

Federation of Greek Industries

**Address of the Chairman
of SEV- Federation of Greek Industries
Mr. Ulysses Kyriacopoulos**

**in the meeting with
NIPPON KEIDANREN delegation**

SEV Premises, September 5th, 2005

Excellencies, Ladies and Gentlemen,
Dear colleagues from the country of Rising Sun,
Ohayo-gozaimasu,

It is our honor and real pleasure to welcome you here today in the House of Greek Industry, the H.Q. of a nationwide business association representing industry and services in Greece. On this rare occasion of NIPPON KEIDANREN's visit in Athens, we feel it is a unique opportunity to get to know each other better and exchange views on issues of common interest. I recall the warmth reception I was granted by Vice-Chairman Mr. Yonekura when we had an interesting and informative meeting during the minister's and our delegation visit to Tokyo and Nagoya on the occasion of Expo 2005.

The Federation of Greek Industries is the leading Employers Organization in our country, representing the collective vision and interest of the Greek business community. We represent more than 5,000 companies employing 5000,000 people.

The Federation contributes to sound economic development by participating in the Social dialogue, representing employer's interests on different policy issues and by submitting policy papers to the Government and the opposition, to Labor Trade Unions. We cooperate with the government to enhance the international competitiveness of our country by eliminating restrictive regulations and bureaucracy while creating the necessary framework that will further facilitate the creation and growth of business.

In addition we encourage our members to adhere voluntarily to charters on Corporate Governance, Corporate Social Responsibility and on Sustainable Development in order to win the good will of society.

The Federation of Greek Industries has established and supports a Business School (ALBA) and a foundation with four centers for technical and professional training (IVEPE). Based on a very successful pilot project we are trying hard to convince the government to introduce classes on entrepreneurship in our country's high schools and universities.

We are active member at UNICE since 1962, the organization that lobbies with the European Parliament and the European Commission urging our political leaders to accelerate structural reforms fostering entrepreneurship and improving competitiveness throughout the continent. It is the sole path to close Europe's competitiveness gap with North America and South East Asia and to achieve the goals of environmental sustainability, social cohesion and of full employment.

Knowing that everybody's time is precious I refer to move on and share with you our view on Greek economy.

In preparation for the 2004 Olympics, Greece modernized its infrastructure at a rapid pace. Investments in infrastructure projects have spurred companies to become more competitive in almost every sector, including telecommunications, technology, energy networks and financial services. Everyone who visits the country, as you are doing today, may witness this transformation: You have arrived at our new airport, we are enjoying a new metro system which is ambitiously planned to expand further, a tramway, several ring-roads, a new bridge linking central Greece with Peloponnesus and several other facilities. All these billion euro projects have given significant boost to the economy and precious know-how has been accumulated. Most importantly, I would say, is the new generation of experts that is now available in Greece, which has obtained valuable expertise in managing big and complex projects. Last year successful Olympic Games marked the capacity and willingness of Greece and its people to modernize and rebrand its name in the international scene.

Greece has gone through a major economic and social transformation in the last decade. As a result of consistent economic policies, good labor relations, the accession to the European Euro zone, Greece in the new era is an economy based on monetary stability and relatively low interest rates and inflation. Thanks to the substantial investments in infrastructure, the liberalization of telecommunications and energy markets, the increased transparency and competition, the ongoing privatization plan and the huge inflow of European funds, Greece's economy has been growing at approx. 4% over the past 5 years.

In addition to the public sector investments, the private sector has shown spectacular growth by expanding and exploiting opportunities in the region.

One of the biggest challenges of our society after the Athens 2004 Olympic games is managing the very high public debt and budgetary deficit. Measures have been taken by the Government reducing public investment and indirect taxation was increased to boost public revenues (VAT hike from 18% to 19%). These necessary measures may somehow restrict the country's growth rate and act as a short term growth restraint.

However Economic growth in Greece continues to outpace the Euro area average for ninth consecutive year in 2005. First semester public statistics indicate a smaller than anticipated deceleration in the GDP growth this year. The Government predicts now that growth for 2005 will reach 3.6% compared with 4.2% in 2004.

Tourism is registering a record performance in 2005, on the back of a boost from the Olympic Games, of improved infrastructure and investment in

tourist facilities in the previous years and an extensive promotional effort last winter.

Highly dependent on oil imports, oil prices and the continuing high private consumption levels is keeping our inflation rates high at 3.5%. Having conceded our monetary policy to the ECB this puts continuous pressure on our national competitiveness.

The Federation of Greek Industries has focused its efforts to promote the need to put competitiveness and entrepreneurship on top of the Agenda in this country.

The Greek government publicly declared "2005" as "Competitiveness Year". This is a chance for us all to focus our efforts to improve the competitiveness of the Greek economy. Along with our social partners and the government we are in the process of preparing a national plan in order to achieve the so called Lisbon objectives and targets.

Several measures have already been taken by the Greek government to support investments and entrepreneurship. A new tax law last year was introduced reducing corporate income tax levels eventually to 25%, a business investment incentives law and more recently the Government's reform agenda includes:

- **The reduction of labour market rigidities** through cuts in overtime pay and better management of daily working hours. The new law accommodates businesses' needs in periods of increased activity, in which workers may agree to work more hours per day in exchange for more free time in other periods within a year. These measures are expected to improve cost competitiveness of unit labor cost, address the needs of highly cyclical businesses and lift the impediments in increasing employment levels within firms.
- **The extension and rationalization of opening hours of retail shops**, which is expected to strengthen competition and increase employment in the retail commerce sector, implying also an important favourable effect for tourism.
- **The acceleration of the liberalization process in the electricity and natural gas sectors** by lifting barriers to entry and by offering incentives for the production and in the distribution of natural gas.
- **The abolition of life-time employment contracts for new hiring in ex public companies like the Hellenic Telecommunications Organization.** It is the intention of the government to replicate this measure in the broader public sector and state controlled companies. This should render these very large companies more flexible and hopefully more competitive in the future.

- **The new law for exploitation of the Olympic buildings and facilities**, which, according to a recent research of SEV, will have positive impacts on the economy.

These are some of the reforms that support the business environment and pave the way for the successful implementation of a more ambitious privatisation program. Moreover, the substantial investments in infrastructure projects completed during the last decade, in combination with the continuing structural reforms, are gradually improving our productivity and enhance national competitiveness. This should reverse the trend of deteriorating trade balances by increasing exports and attracting more foreign direct investment.

We Greeks have achieved a lot but we all know that we need to do better and much more in order to reduce the prevailing high unemployment numbers. We need to foster foreign direct investment, to supplement Greek companies' effort, bring in technology, improve our export performance and create additional jobs. Attracting foreign investors will be the key for faster and sustainable growth after 2005. Thus, we make strong efforts to create those conditions and overcome obstacles such as bureaucracy and red tape, which are some of the main factors that deter foreigners from investing in Greece.

Our neighborhood – the Balkans – for Greek businesses the markets of Balkan countries and the greater South East Europe are crucial. The diversity of the countries and economies performances in South East Europe makes generalizations difficult. However, all stakeholders in the region show willingness and commitment to multiply business relations. Greece enjoys a dominant role business wise in the area, as Greek enterprises have managed successfully to establish themselves in the region taking advantage of the particularities which characterized those countries.

With last year's Enlargement, the European market now includes 500 million consumers. An Enlargement of this magnitude certainly has set new challenges and goals for the whole economy of the continent and for each member state separately. Slovenia was included in last year's wave of countries which gained accession to E.U. Romania and Bulgaria, in their turn, are preparing to cross the final steps of the road leading to full E.U. membership and hopefully more countries will follow in the future.

Greece enjoys a number of advantages in this new age that the Balkan Peninsula is undergoing, and is able to turn them to account. Its geographic proximity and its knowledge of the way local markets are structured and operated contribute to the advancement of Greek business activity in these countries. We feel that we must continue moving fast, faster than any potential competitors, to extend our presence in the region in order to ensure that we can maintain our leading role. The provisions are good considering some real factors such as:

- low labor cost,
- real-estate prices which are still lower but steadily increasing,

- consumer trends and consumption patterns
- similarity in our business culture,
- Greek businessmen willingness to undertake the “Balkan risk”,
- the geographic proximity,
- high level of investment on transport infrastructures.

Greek companies have delivered impressive scores placing Greece as the largest investor in Albania, F.Y.R.O.Macedonia, and Bulgaria, 3rd in Romania and improving in rank in Serbia-Montenegro and Bosnia-Herzegovina.

Just to give you some figures regarding the future new comers, Bulgaria and Romania:

- In Bulgaria

- Greece holds the first position for investments the last 10 years (2,8bn Euros) and 4th position in Bulgarian exports with tendency to increase (50%)
- The main Greek industrial and trade sectors operating in Bulgaria are telecoms, petroleum products, food, steel, cement industries
- The banking sector has also a prominent position controlling almost a third of the market

- In Romania

- Greece is
- The third investing country (2,4bn Euros)
- Greek banks, food, construction, packaging, insurance, steel and metal industries have a prominent share of the Romanian market
- In 2003 Greek exports have increased by 23%

Let me remind you that our country is located on crossroads between important geopolitical areas and markets: the Balkans, the Middle East and the Black Sea Region. Greece has also enjoyed good relations with all Arab countries. Its strategic position is a gate to the east, combined with its European identity, the remarkable presence and know-how acquired in the Balkan countries are a real stimulus for international investors when they consider Greek enterprises as prominent partners.

I mentioned all the above to underline the potential of business cooperation between Greece and Japan. I am sure that both sides can do more to improve our exports and promote Greece as destination not only for tourism but also for business. This was the goal of our country's participation in EXPO 2005 in Aichi and our delegations visits to your country.

Again, I extend to all of you a very warm welcome in the city of Athens and I do hope that today's meeting is just a step forward to an enhanced future closer cooperation.

Take advantage of Greece's stable and business friendly environment. You can do it alone or in forming joint ventures with Greek companies that have the experience of doing business in the region.

Thank you for your attention,

Domo Arigato gozaimashita.