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Greece gets back on its feet

FDI PLAYS CRUCIAL ROLE IN ECONOMIC RECOVERY

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Greece's return to growth

GREECE HAS CLAWED ITS WAY BACK FROM THE BRINK, FOLLOWING STRICT CONDITIONS FOR ITS BAILOUT. AS THE PROGRAMME DRAWS TO AN END, THE ECONOMY IS GROWING AGAIN, TOGETHER WITH INVESTOR INTEREST, AS **SEBASTIAN SHEHADI** DISCOVERS

Greece is back on investors' radars, and with good reason. After shedding nearly one-third of its GDP since 2008, the economy is expanding once more with GDP up by 1.4% in 2017, and rising 2.3% in the first quarter of 2018 – the strongest growth in 10 years.

Through a massive austerity programme, driven by the 'troika' of the EU, the European Central Bank and the IMF, Greece has moved from a double-digit budget deficit in 2008-09 to a surplus in the past two years. The current account deficit was at 0.8% in 2017. At last, the economic climate is starting to normalise again for the southern European country.

Recovering confidence

At the peak of the crisis, the yield on 10-year Greek bonds sat at about 16% to 18%, then dropped to roughly 10% for a lengthy period. However, since the end of 2017, this figure has fallen to just below 4%, an 11-year low. Although German bonds remain at 0.4%, the improvement signals rising business confidence in Greece.

Enterprise Greece, the country's investment promotion agency, says 2017 witnessed a 30% rise in FDI in the country – the highest since the crisis began – thereby almost reaching the pre-crisis number of foreign investments.

However, Constantina Kottaridi, an economics professor at University of Piraeus, notes: "While the crisis caused some investments to leave, it wasn't too traumatic because pre-crisis Greece didn't have lots of FDI. We've not been good at attracting it, historically. However, most of our foreign investors were strategic ones, given the location of Greece, and many never left."

Greece's fiscal consolidation has improved thanks to the recently struck debt deal with the troika in June 2018. Maturities on the older bailout loans will be deferred by 10 years, while a 10-year grace period will apply for interest and amortisation payments. This leaves Greece with small debt repayments until after 2030.

The troika holds 77% of Greece's €343bn debt. The country is set to exit the bailout plan and stand on its own feet on August 20, regaining some control of its own finances and signalling a vote of confidence for investors.

A private affair

At the behest of the troika, since 2011 Greece has been privatising state-owned assets in order to pay off its debt and reform its public sector. Leading this programme is the Hellenic Republic Asset Development Fund (HRADF).

HRADF chief executive Riccardo Lambiris says: "Privatisation has been one of the key pillars of the structural reforms implemented by the country and it has been difficult in the past to explain to the Greek people. HRADF's message is about developing assets, not selling them. It's about adding value to all stakeholders – the country, local communities, investors – and increasing FDI, new technology and jobs."

> MOST OF OUR FOREIGN INVESTORS WERE STRATEGIC ONES, GIVEN THE LOCATION OF GREECE

Bouncing back: Greece saw a 30% rise in FDI in 2017, according to the country's investment promotion agency

Some 40 assets have been privatised since 2011, resulting in current and future proceeds of €8bn. In 2017, Germany's Fraport took over 14 of Greece's regional airports for the sum of €1.23bn. Mr Lambiris says: "Fraport has improved the finances and is constantly working to improve the quality of services. Some island airports are being turned from relatively simple airports into multi-dimensional hubs with customary international facilities. It is now easier for Greeks to understand the benefit of privatisation and there is increasingly more support for it."

For decades, Greece's political spectrum remained suspicious of foreign capital. "After the dictatorship in the late 1960s and early 1970s, Greek people accused foreigners – especially Americans – of having blessed and supported the autocracy. However, the political spectrum has, at last, acknowledged that foreign investment will be the Holy Grail of recovery. Even the current leftist government is running after it," says Andreas Yannopoulos, founder of political consultancy Public Affairs & Networks.

Political u-turns

Greece's economy stabilised in 2014 and whatever happened after that was mainly due to politics, according to Panos Tsakloglou, a professor at Athens University of Economics and Business. The current Greek government, led by a nominally left-wing party, Syriza, came to power in 2015 on an anti-EU agenda, demanding major debt write-offs from the troika and seeking strong fiscal expansion.

In mid-2015, the crisis climaxed as Greece teetered on the brink of an EU exit. Meanwhile, the economy nosedived. However, despite support for a 'Grexit' referendum, Syriza suddenly changed its tune and signed the third economic adjustment programme with the EU.

"Trust is hard to build, but very easy to destroy. In the past couple of years, a number of ministers have tried hard to build investor confidence, but many people don't believe the sincerity of government intentions and Syriza does not have enough FDI knowhow. Thus, the likely election of the liberals – the New Democracy party – in 2019 can be a catalyst for business confidence," says Mr Tsakloglou.

Mr Yannopoulos agrees. "We are now entering a period of political stability. All indications show that New Democracy will mostly likely win," he says. "This is a big asset for Greece. There will be stability ahead and no surprises ▶

Air traffic control: German company Fraport has taken over 14 of Greece's airports

from the leftist government. For investors, this is more important than anything else."

Banking on FDI

The financial crisis saw huge capital flight from Greece's banking system. In 2009, the total deposits in the Greek banking system were about €220bn; currently the figure stands at roughly €140bn.

Subsequently, one of the biggest problems for Greece's economy is non-performing loans (NPLs). As many companies and borrowers collapsed during the crisis, Greek banks took control of their assets out of necessity. However, the banks are now struggling under the pile of NPLs, which they are unable fund and are now looking to sell off. At the same time, a large proportion of Greek savings remains stored outside of the Greek banking system, as confidence has not been fully restored.

"Thus, foreign investment is the silver bullet," says Mr Panos. "It can fill part of the financing gap we have and recover the banking system. FDI will encourage Greek savers since 'even foreigners are injecting capital'. This would mean more liquidity and the availability of cheaper loans for the private sector. Moreover, it can help reduce the country's perceived risk, therefore reducing the cost of capital and refinancing of Greek debt."

Significant opportunities exist for foreign investors. For example, New York-based private equity firm Amerra Capital is expanding its presence in Greece's aquaculture by acquiring two ailing fish farming companies for hundreds of millions of euros.

"NPLs are holding down Greece," says Amerra Capital managing director Thor Talseth. "Businesses have been underfinanced for 10 years, so FDI is essential. Amerra saw an opportunity. These two assets are fundamentally very good, they just need a new owner with capital and expertise," he adds.

"We have been in Greece for three years and have seen how much the economy has improved since the Grexit scare. Although there are challenges, it's a much more stable situation. Political stability and banking functionality have returned, despite the NPLs. The [troika's] relief packages have provided necessary capital for Greek banks to start being banks again." ■

POLITICAL STABILITY AND BANKING FUNCTIONALITY HAVE RETURNED, DESPITE THE NPLs

GREECE: AN INVESTMENT "MUST"

Exploring the investment opportunities of the Greek privatisation programme

The Greek economy has returned to growth on the back of a number of structural reforms that have re-shaped the economy. Privatisations have been a key component, contributing significantly to the development and modernisation of infrastructure, operational rationalisation and often more efficient governance.

The creation of the Hellenic Republic Asset Development Fund best exemplifies the country's commitment to privatisations. Operating as a "société anonyme", HRADF benefits from the best of both worlds: operational flexibility as a private company and State support when needed.

This has contributed immensely to the success of the Fund which was established in 2011 and has privatised assets worth upward of €8bn with a total benefit to the economy of €20bn (including upfront payments, concession fees, mandatory capital expenditure etc.). This number is not inclusive of the usual economic multiplier effect as public-private partnerships in Greece have demonstrated very high growth; indicatively the port of Piraeus, Hellenic Railways (TRAINOSE SA) and the 14 regional airports are true case studies.

The Fund has so far successfully privatised over 40 assets (including through e-auction) and has been able to attract a very broad universe of investors due to the attractiveness of the asset base as well as the unbiased, open and transparent processes it executes. This is achieved through robust governance via the active involvement of three independent parties safeguarding the decision-making process: the Council of Experts, independent valuators and the Court of Auditors. By year end, the Fund will be ISO certified.

"The mood has changed, young people are now more involved, there is a genuine sentiment to move forward – investing in Greece is now a very interesting proposition," according to Riccardo Lambiris, CEO of the HRADF.

Whilst the statutes of the Fund are to maximise proceeds as any funds collected are used to repay State debt, significant thought and care is taken to maximise value to all stakeholders, such as investors, the relevant industries and local communities alike.

A special unit had been established to this end, tasked to help investors develop their plans, as well as monitor compliance to commitments made. In addition, the Fund is uniquely positioned to act as the intermediary between the investor community and the State, ironing out teething problems, supporting investment and providing relevant guidance and support as the case may be. "After-sales service is just as important as successfully transferring an asset to private stewardship – a successful investment benefits the country in a multitude of ways," according to Mr Lambiris.

The Fund's asset portfolio is very diverse as it includes both companies and physical assets in a wide range of sectors and industries, such as ports, marinas, water supply companies, gas companies, highways, energy companies and real estate. This has meant that since its inception the Fund has had to build very significant competencies and recruited highly skilled personnel to be able to process, assess and execute the best way to utilise each asset. For instance, Egnatia motorway (at the North end of the country) that links East to West is situated at the estuaries of Igoumenitsa and Alexandroupoli ports – all three assets with significant development potential for increased traffic flow, hence their prioritisation was logical. Another good example are marinas – rationalising a portfolio of approximately 20 marinas was not easy, yet following careful study of sailing routes, gaps were identified and thus critical nodes (ie. marinas) were prioritised. The same broad approach is true for all other assets – in particular for the energy portfolio, where the Fund is fully aligned with national policy and is seeking to further enhance the national effort of becoming a regional energy hub. "A carefully thought-out development strategy is currently being implemented that ensures that synergies between assets are maximised allowing for all stakeholders to benefit both in the short and long term," says Mr Lambiris.

Q&A: STERGIOS PITSIORLAS

An FDI turnaround

GREECE'S DEPUTY MINISTER OF ECONOMY AND DEVELOPMENT TELLS **SEBASTIAN SHEHADI** ABOUT THE COUNTRY'S ONGOING ECONOMIC RECOVERY, ITS IMPROVING FDI CLIMATE AND THE IMPORTANCE OF EU MEMBERSHIP

Q Broadly speaking, what are the greatest FDI opportunities in Greece?

A The Greek economy is finally recovering after a very prolonged economic crisis. Greece has a variety of significant comparative advantages in traditional sectors such as tourism, which attracts an important part of FDI, but also other sectors are gaining attention: energy, infrastructure, transportation and logistics. In the past few years, FDI inflows have increased, thanks in particular to privatisation.

Q Do you think the FDI climate in Greece is improving?

A FDI has always been problematic for Greece. Its performance was quite poor compared with other EU countries, in spite of Greece's strong economic growth in the decade before the crisis. But this trend has now changed. FDI inflows approached 2% of GDP in 2017 – a very good performance relative to past results. Net FDI inflows are at a record high since 2006. [Greece's] strategic geographical location and strong human capital, in combination with the adjustments we've made [post-crisis], are making the country an ideal investment [destination].

Q What is the greatest political threat to the improvement of Greece's FDI landscape: eurozone politics or the Macedonia question, perhaps?

A Neither eurozone politics nor the Macedonia question are a threat to the FDI landscape; both present opportunities for stability and growth. As a member of the exclusive EU club, investing in Greece means access to the European market. It's a sign to investors that Greece is an open market economy, respecting democratic values.

Obviously, dealing with eurozone politics is not an easy task, as 19 member states have to discuss and agree [on various matters], and also given the fact that the eurozone follows very specific rules in many fields from fiscal to competition policy. However, we have confirmed our trust in European values, as we think that the gains far [outweigh] losses.

Regarding the Macedonia question, we think that by solving the name dispute that has lasted more than a quarter of a century, this offers a great chance for us to provide stability in the region – key to FDI attractiveness – and also advance our role in the Balkans.

> I WOULD LIKE TO SEE GREECE ESTABLISHING A NEW GROWTH MODEL THAT WILL ATTRACT STRONG FDI

Q Are there internal factors deterring more FDI into Greece?

A Greece was never an investment-friendly country. Even in years of economic prosperity, our performance on most benchmarks was poor. This has now changed and through the adjustment process, when Greece implemented (and is still implementing) a lot of structural reforms, our ranking is improving. The Greek government is determined to follow all the necessary steps to make our country more attractive to investors: by fighting corruption, reforming the labour and product markets and establishing a more [open] growth model. Investment plays an important role in this process, as the investment gap is really big due to recession, and we are strongly trying to promote investment attractiveness by offering incentives to investors and simplify the investment licensing procedure, a very thorny issue for Greece.

CURRICULUM VITAE

STERGIOS PITSIORLAS

2016
Greece
Deputy minister of economy and development

Previously
Hellenic Republic Asset Development Fund, chairman of the board

Q In terms of FDI, where would you like to see Greece in the next 10 years?

A My vision for Greece in the coming years is to become a [more open] and productive economy following a virtuous economic growth path. I would like to see Greece establishing a new growth model that will attract strong FDI, while also exporting high-value-added products, instead of adopting a consumption-led model, [as we did] in the past decade. I am convinced that Greece has gained a lot of [valuable] experience through the [recession]. This summer we are eventually exiting the last economic adjustment programme and we are regaining our autonomy. Not only Europe, but the whole world is convinced that the Greek economy has recovered. ■

Perennially popular: Greece's long summers and international landmarks keep the tourist industry buoyant

Greece's FDI odyssey

WITH GREECE ON COURSE FOR RECOVERY, THERE HAS BEEN INCREASED FOREIGN INVESTMENT IN THE COUNTRY'S MOST VIBRANT SECTORS OVER THE PAST 18 MONTHS. TOPPING THIS LIST ARE TOURISM, REAL ESTATE, LOGISTICS AND ENERGY, AS **SEBASTIAN SHEHADI** REPORTS

Across most industries in Greece, a major attraction for FDI is the country's enviable workforce, which is well educated and inexpensive. As of mid-2018, the average monthly salary in Greece was about €1050, a figure that has decreased almost every year since the recession began, according to research and data company Trading Economics.

Tourism is Greece's biggest industry. In 2017, the total contribution of the sector to national GDP amounted to 19.7%, or €35bn, according to the World Travel & Tourism Council. This is forecast to rise to 20.7% in 2018, with 32 million estimated to be visiting the country in the year, the highest ever recorded.

This record high is partly a reflection of Greece's improving economy, as the number of arrivals has accelerated during the past two years of relative stability. However, it should be noted that tourism did not collapse during the crisis, despite the reputational damage inflicted on the country.

Indeed, tourist numbers remained positive as prices in Greece went down, while the political situation in Turkey and the Middle East shifted travel trends, according to Haris Siganos, executive director at hotel group Zeus International. Fundamentally, Greece's Mediterranean location means long summers for its many islands, which are rich with history and easily accessible from Europe, Africa and the Middle East.

Rethinking tourism

Greece's challenge is now to attract tourists all year round. Costa Navarino, which lies on the southern coast of the mainland, is a role model for the country, as its season lasts from February until November, thanks to the golf and activities it offers. As well as sports, Greece has the option of emphasising its cultural and religious heritage – all of which are non-seasonal attractions.

"Greece also requires more luxurious tourism – that's a big opportunity with much demand. We need 20 million higher paying tourists, not 30 million backpackers. In the past two years we've seen some new five-star hotels being built, such as the Marriott," says Constantina Kottaridi, assistant economics professor at the University of Piraeus. Indeed, the Hilton Athens recently got a huge makeover, while Greece's first Four Seasons hotel is also due for completion later in 2018.

"The impact of an internationally branded world-class resort on the image of Greece is priceless. Moreover, the average daily spending of clients at such resorts is, on average, 10 times that of most tourists. So a lot more income is generated with much less stress on the infrastructure and the environment," says Miltos Kambourides, founder of Dolphin Capital, a private equity firm specialising in high-end real estate.

Panos Papazoglou, managing director of EY in Greece, believes the country needs high-end ecotourism or 'convalescence islands' for luxury healthcare. The country's infrastructure is close to being too weak to absorb this year's 32 million visitors, especially on the islands, he adds.

In terms of government policies, it has been two steps forward and one step back, according to Mr Siganos at Zeus International. For example, he is dismayed by the introduction of an 'overnight stay' tax in hotels, enforceable since ▶

Trading hub: the port of Piraeus is key to Greece's logistics operation

January 2018, alluding to it being counter-productive for the industry. "Foreign investors are aware of the fertile ground in the Greek tourist market, but they do not know what they can design, when and where they can invest and how much time they will need, due to the vast bureaucracy and the constantly changing legal framework," he adds.

Real estate opportunities

The real estate sector was a key driver of the Greek economy in the pre-crisis era. However, the recession caused a 40% drop in property prices, according to George Kormas, CEO of Piraeus Real Estate, which is owned by one of Greece's largest banks. "Pre-crisis, the market was dominated by locals – there wasn't much interest from foreign investors. The past eight years were FDI darkness," he says – unless the investor was a high-net-worth individual in the luxury resort segment.

However, since 2017 the sector has seen its first improvement with growth at -1%, after averaging about -7% in the preceding years. This can be attributed to the country's stabilisation since 2016, which has caused a spike of foreign investment, especially from Chinese, Middle Eastern and European buyers into Athens, Thessaloniki and Greece's major islands, according to Mr Kormas.

About 40% of Greece's real estate stock is on the market, and assuming the country remains stable, this stock will hold for the next few years, according to Piraeus Real Estate. A good proportion of Greece's investor-enticing non-performing loan stock consists of hotels that had been bankrupt.

Foreign investors are drawn to Greek real estate yields of 7% to 8%, which are much higher than those in central and northern Europe. "Moreover, Greece is euro-denominated, making it a very attractive country for non-European investors, and there's an attractive golden visa programme – €250,000 for permanent residency – which has been very popular. Lastly, the Airbnb phenomenon has increased buy-to-rent [opportunities]," says Mr Kormas.

The Airbnb and more general rental area is largely considered to be underdeveloped in Greece due to the country's high rate of owner occupancy. Moreover, it is only recently that the country has established itself as a long-weekend destination, thanks to accelerated tourist numbers and cheaper flights over the past two years. Between 2013 and 2018, a 648% increase was recorded in city break visitors, according to Athens' mayoral office.

Although FDI into real estate is improving, "Greece has not yet seen anything spectacular like in Spain, Portugal or Cyprus, given that the recovery here has had a slower pace. The major deterrent is high taxation and bureaucracy. The latter has improved in recent years but still has some way to go," says Mr Kambourides.

A logistics centre

Greece has an enviable geostrategic location in Europe, providing easy access to three continents and a lucrative shipping industry, which is key to the country's economy. "During the crisis, shipping performed well and was not too affected because Greece conducts so much international business," says Nektarios Demenopoulos, deputy manager of Piraeus Port Authority.

Indeed, some within the country believe that Greece could easily become a global logistics centre, especially for Asian countries looking to penetrate south and central Europe, by acting as a gateway to the EU by sea, rail and air.

Greece's privatisation process has witnessed significant FDI in the logistics space over the past two years. Indeed, in August 2016, Athens' Piraeus port was partly privatised and bought by shipping company China Cosco. Moreover, Thessaloniki's port was acquired by German, Russian and French companies, while 14 regional airports were bought by Germany's Fraport, and a major Greek railway operator was sold to Italy's state railway company.

"Cosco's management has been very successful. It is willing to invest heavily and this has improved productivity. In 2017, the port's capacity rose to an all-time high," says Mr Demenopoulos. Piraeus is not only Greece's biggest port, but one of Europe's busiest for passengers and Europe's seventh biggest commercial port, according to the Lloyd's Top 100 Global Ports ranking.

The Greek government has infrastructure projects valued at €21.6bn either in progress or upcoming, according to Enterprise Greece. Of these projects, 54.22% relate to either rail, transit transport or tourism infrastructure, with 10% to 15% of them funded by the private sector. This percentage would rise if public-private partnerships were added to the mix.

Future energy hub

With very few of its own reserves, Greece has been a major importer of oil for decades. Since the 1970s oil crisis, it has also come to rely on indigenous lignite, a cheap fossil fuel that is highly damaging to the environment. On the basis of population, Greece burns more lignite than any other country in the world, according to pollution monitor Airclim.

"Greece can serve as a great energy hub in terms of electricity and gas – not least, because of its geographic location. There are a number of gas pipes and electricity interconnectors planned to go through Greece," says Riccardo Lambiris, chief executive of state-run asset management company HRADF.

For example, the EuroAsia Interconnector is a proposed project between Greece, Cyprus and Israel to connect their power grids via the world's longest submarine power cable. It is a leading 'Project of Common Interest' for the EU.

In addition to this, the Trans Adriatic Pipeline project is under construction to transport natural gas from Azerbaijan's giant Shah Deniz II field to Europe via Greece and other countries. More than two-thirds of the pipeline has been completed. In 2018, a consortium consisting of US Exxon Mobil, France's Total and Hellenic Petroleum were awarded a tender to explore oil and gas off Crete.

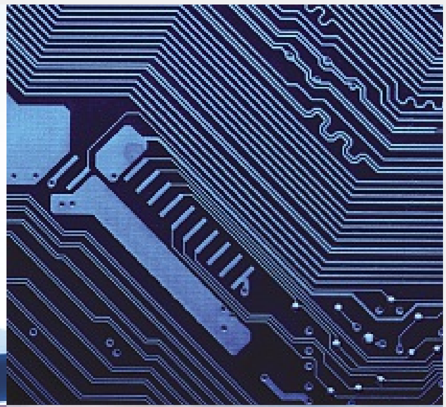
Regarding renewable energy, Greece was one of the first EU countries to reach the '20-20-20' target: obtaining 20% of its energy from renewables before 2020. The country's potential is immense considering its year-long sun, wind and tidal resources. To this end, it has enjoyed significant investment from the US, China, Japan and Europe.

Italy's Enel Green Power (EGP) is by far the biggest source of greenfield FDI in Greece's renewable sector, according to data from greenfield investment monitor **fDi** Markets. Valentino Rossi, EGP's head of business development, says: "Enel paused investment in Greece [because of the crisis] but now we're cautiously optimistic [and] may consider investing again. We're very happy with how we've been treated [in Greece]. However, there's much to do regarding the simplification of the permitting process."

> [GREECE HAS] AN ATTRACTIVE GOLDEN VISA PROGRAMME – €250,000 FOR PERMANENT RESIDENCY – WHICH HAS BEEN VERY POPULAR

Ms Kottaridi contends that the renewable energy sector is still very young in Greece. "There are big opportunities for agriculture: farming land's organic waste can be turned into energy [and there's big potential for geothermal greenhouses]," she says. ■






GREECE IN THE SPOTLIGHT

Invest in Greece. Be part of an amazing journey!

Located at the crossroads for trade, transport and energy distribution between Asia, Africa and Europe, Greece combines an advantageous geostrategic location with a deep cultural heritage, a mild Mediterranean climate and unparalleled natural beauty. Offering competitive costs and a skilled and well-educated workforce, Greece is an ideal location for international businesses in a globalised economy.

After eight years of economic crisis and a brutal recession, the Greek economy returned to growth at the end of 2017 (+1.4%), as the first signs of recovery seen earlier in the year were further strengthened in the following months. In 2018, GDP growth is expected to accelerate further at approximately 2%. The Greek economy, driven mainly by tourism performance, kept a steady course throughout the year, with a dynamism supported by rising flows of foreign direct investment which amounted to €3.6bn in 2017, a 30% increase year-on-year. On top of that, share of total exports in GDP increased from 19% in 2009 to 30.2% in 2016, while the year-on-year increase of total exports for 2016/17 stood at 13.2%.

Tourism and real estate attract major investments from abroad, mainly in the upgrading of existing infrastructure, as well as the construction of large integrated resorts and the development of specialised tourist products and facilities focusing around specific themes (gastronomy, culture, wellness etc.), categories (medical tourism, MICE etc.), markets or segments (elderly, couples etc.). Privatisation of several key state-owned tourist and transport assets (marinas, regional airports, tourist properties etc.) also represents a key investment opportunity. Energy (RES, natural gas distribution and oil & gas exploration), agribusiness and logistics are growth sectors that have already attracted the interest of international investors too.

Several landmark investments – ranging from ports to pipelines – have been implemented over the past few years, while major projects underway are expected to upgrade Greece's infrastructure, including along the Athens Riviera. More than a dozen major hotel projects have been announced in the past 18 months, and €4bn in investments are expected in 200 tourism-related projects.

The development of the former Athens airport, a mega-project that is estimated to bring in more than €8bn-worth of investment and create 50,000 new jobs, is poised to move ahead. So too are plans to privatise the country's largest marina in the nearby suburb of Alimos.

Greece is transforming to a worldwide destination for Global Business Services and Shared Services Centers exhibiting a unique geostrategic location, availability of high- level human capital, competitive wage rates, a modern operating framework, top-class telecommunications infrastructure and a low cost real estate property market, conducive to business growth.

Enterprise Greece is actively materialising the investor interest to actual investment. As the national trade and investment promotion agency of the Greek state, our mandate is twofold: to showcase Greece as an investment destination, and to promote Greek exports abroad.

In the second half of 2018, for example, Enterprise Greece will lead a Greek delegation to Paris to showcase Greek food and beverage products at the 2018 SIAL, the most prestigious food trade fair in Europe, at which Greece will be the featured country this year. At the same time, reflecting the emergence of the Greek resort and hotel sector as the Mediterranean's hottest investment market, Athens – with the support of Enterprise Greece – will host the 2018 Mediterranean Resort & Hotel Real Estate Forum on October 17-19.

The above include only a fraction of the more than 100 events we organise on an annual basis to promote Greece's new economic model, one that is based on sustainable growth.

An Achilles heel?

A TRADITIONAL PUBLIC SECTOR HOSTILITY TOWARDS BUSINESS HAS STYMIED GREECE'S PROSPERITY, TOGETHER WITH SLOW REFORM, AND ALTHOUGH THE COUNTRY HAS MADE STEPS TOWARDS RECOVERY, CHALLENGES STILL EXIST, AS **SEBASTIAN SHEHADI** DISCOVERS

According to Thessaloniki's mayor, Yiannis Boutaris, "Greece is the last Soviet-type society and economy". Although the country has made strident steps towards recovery, serious challenges still exist.

Obvious examples include a high level of unemployment. Though on the decline, it remains above 20%, with youth unemployment at about 42%. Similarly, Greek banks still face hefty non-performing loans – currently €95.7bn, or 43.1% of their loan portfolio. This is why increased FDI is so important, says Panos Papazoglou, managing director of EY in Greece.

In a recent study, Initiative for Foreign Investments in Greece, EY interviewed dozens of the country's top CEOs. Their main complaints were the lack of policy predictability, especially regarding the country's fiscal framework; the slow rate of justice for business disputes; the poor state of bureaucracy (despite reforms); and the slow pace of infrastructural improvements since the 2004 Olympics, which were held in Athens.

Disincentives to business

Tax is also an issue. Corporate tax in Greece is 29%, compared with about 10% to 12% in western Europe. "This is not viable for investments in the long run. Taxation needs to be more friendly, less complicated and lower. I don't think the current government is going to do that," says Constantina Kottaridi, assistant economics professor at the University of Piraeus.

And although Greece boasts an educated but inexpensive workforce, this is negated by the very high cost of employee social security that employers must pay, according to Mr Papazoglou.

Meanwhile, Greece's complex legal and regulatory environment is also onerous by EU standards. In 2017, the country dropped to 67th in the World Bank's Doing Business ranking. When Fraport recently acquired 14 Greek regional airports, the company needed approval involving more than 200 permits, while in western Europe it would only need a handful, according to Andreas Yannopoulos, the founder of political consultancy Public Affairs & Networks.

Historic hostility

"We have a public sector that is historically negative [to] investors, both local and international, as there is the feeling that investors are no good, they just try to benefit from the workers and the employees, become rich and accumulate wealth," says Mr Papazoglou.

In an interview in mid-2017, Mr Boutaris criticised Greece's hostility towards making profit. "All we change is the prime minister. The municipal system, the tax system, the education system – they need to change," he told *Greek Reporter*.

There is hope among investors that 2019's national elections will see the liberal 'pro-business' party New Democracy come to power. It could make more substantial changes but, more importantly, could impart business confidence and predictability.

Meanwhile, Greece is entering a prolonged pre-election period, which could disrupt investment decisions, according to Mr Yannopoulos. Alternatively, with so much drama in international politics – such as Brexit in the UK, or US-China trade wars – Greece may appear to be a relatively safe haven.

Behind the field

The past three years have witnessed a positive trend for inbound foreign investment to Greece. In 2016, FDI saw a 78% rise when compared with 2014, while 2017 saw a 28% year-on-year increase, marking a 10-year high.

However, Greece is still underperforming in a regional context. A glance of the region shows that since 2003 there have been 2710 greenfield FDI projects into Romania, 1834 into the Czech Republic, 1270 into Bulgaria and 396 into Greece, according to **fDi** Markets. In terms of job creation from FDI during the same time, Greece ranks 18th out of 24 countries in south-east, central and eastern Europe.

"While there has been a percentage increase, FDI still lacks substance in terms of value and new positions created. Compared with neighbouring countries, our FDI is [not so impressive]," adds Mr Papazoglou. ■

TAXATION NEEDS TO BE MORE FRIENDLY, LESS COMPLICATED AND LOWER. I DON'T THINK THE CURRENT GOVERNMENT IS GOING TO DO THAT

CARLSBERG GOES FOR GOLD IN GREECE

An interview with Dejan Beko, CEO of Olympic Brewery, which is now 100% owned by Carlsberg Group

Q) Carlsberg Group has acquired the remaining 49% of the shares in Olympic, following the 2014 merger through which Carlsberg gained 51%. What has made Olympic an attractive target for this acquisition investment and what does it mean for the company's future development?

A) From the beginning of the merger procedure among the two companies, we had seen the development prospects of this business scheme. The 'new' Olympic Brewery exceeded our expectations by changing the beer scenery in Greece, with a performance that effectively forced us to activate our option to buy all of the company's stocks earlier than planned. The acquisition of 100% of the Olympic Brewery is a commitment of Carlsberg Group to the five-year business plan (2015 to 2019) that the company is implementing, pointing at the same time to the group's trust in the company's prospects, in the Greek beer market and the Greek economy. Carlsberg Group, one of the largest in the beer industry worldwide, provides the necessary know-how, advanced tools and support for the further development of the locally produced and internationally recognised brands of Olympic Brewery, and their introduction into even more foreign markets, together with the development of new innovative proposals that meet our consumers and customer needs.

"ACCORDING TO SEVERAL EUROPEAN SURVEYS, GREEKS ARE AMONG THE HARDEST WORKING EUROPEANS"

Q) As the second largest brewery in Greece and a major player in in the domestic market, Olympic brews some of the best known and respected beer brands in the country, including Mythos and Fix. What accounts for the company's success?

A) There is no doubt that one of our biggest competitive advantages is our strong portfolio, with well-known and much-loved brands among consumers, which are recognised for their high quality and taste standards. Mythos, which is 21 years old, is the number one Greek beer both for tourists and exports, with a presence in more than 35. At the same time, Mythos has a totally fresh image with a new easy-open bottle, red pull-off cap and new label design. On the other hand, Fix is the Greek beer brand with the longest history and richest heritage, having been around for more than 150 years. Nevertheless, it is worth mentioning some other brands of our portfolio as well, such as: Kaiser, the number one pilsner; Fix Anef, Greece's first alcohol-free beer with a real beer taste and the lowest calorie level; Fix Dark, Greece's first dark lager; as well as the Tuborg brand, which leads in the soda, tonic and natural carbonated soft drink category.

Q) What potential is there for further growth in Greece's beverage sector?

A) The brewing sector is among the most dynamic sectors of the Greek economy, with significant growth during the past few years, despite the difficult economic conditions. An indicative example of this growth is the fact that there were only 11 breweries in 2010, and Greece now counts more than 40. Additionally, it's positive to see that the range of beer offerings is gradually expanding, while consumers are open to try new and different beer propositions. The brewing sector constitutes an important pillar for the support of the Greek economy; its contribution to tax revenues during the crisis period exceeded €2bn, while companies in the industry employ more than 2000 employees in total.

Q) Olympic Brewery employs approximately 450 people in Greece. How would you rate the local workforce in terms of skills, work ethic and enthusiasm?

A) According to several European surveys, Greeks are among the hardest working Europeans. The educational level in Greece is primarily high, mainly due to free education system and a culture that promotes higher education. The greatest share of our success is clearly credited to our people. Olympic Brewery employees of all levels give their best every day, with enviable passion.

Q) How does the company view Greece as an overall business environment?

A) During the past few months, there has been a significant improvement of the economic indicator trends, which predict a change in the Greek business scenery. The banking sector has successfully passed a series of stress tests, while recently the Greek government has agreed with its creditors on the country's debt, setting a starting point for major investment developments. Moreover, we consider it to be extremely important that tourist numbers are expanding, with approximately 32 million estimated for 2018. As Carlsberg Group, we have proven our trust in Greece, implementing one of the largest investment plans during the crisis period. So we will continue investing in Greece, producing brands locally, contributing to the national economy and the development of beer market and culture in Greece, through our high-quality and innovative products.

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ASTIR: A LUXURY DESTINATION REBORN

Astir Palace CEO Stelios Koutsivitis discusses the biggest investment in Greece's tourism industry

Which is the vision behind the investment?
Just 20 kilometers away from the centre of Athens in the Athens Riviera lies Astir, a luxury destination with a history of more than 50 years. The property is currently undergoing major redevelopment and with a total invested capital of over €650m it is considered the biggest investment taking place in Greece's tourism industry. The investment includes four major pillars; the Resort, the Astir Marina, the Astir Villas and the Astir Beach. The vision behind this major redevelopment plan is to establish Astir as a top luxury destination in the wider Mediterranean region that will provide a truly unique hospitality experience.

What are the components of this new destination?
One of the key pillars of the redevelopment is the revamped hotel, as we are introducing the world's leading luxury hospitality company, Four Seasons, in Greece for the very first time. Four Seasons Astir Palace Hotel Athens will feature in total 303 guest rooms, suites and bungalows along with top-notch services and facilities, exclusive retail and international entertainment brands.

The second pillar is the upgrade of mooring infrastructures and retail and entertainment services offered by Astir Marina, in order to put it on a par with the top-level infrastructures provided by landmark marinas in the wider Mediterranean region, such those in Italy, Spain and Monaco.

The third pillar is the development of up to 13 seafront luxury private villa residences, located in the most privileged spot of the peninsula for utmost privacy, that will add to the area an emblematic residential element, equivalent to other exclusive properties, placing it very high on the luxury real estate map.

Astir Beach, which constitutes the fourth pillar, will also be renovated based on a new innovative concept of upgraded premium services, offering the ultimate seaside experience. High-end facilities, members only area, the advanced retail offering and exclusive dining options all highlight the cosmopolitan character of Astir Beach.

Do you see potential in tourism investments in Greece?
2017 was a landmark year for the Greek economy, bringing it back to the pathway of growth. According to the latest Bank of Greece data, net foreign direct investment inflows during 2017 reached €3,590.5m, vs. €2,774.2m during 2016, an increase of 29.4%.

The proportion of FDI in tourism is still relatively low compared to opportunities in the country, a trend that suggests considerable potential for investment. The country – the European Union's sixth-most visited destination in 2016 based on Eurostat figures for nights spent by travellers – could take the industry to an all-new level if more capital is invested into it.

What does the future hold for Greek tourism?
The World Travel & Tourism Council reports that a new boom in Greek tourism is expected in the next decade. According to the WTTC, the number of international tourist arrivals will grow from 30 million in 2018 to 47 million by 2027.

The country is one of the top global tourist destinations for sun and beach holidays and also provides attractive propositions for year-round themed holidays. The competitive advantages of Greece, such as the rich cultural heritage, natural beauty and geographical variety, have been attracting significant tourism investments in recent years, thus further strengthening Greece's image as an ideal destination both for holidays and tourism-related investments.

However, there is still room for improvement. Although there is a huge potential for luxury tourism in Greece, the Greek market is severely lacking of adequate luxury hospitality infrastructures and of international brands with high end proposition. Astir is bringing the luxury tourism proposition to life both with the introduction of international luxury brands and with top-notch infrastructures and services. I believe that the timing is perfect for Astir to capture the opportunity to be established in the luxury tourism map in the wider Mediterranean region.

How does the project affect the Greek economy?
The Astir investment will contribute by placing Greece on the international luxury hospitality map. We are developing a full-blown destination which will be enriched by the presence of Four Seasons and other luxury international brands both in terms of retail and F&B.

Greece is an attractive place for investment due to its membership in the euro currency zone, easy access, its productive and well-trained workforce, modern infrastructure, strong touristic demand and its stable geopolitical and socio-economic environment. However, in the past, investments were often delayed because of over-taxation, spatial planning and insecurity that some investors felt for the country.

I strongly believe that the Astir investment will serve as an example of the country's economic and developmental transformation. There is now more than ever a strong confidence that even projects with a complex licensing framework, such as Astir, can be successfully implemented in the country. Astir will become a driving force for other high-quality tourism investments that will strengthen Athens' and Greece's position on the international tourist map.

Q&A: GIORGOS TSIPRAS

A narrative of change

THE HEAD OF GREECE'S ECONOMIC OFFICE OF THE PRIME MINISTER TALKS TO **SEBASTIAN SHEHADI** ABOUT THE COUNTRY'S EFFORTS TO ATTRACT FDI, ITS ONGOING BUSINESS CHALLENGES, AND HIS ECONOMIC VISION

Q For those new to Greece, which areas should foreign investors be looking at?

A Logistics is the primary one, as Greece is developing the capacity to capture increased trade flows to Europe. Thirty-five per cent of total recent FDI in Greece is in logistics, coming, among others, from China. Opportunities still exist in upgrading existing infrastructure and greenfield investments.

The tourism sector is particularly attractive for investment. We need tourist infrastructure to cover a 25% increase in arrivals since 2014, which already exceeded the Greek population three times.

The food and beverage sector, fuelled by a continuous increase in exports since 2015, offers investment opportunities both in cultivation and in processing. Finally, we welcome investors to participate in large energy projects, mainly network infrastructure and hydrocarbon extraction.

Q Do you think the FDI climate in Greece is improving, and if so, why?

A Net FDI inflows reached €3.6bn in 2017, an annual increase of 27.6%, marking a record for the past decade. Foreign investors come mainly from EU, but also from Switzerland, Canada, the US and, at a strong trend, China.

Upscale FDI inflows are attributed to both Greece's recovery in 2017 and to the unprecedented progress that has been made in structural reforms, most of which aim to establish a business-friendly environment, such as the implementation of three OECD toolkits. Our ambitious privatisation programme has succeeded in accounting for the largest part of the recent FDI. Specific legislation to support investments is in place, such as simplified licensing procedures.

Greece [boasts a] strategic location at the crossroads of three continents, stability and high growth as it emerges from a deep recession, modern infrastructure required to support investments, and high-calibre human capital with international experience available. Last but not least, Greece is a great place for expats to live and work.

> [IN] THE PAST THREE YEARS, WE HAVE ESTABLISHED A HIGH FDI GROWTH TREND

Q What is the greatest threat to the improvement of Greece's FDI landscape?

A As the final review of the Greek economic adjustment programme has been completed, Greece is in a position to fully finance itself in the markets, and vulnerabilities have subsided considerably. We need to further leave behind the [more closed] growth model encouraged by previous administrations that led Greece to its hard crisis.

I'm confident the government and society as a whole have already embraced the narrative of change, the narrative of an investment- and export-oriented economy.

Q What internal factors are deterring more FDI into Greece?

A The banking system has not solved the non-performing loans issue yet, and access of local or foreign investors to finance is still limited. Also, further steps need to be taken on the digitalisation process in the public sector, as well as the reform of the judicial system to speed up and resolve disputes in a timely manner. At the same time, the country is completing its national cadastre [land recording] and its integrated spatial planning to tackle the issue of land uses. Finally, the tax system should be more simple and stable.

CURRICULUM VITAE

GIORGOS TSIPRAS

2017

Economic office of the prime minister
Head

Previously
Ministry of Foreign Affairs, secretary-general for international economic relations

Q In terms of FDI, what is your economic vision for Greece and the region?

A [In] the past three years, we have established a high FDI growth trend. We can maintain, even increase, this rate and double FDI every two or three years. Assisted by the presence of an increasing number of leading multinational companies, Greece is becoming a logistics and energy hub, one of the top five tourist destinations and holds a tremendously skill-based human capital.

Finally, I would like to see [the country] playing a key role in the high growth of the south-east Europe and Middle East markets, with which Greece already has strong business and cultural ties. ■

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