment such as water chillers, packaged units, controls and devices for industries, commercial buildings and stores, hospitals/hotels, airports, marine (vessels), and military installations. Commercial equipment include air coolers, compressors, condensing units, commercial refrigeration display shelf units, racks, controls and devices for cooling chambers for food, beverages and other products that need low temperatures; equipment and accessories for freezing tunnels for food and other products; computer rooms (close control units); pharmaceuticals and cosmetics; and general industrial use.

Ξ **Environmental Protection Systems and Equipment**

The Greek government's efforts to improve environmental quality are impressive both in terms of funds expended and results achieved. As these efforts continue, the Greek market for environmental protection systems and equipment will have excellent growth potential over the next several years. Greece's lack of solid waste disposal systems, growing public awareness of environmental problems, and the availability of EU funds will create major opportunities for Canadian suppliers of waste management systems and recycling equipment in the near future.

Along with waste water treatment, demand for environmental technologies in Greece is mainly focused in solid waste management systems and recycling equipment. These technology areas have excellent growth potential over the next several years. The major reason for increased demand is the need to overcome the environmental problems currently present in all Greek urban centers: heavy concentration of the population in big cities; industrial pollution; insufficient solid waste collection and treatment systems; and the lack of a coordinated environmental protection program. These problems will be exacerbated as the

country's industrial base develops. The mass media miss no opportunity to bring up the issue, heightening public awareness of environmental problems and feeding market demand. Greeks have not traditionally had high environmental consciousness. In the late 1980s, this began to change, and since then the Greek government has taken numerous steps to ameliorate the situation and has adopted most EU environmental protection directives as part of its own national legislation. Best sales prospects include recycling technology equipment; (Greek municipalities have a strong preference for non- automated plants as these plants

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have high manpower requirements, thus allowing mayors to hire voters for patronage jobs), Equipment for transfer stations; Platforms, conveyor belts, and hydraulic compactors; Consulting and engineering services for building and operating landfills and other waste prevention projects; and Bio-Gas technology; (Especially technology that can utilize gas from existing landfills.

☐ **The Health Care Market**

The total Greek market for medical equipment for 1997 was estimated at \$440 million. Local production of medical equipment is limited. Imports supply approximately 95 percent of the market, mainly from the European Union and the United States. In 1999, imports were estimated at \$550 million. It is anticipated that the total market for medical equipment and supplies will grow over the next three years at a real rate of 10 percent per annum. This projection is based on an ambitious program announced by the Ministry of Health for the establishment of many new hospitals, and on the need for modernizing most existing facilities. A law allowing the establishment of private clinics and medical centers has led to a considerable expansion of health care services in Greece. As a result of this growth, the total value of imports of medical equipment and supplies has increased from \$88.4 million in 1989 to an estimated \$550 million in 1999. Sales prospects appear to be best for electrocardiographs, including parts and accessories, complete patient monitoring equipment, EEG, EMG, ultra-sonic scanning apparatus, and electro-surgical instruments and appliances. New technologies, such as telemedicine, are gaining wider acceptance and their use is expected to increase rapidly. There are no formal non-tariff barriers on the import of medical equipment and supplies from abroad.

☐ **Women and Girls Apparel**

The Greek market for imported women's and girls' apparel will continue to see dramatic growth over the next few years according to some industry analysts. These experts foresee growth as high as 17% for this \$650 million market. Even if more conservative estimates prove accurate, this presents an excellent opportunity for Canadian apparel makers, especially those with a base of operations elsewhere in Europe, to improve their market position in Greece. The apparel sector remains one of the most dynamic and profitable sectors in the Greek market. The total Greek market in 1999 for women's and girls' apparel is estimated at \$1.5 billion. Experts anticipate that the market will grow in real terms by 8-10 percent annually over the next three years. In 1999, imports accounted for 40%, of the total market. Italy, Germany, and France are the primary suppliers of

imported apparel in Greece. Very good sales prospects exist for the products such as T-shirts, singlets, tank tops, sweaters, pullovers, sweatshirts, track suits, ski suits and swimwear, women's or girls' suits, ensembles, suit-type jackets, blazers, dresses and skirts, women's or girls' blouses and shirts, as well as brassieres, girdles, corsets, and garters.

☐ **Franchising Opportunities**

Franchising was first introduced in Greece in the mid 1970's and has since become practically synonymous with fast food chains. The development of this system of selling goods and

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services went slowly at first but has accelerated over the last decade. Franchising as a system has been applied successfully in a series of other fields, though its success in the food business is the most dramatic. There are plenty of Greek, other European and U.S. franchise systems operating in Greece. U.S. franchisors are the leaders among the foreign franchise systems currently operating in the Greek market, though Greek, British and other European systems hold strong positions in the market as well. Opportunities for U.S. franchisors will grow in the Greek market, which really remains largely untapped in many of the sectors where the system can be applied. Continuing social and economic changes, among both consumers and potential franchisees will make this system increasingly viable, attractive, and applicable in more and more sectors. Canadian franchisors interested in entering the Greek market are encouraged to pursue the possibility and should be aware that Greek businessmen travel extensively and are regularly on the lookout for new ideas they can bring to Greece; a customer who steps into one of their stores in right here in Canada or one of their Greek-Canadian employees may become their future master franchisor for Greece.

☐ **The 2004 Olympic Games**

For the next three years, preparations for the 2004 Olympics hosted by Athens will be one of the driving forces of the economy, particularly in construction, telecommunications and transport. Major contracts, for example IT support, are set through the IOC sponsorship program. But these are a range of goods and services to be supplied at the local level which provide substantial opportunity for Canadian firms. Although about 70% of the sports venues exist, these facilities are still in need of upgrading. IOC pressure succeeded in getting the Greek Public Works ministry to accelerate the timetable for the completion of major projects. Accelerated construction timetables for the Olympic village, broadcast center, media villages and related infrastructure projects means that Greek resources will be stretched to the limit. Games= organizers are looking for package solutions to speed things up, creating numerous opportunities for Canadian companies to offer services and solutions. Key areas of Olympics-related activities include security, transportation, construction, catering, accommodation and related sectors such as traffic and waste management. According to one survey, there is an acute need for special equipment such as pre-fabricated stands, temporary roofing and covers, stadium seating, fencing, generators, portable toilets, sanitation units and waste baskets, as well as electrical wiring cables. In the services sector there is an urgent need for consultants.

The above list is far from a complete and exhaustive list of the trade and investment opportunities that await you in Greece, nor have I talked about those arising through trade in the surrounding region.

The Canadian Embassy in Athens has recently produced a very informative document entitled Focus on Greece: A Sectoral Snapshot, February, 2001. For more information you can contact Mr. Emmanuel Kamarianakis, First Secretary (Commercial) at the Embassy in Athens and his team Marianna Saropoulos and George Dimitriou. You can reach him at 301-727-3352 and by e-mail at emmanuel.kamarianakis@dfait-maeci.gr.ca.

Ken=s Bio:

Kenneth Matziorinis is the holder of a B.A. in Economics and Political Science, an M.A. and a Ph.D. degrees in Economics from McGill University. Born in New York, he grew up in Montreal, Canada but has also spent six years of his life living in Greece as a young child.

He teaches economics at John Abbott College and McGill University and is the founder and President of Canbek Economic Consultants Inc. an economic forecasting and management consulting firm from where he has been doing extensive consulting work for over 20 years. He holds the accreditation of Certified Management Consultant (CMC).

Since 1992, he has been developing a specialty on the Greek economy and financial markets where he travels frequently. He has written many papers and given many speeches on Greek economic, political and economic developments. In 1999, he founded Hellas Capital, a company specializing on providing information and consulting services on doing business and investing in Greece. Starting this year Hellas Capital is also providing investor relations services to Canadian institutional investors for Greek publicly-traded companies listed on the ASE.

He is an economic advisor and a member of the Board of Directors of NBG Bank, the Canadian fully-owned subsidiary of the National Bank of Greece , S.A. He is married for 15 years and the father of two girls.

He is Canada=s pre-eminent economic expert on Greece.

**SOUTH-EASTERN EUROPE
& BLACK SEA REGION
TRADE AREA**

<u>Country</u>	<u>Population</u> Millions	<u>GDP</u> Bil. 1999 USD (PPP)	<u>Christian Orthodox</u> %	<u>Moslem</u> %	<u>BSECC</u> Members	<u>Christians</u> Millions	<u>Moslems</u> Millions	<u>EU</u> Members	<u>EU</u> Candidate s 1st Round
Greece	10.75	149.2	98.0	2.0	o	10.54	0.22	o	
Cyprus	0.75	10.0	82.0	18.0		0.62	0.14		o
Greece & Cyprus	11.50	159.2	97.0	3.0		11.15	0.35		
Albania	3.50	5.6	30.0	70.0	o	1.05	2.45		
Bulgaria	7.70	34.9	86.0	13.0	o	6.62	1.00		
FYROM	2.10	7.6	70.0	30.0		1.47	0.63		
Romania	22.40	87.4	95.0	1.0	o	21.28	0.22		
Serbia & Montenegro	10.70	21.0	80.0	20.0		8.56	2.14		
Central Balkan	46.40	156.5	84.0	13.9		38.98	6.45		
South-Eastern Europe	57.90	315.7	86.6	11.7		50.13	6.80		
Turkey	65.70	409.4	0.4	99.6	o	0.26	65.44		o
Russia	146.10	620.3	85.0	13.0	o	124.19	18.99		
Moldova	4.50	9.7	98.0	0.0	o	4.41	0.00		
Ukraine	49.10	109.5	97.0	0.0	o	47.63	0.00		
Georgia	5.00	11.7	89.0	10.0	o	4.45	0.50		
Armenia	3.40	9.9	94.0	4.0	o	3.20	0.14		
Azerbaijan	7.80	14.0	5.0	96.0	o	0.39	7.49		

Former Soviet Republics	215.90	775.1	85.3	12.6	184.26	27.12
BSECC Countries	325.95	1461.6	68.7	29.6	224.01	96.44

Source: CIA World Factbook,
2000
Compiled by: Canbek Economic
Consultants Inc.