

Athens Business Club
“Doing Business in Greece”

Speech
by the Chairman
of the Federation of Greek Industries,
Mr. Ulysses Kyriacopoulos

Saroglio Megaro, August 17, 2004

Ladies and Gentlemen,

Welcome to Greece, welcome to Athens, and on behalf of the Federation of Greek Industries, welcome to the Olympics. I trust that you are all enjoying the games and experiencing the modernization that Athens has undergone in order to

host them. We are proud to show the rest of the world what a small nation like Greece can accomplish.

First allow me to introduce to you the FGI which was founded in 1907 and is the leading, independent, employers' organization representing the collective vision and interests of the Greek business community. Our members are business organizations and enterprises operating in Greece from the manufacturing and the service sectors of the economy. We strive for the continuous improvement of business conditions in our country and in the EU. We believe in the principles of a free market, competition, business ethics, corporate governance and corporate social responsibility. While we actively support entrepreneurship, life long learning and the improvement of national competitiveness, we encourage our members to respect the environment. We also believe, like most Europeans, that social cohesion is one of the necessary conditions for growth and full employment in the country.

Just a month ago tens of thousands of Greeks turned out in the streets to honor the Greek National Soccer team as it returned from Portugal holding the European Cup. Just last Friday, you witnessed a state of the art opening ceremony which was performed by 5,000 volunteers. These two great successes demonstrate that when we believe in something, when we work methodically and systematically, when we work together and with a little bit of luck we can all become Champions. This is just as applicable in business and in the marketplace.

A proverb says "The man who has no past, has no future". However, today I will not dwell on the accomplishments of Greece as the progenitor of Western thought and civilization. I am sure that you have all had ample opportunities to learn about our glorious past and our role in political and philosophical thinking, in science or in arts, in western civilization and, more recently, in the great field of soccer.

Instead I would like to draw your attention to briefly introduce to you Modern Greece and to say a few words about the economy and the business climate.

Our country, located in the very southeastern tip of Europe consists of a mountainous peninsula and over 2,000 islands giving Greece the most extensive **coastline** among all Mediterranean countries. (15,021 km long). As a result, Greeks have always been great traders and transients of the sea. Today they own and operate the second largest fleet of ships in the world. The beauty of the nature, the climate and the extensive coastline leave a lot of untapped opportunities for investment in tourism and real estate development.

The population of Greece has increased to 11 million, due largely to over a million immigrants over the past decade. Although more than half of the population is classified as urban, rural life retains a powerful influence and 16% of the workforce still works in Agriculture. A strong sense of community and family ties survive even in the busiest of metropolitan centres. The literacy rate is high and a recent survey indicated that 1 out of 10, approx one million, Greeks use the Internet daily.

Our political system is that of a **parliamentary democracy**. Our Prime Minister, Constantine Karamanlis and his New Democracy party won the general elections last March. The new government enjoys a strong majority (165) in the 300 member parliament. The President of the Republic is elected every 5 years by Parliament and Presidential elections are due next year.

Greece enjoys very good relationship with all its neighbouring countries, including Turkey. Greek-Turkish relations are affecting positively our bilateral trade which is growing rapidly and early this year both parliaments ratified the agreement

of double tax avoidance that will also facility cross boarder investments. Greece gives more than 200 million dollars annually in foreign aid to third world countries and to its neighbouring Balkan countries under the Stability Pact. A Greek army battalion, serving with NATO's force, is stationed at Mitrovica, Kosovo contributing to peace in the Balkans. Furthermore, over 5000 Greek companies have invested in the Balkans, addressing a market of more than 55 million people and taking advantage of low labour costs and potentially faster growing economies.

Labour unions in Greece have a long tradition and strikes in the public sector on a local level are not unusual. However the on going social dialogue, good **Industrial Relations** and wage bargaining that has reflected productivity gains, have secured 14 years of a strike free working environment in the private sector. This excellent social climate has led **to record gains in national productivity**. (more than 4% last year)

The Greek economy has shown remarkable strength in the last 8 years maintaining growth rates that double the average growth rates of the EU (over 4% per annum). Our GDP reached €150 billion last year. Unfortunately total public debt still exceeds our GDP, while inflation is averaging 3.5%. More over the biggest challenge of our society inow days is unemployment which declined slightly but still averages 9%. Unemployment rates remain particularly high for woman (>15%) and youth unemployment remains around twice the overall unemployment rate.

Historically, Greece's economy was agricultural. Today, **agriculture** still represents around 8 per cent of GDP and agricultural products and processed foods constitute about 22 per cent of total of exports.

What is usually less known and underestimated is that Greek **manufacturing** contributes to over 23% of employment and 58% of Greek exports.

After a prolonged crisis period, since the mid 90's investments in industry have become substantial and have led primarily to productivity gains and to volume increase. Industrial production has entered a growth phase and actual output has grown by 17.6% since 1995. However the rate of growth of Greek production is not as high as the rate of growth of the economy overall and therefore manufacturing represents today only 11.5% of GNP.

After a steady growth period, 2003 was the first year where output, as measured by our research institute IOBE, showed a slight decline of 0.45% as it becomes obvious that Greek industry is well integrated with the European economy and follows closely the European market demand and trends. Prospects for 2004 are optimistic as local demand and exports have gone strong the first semester of this year. A multitude of sectors have shown remarkable recovery or growth this year and are indicating future growth in investment. Just listen to this diverse list of such sectors: metallurgy, food and beverages, transport equipment, medical and precision equipment, tobacco and chemicals, printing and publishing while sectors in decline are apparel, textiles, leather, wood and cork, radio and TV sets. After a long growth period office equipment, computers and non-metallic ores have shown a slight decline in the last two years.

In preparation for the 2004 Olympics, Greece modernized its infrastructure at a rapid pace. It did so with the help of funds provided by the EU under the third Community Support Framework and loans from the European Investment Bank. The main focus has been in six large projects, which are all due for completion by the end of 2004 and will totally transform Greece, improving the transportation of goods and easing the travel of commuters and visitors for years to come. Construction accounts for 7% of GDP and 8% of total employment. Most immigrants work in Construction where the industry was operating at full capacity trying to complete projects on time

for the Olympic games. The concentration on preparation for the games has meant delays in other projects and so the industry will have an order book to fall back on. Long after the Olympic torch is extinguished, the Greek economy will continue to grow significantly, firmly supported by planned public and private investments and strong private consumption.

Like in all other European economies, tourism, financial services, logistics, security, software, and other services will continue to grow faster than the primary and secondary sectors of the economy.

Ladies & Gentlemen,

2004 is a very important year in many aspects for the world, Europe and Greece. The world economy is back on track and all continents are expected to grow faster this year. The European Union has been enlarged by 10 new members. The dream of a united, peaceful and prosperous Europe is slowly becoming a reality. For Greece, 2004 is a landmark as the Olympic Games have returned back to their birthplace. Greece's incredible achievements are a triumph for teamwork and camaraderie. **There is much to learn from this experience, because it was the combination of the Greek spirit and the "continuous pushing of the envelope" of a powerful team, well-equipped with disciplined management that led to our triumph in the European football championship and the success of the Olympic Games.**

Greece, armed with its modern infrastructure, the funds of the E.U., the new pro-business and free-market government, our skilled labor force, our deep knowledge of the region, our entrepreneurial spirit, and the publicity it has received, is bound to continue growing at rates substantially higher than the E.U. averages. I invite you all to seek these opportunities and take advantage. We at the FGI we will stand on your side and are ready to introduce you to the best players in the market place.

Thank you.