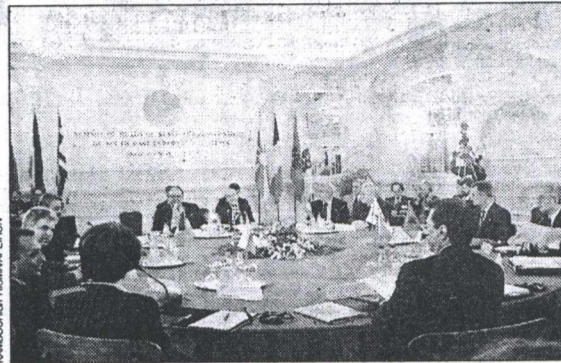


# INVESTING IN GREECE

Optimism is the byword as Greece enjoys its high economic performance and successful moves toward privatization. The country is also increasing its role as a regional political leader, especially in the Balkans. In addition, industries such as telecommunications, transportation and tourism are booming. Finally, the country is celebrating its selection as the site of the 2004 Summer Olympics.

The games are returning to their birthplace in Greece. Clockwise from top: An exuberant student shows off his talents at the University of Athens; a Balkans Summit opens in Agia Pelagia, Greece; Prime Minister Costas Simitis inaugurates the construction of the new Athens Airport.



## PRIME MINISTER MEETS HIS MANDATE

A year after Costas Simitis took office, all of his country's economic indicators are favorable.

Prime Minister Costas Simitis came to power in 1996 with a mandate to lead the country toward a market-oriented economy through the privatization of state enterprises. With the aim of improving Greece's investment profile, he promised to trim the public sector, reduce inflation and complete a number of major infrastructure projects. A year later, his reform program is proceeding at full speed.

The Hellenic Telecommunications Organization (OTE), Greece's largest public enterprise, is now listed on the Athens Stock Exchange. Eleven other utilities will have shares on the exchange in the next two years, says Minister of the Economy Yannis Papantoniou. Several other state-owned companies are in the process of privatization. Among them are two paper companies, Softek and MEL; chemical company PCOM; ELSYP Shipyards; Greek Petrochemicals; Greek Iron Alloys; and Greek Saltworks.

The inflation rate, running at over 10 percent two years ago, will have dropped to 5.1 percent by the end of 1997, according to Mr. Simitis, and will drop to under 3 percent in 1998 and under 2 percent in 1999. The number of public servants will soon show a decrease for the first time in decades, while the consolidation of local government units will guarantee lower expenses and more efficient services throughout the country.

According to a recent International Monetary Fund report, Greece's economy is converging with those of its European Union partners. In 1996, the Greek economy grew at a faster rate than the EU average — 2.6 percent against 1.7 percent — for the first time since Greece joined the European Community in 1981. The report estimates that the Greek economy will grow at a rate of 3.5 percent in 1997 and 1998, compared with average European growth of 2.5 percent.

National Economy Minister Yannis Papantoniou told a World Bank summit recently that, according to his forecasts, Greece will have 4 percent growth in 1998 and will sustain that level for at least a decade.

Speaking recently during the third Euro-Mediterranean Industrial Summit, held in Athens, Mr. Simitis stressed the importance that Greece places on its cooperation with European and Mediterranean countries, "a cooperation that will enable the Mediterranean basin to become an area of strengthened political dialogue, transactions and cooperation in ways that will guarantee peace, stability and prosperity."

"Today, the recovery of the Greek economy, the restriction of inflation to the lowest levels in the last 25 years, the reduction of the cost of money, the spectacular increase in investment, the firm course toward healthier public finances and the trust shown on the part of international organizations and international markets indicate the stability and correctness of our economic policy," says Mr. Simitis.

Economic indicators corroborate the prime minister's statements. Economic activity is up for the fourth consecutive year. For example, private investment increased by 11 percent in 1996, compared with a 5.3 increase in 1995.

Public-sector investment went up 14.9 percent last year, against 7.4 percent in 1995. Also in 1996, private investment in housing increased 18 percent and private business investment 8 percent. Private consumption increased by 2.2 percent, against 1.6 percent in 1995.

Mr. Simitis also emphasizes that competitiveness has become a key factor in Greek economic life and that as a result, "businessmen who are aware that the market operates by its own rules are seeking new opportunities and are undertaking important initiatives."

### Baltic ties

In recent years, Greece has increased its efforts to help normalize the political and economic situation in the Balkans. Greece was the first country to send food and pharmaceuticals to Bulgaria and Albania this year. Bulgaria has received more than 100,000 tons of Greek wheat, and a continuous flow of other assistance is being sent to that country. Albania also receives substantial aid from Greece.

## THE OLYMPICS CHALLENGE: GOLD MEDALS IN BUSINESS?

Local and foreign businesses will benefit along with Olympic athletes.

A few hours after Greece won the bid for the 2004 Olympics, Prime Minister Costas Simitis made a remark that caught the press by surprise. He warned that the games "will not be allowed to develop into an opportunity for underhanded business, for superficial and shoddy work, or a chance for quick grabs and a fast buck. The projects surrounding the Olympic Games must have quality and a long-term value for the general public, not just for businessmen."

Despite its blunt nature, the prime minister's warning was welcomed in a country where, according to recent statistics provided by ALKO Research Bureau, only 1.8 percent of the public trusts the Greek business community.

A recent conference organized by a think tank called "E21-Greece in the 21st Century" concluded that corruption is rampant in the public and private sectors and that one-third of the adult population has used bribes to get their interests served.

Having won the bid for the Olympics after a 10-year effort, Greeks realize that they must not allow this opportunity for economic development to go to waste. The opportunities are there not

only for enterprising Greeks, but also for foreign contractors and international partnerships.

As in all countries hosting Olympics, there is a question about whether the country can cover the costs and, ideally, make a profit. Optimists in Greece form a large majority. One of these is Gianna Angelopoulos-Daskalaki, a former member of Parliament who enjoys great popularity nationwide for her key role in securing the 2004 games.

"Gianna," as she is known, says the cost of staging the Olympics will come to \$1.6 billion, all guaranteed by the government in accordance with the contract signed with the International Olympic Committee (IOC).

She says exactly half that amount will come from IOC proceeds from international television rights and major sponsors. The money will be sent to Greece as early as next year. The other half must be secured through local business projects and "sensible management," she adds.

The Bidding Committee, however, says that the remaining half has "almost been guaranteed" by the government, since Mr. Simitis suggested it could come through large-scale Euro-

pean Union development funds scheduled to be delivered between 1998 and 2004. These funds are estimated at 8 trillion drachmas (\$32 billion), which means that a mere 2.5 percent of the total amount would be needed to cover the remaining half of the Olympic budget.

### Public works

The projected \$1.6 billion budget is relatively low because major public works projects, designed to improve the congested Greek capital and make the Olympics a success, have separate budgets of their own.

These projects, several of which are partly EU-funded, will be completed by 2001. Specifically, they include the new international airport at Athens — self-described as the largest in Europe — a new subway service, an archaeological park, an extensive reforestation and environmental program, numerous new highways and anti-pollution treatment of damaged coastlines.

"To us it is quite clear that we can cover the Olympic budget and in the process help to radically improve the city and the country in general for a whole future generation," says Ms. Angelopoulos-Daskalaki.



Young people celebrate the IOC's decision to award Athens the 2004 Summer Olympics.

Not everyone shares her optimism. A minority fear that the projected budget has been underestimated. They say the Greek economy will not be able to bear the burden of the games, especially considering the country's large-scale defense expenditures and the strict austerity measures being imposed in order to meet the criteria for European monetary union.

Apart from the large public works projects mentioned above, Greek and foreign enterprises aspiring to gold medals in business can look forward to a number of other medium-range projects. These concern improving the country's traffic circulation, telecommunications and technological infrastructure, as well as creating more park land.

Although 70 percent of the

## ECONOMIC INDICATORS

GDP: \$110 billion

GDP per capita: \$11,472

Main industries: tourism, merchant marine,

agriculture, construction, mining

Exports: \$10 billion

Imports: \$24.2 billion

Main trading partners: European Union, Japan

Main exports: mining products, oil and byproducts,

industrial products, textiles, agriculture, tobacco and spirits

Main imports: cars; machinery; oil and byproducts;

electronics; chemicals; fresh, processed and frozen foods

Private enterprise is also helping neighboring Balkan countries through investment and the export of technical

know-how. This assistance is crucial if these countries are to join the European Union eventually.

Hundreds of Greek firms, including some large banks, have established branch offices in Bulgaria, Albania and Romania, or formed joint ventures with local businesspeople. In these countries, Greek investors are second only to German industrialists.

The Union of Greek Industries plans to establish a special information network of Greek industrial enterprises operating in the Balkans, to work with commercial attachés in the Greek embassies and to establish "Greek Homes" operating under the aegis of Greek embassies but financed by private enterprises. The aim of the Greek Homes will be to promote Greek products and information about Greece.

Although Greece is a relatively poor member of the European Union, the country is determined not only to reach its partners' economic levels but also to participate in European Monetary Union by 2001. Greece will be in the spotlight as it hosts the 2004 Olympic Games, an event that will bring the games to their birthplace.

The preparations for the Olympics mark the beginning of a new era of economic progress, owing to a number of major infrastructure projects necessary for the games' success. ●

## INVESTMENT TOPS FORECASTS

Vasso Papandreou, Greece's Minister of Development, Industry, Environment and Tourism, has brought her extensive experience with European affairs to the Greek cabinet, having spent three years as Greek Commissioner in Brussels. She has also served as a member of Parliament and minister of industry, commerce, energy and technology. In the following interview, she discusses investment potential in Greece and government measures to prevent development from damaging the environment.

What are the indications of an improved investment climate in Greece?

The improvement of the macroeconomic indices shows a better handling of the economy. Inflation has fallen since 1993, from 13 percent to about 5 percent. Our target for next year is 3 percent. A similar fall in interest rates has been achieved.

The deficit in the public sector has come down gradually, from 13 percent in 1993 to about 4.2 percent this year. It is targeted to fall below 3 percent next year. During the same period, we were able to stabilize the public debt as a percentage of GDP. This year, there will be a small reduction. Our goal next year is to have a sizable reduction.

Finally, after the parity of our currency was allowed to slide for several years, it has now remained stable against major European currencies this year.

I believe that these macroeconomic indices, which are confirmed by international organizations, are the main successes for the Greek economy during the last few years. Furthermore, a sizable development program is under way in our country, which, together with the help of the European Union, absorbs 5 percent of the GDP. This program aims to develop infrastructure, upgrade labor and improve the productive environment.

Regarding infrastructure, major projects are in progress in Greece. We are constructing the Egnatia Way, a highway that connects the East with the West. We are entirely upgrading the North-South axis of road communications and all railway lines. A modern airport is being built for Athens, and all of the country's airports are being improved, while air traffic control is being modernized.

In the energy sector, a great natural gas network is nearing completion, and major investment is under way in the sectors of renewable energy sources and conservation methods. At the same time, drilling for oil is taking place in Western Greece.

In the telecommunications sector, a complete modernization effort has been undertaken so that Greece can meet the present-day demands of the information society. The same thing is happening in the environmental sector, with major water works and the biological purification of sewerage.

All these have led to a considerable improvement in the productive environment, which resulted in an increase in investment, both in the public and in the private sectors, which in turn led to an increase in the GDP of 2.5 percent in 1996 and 3.5 percent in 1997.

For the first time since its entry into the European Union, Greece has development rates exceeding those of the EU's average. What measures is the Greek government taking to secure the protection of the environment, together with the development of the economy?

Greece is known for its superb physical environment. We

consider it our duty to protect this environment both for our

citizens and for the millions of visitors whom we welcome every year. Greek legislation on the environment is stricter than that of the European Union. It imposes strict environmental limits for both new projects and industrial plants.

We cannot claim that everything works perfectly, but our care for the environment is continuous, and this message is being passed on both to citizens and entrepreneurs.

Is it possible to fight unemployment by deporting illegal workers, or is their employment useful and helpful in creating jobs?

The phenomenon of foreign workers in our country is somewhat new, and for this reason we are trying to use the experience of other countries that have had foreign workers for decades.

The Greek government believes that illegal immigration must be checked in two ways. First, through increased control at the borders and, second, through the legalization and the incorporation into the economy of all who are today working illegally in Greece. We believe that the legal presence of foreign workers in our country can be beneficial both for them and for the economy.

According to our information, a great number of foreign workers are employed in agriculture, construction and tourism. We believe that the rate of development of the Greek economy during the present period and for the years ahead will create new employment openings to absorb the unemployed.

Is there any room for further development of the tourism industry?

The development possibilities for Greek tourism are wide. We think the model of mass tourism has reached a saturation point and that in the future, together with mass tourism, new forms of tourism must be developed, such as conference centers, therapeutic centers, sports tourism, etc.

The means for the development of new tourism infrastructure and installations are extensive. The program "Tourism and Culture" has considerable funds for the development of special forms of tourism.

Does the Ministry of Development have plans to attract foreign capital for use in tourism?

We are interested in foreign investment because it is definitely accompanied by know-how, and it brings foreign visitors. We have tried to attract foreign investors. Actually, all the openings of bids for the development of the property of the National Tourist Organization were international and were published in the foreign press. Parallel efforts were made in cooperation with the Greek Investment Center (ELKE) and foreign embassies in Athens.

These efforts will continue with the National Tourism Organization's promotion of the investment potential that Greek tourism presents and with other investment in our country.

Based on existing data, we may say that the rate of investment developments in that sector have surpassed any optimistic forecast. ●

### "INVESTING IN GREECE"

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