

**CEOWORLD Magazine**

**The Report**

# Greece 2010

■ Louka Katseli, Greece global leader in three main sectors – shipping, tourism and culture ■ Christos Alexakis, Greece – A New Investment Era ■ Finance and Banking ■ Visiting the cradle of democracy ■ Maritime nation since antiquity

**Greece at the Crossroads**





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# Contents

■ <b>Greek economy</b>	<b>4</b>
▪ Interview with Minister of Economy, Competitiveness and Shipping Mrs. Louka Katseli	4
▪ Greek-Egyptian relations	8
▪ The Challenges of Greek-French Relations in 2010	9
▪ Time for Recovery	12
■ <b>Invest in Greece</b>	<b>18</b>
▪ Interview with Mr. Christos Alexakis Greece – A New Investment Era	18
▪ Speeding up the FDI	22
■ <b>Finance and Banking</b>	<b>26</b>
▪ Suffering from others' mistakes	26
■ <b>Tourism and Culture</b>	<b>30</b>
▪ Visiting cradle of democracy	30
▪ CEO SETE Overcoming Challenges in Greek Tourism Industry	35
▪ Interview with Mrs. Sophia Staikou President of the Cultural Foundation of the Piraeus Bank	36
■ <b>Information &amp; Communication Technologies (ICT) in Greece</b>	<b>40</b>
▪ Transformation and modernization	40
■ <b>Energy sector in Greece</b>	<b>48</b>
▪ Energizing the economy	48
■ <b>Shipping and Maritime Industry</b>	<b>54</b>
▪ Maritime nation since antiquity	54
■ <b>Acknowledgements and Useful contacts</b>	<b>58</b>



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# Interview

**with Minister of Economy, Competitiveness and Shipping  
Mrs Louka Katseli**



**Louka Katseli**

*Minister of Economy,  
Competitiveness and Shipping*



**Mrs Minister, how does your academical background support your present activity?**

In my professional activity, I had three different kinds of valuable experiences. The first one is connected with academical research. The second is linked to international organisations, especially concerning my latest appointment as a director at the OECD Development Centre. And finally - the governmental positions I had in the past. What ties them all, is the close link to public policy. The question here is not only what should you do, but whether you are able and know how to do it. This has always been my interest. That is why I have moved around academic and political jobs, as well as in international organizations. The contribution of my former experience to the present job is deeper understanding of what needs to be done in order to implement policy effectively.

**Could you reveal this 'golden mean'?**

What I have learned due to my past working experience is that leading means having a vision of what you want to accomplish during a precise period of time. Furthermore, you have to be able to clearly present this vision and to mobilize all the various stakeholders around it. Lesson number two is to manage human and physical resources around the strategy to have this vision implemented. Another thing is to be able to communicate with wider public and other various actors in a simple way. You need to explain precisely, what you expect and when you want it to be done. You must be able to present the current problems and explain how to avoid or solve them. There has to be a continuous process of accountability to the public.



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MEMBERSHIPS AND CERTIFICATONS



What about the profits of Greece's geographic location?

It is another comparative advantage. We have to rethink our transportation services and the development of ports as service areas, not just docks. The same applies to rail transportation, agriculture and renewable energy. We need rational and modern investment in various parts of the economy. It is the first time in the post war history of Greece when all the development instruments and tools have been brought under one ministry. The challenge is to use them for productive restructuring, development and improvement in competitiveness of the country.

What are the main challenges in front of the Ministry for the year 2010?

First of all, we need to turn the negative growth rates into positive ones as quickly as possible. We are pursuing this aim by measures of increased liquidity in the market, supporting investment and measures to support demand, especially for the lower income groups. This is included in a reform package we are now pushing through the parliament. We want to support small and medium size enterprises, offer them credit guarantees and restructuring of loans, pumping up liquidity.



And what about the institutional framework of doing business in Greece? Does it need to be improved as well?

A cost of doing business in Greece is very high. According to the World Bank indicators we still have lots of administrative hurdles to overcome. We want to simplify procedures, create a stable tax and institutional environment and lower the cost of doing business. It is a great challenge to support private investment. Another task is the productive restructuring. The main instrument here is the Community Support Framework. For the period 2007-2013 the amount of 26 bln Euro is available to support restructuring through the Community Support Funding, of which only 3 per cent have been absorbed so far. The idea is to canalize this financing into viable projects in a close collaboration with a private sector. That would enhance competitiveness in a long term.

How would you encourage foreign investors to come and invest in Greece?

Greece offers several valuable advantages: strategic location, human resources, highly educated labor force which, properly managed, can do miracles. Furthermore - environmental and physical resources which make Greece a perfect place for any kind of services. Nevertheless, Greece needs a brand. One of the key tasks of my ministry is to find a brand name for Greece. It shouldn't be just 'sea and sun' any more.

**Thank you very much for the interview.**

Milena Golda  
Editor-in-chief CEOWORLD Magazine



# Statement

## by Ambassador of Egypt

## on Egyptian-Greek Relations



**Mr. Tarek Adel**

*Egyptian Ambassador to Greece*



Egypt and Greece enjoy excellent bilateral relations, as well as a convergence of views on various regional and international issues in general. This is due, in part, to historical and geographical ties, cultural links, and long-standing diplomatic relations between the two countries that date back to 1833. In addition, there is a community of Greeks living in Egypt, as well as a sizeable community of Egyptians in Greece.

As such, Egypt and Greece maintain excellent political relations. Only recently, President Mubarak visited Athens, where he held talks with President Papoulias and Prime Minister Papandreou, which covered various bilateral, regional, and global issues of mutual concern. This visit was followed by another visit by President Papoulias to Sharm el Sheikh where he met with President Mubarak.

However, economic relations are not up to its best potential. The current level of trade and investment between the two countries indicate that economic relations, in general, could be upgraded to a new level that is consistent with the common interests and aspirations of the two countries. We consider it a priority to promote economic relations in various

sectors, including trade and investments. We are looking forward to holding the seventh session of the Joint Bilateral Committee for Economic and Technical Cooperation between Egypt and Greece before the end of this year. This meeting will address a variety of issues ranging from trade and investments to energy and tourism, as well as cultural affairs.

Worth mentioning in this respect, that the prospects of both country's benefitting from their membership in a number of regional economic groupings are great. As Egypt is a member of COMESA and the Agadir Convention, while Greece is a member of the Organization of the Black Sea Economic Cooperation and The South East European Cooperation Process. In economic terms, this has the potential of making Egypt a gateway for Greece to Africa and the Arab world, while making Greece a gateway for Egypt to South-Eastern Europe.

Furthermore, there is a wide potential to enhance this cooperation as both countries are members of the Union for the Mediterranean (UFM) and have common interests in areas like renewable energy and ecology protection in the Mediterranean.

# The Challenges of Greek-French Relations in 2010



**Mr. Christophe Farnaud**  
*French Ambassador to Greece*



It is deeply rooted in our common history that France and Greece have a common future to face together.

The strong and very old bond between France and Greece, has allowed to the two countries to face together the challenges of their history. In the basis of this deep friendship, our countries can resolve the modern challenges with a common spirit, in a way almost “natural”.

All people are familiar to the fact that the Greek thought has inspired French ideals of the «Rebirth» era, the «Enlightenment» era and the French Revolution. In addition, respectively the movement of French «Greek-friends» was the one that lead the newer Greece to its independence during that time.

This strong and intense Greek-French bond was strengthened during the whole 20th century. Between 1967 and 1974, an entire generation of politicians, intellectuals, artists and academics, chose the exile in France. This fact reflects the intellectual and sentimental proximity between Greeks and French. Let us not forget when in 1974 Konstantinos Karamanlis returned to Greece in order to restore Democracy in the country, he was travelling with

the presidential plane that the Chairman Giscard d'Estaing had placed at his disposal.

Between 1979 and 1981, when Greece chose Europe, France stood by her side for one more time. New movement of friendship was made from France when it supported Greece's position concerning the FYROM name issue.

In addition, when Mr. Nicolas Sarkozy paid Greece a visit on June 2008, in order to validate that this historical alliance was not only contemporary but that it pertained a fresh impulse, we moved from «Greek-French Alliance» to «Greek-French NEW Alliance», which reflects this specific reality of the reinforced co-operation between France and Greece. For all challenges, France can count on Greece and Greece on her turn, can count on France.

This is true for the «Non-Legitimate Immigration» issue. Today this challenge is greater than ever and both countries desire, in the basis of the European solidarity, a truly European Immigration policy.

This is also the reason why Greece came out in favour of the European Pact on the Immigration and the Asylum matter that was adopted in 2008 during the French Presidency of the European Union. From

then and after, France and Greece collaborated closely, also in a European level. France considerably intensified its action in the Frontex organization in 2009 and we were glad for the results that it got, which contributed to an important reduction of the total number of illegal immigrants in Greece this year.

We also possess strong common will to additionally move on to the Environmental Protection sector, which is another big challenge we owe to deal with, during our century.

Greece immediately offered its support for the concretization of the Union for the Mediterranean, which was initially proposed by France. Being a Mediterranean country, Greece enlisted with conviction on France's side and other countries of Europe in order to promote together, concrete plans, essential for the Mediterranean region: pollution control of seas, marine and land avenues, political protection from natural disasters etc. The Union for the Mediterranean is an ambitious plan that aims the increase of exchanges and the growth of trade relations between the two coasts of Mediterranean.

With the above said it is time to mention the Economic and Financing crisis that affects Europe and the rest of the world. The Greek crisis is also Europe's crisis, which is currently going through an ordeal period of extreme importance for its history and future.

Within the frame of the European solidarity, France has moved, in May 2010, towards the concretization of the European mechanism to support Greece. We are convinced that helping Greece means protecting our common currency, defending the economic strength of Europe and the political Europe of tomorrow.

In addition, the economic difficulties did not offend this bilateral "New Alliance", to which the President of the French Democracy referred to with a warm speech, I would state the opposite.

Our financial collaboration continued to strengthen. In 2009, our commercial transactions decreased less in comparison to other partners. For years now, France remains one of the first three foreign investors in Greece; indeed it is likely to have re-gained the first rank last year, the rank that it already possessed in 2006 and 2007, concerning the sector of investment flows.

With more than 150 firms and around 33.000 employees, France is the first foreign employer of the country, event of great importance, provided the current circumstances.

The sectors in which we can strengthen our collaboration are many: I am more specifically referring to the energy effectiveness, the new technologies of satellite communication and tourism. Tourism constitutes a sector of vital importance for the European economy and for both countries; however this industry has become more and more competitive. The wealth of the cultural and natural heritage of Greece, as well as of France, supplied with a powerful increase of tourist industry during the last ten years. It strengthened the exchanges between our two countries provided that, in 2009, roughly one million French tourists visited Greece, which was a 6% increase, compared to 2008. This development should also make us prompt to examine new models of growth, but also new training channels for the tourist industry professions.

As you can see, the challenges that Europe has to deal with are too many, however we plan to go through all of them together and united: Greeks and French, Europeans have proved that when they want to act towards improvement, they make it happen.

France and Greece are so close in every level that they must work together on this issue.

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**Time for recovery**

Looking at the sea of disturbances suffered by the Greek economy, we are all quite likely to forget that we are talking about the 27<sup>th</sup> largest economy of the world. An important element of the European and Mediterranean economic puzzle has fallen behind and it is only its authorities to be blamed for the dark clouds above Greece. Nevertheless, we cannot forget its financial and cultural potential. Europe has already decided not to let it collapse. The time of strategic revival is getting closer. The ones who are able to take advantage, should already start thinking how to do it.

## Bright echoes of the past

The year 2009 was the first since 1993 when the member of OECD, the World Trade Organization, the Black Sea Economic Cooperation, the European Union and the Eurozone observed a negative GDP growth rate. Before the black period of crisis the Greek per capita income level accounted for more than 90 per cent of the ones recorded in such countries as South Korea, Italy, and Israel. Actually, the Greek GDP grew for 54 years out of the 60 years following

World War II and the Greek civil war. Since the time when strong economic fundamentals were laid with help of the Marshall Plan in the period named by economic historians the 'Greek economic miracle'. The point about today's new 'Sick Man of Europe' is that it consistently outperformed most European nations in terms of annual growth within the second part of the 20th century. If Greece did it once than why it cannot repeat it?

## Disturbed indicators

That's what the struggle is about. The pressure is strong and it comes both from the outside and from the inside. Apart from the Europe's greatest geopolitical players, there are more than 11 million Greeks worried by the fact that more and more of them find themselves left with no job and no prospects for the future. Their new situation is even more painful, as Greece has always ranked highly in the living standards indices, such as Human Development Index and the worldwide quality-of-life index prepared by The Economist. In 2008 the purchasing power of Greek citizens stood at 95 per cent of the European Union average.

Today the unemployment is rising and the state needs a violent revolution in terms of fiscal and monetary standards. One of the first issues that needs aggressive tackling is the political and economic corruption, not being a secret to the public opinion since a longer time. Another rather painful indicator touches on the issue of economic freedom. The question of running business in Greece can be optimistically answered only in terms of future plans. Current data is alarming. Last year's Index of Economic Freedom placed Greece in the last but one place in Europe and 81st in the world.

It is however not the case that Greece does not offer an interesting scope of investment opportunities. Tourism, shipping, industrial products, food and tobacco processing, textiles, chemicals, metal products, mining and petroleum – enumerating the places for potential investment would probably take much more space. Not to mention 5 million Greeks

equipped in knowledge of languages and professional skills. It is rather an impatient labour force, who already showed their disagreement for the economic status quo in the series of public demonstration, gathering thousands of people.

## Looking for the ones to blame

According to the popular belief, the Greek authorities are to be blamed for the current state of the economy. Let us take a closer look at what happened when Greece was entering the Eurozone. Many observers claim that the budget statistics required for the fulfillment of the Maastricht criteria were under-reported.

There have been accounting practices due to which the recording military expenses took place when the products were received rather than ordered. This fact was revealed to the public by Eurostat after the audit performed by the New Democracy government in 2004.

However, contrary to what certain economists and publicists say, if the official accounting methodology required by Eurostat had been applied, Greece would have been allowed to enter the monetary union just as well. The criteria would have been met anyway. On the other hand, nobody had the illusion that pumping the state money into the economy without limits is not a healthy method of running a long term economic policy. Since the introduction of the common European currency the fiscal debt to GDP ratio remained above 100 per cent.

In order to stick to the EU monetary guidelines, the government had to deliberately misreport the official statistics. In short time it found itself in a dead end. In the meantime it became clear that the creature awoken at the subprime credit market in the US will no longer be only an American nightmare. Things got worse when it came out that Greece paid Goldman Sachs and other banks hundreds of dollars in fees since 2001 for arranging transactions that hid the actual level of borrowing. This allowed the authorities to spend beyond their means – and this should be perceived as the hardest sin of the government.



## Deep reforms awaiting

Panhellenic Socialist Movement and the present Prime Minister Geórgios Papandréou inherited a country drifting on a sea of international crisis and social tensions. The new team for new times, one might think, however the slogan is not easy to be placed in an optimistic background. The task before the new government is complex and difficult. Getting rid of old habits and charity-like way of shaping the economic policy should stand in the first place. The new prime minister should make his best to cut down red tape, try to eliminate corruption and push forward some regulations which would dissuade the investors from tax evasion ideas.

Papandreou started his struggle for better time by hitting a vulnerable point of the European Union fundamentals – the rule of solidarity. Not much time did he need to convince other European leaders that it is

not just about Greece and its future. Joining the game is obligatory, as long as the EU cares for the common currency and the whole European economic area.

– If we had not secured the support mechanism from the European Union and the International Monetary Fund, then we would not have had the time that we needed to implement all those changes that our country needs to breathe and create a future of hope and optimism – explained the Greek PM after securing the financial aid from both institutions. Until 2012 Greece will receive 110 billion Euros in several tranches.



## The meaning of sacrifice

The first element of the recovery puzzle seems to have already been found. This is however only the first step and although it demanded some negotiation skills from the Greek authorities, these were only the first bunch of skills they will be forced to show within the remaining period of their term of office. The most difficult task in front of Mr Papandreou's team is to explain to Greeks the meaning of what seems to be the key word for at least the upcoming decade – sacrifice.

– My government had to save the economy from bankruptcy and it could not have happened without Greek people being ready and decisive to make sacrifices – said the prime minister and promised that public investment program and subsidies from European programs would total 9,2 billion Euros this

year to help local businesses. Papandreou also said that his socialist party wants to redirect the economy to viable future sectors like tourism, renewable energy and quality and valued foods. He also underlined that Greece's creditors were no longer ready to lend money because of "corruption and waste" which he intends to eradicate.

The conservative opposition and its leader, Antonis Samaras, has warned however that the 'Greek economy will be tested by a spiral of recession and more austerity measures, and social cohesion will be tested as the living standard will be crushed.' His point is that it might turn out that the proposed cure will work as an even stronger poison and might lead to further deterioration of the economy.

## Back to growth soon

Good news for Greece, apart from the EU agreement on the restructuring plans and financial aid, is some economic forecasts. According to Servaas Deroose, deputy head of the EU Commission's directorate general for economic and financial affairs, the recession in Greece will be 'relatively brief' and the economy will return to growth in 2012.

– Economic activity will sharply decline in 2010 and further contract in 2011, but subsequently we have guarded expectations of a dynamic comeback – Mr Deroose told the Kathimerini Daily.

Deroose was part of a recent mission to Athens by the European Commission, the European Central Bank and the International Monetary Fund that brokered the terms of a Greek rescue loan worth 110 billion Euros. The Greek economy is to contract by four percent this year and a further 2.6 percent in 2011 as the government enforces massive tax hikes and

payments cuts to reduce a public deficit of over 30 billion Euros (38 million US Dollars).

The hope may stay at the investors' side also because of the fact that the Greek government hired the Lazard Investment Bank, the same one that dealt with the Argentinian crisis in the 90ties and helped the American cable operator Charter Communications in 2008. Lazard specialists have already stated that Greece had no intention of undergoing a debt restructuring that would require the existing bondholders to take a haircut. That should be reassuring, given Standard & Poor's calculations that losses on Greek bonds could be as high as 70 percent in the event of a default. According to research conducted by Roubini Global Economics, in 2009 European banks held claims of \$193 billion on Greece, and more than \$1 trillion in bonds from Portugal, Ireland and Spain.

## People will always be willing

Although many voices say it would be better to let Greece go bankrupt and rebuild the economy from scratch, it is difficult to forget about the broad economic potential which has supported the GDP booming in the second half of the 20th century. The key element of Greek economic activity is with no doubts the shipping industry. This traditional sector, dating back to ancient times, has of course suffered much because of the crisis. Nevertheless, it still accounts for 4,5 percent of GDP and employs about 160 thousand people – 4 percent of the whole Greek workforce.

The second powerful leg of the economy is tourism. No matter the financial storm around the world, people will be always willing to visit places offering sandy beaches and warm sea during their holidays. In 2004 Greece welcomed 16,5 million tourists. In 2005 the Chinese people voted Greece as their number one choice as a tourist destination. A year later, the same choice was made by Austria.

Another strong parameter of Greece is its labor force. Amounting to 4,9 million, it is the second most industrious work force among the OECD countries,

after South Korea. The Greeks are busy indeed, the Groningen Growth & Development Centre report revealed that during the 1995-2005 decade Greece took the third place in the working hours per year ranking among all Europeans. In 2007 an average

Greek worker produced about 20 dollars every hour – just a bit more than the half of what it takes an average American to work out during the same time. Nearly one -fifth of the work force is made up of immigrants, employed mainly in agriculture and construction.



## **No need to fear a domino**

– There should be no domino effect because of the Greek debt crisis - said the Greek Professor Joseph Hassid, chairman of the Department of Economics at the University of Piraeus.

Mr Hassid points to the fact that the tensions around Greek economy have spread around Europe, worrying the public opinion and international investors. The Greek professor however dismissed these worries concerning the possible spread of the Greek crisis.

– The reason for the latest sequence of events is not the fact that one country fell first, but the common factors existing in all countries - said Hassid.

In other words – Greece is not an exception. The countries which pursued right policies do not need to fear. Others might be forced to face certain problems, but it is them to be blamed for their mistakes, not the sins of neighbors. Thanks to the financial aid from the European Union (EU) and the International Monetary Fund (IMF) the Greek government believes it can reduce its budget deficit from the current 13.7 percent of GDP to less than 3 percent within three years. Let's hope, together with Mr Hassid, that the measures undertaken to reach this goal will not extinguish the remaining entrepreneurial desire of Greeks.



**Mr. Christos Alexakis**

*CEO, Invest in Greece*

# Greece

## – A New Investment Era



Today's global environment is among the most challenging of modern times. The international investment community faces extreme market volatility, rapid social change, and serious environmental challenges. A sense of uncertainty must now be part of our risk assessment toolbox. Nevertheless, it is well known that investors are risk averse and they like a certain sense of predictability when they take actions in the international investment arena.

Although Greece is faced with overcoming a precarious fiscal position, we are confident that the measures in place today will succeed, not only in overcoming our serious challenges but in creating a more competitive, healthy, and vibrant economy.

Greece is at the threshold of a new era of investment opportunity. The key competitive advantage which Greece offers to investors and which is still untapped to a great extent, is its human capital.

The economic focus of Greece has witnessed significant shifts so that today roughly 67% of the workforce is involved in the service sector, 21% in industry, and 12% in agriculture.

Greece has one of the most well-educated work forces in Southeast Europe that is well versed in foreign languages and the level of university degrees in management is by far the highest in Southeast Europe.

As the EU's regional hub for Southeast Europe, Greece offers a wealth of expertise in management, business development and expansion, and is ideal for regional headquarters.

In banking, tourism, F&B, ITC, and others, Greek companies have taken the lead in developing new and emerging markets.

In addition, Greece is global leader in tourism. In fact, Greece's natural resources favor a tourism industry that accounts for 20% of GDP and is expected to strongly continue its growth pattern.

The food and beverage industry benefits from a healthy, year-round agricultural output that is famous the world over.

But Greece's natural wealth does not stop there: today's investors are interested in wind production —

Greece has one of the best aeolic profiles in Europe; in solar density—Greece's solar output also rates among the best in Europe; and potential for biomass and biofuel production, where Greece is set to emerge as an industry leader.

Invest in Greece Agency, under the responsibility of the Ministry of Economy, Competitiveness and Shipping, is the official state body responsible for attracting investment to Greece and supporting investors.

Our mandate and goal is to inform the global business community of all investment opportunities in Greece, provide them with comprehensive services, and assist them at every stage of the investment process, including aftercare.

At the heart of our mission is to provide one-stop-shop services so that all procedures, especially licensing procedures, are seamlessly coordinated through Invest in Greece.

In order to respond to the needs of today's investor, who is seeking value and clarity, Invest in Greece has prepared a portfolio of investment projects, an e-Book, that details specific investment opportunities by sector, region, size, and type.

The key to this service is the Fast Track legislation that was passed in 2009. The Fast Track Licensing Law accelerates the licensing procedure for investments in Greece and is designed to ensure that specially designated investment projects proceed, as the name suggests, on a fast track to approval. Presently, Fast Track is being tweaked to be even more efficient investment tool and we expect a final version soon.

As you may know, a new Investment Incentives Law is currently under preparation and is due for public review shortly.

We expect the new legislation will expand the scope of the previous law, will introduce more clarity, be more comprehensive in the sectors that it covers, including more service sectors, and revise upward limits so that more investments will become eligible.



A core component of this legislation and the new investment framework, which is a priority for the Greek government, is to vastly increase the focus of investments toward green projects, projects that advance long term growth in our economy, foster innovation and innovative enterprises, and create new jobs in the knowledge economy, in R&D, and in sustainable development.

As Prime Minister Papandreou clearly stated recently: “Our goal was—and remains—to transform Greece into a thriving economy driven by green technology and investment in our natural and human resources.”

I believe that today investors have a superb opportunity to establish a presence in Greece, knowing that in long-term, Greece will provide strong dividends which will reward those with the foresight and the insight to take advantage of today’s opportunities in a challenging yet promising environment.

I am well aware of the serious challenges that our country faces today. International competition is strong. Yet Greece offers investors opportunities that are undeniable and I am confident that within 2010 Greece will have demonstrated its ability to implement strict reforms that will create a far better environment for green, sustainable growth, will create a far more competitive economy, which is a key criterion for investors worldwide, and will create an even more attractive environment for investment.

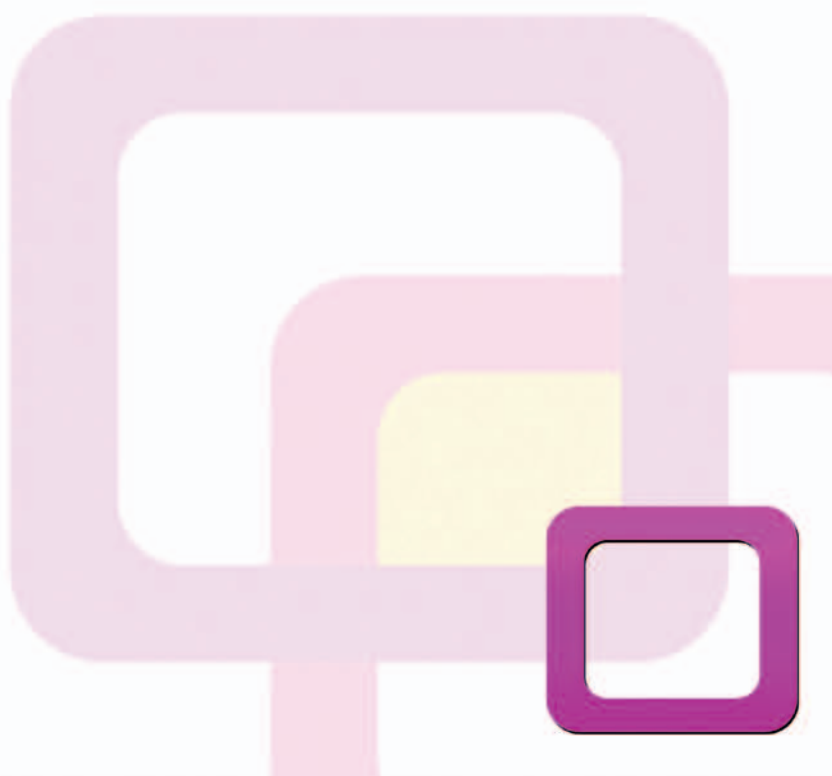
My message is simple and clear: Greece provides abundant opportunity in a wide variety of areas. Our human capital is responding to the needs of today’s evolving marketplace with innovative, efficient, and environmentally positive solutions. Our costs are attractive. Greece will continue to grow, become more competitive and more streamlined, and Greece welcomes investors to be positioned in a new era, an era of green growth, and sustainable development.





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# **Speeding up the FDI**



**The positive aspect of the worldwide recession is that the assets are getting cheaper. This means the time to go shopping is getting closer.**

World is slowly awaking from the economic nightmare and many factors let the observers believe that the things are going to be better. Among the others, the 'traditional' capital exporting players of Europe such as Germany, United Kingdom, France and Italy are back to the game, willing to speed up the foreign direct investment.

## **Good at FDI**

During the period 2003-08, gross FDI inflows amounted to 28,4 bln Euros, leaving an impressive 12,2 billion Euros net inflow. The largest part of the capital came from Germany – over 9 bln Euros, France and the UK- both nearly 5 bln Euros. The important issue for the Greek economy is that the crisis has not influenced the FDI data for Greece that much as one could expected. The FDI net inflows for Jan-Oct. 2009 amounted to 2,32 billion Euros, maintaining the level for FDI comparable with the previous year.

During the last six years foreign investors were choosing mainly branches connected with the services sector. It is because this sector has still a relatively small share compared with country's capabilities. As far as the manufacturing sector goes, the foreign investors would prefer chemicals, machinery, food and beverage and metal products.

## **The Chinese know best**

The country which has benefited most from the Greek competitive potential in the maritime industry is China. The shipping giant China Ocean Shipping (Group) Company COSCO is right now thinking about exploring investment opportunities in Greece. Lately it has won a container operation project at the Piraeus port and describes its economic relations with Greece as strategic.

Wei Jiafu, COSCO President and CEO Captain sees the investment in Piraeus as a part of the group's international strategy. The agreement, signed in May, allows COSCO to manage two of the Piraeus container terminals for 35 years. COSCO wants to invest 550 mln Euros to upgrade the objects and raise their handling capacity more than twice by the year 2015.

The port is an important territorial hub, linked with three continents – Asia, Europe and Africa. Although COSCO has already been present in Greece and now has only prolonged its investment activity in the country, the agreement renewal might be read by the market as a positive sign for the economy.

– Cosco was the first phoenix which landed in Greece. I could forecast this action will bring a bright future for the country – said Wei Jiafu. He also added that after his return to China he will talk to the Minister of Commerce about chances to “support to create a new good distribution center for Chinese goods in Greece and more investments in the country, based on a win-win principle.”

## Arabs are welcome

– Greece is changing rapidly. We are determined, and in this course of change we invite you all to join us whether it is visiting Greece or investing in Greece or whether it is working with Greece on common projects – said the Greek PM Papandreou at the two-day Arab Economic Forum in Beirut.

Hoping that rich Arab countries might be willing to loosen the grab on their wallets, the Greek PM described the measures which will be undertaken in order to encourage foreign investment and bring the country back from the economic shakedown.

– We are limiting bureaucracy and making our economy investment friendly - Papandreou said,

adding that the business environment in Greece is changing rapidly and that they have done in past few months what they should have done over the past decades.

The Greek government's head pointed to the issue that despite the crisis the economic relations between Greece and Arab countries have shown significant progress in the past years. The commercial transactions have risen by 35 percent and last year the trade volume between Greece and 18 Arab countries in the Middle East and North Africa reached 5 bln Euros.

## Formal background

The legal investment framework in Greece is built around three basic acts - Incentives Law, the National Strategic Reference Framework 2007-13, and Public Private Partnerships (PPP).

The Incentives Law provides necessary regulations concerning investing rules and incentives in Greece. It is however now being reevaluated by the Ministry of Economy, Competitiveness and Shipping. The open discussion held with various authorities and business environment representatives is planned to provide necessary knowledge to implement major development into today's investment legal model.

The National Strategic Reference Framework is a document describing the priorities for Structural Funds Programmes in Greece. From the investors' point of view – a crucial one. The most important strategic

objectives presented by the NSRF include increasing outward looking economic activity and foreign direct investment flows, developing entrepreneurship, increasing productivity and differentiating tourist products in Greece. It is expected that the Framework will indirectly lead to a significant increase in real GDP – by 3,5 percent and create up to 20 thousand jobs by 2013. It is also expected to contribute 3,3 billion Euro to human capital investment and more than 1 billion Euro to Research & Development.

Important role in the Greek legal investment infrastructure is played by the concept of Private Public Partnership. Projects from this filed are approved, monitored, and coordinated by a special interministerial PPP Committee, and supported by a PPP Secretariat within the Ministry of National

Economy. PPP projects no longer need parliamentary ratification.

At the end of September 2008 there were more than 100 international companies participating in PPP, operating 52 projects with a value of nearly 6 billion

Euro. Most of them were focused in such economy sectors, as infrastructure, education, environment, health and ports. The long – term nature of the PPP investment projects stands for a basic value for the companies willing to place their capital in Greece.



## Rapid planning

There is no more time to be wasted and nowadays we can hardly find anybody who knows it better than the Greek authorities. Securing international financial support was only the very first step on the long road to economic recovery. Now it is time to proceed with concretes. And Greece does so.

In May the Greek government announced that by the end of September a total of 3,438 pending investment plans evaluation will be completed, so that moving forward with them will be possible. The Ministry of Economy stated that the ministerial agencies have already approved investment plans budgeted for nearly 71 million Euros. They cover investment in

manufacturing (nearly 34 mln Euros) and renewable energy sources (over 7 mln Euros), out of which 32,5 mln will be provided as the state support. The government claims to have already pumped 450 mln Euros into the market and during the rest of the year further 700 mln will be funneled.

Pouring money into the economy will be followed by reorganization and modernization of the legal investment framework. One of the tasks in front of the Greek authorities will be however to convince the international capital to break up with a traditional conviction, that 'Greece is mainly for tourism. The Chinese already know it and do take advantage'.

# Suffering from others' **mistakes**



**Greek banking traditions always represented cautious and cold-blooded approach to credit policy and interest rates. Now is the time to use them in the era of recovery.**

Nowadays we can take it for an optimistic forecast – if it went all right once, it would mean that the fundamentals were healthy and only need to be revived as soon as possible, so Greece can get back on track.

## Good start

Although many observers would not agree that the Greek economic fundamentals were strong back in 2001, when the country adopted Euro, it is worth remembering that Greece has fulfilled the Maastricht criteria, even if the statistics had been somehow distorted. At that time Greek banks were conducting a responsible policy, demanding high collateral levels and keeping rates of nonperforming loans at bay.

The introduction of the common European currency granted Greece the access to attractive loan rates

and to low rates offered by the Eurobond market. This triggered consumer spending and awakened the credit demand among Greeks. Entry to the Eurozone, deregulation in banking and finance and the Greek banks' willingness to approach clients on new markets resulted in a reasonable strengthening of the sector in the very early years of the new decade. At that time Greek finance and banking sector used to be described as one of the most modern and sophisticated parts of the Greek economy.

## Going abroad

Banks displayed their eagerness to lend and to collect money. Key players were strengthening their positions in rankings. National Bank led in the sector overall, Alpha Bank was maintaining first position among private banks, Eurobank came in third overall. Commercial Bank re-branded itself to Emporiki Bank, Piraeus was rewarded by the financial press for the ability to merge its acquisitions successfully.

As the domestic market seemed a bit limited for the ambitions of the largest players, they decided to intensify their efforts to go international. The main direction of the expansion was Southeast Europe. In 2009 the Oxford Analytica report revealed their success – the combined market shares of National Bank of Greece, Alpha Bank, Eurobank EFG and Piraeus are estimated at 40% in Macedonia, 35% in Albania, 30% in Bulgaria and 20% in Romania.

## Facing hard times

As thing got worse in the global economy, the Greek finance and banking sector was not, at first, described as vulnerable. Some voices claimed even that it was not going to be harmed that much by the American sub prime disease because to a large extent it was isolated. Moreover, the market emotions were being cooled by the governmental declarations, claiming that all bank deposits will be guaranteed.

– Greece's banking system is completely safe and solvent and I want to emphasize that citizens' deposits in all the banks that operate in the country are absolutely secure – said George Alogoskoufis, then Finance Minister of Greece, publicly reiterating his faith in the solidity of the country's banks.

## Not guilty, but harmed

Indeed, it would be definitely incorrect to describe the Greek finance and banking sector as the culprit of the crisis the country is right now trying to overcome. Actually, it became its victim. The ones to be blamed are the former governments, whose irresponsible policy led to public finance deficit and to Greece losing much of its credibility in the eyes of the rating agencies.

The difficult situation of the financial sector did harm to the whole economy. The entrepreneurs complied on weak access to credit. In a September 2009 Gallup poll presented by The Economist magazine, the Greek small business owners described the weak credit accessibility as their biggest problem.

## Let collapse or save it

– We were called upon to make a basic choice: leave the country to collapse or save it. We chose the second – these words spoken by the Greek finance minister George Papaconstantinou accurately describe the choice which had to be made by the authorities.

In order to secure the aid package of 120 billion euros granted from the IMF and the EU, the budget cuts will reach 30 billion euros by the end of 2012 and the



And when credit accessibility is weak, the whole economy suffers, finding it hard to find any growth stimulus. That is why in December 2009 the government implemented a 28 billion euros stimulus package to keep the credit growth rate at or above 10 per cent. Shortly afterwards it turned out that there will be much more financial aid needed to keep the financial system alive.

budget deficit is to be reduced to below 3 percent of GDP by 2014 in comparison to the current 13,6 percent. The time of national saving has come. Cut down will be the pensions and salaries in the public sector. Value added tax will be raised to 23 percent from today's 21 percent. Taxes on fuel, tobacco and alcohol will grow as well, including a 10 -percent hike on taxes on luxury products and more taxes on earnings from lotteries.

## Supporting the banks

The measures undertaken in order to secure the international financial aid may be described as tough. However, there is no free lunch. The financial aid will

be directed *inter alia* to the banking sector, which is a strategic one in terms of its ability to sustain and accelerate the future GDP growth.

In April 2010 Greece's debt reached critical size. The spreads on the country's bonds were highest since the introduction, as the investors were awaiting the result of the talks about the range of financial aid held between European and Greek political leaders.

In the meantime, the Greek citizens began to lose their patience and started to transfer their savings to the accounts in foreign banks. In the first two months of the year they shifted 10 billion euros abroad, an amount that dangerously reminded of what happened in Argentina a decade earlier. That is why the Greek authorities decided to release 17 billion in special funds to shore up the country's banks. This move was made to prevent the sudden death of liquidity in the system.

– Greece's weak fundamentals are being rudely exposed – Stephen Jen of BlueGold Capital commented. – I'm afraid there will not be enough time for Greece to appease impatient investors. I think the probability is high that Greece eventually defaults.

The risk of default has been however reasonably diminished after European leaders declared to have reached an agreement on supporting Greece. Another source of financial support will be found in the European Central Bank. In an unprecedented move the institution decided to accept as collateral for every financing activity in the Euro system, all the debt paper and guarantees issued by Greece.



## Starting from scratch again

This means that Greek banks will borrow from the ECB and the debt and guarantees issued in Athens will stand for the collateral. The disturbances around the Greek public finance system has left the banking sector in a distorted condition – the large capital outflows caused liquidity problems and now Greek banks will remain in the struggle for rebuilding their former power. The tricky thing is however that they are

not to be blamed for the situation. Unlike the banks in United States, they have not spent the last decade collecting risky, toxic assets. And even though today they need to build their welfare from scratch, the prospects are broad – financial aid, combined with tradition and fundamentals will be the key factor of recovery this time.

**Grzegorz Morawski**

# Visiting the cradle of democracy



**Every year Greece attracts more than 16 million tourists. Contributing 18 percent to the country's Gross Domestic Product it stands, together with shipping, for a strategic sector of the economy. Have the Greek tourism and cultural attractiveness been damaged by the country's financial problems? What are the governmental plans concerning the development of this crucial economic branch?**

## **Infrastructure awaits**

Greek tourism infrastructure was rapidly improved before the 2004 Olympic Games held in Athens. According to the Hellenic Chamber of Hotels and the National Statistical Service of Greece foreign visitors can choose between the offers of more than 170 five star hotels, nearly one thousand 4 star hotels and 1,8 thousand 3 star hotels. In total there are more than 9,1 thousand hotels offering nearly 700 thousand bedplaces.

Greece has always been a widely known destination place for tourists interested in sailing, yachting and a wide range of water sports. The country disposes of 51 marinas and 14,6 mooring places providing

such services as berths, fuel, water and electricity, telephony, and repairs. The advantage of the most developed and busiest Greek marinas is their location – they are separated from the country's capital city by only few kilometres. Another point about the southern marinas of Alimos and Flisvos is their large capacity – they can welcome more 1,8 thousand vessels at one time.

The important information for the fans of water attractions is the fact that Greece has 752 thermosprings. Many of those have been classified as therapeutic by the National Institute for Geographical and Mineral Research.

## **Business destination**

Apart from traditional tourist attractions, Greece is often chosen as a host of business conferences and events. Conference tourism is targeted at academic, business and cultural markets. The authorities have been granting financial support, leasing and employment subsidies and tax allowances to establish new conference facilities and expand existing ones. According to the report in Meeting

and Incentive Travel, Greece takes a top-ten rank in the world as far as overnight stays for conferences are concerned. The Tourism Satellite Accounting Research conducted by the World Travel & Tourism Council predicts a worldwide increase in revenues in business travel to Greece from 1,5 bln USD in 2001 to 2,7 bln USD in 2011.

## Government pursuing a change

The Greek government pursues the tourism policy with help of the Greek National Tourism Organisation (GNTO). The institution uses popular artists to promote the country's brand internationally. Greek singers – Helena Papatrizou and Sakis Rouvas who represented Greece in the Eurovision song contests became the ambassadors for Greek tourism. The slogan of GNTO is 'Greece, the true experience'. This indicates a will to pursue the idea of welcoming experience seekers and not only just mass tourism.

This idea can be easily supported by the welfare of national cultural heritage of Greece. The mother of democracy, the cradle of European culture, science, literature and other various arts is an important icon recognised worldwide. Although it makes Greece a number one destination place for millions of tourists, the government wants to promote the country's brand and increase international arrivals even further.

*We are a global leader in three main sectors – shipping, tourism and culture – says Louka Katseli, the Greek Minister for the Economy, Competitiveness and Shipping.- But we have never looked at culture as at an exportable service. We have never invested enough in order to make it a profitable branch. We perceived it as something extremely important for us, we cherished it for ourselves but never supported foreigners who wanted to learn something more about it. Somehow the same thing goes for tourism. For too long we have relied on our natural environment – the sun and the sea. We have not invested as much as we should in new areas of tourism and high quality tourist service. This has to be changed.*



These thoughts have been put into practice in a new advertising campaign supporting Greek tourism. The three different spots of the campaign first appeared on Greek television on July 20th. There are lyrics about Greece from famous poets such as Odysseas

Elytis , Yannis Ritsos and Lorentzos Mavilis. Time will show whether the campaign turns out to be a success. One thing seems to be sure – creating colourful promotional materials is not the biggest worry of today's Greek government.

## A stick in the spokes

Greek tourism, responsible for 18 percent of Greek national output and employing 850 thousand people directly or indirectly seems to be undergoing serious trouble in the last time. The series of strikes against the governmental reforms (which were positively described and welcomed by the international financial observers) has become a stick in the spokes of the whole economy. The tourist branch suffered a lot because of the demonstrations held by railway workers, seamen, air traffic controllers and truckers.

According to the sector's representatives, upcoming months will be decisive for this year's economic output of Greek tourism. Spyros Guinis, vice-president of General Federation of Tourism Enterprises, forecasts that the fall in revenues might reach 9 percent in September.

*The damage has already been done by the previous strikes, which were bad publicity -- it was an own goal - Guinis told AFP. But if the situation remains calm, everything could return to order.*

According to Georges Telonis, president of the association of Greek travel agents, the number of tourists in 2010 will end up being the same as last year.

*We have avoided catastrophe, now things must move on, the Greeks are leaving for the islands and the boats are full, we must see what will happen in September - Telonis told AFP.*





## Some good news

And the things will move on. For the first time since the beginning of the global economic downturn the international opinion is pleased to hear some good news from the Hellenic Peninsula. The officials of the IMF, EU and the European Central Bank have stated that they are satisfied with “impressive” progress in implementing reforms and budget cuts in Greece.

*Our overall assessment is that the programme has made a strong start, the EU, IMF and the European Central Bank said in a statement after a visit to Athens. There has been a “vigorous implementation” of the spending cuts demanded by the international bodies and that reforms were ahead of schedule. However, there needs to be more control of regional expenditure and an improvement in tax collection.*

The atmosphere about the Greek financial system is getting a better. However the government must be careful – it decided that the sector of tourism supported by the cultural attractions will be responsible for drawing Greek economy from the whole. It is a rational way of thinking – in the end you have to demand a lot from a sector responsible for nearly a quarter of country's GDP. All the more when it seems not to be that much vulnerable to global recession as e.g. the industry. The problems however arise from the inside – strikes and local guerillas threatening to commit acts of terror to show their dissatisfaction about the reforms. These are inevitable if Greece really wants to get back on track. And in the end, who if not the descendants of the fathers of democracy should understand it?

**Grzegorz Morawski**



**Giorgos Drakopoulos**  
CEO

# Overcoming Challenges in Greek Tourism Industry



Today everyone is familiar with the difficult economic situation that our country Greece is in. In the present phase Greece has two goals to concentrate on achieving:

- The survival – recovery from the crisis and
- Implement the new development plan effectively aiming to growth

The beginning of this new developmental course depends more from us and less from the markets. As for both goals but mainly for the second, main focus should be given on the extrovert sectors of our economy, with given priority to tourism. The international experience has shown that the tourism recovers faster and is developed more rapidly by the other sectors of economy, particularly when she is found in recession. In this frame, we consider that the governmental policy should support the tourist sector, initially by strengthening the competitiveness and ensuring the fluidity of tourist enterprises and afterward, by assigning a leading role in the developmental planning of our country.

The aid of fluidity will shield the operation of tourist enterprises, ensuring posts in the wider economy and mainly regional. We remind that the tourist economy in Greece is in biggest percentage an export activity, functioning argumentatively and not only redistributive concerning the GNP of the country. Additionally, the Government will be supposed to suppress all the restrictions, protectionisms, prohibitions, obstacles, etc for the practice of business dexterity in the field of tourism and the attracting of new, mainly foreign

big investments. As an example, the cabotage in the sector of cruising can yield in to next year, additional income at least 1 billion Euro and will create around 40.000 new job openings. These types of examples will support the growth of Greek tourism and they will convince Brussels for the determination of Government to proceed to the implementation model.

The tourism is one of the sectors of Greece's economy that demonstrates powerful reflexives in the ascendant phases of economic circles. For that reason we must be at the same time very well prepared for the next day to come. Our preparation, should have a vision in the base of what all we believe or at least what we say we do, regardless to if we believe it or not. With Tourism being the basic pylon of our economy, we owe to undertake initiatives and to create - achieve synergies with the other sectors of economy, so that it gives the required impulse of growth coming from the society. We should all change the way we see and our approach to tourism in our country and it is a true fact that the last 5 - 10 years, important steps of progress have been made. From the romantic approach - regarding tourism on behalf of the Greek majority, today important part of society recognizes that the tourism is an important economic and social phenomenon. SETE organization has already begun a wider public dialogue for the tourist growth aiming at the creation of a new vision for the Greek tourism, up to 2020. In this dialogue we should all participate with a feeling of responsibility and creative spirit. Our motto is: "We Invest in Tourism To Achieve Growth".

# Interview

**with Mrs. Sophia Staikou President of the Cultural Foundation of the Piraeus Bank**



**Sophia Staikou**

*President of the Cultural  
Foundation of the Piraeus Bank*

## **Questions for Mrs. Sophia Staikou President of the Cultural Foundation of the Piraeus Bank**

*Could you provide some background on Piraeus Bank and the corporate social responsibility policies that led to the launch of Cultural Foundation of the Piraeus Group?*

One of the main convictions of the Piraeus Bank is that the development of its activities will be optimal, if achieved in a socially robust environment. With the aim to operate in harmony with society, Piraeus Bank attaches major importance to the CR issues. It has been well established that both Greek economic and cultural life is highly centralized to major cities. As a consequence, Greek periphery is downgrading, as far as these sectors are concerned, and it is abandoned by its inhabitants. Following the same trend, sponsorship to culture is mostly oriented to high profile activities and events taking place in the Greek capital city. The Bank aims to establish

an alternative concept on cultural activities of high quality and to reinforce regional development. Within this context, the Piraeus Bank Group Cultural Foundation implements the Group's policy in the field of Corporate Responsibility, specifically in the cultural domain, promoting the main statutory goals, that is, the preservation of traditional technology and industrial heritage. All the above were the driving motives for the Piraeus Bank to adopt and expand these statutory goals to a cultural project referring to the whole country and consisting of a geographically diffused museums network, research and publication activities, scientific and cultural events.

*What exactly is Cultural Foundation of the Piraeus Bank does? What is its mission?*

The Piraeus Bank Group Cultural Foundation is a non-profit institution which is funded by the bank. Its mission aims in rescuing, documenting and promoting the country's industrial heritage and identity.

# “Setting in motion” the history of each part of Greece.

We create and manage a network of Museums  
of high cultural value.

The Cultural Institute of Piraeus Bank Group organizes and manages a network of thematic museums, a network that operates according to an exemplary administration model and expands gradually to the whole of Greece, while pinpointing the respective elements of each place's identity.



Piraeus Bank  
Corporate Social Responsibility  
Society - Environment - Culture

How do you set out to define your goals, and how do you measure your results?

To fulfill its goals the Foundation publishes books, organizes research programs and creates and manages a network of thematic museums which are spread throughout the Greek Provinces. Our aim is using both the above mentioned actions and the operation of the museums, to support local societies both financially through tourism and culturally through the organisation of important cultural events which are presented in the multi-purpose halls of our museums.

There are two ways in which one can number the results. The first is clearly using a logistic method for example number of visitors, number of educational programmes, number of cultural events and the valuation from objective authorities like the CRI. It is not a matter of luck that for the work of 2009 the Foundation and the Bank were awarded the greatest prize in Greece: the gold medal. The other way of evaluating is clearly ethical. It is the response of the societies and students who feel the space of the museum like their own. It is the contact which is created between the Foundation which works for the museums and the people who live around them. It is the fulfilment of continuous targets which the Foundation sets for each museum.

Can you tell us about the project Museum Network?

The plan for the museum network is to complete the network with the addition of three more museums. A) the Mastiha Museum on Chios, B) the Silversmithing Museum in Ioannina and C) the Typograhya Museum on Corfu. This plan is very near to its materialisation.

What is the driving philosophy behind the Museum Network project?

Once the network has been completed, the Foundation will have even more time to establish the network of museums as live cells, in which a great part of the cultural activities of each region will be housed. This is because we do not believe that a museum, whatever topic it may refer to, is just a place of information for visitors. The museum is also a school, the museum is also a research center, the museum is also an entertaining space, the museum is also an intimate meeting space of a society which is continuous demand for education.

What role Greek culture plays in attracting tourism to Greece?

It depends on what you mean when using the term "Greek Culture". If by the term Greek Culture we mean Ancient Greece and Byzantium whose art and history are world known, there is no doubt that this culture in itself is a big draw for tourists. However I believe that Greek Culture is not limited only to this. Greek culture is technology, way of life, the traditions of modern and contemporary Greece. Contemporary creations reflect Greek culture and in this framework I think that tourism in Greece becomes far more attractive, when it is offered in an ingenious method and gives the visitor the chance to discover the country, not through the classical way but through alternative tourism, which began and was addressed to a few and has now obtained a lot fans. I would close adding that the Piraeus Bank museum network is an excellent example of alternative tourism, which is functioning in a perfect way.

**Thank you very much for the interview.**

Joanna Vaiou

Country Report Associate CEOWORLD Magazine



Museum of the Environment - Stymfalia  
GR PIOP 116\_4.JPG - EXTERNAL VIEW OF THE MUSEUM  
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# Transformation and modernization



**Since the early 1990s Greece has been going through a major financial makeover that has affected its economy, politics and government. A number of reasons, including: EU membership; political stability; internationalization; and gradual rationalization of both the public and private sectors have contributed towards this development. Regional development and Community Support Framework funds by the European Union enabled the Greek government to invest in major infrastructure.**

Until recently the Greek private sector has more or less exclusively been characterized by SMEs and mainly micro enterprises. The opening up of the borders with the European Union however has introduced larger organizations investing in Greek enterprises or going through mergers and acquisitions. Nevertheless majority of the local enterprises are small and family owned.

The Tourism Industry has been among the fastest developing sectors in Greece. A number of innovative small organizations, led by determined entrepreneurs, have demonstrated that with a minimal investment they can compete on an equal footing with larger organizations.

The sector is covered by a wide range of other professional categories, such as transport, accommodation, restaurants, cultural activities and leisure and therefore can be more effectively viewed as market rather than a single sector. As it is an information-rich sector it depends heavily on finding and developing new ways to deliver tourism products, communicate information to consumers and provide convenience to travelers.

Similarly, travelers (less dependent on traditional intermediaries and more sophisticated) are constantly seeking new sources of information to facilitate the decision making process before purchasing services.

In tourism everybody needs information, from tourism suppliers and businesses, to national and regional organizations, as well as consumers. As a result, it

is understandable why Information & Communication Technologies (ICT) and especially the internet have this major impact upon all types of tourism transactions. Only organizations that use innovative Information & Communication Technologies (ICT) tools will be able to enhance their competitive advantage.

- increase revenue through opening new and cost-effective sales channels and markets;
- reduce costs by designing efficient processes and production mechanisms, as well as by optimizing their logistics and sales;
- enhance customer retention, through user profiling and product personalization by using sophisticated customer relationship management techniques and software;
- improve image and brand awareness, through accessing consumers directly and demonstrating a competitive and dynamic profile; and keep up with competition and maximize return on investment

The post-World War II decline of the Greek economy is attributed to a systematic fall in investment, deterioration and inadequacy of infrastructure, low productivity and lack of technological adoption, which was generated by the lack of skills and training. The seven years of the dictatorship (1967—74), which ended with the Turkish invasion of Cyprus, in combination with the international energy crisis and the increasing openness of European and world competition in the 1980s, challenged the Greek economy's competitiveness and raised inflation, unemployment and low growth rates.

Greece is a country without heavy industry. Hence, it concentrates its efforts on the production and export of special products of industry, agriculture, tourism and services. Industry continues its modernization, especially in some sectors such as cement, aluminum products, textiles, food-beverages, construction as well as tourism and hospitality.

SMEs are very important for the Greek and European economies, as they represent more than 99% of total enterprises. However their importance in the economy is not always supported by their use of e-business tools. The most important barrier for Greek SMEs are the security aspect of Internet access, and in particular hacking and viruses. Second, speed and reliability of communications are problematic. A third barrier is lack of interest in e-commerce opportunities, mainly due to the low demand from Greek consumers and skepticism about the potential benefits of e-commerce.

On the other hand, the penetration of mobile telephony in Greece is comparably high and close to the European average. Greek telecommunications market is one of the most dynamic and profitable in Europe. Greek subscribers change their cellular handsets three times more often than their European counterparts and half of the mobile users change their handsets yearly.

The Greek ICT market is service oriented and roughly 85% of the sector is focused on telecommunications. Greece is displaying exceptional broadband penetration growth rates, driven by local-loop unbundling and the pickup of bundled telecom services in the domestic market. Greece reached 1.75 million broadband lines in mid 2009, a 40% y-o-y growth, and ranks within the top 10 countries on broadband uptake in 2006 and 2007. To date, xDSL has been the main technology for accessing the web, although this is expected to change as the Greek State is preparing a direct





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fibre access (FTTx) broadband network programme. However, the prospect of mobile Internet in Greece is distant, as Greeks primarily use their mobiles for voice communication, rather than data exchange. Similarly to other countries, the Greek public was not very keen on using mobile Internet services or WAP, as data access via mobile telephones still confronts technical difficulties, delays and high costs. Therefore, the growth of Internet usage should not be necessarily connected with the fast penetration of mobile telephony.



The aim of the Greek government is to reduce inequalities online and to diminish the digital divide. Its overall strategy is based on some basic principles: equal opportunities and access for all. These can be achieved through the creation of an environment that is conducive to entrepreneurship and innovation while safeguarding personal freedoms and supporting the operation of democratic institutions. A number of goals were set to implement this strategy, namely:

Offering better services to citizens and firms, through the modernization of the state operation, and greater access and transparency.

Achieving a better quality of life, through the application of ICTs in health and welfare, the environment and transport.

With the shift towards the knowledge society, changing working conditions and the continuous evolution of information and communication technologies, peoples' knowledge and skills need continuous development. The European Commission and the Greek government are developing initiatives and policies that aim to encourage the widespread adoption and adaptation of ICTs.

Creating an educational system adapted to the digital age, by developing the use of new technologies in education and networking of schools and universities.

Realizing faster economic growth, through fostering the creation of new firms, new sectors, and increasing productivity and competitiveness.

Increasing employment, by supporting the creation of new jobs, upgrading skills, and developing new forms of work.

Promoting Greek culture and civilization, through the documentation of cultural heritage, protection of the Greek language, and contact with Greeks abroad.

Encouraging the use of new technologies in mass media, by creating an appropriate regulatory framework and safeguarding pluralism and free expression.



Achieving equal participation of all regions of Greece in the Information Society, through decentralization and the encouragement of regional and local initiatives.

Developing a national communication infrastructure, through new investments, regulatory reforms in telecommunications and universal service requirements.

Protecting the rights of citizens and of consumers and upholding democratic institutions and participation in the digital age.

The shipping industry has historically been one of the first adopters of new developments in telecommunications, but as broadband becomes widespread in homes and businesses across the

world, a major communications gap has emerged that threatens to constrain the very benefits ICTs can offer to the maritime world. The implementation of ICTs in the shipping industry could therefore be not only miscellaneous, but involve various fields. On the other hand the main obstacles - which constitute however possible opportunities – that the shipping industry faces in terms of adopting ICTs are the followings:

High cost of existing satellite telecommunications services, which however is expected to decrease because of the competition.

Low breadth of satellite services with results to restrictions in the management of continuously increasing volume of information that it is exchanged between land and boat.



Lack of models in digital standards that limit advantages from the adoption of electronic solutions they will allow the growth of completed solutions.

Technophobia because of the low level of information and education, and at extension small acceptance of new technologies.

Uncertain results, at least in the initial stage, as for the alleviation of cost with the adoption of electronic applications, as each solution that is developed is improved as it incorporates new information resulting from the operation.

By summing up, the domestic ICTs sector is growing in an environment characterized by high growth rates and improved economic climate. Greek domestic ICT sector is constituted by a large number of firms that deal with ICTs products/ services either as a primary or as a secondary. Despite the small deceleration during the last two years, the macroeconomic environment for the ICTs sector remains favorable. The Greek ICT sector offers a unique opportunity for investment in high-end, value added services with a global reach. Establishing software firm, shipping company or offshore development centers are just some examples of high return opportunities that Greece offers.

**Amarendra Bhushan Dhiraj**

**Founder and CEO Lucentbyte Media Technologies**



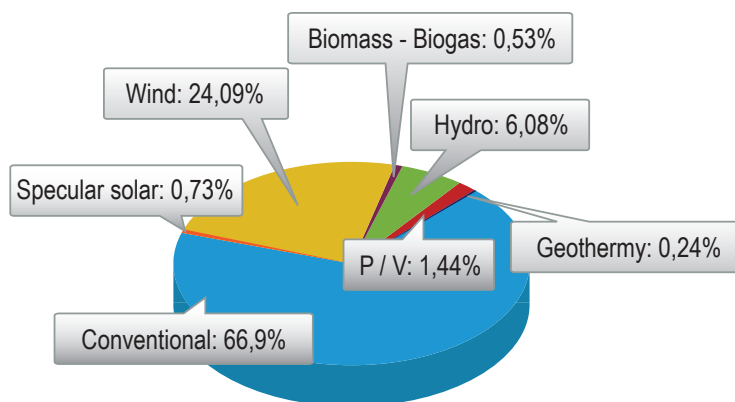
# Energizing the economy



**Greek energy sector is very important and constantly developing branch which offers attractive investment opportunities. The goal of Greek energy policy is to increase production capacity and diversification of gas delivery, exploitation of renewable energy sources as well as expansion of transportation and distribution channels. Environment protection, sustainable development and frugality, which are introduced and supported by new legislature, play a key role in this policy.**

It is estimated by the World Bank that investment of more than 30 billion Euro will be required by 2020 in the upgrade and building of power plants, in transmission and distribution, and in renewable energy sources (RES).

Diagram 1 – Electricity production in Greece (Year 2008, Invest in Greece)



Main priority for Greece is an increase in energy production from natural gas and renewable energy.

In July 2010 Greek government has passed the bill No. 3851/2010 on renewable energy sources. In this document the government has committed itself to[2]:

- Increase renewable energy consumption to 20% and further growth of this indicator in coming years
- Increase renewable electric energy consumption to 40%
- Reduce energy use 20%
- 10% of energy used in transportation should come from renewable energy sources
- Stress on chargeable licensing in energy production
- 20% price increase in energy engendered by producers who are not receiving government subsidies

- Reducing awaiting time for the license from 3-5 year to 8-10 months
- Use of renewable energy requirement in all new buildings
- Development of competitive fuels and energy markets
- Improve environmental performance

Article 1 of act No. 3851/2010 provides for the establishment of a new department within the frameworks of Ministry of Environment, Energy and Climate Change. It will have a structure of “one stop shop” and it will serve exclusively power industry.

## Natural gas

Natural gas was introduced to Greece in 1988 when the Public Gas Corporation (DEPA) was established. DEPA is 35% owned by Hellenic Petroleum and 65% by the Greek State.

The strategic development laid out by DEPA is to increase the share of natural gas in the national energy market. Initiatives are under way to increase urban gas consumption rapidly through the establishment of new Gas Supply Companies (EPAs) and through the extension of networks to new industrial areas and through the promotion of investment in gas-powered power production.

Natural gas is supplied to DEPA by the Russia's Gazexport (a subsidiary of Gazprom) and the Algeria's Sonatrach. Supply contracts expire in 2016 (Gazexport) and 2020 (Sonatrach). The Gazexport agreement guarantees the supply of 2.8 billion cubic metres annually. The Sonatrach agreement provides for the delivery of between .51 and .68 billion cubic metres annually.

Fuel which currently dominates due to environmental and economic reasons is natural gas. DEPA conducts research on cogeneration (combined heat and power-CHP) which enables use of various energy sources, including biomass. The efficiency of power station based on cogeneration can reach over 90 % and bring energy savings from 15% to 40% in comparison with conventional power stations.

Since 1990 few power plants in Greece has been adjusted to cogeneraiton and Greece is becoming more and more open for this technology. Additionally, legal regulations has been introduced (act No. 3486/2006) which liberalizes electric energy market and promotes development of gas infrastructure.



The most efficient CHP installations are refineries, due to their continuous operation, inexpensive fuel (distillery by-products) and favourable power-to-heat ratio.

The Hellenic Association for the Cogeneration of Heat and Power (HACHP, [www.hachp.gr](http://www.hachp.gr)) estimates that the total potential for CHP is more than 700 MW in the industrial sector and 100-300 MW in the services sector under current CHP policies.

HACHP states that the market prospects for cogeneration in Greece are increasing, a result of the wider use of natural gas and the financial support for cogeneration installations provided through EU funds and through the attractive investment incentives of the Greek government.

Currently cogeneration engender 4% of the total electric energy in Greece. This percentage is planned to increase in the nearest future.

## Natural gas pipelines

The establishment of the natural gas transportation grid is one of the largest developmental projects that have ever taken place in Greece.

There are three entry points for the natural gas transportation system. The first is at the Greek-Bulgarian border, where natural gas enters via a central pipeline from Russia. The second entry point is at the Greek-Turkish border, where the National Natural Gas Transportation System interconnects with the corresponding Turkish transportation system. The third natural gas entry point is located on the island of Revythousa in the Gulf of Pachi near Megara, where there are facilities to receive, store and gasify Liquefied Natural Gas (LNG).

Recently there are new gas connection between Greece and Italy and the Caspian See (deliveries)

The National System transports natural gas from the entry points to consumers in continental Greece. Currently there are three EPA's: EPA Attikis, EPA Thessalonikis, EPA Thessalias.

At present, the National Natural Gas Transportation System consists of:

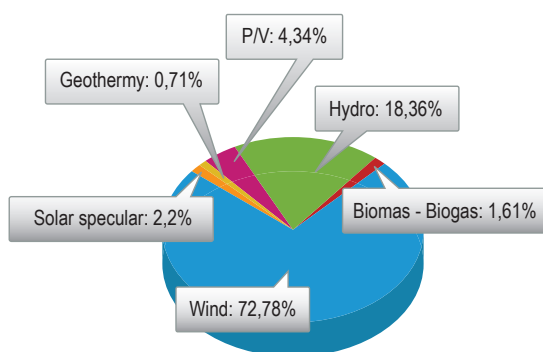
- The gas transportation central pipeline. The high pressure central pipeline (70 bar) is 599 km long. It extends from the Greek-Bulgarian border (Promahonas) to Asyrio in Attica and from Thessaloniki to the Greek-Turkish border (Kipoi).
- Transportation branches, totaling 523 km in length. The branches set out from the central pipeline and supply the areas of Eastern Macedonia and Thrace, Thessaloniki, Platy in Imathia, Volos, Viotia, Inofyta, Attica and Corinth. In 2007 construction works of branch lines towards Western Thessaly and Evia have begun, adding 119 km mores.
- The Natural Gas Metering and Regulating Stations
- The Control Center and the Load Distribution Center
- Operation and Maintenance Centres in Attica, Thessaloniki, Thessaly and Xanthi.



## Renewable Energy Sources (RES)

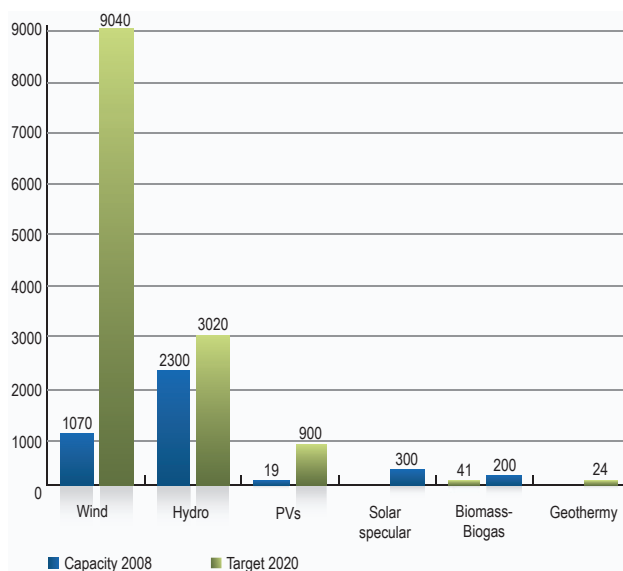
Increasingly, renewable energy sources play an important role in Greece's energy production profile. Greece, and the European Union, have established key priorities and binding policies related to the production of electricity from renewable sources. They include increased production of wind, solar, geothermal and biomass energy.

Diagram 2 – Structure of electricity production from RES (Year 2008, Invest in Greece)



Based on recent past performance and the current installation schedule, it is estimated that by end 2010 a further 600-650 MW will be installed, primarily in hydropower and wind.

Diagram 3 – RES Installations - current and planned w.r. 2020 (production power in MW)



## Wind energy

Wind, or aeolic, power is driving growth in the renewables sector and represents a huge investment potential in Greece. Capacity increased by an average of 30% annually between 1990 and 2003 and almost 30% of total capacity was installed in the period of 2003-2004.

It is estimated that in addition to the 1200-plus MW operating currently, at aeolic parks a further 9,000 MW will be installed by 2020.

Among the global giants active in Greece there are Spanish, French and Italian companies.

## Solar energy

One of the core components of Greece's energy profile will be solar, or photovoltaic, energy. Greece has a superb sun radiation capacity and it is estimated that one third of Greece's energy requirements could be met with solar.

Greece is encouraging the development of solar thermal energy and a number of small- and mid-size

companies have invested in this sector. As a result, today's capacity in installed PVs has reached 42MW and is expected to reach 800 MW by 2020.

Among the many companies that have invested solar sector in Greece firm from Germany, France, Australia and the United States.

## Biomass and biofuels

Biomass refers to energy originating from organic materials such as trees and forest plants, agricultural products, and waste streams from a variety of sources. Current installed capacity is 40 MW. Local authorities, in an effort to manage resources in a cost effective manner, are targeting biomass systems as the focus of investment, promising this to be a growth sector with significant potential.

Due to the increased interest in green energy, financial support from the EU and the Greek government, the biomass market is expected to grow considerably. Reforms to the EU's Common Agricultural Policy

(CAP) favour the cultivation of certain crops for the production of biofuels.

EU regulations stipulate that Member States must replace 10% of transport fuels with sustainable biofuels by 2020. Greece is bound to comply with these stipulations.

Investors will find a wide range of opportunities in both the biomass and biofuels markets. Currently, more than 10 companies operate in the Greek biofuel market, including ELIN, EL-VI, Pettas, and Agroinvest.

## Geothermal energy

Greece lies in a geographic position that is favorable to geothermal resources, both high temperature and low temperature.

High temperature resources, suitable for power generation coupled with heating and cooling, are found at depths of 1-2 kilometres on the Aegean islands of Milos, Santorini, and Nisyros. Other locations that are promising at depths of 2-3 kilometres are on the islands of Lesvos, Chios, and Samothraki as well as the basins of Central-Eastern Macedonia and Thrace.

Low temperature geothermal applications include

space heating and in agricultural uses (greenhouse heating, the drying of fruits and vegetables, aquaculture and seawater desalination, and in spas), providing an ideal synergy with other widespread commercial ventures in Greece.

Low temperature geothermal resources are found at the plains of Macedonia-Thrace and in the vicinity of each of the 56 hot springs found in Greece. These areas include Loutra-Samothrakis, Lesvos, Chios, Alexandroupolis, Serres, Thermopyles, Chalkidiki, and many others.

# **Maritime nation** **since antiquity**



Shipping industry is one of the biggest and important worldwide as it provides cheap transportation of consumer goods, natural resources and serves tourism. For Greece, the maritime business is what agriculture is for France or industry for Germany. Greek vessel tradition traces back to Antiquity. Once a deciding factor for Greek military and political power, it has turned into an engine of Greek economy. If anyone anywhere in the world has anything to do with shipping, their ship's head will some day lead them to Greece.

## Numbers

Let us talk numbers first. Greek shipping industry amounts to over 17% of the world shipping industry and nearly half of the European Union fleet expressed in gross tons. Greece is placed fourth among the world's major shipping nations, after Panama, Liberia and Bahamas. Shipping industry ranks

before tourism sector as a source of foreign currency with income reaching 23,2 billion USD (2007) and provides employment for approximately 3% of Greek labour force. Considering this data, it comes as no surprise that maritime business is a priority for Greek government.

## Organisational facilities

Greece attaches paramount attention to the quality of infrastructure facilities serving national and international seafarers. The best example is a specialized Ministry of Mercantile Marine and special maritime attaches. Ministry of Mercantile Marine is by far the only one in the world responsible exclusively for all the issues connected with merchant marine. This very fact guarantees that all problems that ships and seafarers are faced with are handled and tackled with, whenever and wherever they occur, in an appropriate, uniform, co-ordinated and efficient manner, on a round-the-clock basis. What is also unique about the organisation of shipping industry of Greece is a system of special maritime attaches assigned to Greek embassies and consulates in ports all over the world (like London, Rotterdam, Tokyo, Buenos Aires,

New York, Vancouver, Sidney, Singapore, Port-Said, Hamburg, Novorossiysk, etc.). Their mission is mainly to assist Greek ships and seamen abroad, as well as to perform flagstate inspections of the Greek flagged vessels with regard to their compliance with the national and international legislation related to safety of navigation and protection of marine environment. Finally, Greece has an outstanding record in the ratification and application of

the instruments adopted under International Maritime Organization auspices since it is Contracting Party to nearly all international conventions, including those related to protection of life at sea and the preservation of the marine environment. This very fact reflects the importance placed by Greece on shipping, as well as on maritime safety and prevention of marine pollution.

## Investment Boom

Being aware of their advantageous position among other shipping nations, especially in Europe, Greek shipping renders are mostly interested in attracting new investments into their vital branch. And they do have major achievements on their account. Period from 2003 to 2008 was a peak of shipping boom driven

by demands from China and United States. In these years a process of steady and gradual modernization and exceptional growth of Greek merchant marine was fomented by the increased shares in serving Chinese and American goods export and preparations to intensified transport of natural resources.

## Investors stand by Greece

However, the statistics did not spare Greece and showed a rapid recession in 2008 what came as a result of cut in new orders (over 50%) and withdrawal from already contracted ones (200 vessels). Fortunately, the strike of economic crisis was visible but unable to shake the investor's faith in firm and long lasting foundations of Greek maritime industry. While the European politicians were busy with fixing a financial aid plan for Greece, investors once

again gave a proof of their loyalty. This July China signed an investment agreement with Greece which is the biggest investment package in Europe ever made by this country. It includes shipping, tourism and telecommunications. At the time when Greek credibility is heavily undermined, Chinese focus on the strategic location of the country as well as recognize the moment when they can obtain most favourable conditions.

## Pasidonia- get it started there

Greek hospitality is famous worldwide. Thus it is not surprising that this nation is a host to the largest shipping exhibition which joins business with pleasure. The International Shipping Exhibition Pasidonia which take place in Athens is a "must attend" event for anyone who is interested in maritime business, especially in Greece. From 1 700 exhibiting companies, nearly 15 000 are international. The exhibition attracts more than 17000 visitors. It compounds exhibition, fairs, and networking events.



## Legends you need to know

If you are still unconvinced that Greece is one of the most thrilling and loaded with opportunities location in terms of maritime business let yourself be introduced to stories of two businessmen who not only changed their own lives by being successful in shipping industry but they also built an image of this challenging but reliable sector. Latsis and Onasis are the biggest maritime companies in Greece and their founders are examples of Greek entrepreneurship and lavish life style.

The Latsis empire was developed by John Latsis, and is a perfect example of “rags to riches” story that came true. Born to a poor family he developed business which ranges fleet of approximately 2 million gross tones, oil refineries, real estate and construction business in Saudi Arabia, Greece and the United States. One has to mention the philanthropic engagement of Latsis who established the Latsis Foundation School which offers education do Greek students and refugees from Albania.

Aristotelis Onasis, indisputably world most famous Hellene, befriended with Winston Churchill and married with widow after American President JF Kennedy, Jacqueline Kennedy, is tenderly referred to by the Greeks as Ari. He built his fortune on bed luck. Two decades after anchoring in shipping business Ari was forced to cancel his lucrative agreement for transport of oil from Saudi Arabia because of boycott of American oil companies. His vessels were idle and everyone expected him to announce bankruptcy. Than in 1956 the Suez Canal was closed due to conflict between Egypt and Israel which ment

that extra vessels were needed as the ship has to now take longer way along Africa. The freight costs skyrocketed and Ari was not only able to repay all of his debts but soon became the riches person in the world.



# Acknowledgments

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## **Phoographs:**

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## Useful links

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[www.minfin.gr/portal/en](http://www.minfin.gr/portal/en)

Invest in Greece Agency:

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Athens News:

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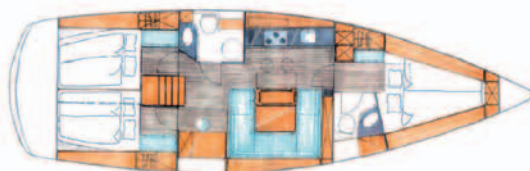
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