

## A New Era for the Greek Economy



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Greece is a member of the European Union since 1981 and a member of the Eurozone since 2000. Greece also enjoys a strategic geopolitical position as it is located in Southeast Europe, an emerging region of more than one hundred million people. By offering monetary and political stability as well as an advanced level of infrastructure and a mature banking sector, Greece serves as the gateway to Southeast Europe to those willing to do business in the region and as the gateway to the world's capital markets to Balkan firms willing to expand their activities.

The performance of the Greek economy is, by all accounts, one of the best in the Eurozone. However, when the new government began its term in office in March 2004, the economy was facing two major challenges: an excessive budget deficit and a considerable deterioration of its competitiveness. Both such imbalances if unchecked would eventually lead to a deterioration of the long-term prospects of the Greek economy.

It was crucial to respond to those challenges in a timely and effective manner. From the very beginning of our term in office we started implementing multiple reforms in every field of the economy. We

reformed the tax regime by reducing corporate tax rates and by simplifying the relevant procedures. We introduced a new Investment Incentives Law, in order to boost regional convergence and encourage investment aimed at exploiting Greece's comparative advantages. We introduced a Law for Public-Private Partnerships, so that we can build the necessary infrastructure in order for the economy to become more productive, at a lower cost, faster and more efficiently. Our privatizations agenda, albeit ambitious is already ahead of plan. We estimated revenues from privatizations in 2005 to reach 1.9 billion dollars and we have already reached 2.5 billion dollars.

At the same time, we enacted a policy of gradual fiscal adjustment in order to reduce budget deficits below the 3 per cent ceiling imposed on Eurozone members. This year our deficit will fall from 6.6 per cent of GDP in 2004 to 3.6 per cent of GDP, in line with our commitments to the European Union. In 2006, we expect the deficit to fall below the 3 per cent ceiling, to 2.8 per cent. Moreover, we have introduced reforms in the banking sector, so as to make it more efficient and stimulate competition. We pushed long-awaited reforms in the labor market and we have reorganized to a great extent the

public sector in order to reduce bureaucracy.

The Greek economy is responding in a very satisfactory manner to the reforms we have been introducing over the last year and a half. Despite the high energy prices, the sub-par economic performance in the Eurozone and the fiscal consolidation process underway, the economy is set to expand by 3.6 per cent this year, which is one of the highest rates of growth in the Eurozone. Solid private consumption, higher exports by 7.3 per cent in the first six months of this year as compared to the first six months of 2004 and a double-digit increase in foreign visitors are driving the economy. The unemployment rate has fallen by more than 1.5 percentage points to 9.6 per cent, despite the end of the preparation for the Olympic Games that was feared to cause, according to many economists, an economic slowdown.

Greece is moving fast on a path of changing in order to become a more attractive place for business and private investment, in order to make the most of its EMU membership and of its strategic geopolitical position. Our government is determined to continue its efforts in order to spur economic growth and make the most of Greece's comparative advantages.