

**SPEECH OF
THE GREEK MINISTER OF ECONOMY AND FINANCE
Professor GEORGE ALOGOSKOUFIS
AT THE "INVEST IN GREECE" FORUM
IN NEW YORK**

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**"Greece in a New Era: Business and Investment Opportunities and the
Development of Southeast Europe"**

Good afternoon Ladies and Gentlemen,

Let me say that it is with particular pleasure that I address such a distinguished audience. Let me also congratulate and thank the organizers and sponsors for their initiative.

Ladies and Gentlemen, Dear friends,

Greece has entered into a new era. As thousands of visitors have witnessed first-hand last summer, Greece is moving in a totally new direction. More confident than ever, our nation has hosted, for the first time in more than a century, the Olympic Games, which were considered by all participants as a great success. The Games that have returned home marked a milestone in the transformation of modern Greece. Greece has taken the opportunity of the Games to accelerate completion of major infrastructure projects, to complete an impressive string of new sports installations and to assimilate the organizational skills required to organize a complicated task of such colossal proportions.

The Games' success is having repercussions that largely exceed the mere event. Greece has a new face in the world and the whole world has witnessed Greece's new image. Along with it, a new environment for tourism, a new environment for investment, a new environment for growth has emerged. I invite you today to explore the opportunities the Greek economy has to offer.

Ladies and Gentlemen,

Since March 2004 Greece has a new government. A government that has promised to bring forward reforms that will lead the economy into a virtuous path and deal effectively with the problems of the past – reforms that aim to put the economy back on track and to revive economic growth.

When we took office twenty months ago, the Greek economy was facing high budget deficits, an escalating public debt and several persistent structural imbalances. It was characterized by a disproportionately big and counterproductive public sector and an overregulated business environment.

These problems were the main reason for the economy's low international competitiveness and for the low productivity in the domestic goods and services sector. One of the top priorities in our agenda is to correct the aforementioned imbalances. We have a clear mission:

- 1) To promote the conditions for prosperity, economic growth and social cohesion in Greece,
- 2) To achieve an accelerated pace of economic growth so that the per capita GDP of Greece converges with the E.U. average,
- 3) To adjust fiscal policy and to reduce public debt as a percentage of GDP,
- 4) To drastically improve our economy's international competitiveness, and
- 5) To create a positive environment for investment.

We have a clear mandate to stimulate economic growth and the creation of jobs by providing a dynamic, competitive, outward-looking and efficient economic environment.

Ladies and gentlemen,

We are delivering on our promises. To this end we have already enacted economic policies that will help us achieve our goals:

1. We are implementing a policy of **gradual fiscal adjustment**, in order to contain budget deficits and secure long-term fiscal stability. We have chosen a gradual process instead of a more drastic approach, because we wanted to safeguard short-term economic growth. By establishing better and more efficient controls on public expenditure, we are reducing unnecessary public spending significantly, thus conserving resources equivalent to 1.0% to 1.5% of the GDP annually. That is 2.0 to 2.9 billion dollars a year. Additionally, we pay particular attention to ensure that our policies have the minimal adverse effects on domestic growth.
2. With the **Tax Reform Law** that we passed in December, we have introduced major cuts on corporate taxes that aim to spur private investment. The three-step reduction of corporate tax rates from 35% to 25% by year 2007 is already in effect. May I also mention that there is no double taxation of dividends in Greece, and that we have simplified the tax code and made the procedures simpler and more straightforward.
3. At the same time, we have been eliminating the various barriers that discourage private investment. **We are, steadily and decisively eliminating red tape and unnecessary bureaucratic procedures.**
4. We enacted legislation to make the operation of the stock market more transparent and more efficient.

5. We have introduced a **New Investment Incentives Law** that offers generous subsidies to private investment projects. This new law seeks to encourage investment in Greece's less developed regions and make the most of our country's comparative advantages.
6. We have legislated a new framework for **Public-Private Partnerships**. This lays the foundations for the active development of state-owned real estate and the more efficient provision of public goods and services through partnerships with the private sector. We thus expect to benefit from the expertise of the private sector and from the resulting efficiencies.
7. By completely privatizing the National Bank of Greece in 2004 and by selling some more of our stake in the Hellenic Petroleum Group, we have initiated an **ambitious privatizations agenda**. For year 2005, we expected that privatizations would generate approximately 1.9 billion dollars in revenue for the State. We fared much better. By selling stake at OPAP (Europe's leading betting agency) and OTE (the National Telecommunications Company) we managed to generate 2.5 billion dollars in revenue. For 2006, our plans include the listing of the Postal Savings Bank and of the Athens International Airport in the Athens Stock Exchange, completely privatizing Emporiki Bank and selling part of our stake in the Agricultural Bank of Greece.
8. We are encouraging R&D and innovation by creating a favourable environment and by providing the appropriate tax incentives. Under the new Tax Law, R&D expenditures are particularly encouraged.
9. We are minimizing the procedures needed to establish a new business and we are cracking down on bureaucracy.

10. We are passing legislation in order to protect more efficiently our environment, which constitutes one of our main comparative advantages.
11. We have signed an agreement with Russia and Bulgaria for the construction of an oil pipeline connecting the Black Sea with the Mediterranean, thus reducing the costs of transporting oil. This will transform Greece into an energy hub of the greater region.
12. We have introduced **reforms of the labour market** – an essential condition for increasing employment and reducing unemployment.
13. We have started talks on reforming our pension system, a task which faces several challenges.
14. We have already embarked on strategic planning for the **4th Community Support Framework**. The funds made available will be used for initiatives related to the improvement of human capital, research and development and competitiveness.

Through our National Reform Program, submitted to the European Commission in October, we are stepping up our commitment to meet the objectives of reforming the public sector and the operation of markets.

Ladies and Gentlemen,

The Greek economy is responding to the reforms we have been introducing in a satisfactory manner. Despite the high oil 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. The unemployment rate has fallen by more than 1.5 percentage points to 9.6 per cent.

We are working hard to deliver on our commitments by fostering a climate of confidence and trust. **Our policy for growth is based on the three principles: entrepreneurship, openness and international competitiveness.**

- On **entrepreneurship**, for it is the main engine for economic growth and the creation of jobs. It is the main engine for the creation of wealth – wealth allowing us to implement more efficient social policies.
- On **openness**, because we find ourselves in a world where borders matter much less than in the past, in a huge European market, in a world where economic transactions have been liberalized.
- On **international competitiveness**, because in the global economy of today, only countries able to face the challenges of international competition can take advantage of the new opportunities arising.

One of the main comparative advantages of Greece is its position at the centre of a fast developing economic region, that of Southeastern Europe. Greece is no longer an isolated economy of 10 million inhabitants. It is at the centre of a region of 160 million people. It has been a member of the European Union for almost 25 years. It is a member of the eurozone. It has the best social, political and economic infrastructure in Southeastern Europe. It is active in promoting the integration of its neighbours in the European Union.

Many multinational corporations have chosen our country to set up their headquarters for their operations in Southeast Europe and the Middle East.

Greek Foreign Direct Investment contributes to the development and the stabilization of the Balkan economies. In less than ten years, Greek investment in Southeast Europe has exceeded 10 billion dollars. By investing and trading in Greece or through Greece, one can gain access to a dynamic network of Greek companies that do business in the Balkans and the Eastern Mediterranean,

especially in view of the accession of Romania and Bulgaria to the E.U. and Turkey's European perspective.

Greece is the leading foreign investor in Albania, Bulgaria and Serbia and ranks among the first three leading foreign investors in Romania.

Greek banks are performing extremely well in the greater region and their operations are expanding at double-digit rates of growth every year. This trend is set to continue for many more years, since our neighbouring countries are significantly under-banked.

In that sense, Greece is not only the gateway of foreign investors to Southeast Europe, but it is also the gateway of local enterprises to the international capital markets. Greece can offer the monetary and the political stability that foreign investors require in order to invest in Southeast Europe. With the know-how it possesses in capital markets, Greece can also be a valuable partner for every local company seeking to reach international investors.

Ladies and gentlemen,

For Greece, this is the beginning of a new era. An era of macroeconomic stability, a competitive tax regime, more flexibility in labour, capital and product markets, more investment in education and training, more balanced growth. An era of confidence and optimism. The prospects of the Greek economy are solid and promising. We have to offer a stable environment, but yet, an environment full of business opportunities. Opportunities in the energy sector, in real estate, in trade, in tourism and in the service industry.

If Ireland was the economic miracle of the last two decades, then I am fully convinced that Southeast Europe is capable of becoming the economic miracle of the next two decades. And Greece's role in this will be essential.