

**SPEECH OF
THE MINISTER OF ECONOMY AND FINANCE
OF THE HELLENIC REPUBLIC
Mr. GEORGE ALOGOSKOUFIS
AT THE "8th INVEST IN GREECE" FORUM
IN NEW YORK**

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"Greece 2004-2006: From reforms to results"

Ladies and gentlemen,

After more than two years of consistent application, the reform policies of our government have led to verifiable results that have considerably exceeded initial anticipations.

The Greek economy has been transformed into a more open and definitely more competitive environment. An environment friendlier to investment and entrepreneurship. As a result, there has been the significant increase of foreign investment in Greece over the last year.

The most significant development was probably the entry of Credit Agricole, an important banking institution into our banking system last August through the privatization of the Commercial Bank, in addition to the entry of a big French insurance company through the purchase of Alpha Insurance Company, are both events marking a turning point in the inflow of foreign investments. Equally significant, is the continuously increasing interest of several foreign companies in fields ranging from mining to energy and from the service sector to the development of real estate. All the above are concrete evidence that the Greek economy is moving forward .

Today, more than ever, Greece is evolving into the entry gate of foreign investors to Southeast Europe and other Mediterranean countries. By investing in Greece, or through Greece:

- One can gain access to the services of 3600 Greek companies which are operating in the Balkans and the Eastern Mediterranean,
- One can gain access to a wide network of 1000 Greek banking offices –outside Greek borders- which act as the development locomotive of the economies of neighboring countries.
- One can take advantage of Greece's infrastructure in becoming a significant transfer and transit trade facility for Eastern Mediterranean and Eastern Europe. While visiting China a few weeks ago, we were all impressed by the level of interest of big Chinese corporations in utilizing Greek ports and their strategic location for transshipment for Europe and the Eastern Mediterranean.
- One can take advantage of the opportunities in the dynamically developing tourist sector, whose development is hovering into double digit increases every year – this increase also applies to the number of tourists visiting Greece.

Ladies and Gentlemen,

The attractiveness of our country for increased foreign investment is neither random nor coincidental. It's the result of a carefully designed reform agenda with specific targets, with specific objectives aimed to influence and –where necessary- change radically the economic environment of our country.

Since this government took office in March 2004, we had to deal with a number of problems:

- the deterioration of our economy's competitiveness,
- persistently high budget deficits,
- an escalating public debt,
- structural imbalances in the economy, and
- high unemployment rates.

It would not be far from the truth to attribute the above problems to inappropriate economic policies that kept for almost two decades. But definitely, the root and main cause of these problems were a disproportionately big and counterproductive public sector, and an overregulated business environment chocking innovation and investment.

Today, one can conclude that we are breaking with the problems of the past , there is definite improvement:

- According to the Institute for Management Development, which is based in Switzerland, the competitiveness of our country is improving, has improved in 2005 by 8 full places. As a result, our exports as well as our tourism are rising.
- The business environment is significantly improving, as demonstrated by business sentiment indicators, which currently stand at their highest levels for years.
- As a direct consequence of the above, employment is rising. Unemployment during the second quarter of 2006 has fallen to 8.8% versus 11.3% when we took office in early 2004.

In addition, with our policies:

- We have managed to put the public finances back in order. Budget deficits have been reduced by 5.2 percentage points of GDP. They stood at 7.8% in 2004 and they stand at 2.6% today and are set to be reduced further.
- We have managed to stimulate investment through reductions of corporate tax rates and the simplification of tax related procedures. The corporate tax rate is being gradually reduced from 35% in 2004 to 25% in 2007. At the same time, we have provided considerable investment incentives within the framework of the New Investment Incentives Law, that has been in operation since 2004.
- Furthermore, we have managed to enhance competition through the implementation of a carefully designed program of privatizations, liberalization of markets. I shall elaborate on next year's privatizations agenda for 2007 in a little while.

Ladies and gentlemen,

With the aforementioned policies, but also

- With the new law for Public Private Partnerships,
- with our policy for the promotion of exports,
- with the labor market reform that took place in summer 2005,
- with the settlement of the banking system's pension funds,
- with the serious efforts underway for the rationalization of the operations of state owned enterprises, and
- by increasing the reliability and reputation of the Athens Stock Exchange we have managed to fuel the performance of our economy.

Our program's success does not mean that we've come to an end. We cannot afford to relax or to become complacent. We do not have the luxury to deviate from our goals and our strategy. We are still obliged to confront many challenges.

Our policy is a policy that needs to be applied for a number of years in a consistent manner to change the nature of the Greek economy.

Ladies and Gentlemen,

We are determined to continue our policies with vigor and in the sole interest of the Greek people.

- We are pushing on with our privatizations agenda and the utilization of public real estate. The privatizations program for 2007 focuses on the further privatization of OTE, we are thinking to employ a strategic partner. We shall further continue with the privatization of the banking system, which was the main element of this year's privatization effort. We are preparing for the further privatizations of infrastructure in the years to come (ports airports and other elements of infrastructure) can be managed, can be improved by utilising both funds and management skills from the private sector.
- We are also continuing into the second phase of the tax reform, which aims to reduce taxes for individuals in order to stimulate incentives. The basic tax rate for individuals and households is currently standing at 30-40%, our aim is to reduce it to 25% within the next 3 years. We begin in 2007 a gradual program of reduction of tax rates and of course we are redefining tax brackets.
- We are also preparing to utilize funds amounting to 20.1 billion euros from the 4th Community Support Framework. These funds were obtained after tough negotiations with the European Commission and our partners in the European Union, last December. Among other priorities, we aim to use these funds in order to complete the infrastructure that is required in our country, in order to improve the skills of our labor force.
- Furthermore, we actively support the efforts of our export-oriented businesses, through decisive intervention and marketing methods for our products. And the efforts of HEPO are enhancing these initiatives.

- In addition, great emphasis is given to the sustainment of cooperation with our neighbors and we offer our full support to their European strategy. Already Romania and Bulgaria are becoming members of the EU from 1/1/2007. Greece is actively supporting Turkey to have a European future, Greece is actively supporting countries in the Western Balkans, to be prepared for an application to become members of the EU. We feel that what is happening in our region is extremely important for the future of the Greek economy and of Greece itself..

Greece today looks ahead with optimism and self confidence. Within the framework of the great efforts that are being made, Greece is able to deal better with the challenges it faces and to take advantage of the opportunities emanating from the economic development of Southeast Europe.

Greece is no longer isolated in the southeastern part of Europe , is no longer a small economy of 10 million inhabitants it is a part of a much bigger economic area in Southeastern Europe that potentially includes 160 million people with a lot of potential for growth, for innovation, for improvement in living standards.

Greece is the de facto the financial and business center of Southeast Europe and the Eastern Mediterranean. Greece is already serving as the locomotive of development and progress in the region. The macroeconomic and business environment signal definite improvement. Our companies reinforce their position - they become bigger and more reliable. By investing in Greece, one can take part in the greater opportunities that are emerging in the greater region. Greece is in many ways the ideal business partner for American companies wishing to participate in the economic progress of Southeastern Europe. I would like to take this opportunity to invite the Greek-American community to have another try in Greece, I realize that there have been disappointments in the past, but things are changing in Greece and things are changing in the region.

Thank you very much for your attention.