

**Embargo: 9 April 1996**

***INVESTMENT OPPORTUNITIES IN GREECE***

**Speech by Prime Minister of Greece**

**Mr. Costas Simitis**

**on the occasion of his visit to the United States of America**

**9 April 1996**

U.S. Greece  
Business Council  
for the opportunity of Greece  
to spread  
to you

## INVESTMENT OPPORTUNITIES IN GREECE

After a long period of uncertainty generated by geopolitical developments in the region, structural changes in Europe and domestic macroeconomic imbalances, Greece is gradually emerging as a dynamic economy, ready to meet the challenges of growth, prosperity and peace in South-eastern Europe, the Balkans and the Mediterranean.

In meeting these challenges, we mobilise all the human and physical capabilities of our nation, but this is not enough. We also need to invite foreign investors to participate in this process, in order to translate today's opportunities into tomorrow's achievements. It is precisely about this invitation that I am going to speak today. Neither Greece nor foreign investors should miss the chance to cooperate, not only for the benefit of both, but also to give the other economies in the area the opportunity to enter and reinforce the development process.

American investment in Greece has varied over time. In the past, there has been a high propensity of U.S. firms to invest in Greece and in the 1960s, nearly half of total Foreign Direct

Investment was of U.S. origin. The share gradually declined, and today U.S. direct investment in Greece is no more than 15% of the total. It is time for this decline to be reversed, and here are some good reasons why it should be so:

1. **Greece offers easy access to emerging regional markets**

Greece is a unique country that at the same time is a long-established member of European Union, has extensive economic and political cooperation with Balkan and other newly democratic states in Eastern Europe, and has very good bilateral relations with all Middle-East countries. Greece is, therefore, very well prepared to actively contribute to the prospects of economic development and participate in the new markets that emerge in the area.

In the Balkans, after the collapse of communism, Greece made all possible efforts to ensure a peaceful transition to democracy for all countries, and to set the foundations for prosperity. By now, Greece has established a concrete framework of cooperation and friendship with Bulgaria, Albania and Romania and is gradually developing a similar relationship with FYROM. In the former Yugoslavia, Greece has ardently participated in peace

negotiations and today actively supports the Dayton Plan for pacification in Bosnia.

Greece is leading economic development by means of promoting private investment, building common infrastructure and creating financial institutions in the Balkan Countries. In terms of private investment, Greek firms and Greece-based foreign firms are already well established in Albania, Bulgaria and Romania. There are about 2,500 firms of Greek origin, currently operating in Balkan countries and the number is increasing fast. Exports have increased by almost two-fold during the last four years, and a further rise is expected as the economies in the region are stabilised and started to achieve positive growth rates.

At the same time, there is a growing presence of Greek banks in the Balkans, where they play an important role in investment financing, banking know-how, and market assessment. The financial support is supplemented by a whole package of services and information on legal matters, privatisation programmes and marketing. They can prove especially useful for joint ventures between Greek firms and American companies that want to invest in Balkan countries.

As the prospects for a peaceful settlement become brighter, Greece will again find itself in a privileged position to participate in the economic recovery and development of former Yugoslavia. The reconstruction of Bosnia and the lifting of the embargo in Serbia offer significant opportunities for building infrastructure, joint ventures and trade activity.

To facilitate business activity in the area, Greece in close collaboration with Bulgaria and Romania promotes some key infrastructural projects in energy and transportation. The Oil pipeline and the Gas pipeline, which are just about to begin, not only offer investment opportunities for the construction and utilisation of the specific projects, but will also boost general economic activity by reducing production costs and increasing energy availability in the area.

The network of motorways, currently under construction in Northern Greece and neighbouring countries, will minimise transport cost and provide easy physical access to the various regional markets and to the markets of Central and Eastern Europe.

Finally, we pursue the establishment of an International Credit Bank for the Development of the Black-Sea countries, so that private investment and infrastructure are more easily and adequately financed.

In some of these initiatives we have worked together with American business persons and organisations, and we hope that this common effort will be further strengthened in the future. The US Greece Business Council can take the initiative for a tour in Balkan countries to directly explore the investment possibilities.

The experience we have gained in the Balkans, will be useful in creating a similar environment for investment and economic cooperation in the Middle East. Greece has been in good terms with all nations in Middle East and bilateral trade has always flourished.

Greece with its relatively well- developed financial markets, geographical proximity, currently operating sea and air connections in the Middle East and several cultural relations, is an ideal choice for firms that want to invest and take an early advantage in the markets that will start to emerge. Construction, shipping, health care, public infrastructure, tourism are some of the areas in which foreign investment and joint ventures with Greek firms are highly viable and promising.

As in the case of Black Sea Countries, Greece participates in the establishment and operation of the Middle East Development Bank that aims to finance major projects in the area, which, in turn, will attract and facilitate further foreign investment.

As it seems, Greece is poised to play a key role in the economic development of the Balkan region and the Eastern Mediterranean and foreign investors are invited to have their share in this perspective.

Conclusion.

Of course, when one describes the role of Greece in the region he should also refer to the state of affairs with Turkey. Frankly, the situation is not the most beneficial for either country. But I hope that the situation will gradually improve as Turkey realises that peaceful coexistence and adherence to international law are the only factors available in order not to diminish the prospects of economic development in the area. Common prosperity is the best fighter for peace, and we hope that Turkey will not miss the opportunity.

We want the development of Turkey

The foreseen establishment of a Customs Union with the European Union, will create new trade opportunities with Turkey. Greece is the only country of the European Union with direct road

access to Turkey, and is therefore, the natural place for investing in transport infrastructure, storage facilities and financial services associated with the new trade activity that is going to emerge.

## **2. Greece offers a growing domestic market**

Not only is Greece a privileged route to other markets, but is an expanding market itself. Tourism and recreation industry, electronics, telecommunication, transport equipment, environmental technologies, the energy sector and several others offer substantial opportunities for investors. There is a growing demand for products and services of those sectors, and at the same time there is a favourable condition for their production in Greece.

Tourism is a prime example: By building recreational complexes with sporting and conference facilities in Greece, you can combine the service sophistication demanded by high-profile customers with the unique advantage of Greek civilisation and one of the most versatile landscape and seascape in the world.

Or take the areas of modern technology: Greece today has a highly trained scientific personnel that is capable to carry out research and technology develop in sectors such as telematics, multimedia, new materials, renewable energy resources,



agriculture, etc. To give you an indication of this quality, Greece is awarded about 4% of the competitive Europe-wide research projects, although the research population is barely more than 1% in the European Union. This scientific personnel is spread in universities, research centres and private sector companies and can adequately meet the high skills required by modern technology.

Local demand in high-tech products and services is increasing fast. In some of those sectors there are already established american firms, but they mainly act as distributors rather than local producers. In fact, american companies in Greece own about one third of total foreign capital invested in the country, a proportion that is very low compared with american investment in other european countries. We believe that there is plenty of room and plenty of reasons, for these american companies to extend investment in value-adding activities and for many others to start business in Greece.

### **3. Infrastructure is improving fast and the evaluation process for new investment is simplified**

With the assistance of European Union, Greece is currently involved in a major upgrading and extension of infrastructure, on a scale comparable to the reconstruction period after the war.

Postwar reconstruction was followed by a big wave of foreign investment, and we hope that current modernisation will attract an equally important number of foreign companies that choose to locate their production in Greece.

The biggest projects are in the transport sector. We build a new airport for Athens, extend and upgrade several local airports in other cities, open modern highways all over the country, modernise ports and railways and build metropolitan subways in Athens and Thessaloniki. Within six years from today, transportation throughout Greece will bear <sup>are</sup> a little resemblance with what was available some years ago.

The other key area is telecommunications. After years of neglect, infrastructure is now ~~gradually~~ improving and soon we shall be in a position to meet the ever-increasing demands for faster, reliable and multi-media communication. The ~~successful~~ partial privatisation of the Greek Telecom, will further boost efficiency and competition, improve quality and expand the market of communication services.

Using the opportunity of privatisation, about 150 foreign funds became shareholders of the ~~Greek Telecom~~, investing more than

200 million dollars. We see this as a significant development, as it will have wider positive effects on attracting further foreign investment in Greece.

Beside the physical infrastructure, Greece has drastically improved the institutional framework for foreign investors. One of the frequently mentioned barriers to foreign investment, has been the labyrinth of domestic regulations that were often incomprehensible and sometimes contradictory. Frequently, investors might get disappointed if they have to deal with multiple and uncoordinated bureaucratic prerequisites, and wish to have a simpler procedure for examining their plans.

Now this impediment is over. A new organisation has been established to handle the whole process, from submitting the investment plan until the stage of final approval. This **"One-Stop Shop"** will provide authoritative information about investment opportunities and a complete handling of all intermediate evaluations and licences required, after which the investor has simply to start construction and operation. We hope that bureaucratic postponements, will be drastically reduced, and the investor does not have to deal anymore directly with a multitude of central and local authorities.

Other institutional improvements include the liberalisation of capital movements, the development of financial markets in full compliance with the directives of European Union, and the introduction of new financial mechanisms. Venture capital, leasing facilities, factoring and forfeiting are increasingly available, in order to support new investment in Greece.

#### **4. Greece combines macroeconomic stability with sanguine growth prospects**

After a long period of macroeconomic malaise with a rising inflation, excessive fiscal deficits and an explosive public debt, Greece has finally managed to stop and reverse the tide. For third year on, we implement a stabilisation programme, aiming at reducing deficits, cutting inflation and keeping exchange rate stability. The programme has been endorsed by the European Commission as a necessary adjustment towards the Economic and Monetary Union of Europe.

As a result of the stabilisation effort, we achieved a remarkable improvement in the macroeconomic environment. Annualised Inflation is now at 8%, a record low since 1972. Primary

deficits turned surpluses and public debt was stabilised. Exchange rate vis-a-vis european currencies varies about 3% per year.

The success of stabilisation initiated a new era of growth, after many years of stagnation. During the last two years, the Greek economy is growing at 2% annually and we expect a rate of 2.5% in 1996, thus surpassing the european average for the first time after 5 years.

The credibility of our economic policies combined with positive growth prospects have resulted to a minimum friction in industrial relations. Lost working hours due to industrial action in 1995 were at the lowest level in the last twenty years. Moreover, industry and trade unions have signed a two-year wage agreement that guarantees the continuation of cooperation and a common effort to enhance growth and productivity.

## **5. Greece offers several incentives for new investment and political and social stability**

Depending on the region where a new investment is installed, the state subsidises part of the initial cost for buildings and machinery, by up to 50%. For investment in high-technology

sectors, quality control and innovative products there can be an extra subsidy of another 10%.

For certain areas, remuneration of high-skilled personnel is also subsidised, so that shortages in specialised labour supply are reduced.

Operating <sup>e</sup> firms are encouraged <sup>a</sup> to restructure and adapt to new technology and new markets on the basis of Business Plans, which are partly <sup>a</sup> financed by public funds. Business Plans may include transfer of technology, licensing, mergers, networking and other actions that help the company to expand and forge strategic alliances with other domestic and foreign <sup>e</sup> firms.

Progress has been made in easing the cost of domestic financing, although more steps should be taken. Bank lending rates went sharply down last year by 10 percentage points, much more than inflation, so that the real cost of lending was reduced by 6 points. New forms of investment financing, such as venture capital and seed capital started to be introduced and we hope that they will further expand in the future.

The Athens Stock Exchange has a daily volume of transactions of about 30 million dollars and includes more than 200 trading firms. Its transformation to a corporation, the set-up of new <sup>ou</sup> supervising institutions and the introduction of new companies are expected to increase trade and efficiency in the Stock Exchange.

Privatisation Programme continues and includes manufacturing companies, banks, insurance companies and many others. We expect that foreign investors will be attracted to participate in this Programme as in the recent case of the Greek Telecom.

Another favourable factor that a foreign investor enjoys in Greece is political stability, social peace and a general climate of security and public order. Our political system is solidly based on parliamentary democracy, without major splits between the main parties. Public order and security are at satisfactory levels, and Greece is a country with the lowest record in terrorist acts all over Europe. Despite some claims to the opposite, there is no violation of security in airports and we had no serious accident whatsoever during the recent years caused by terrorism. Compare this situation with any other country in the area and you add another reason why a foreign investor should consider Greece as the place to invest.

## In Conclusion

For all the reasons I described, Greece is emerging as a country of new opportunities, with a growing economy, a modern institutional framework, skilled human resources and in the neighbourhood of new markets in Eastern Europe and the Middle-East. Rarely the combination of factors has been so favourable for Greece or, as a matter of fact, for other countries. Perhaps, not everything is as ideal as it could be, but we intend to continue our effort to further improve the conditions for economic growth and business activity.

X

We are aware that this historic opportunity should not be missed, and I invite you to actively participate in the process and initiate a new era of growth, peace and prosperity in the area.

Thank you very much.