INTRODUCTION

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The new Greek cabinet convenes in Athens on Wednesday, September 19th 2007 to be sworn into office by President Karolos Papoulias

Stepping up the pace of change

With his New Democracy party reelected in September for a second term, Prime Minister Costas Karamanlis has been awarded a second term by Greek voters, the government has pledged to push ahead with further social and economic reforms as it seeks to boost growth, employment and prosperity. A youthful new minister has been charged with promoting quality and broadening the country’s appeal beyond mass tourism.

Greece’s integration into the Knowledge Society through investment in human and social capital is a priority if the economy is to become more competitive. The government is committed to widening access to ICT and encouraging innovation. More controversially, Mr Karamanlis has pledged to change the constitution to allow private universities to operate and to give universities greater autonomy.

Also high on the agenda is the development and diversification of Greece’s tourism sector, now pulling in a record 17 million visitors a year and with major resort schemes lining up for development. A newly inaugurated Turkey-Greece link will eventually be extended to supply natural gas to Italy and the rest of western Europe. A deal has also been signed with Russia and Bulgaria for a Burgas-Alexandroupolis pipeline that will transport Russian oil to European markets, bypassing the Bosphorus Strait. Meanwhile, efforts are continuing to strengthen the electricity production and supply system in Greece itself.

Greece continues to be one of the main beneficiaries of EU structural funds, designed to help member states whose per capita GNP is less than 90 per cent of the Community average. A total of more than 24 billion eu-

Awarded a second term by Greek voters, the government has pledged to push ahead with further social and economic reforms as it seeks to boost growth, employment and prosperity.
Regional development at the top of the agenda for EU’s highest climber

When Costas Karamanlis announced his new cabinet shortly after his election victory in September, few would have been surprised to find that George Alogoskoufis was kept in position as Minister of Economy and Finance. Mr Alogoskoufis has been the architect of Greece’s economic reforms. On his watch, Greece has achieved a rate of growth well ahead of its co-states in the Eurozone, while at the same time putting its public finances in order. Greece, he says, has demonstrated that fiscal consolidation is compatible with sustained growth if it is accompanied by supply-side reforms that help redirect resources towards private investment. The government is as determined as before to carry out its reform agenda. “We know very well what we have to do in order to create a competitive and innovative economy,” says Mr Alogoskoufis. He shares the Prime Minister’s certainty that Greeks see the need for change. “On September 16, the Greek people acknowledged the success of our policies. They gave us the green light to move ahead.” The economy is forecast to maintain its growth rate of 4 per cent next year, with private investment and exports the main drivers. According to Mr Alogoskoufis, international uncertainties over the high oil prices and developments in capital markets are having no direct effect and he expects growth to remain strong, due to community funds from EU Community Support Framework programmes, private investments totalling 8 billion euros and joint ventures between the public and private sectors worth 3 billion euros.

The Economy and Finance minister pledges to be “relentless” in his pursuit of a balanced budget by 2010. Tightened spending and improved revenues from taxes have helped bring down the general government deficit to 2.7 per cent of GDP—despite relief expenditure following this year’s devastating forest fires, towards which the EU is contributing 9 million euros. Next year’s deficit target is 1.6 per cent of GDP. “Healthy public finances do not only lead to a fair and business-friendly tax system, but they also allow the state to...”

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Profits are up and prospects are bright in banking sector

Acquisitions, organic growth and increased efficiency are filling the coffers of the banks as loans and deposits increase at home and they widen and deepen their presence abroad.

Greek banks continue to ring up big profits as they benefit from the economy’s impressive rate of growth and expand their activities in Southeastern Europe and the eastern Mediterranean. While banks in other parts of the world have become nervous about the fallout from the collapse of the US subprime market, their Hellenic counterparts have been posting new records in profitability.

Greek banks have had very little exposure to the subprime crisis and, according to Nikos Garganas, Governor of the Bank of Greece (BoG), Greek banks will suffer only a limited and indirect effect. Meanwhile, most can be well satisfied with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their most recent declared results as they surge ahead with the gains registered in their 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Pipepline deals bring in gas from the East

Greece took a step closer to becoming an international hub for the transportation of natural gas in November when the Greek and Turkish prime ministers inaugurated a new pipeline between their two countries.

The 285-mile link represents a critical first stage in the creation of a new East-West energy corridor that will eventually enable the transit of natural gas from the Caspian and the Middle East to European energy markets via the Greek system. Beginning in Keratchapeb in Turkey and running to Komotini in Greece, the pipeline has a diameter of 36 inches and the capacity to carry 11 billion cubic metres (bcm) of natural gas per annum.

Next year, work will start on a 600-mile pipeline extending the corridor from Greece to Italy. Most of it will be built by Desfa, the owner and operator of the Greek Natural Gas Transmission System. The remainder, which will run beneath the sea, will be built by the Public Gas Corporation of Greece (Depa) and Edison. The pipeline is due to become operational in 2012, delivering 8 bcm of an expanded capacity of 11 bcm to Italy and the rest of Western Europe.

The EU is one of the world’s largest and fastest growing markets for imported gas. Azerbaijan and the rest of Central Asia is poised to become Europe’s newest main source of supply, alongside the North Sea region, Russia and North Africa.

Former Greek development minister Dimitris Sioufas says the pipeline and the interconnection of the electricity systems of Greece and Turkey are the two most important interstate projects between the two neighbouring countries, whose relationship has greatly improved in recent years.

As new connections are made with neighbouring gas grids, Greece’s own energy system is being extended to cater for growing demand.
TOURISM

A new image to bring in visitors who spend more

Greece has a lot more to offer than sun, sea and cheap package holidays. Its new Minister of Tourism is determined to portray the country as a high quality destination to suit a variety of tastes and activities to offer. “In a global world, Greece must have a multi-faceted image to become a global brand which can target any type of travellers,” he says. “We have to break free of unidirectional notions of sand, sea and sun. We have to look towards a more open tourism model so that we can sell more months of the year. We have to act like a mega-brand.”

Mr Spiliotopoulos is not the first to stress the importance of Greece upping its game by raising standards and diversifying its product in order to compete successfully in the highly competitive international tourism market. However, Prime Minister Costas Karamanlis is relying on him to advance the agenda.

Away from the beaches, the focus will be on developing everything from archaeological, cultural and religious tourism to agritourism, gastronomic, marine and sports tourism – particularly golf – and the conference and exhibition market. Particular emphasis is being put on ‘green tourism’. Mr Spiliotopoulos is keen to promote eco-friendly activities such as camping, mountain-hiking and walking tours, and to see ‘green’ investment with the natural environment strongly factored into the conference and exhibition market. Particularly tourism; Mr Spiliotopoulos is keen to promote eco-friendly activities such as camping, mountain-hiking and walking tours, and to see ‘green’ investment with the natural environment strongly factored into the conference and exhibition market.

Catering for the conventions market and VIP clientele

With its a unique combination of cosmopolitan cities and picturesque islands, Greece is an ideal conference and event destination. Recently, the infrastructure it has to offer for what is known as MICE (meetings, incentives, conferences and exhibitions) tourism has been enriched with the addition of 23 venues from the 2004 Olympic Games.

The largest convention destination in Greece is the island of Rhodes, where also to be found is the largest resort convention centre in the country, and indeed one of the largest in Europe. With 100 meeting halls of various sizes, the Capsis Hotel Rhodes & Convention Centre Marika Capsis 2000 has total conference capacity for up to 8,000 people.

Capsis Hotels & Resorts has been specialising in the meetings industry for more than 30 years. Recently, it has also turned its attention to the growing VIP leisure segment of the tourism industry, transforming its resort on the island of Crete from a convention centre into an exclusive luxury resort hotel complex which it has named Out of the Blue. Irini Varda-Capsis, the company’s Commercial Director, says: “Our aim was to create a unique resort complex in Greece different from anything else the country could offer until now. We are targeting the most demanding guests, who continuously seek new resort destinations with exclusive services and new types of facilities.”

Even though the resort now focuses on individual luxury clientele, she adds, it would also be ideal for exclusive meetings and VIP incentives, as excellent conference facilities are available.

Efforts to promote city break tourism are being focused not only on Athens, where the long-awaited ultra-modern Acropolis Museum is due to open in stages next year, but also on Thessaloniki, Greece’s second largest city.

Greece has long been a popular international holiday destination, particularly with the British, Germans and Scandinavians, and recently a marked increase in arrivals from eastern Europe has helped swell the number of visitors to more than 17 million per year.

Mr Spiliotopoulos will also be targeting new markets in Russia and in Asian countries, including China; Air China recently...
Billions of dollars worth of investment are set to pour into Greece's tourism sector in the form of large-scale integrated resort projects, combining leisure activities such as golf and tennis with spas, 5-star hotels and luxury villas.

Changes in land zoning policies that have limited residential development outside urban areas will pave the way for alternative forms of tourism and open up the market for holiday and retirement homes. Stavros Andreadis, president of the Association of Greek Tourist Enterprises (SETE), says the move could be “a catalyst for tourism development.”

A number of projects are in the pipeline, and two major developments are already under way. Both the Navarino resorts project, on the Messinian Peninsula in the Peloponnese and the resort being built on the island of Crete by the British Minoan Group will include 5-star hotels, golf courses, conference centres and luxury villas.

Golf tourism is seen as potentially a major earner for Greece; golfers, for example, are reckoned to spend 60 per cent more than the average tourist. However, accompanying hotel and residential development is needed to make new golf courses commercially viable.

Approximately one hundred miles to the north of Athens, a location has been chosen for one of the largest luxury residential and integrated resort developments in Europe. Developers Lokros Real Estate say the Atalanti resort will combine world-class golf and tennis facilities with luxury villas and townhouses in an unspoiled natural environment.

According to Managing Principal George Savvides, the resort will be a unique place to visit, holiday and to live, “the best of all worlds – international standard luxury, service and infrastructure, combined with genuine Greek community experiences, tastes and hospitality.”

He says the development will include three of the best championship golf courses in the world, extensive tennis facilities, including ‘centre court’ stadiums, and golf and tennis academies. “The facilities will be world-class as it is our intention that the resort should host major international golf and tennis tournaments.”

At the same time, the intention is to provide for players of all levels, from novices to professionals.

The residential element of the project will comprise approximately 5,000 luxury residential units, ranging from large detached villas with extensive grounds to...
Technology and innovation are the keys to the future

Greece is embracing the digital age as it seeks to become more competitive in the global marketplace and to improve life for its citizens.

Its first fruit, the Innovation Centre in Microelectronics, was recently inaugurated in cooperation with the Hellenic Semiconductors Industry Association. Greece’s first technology cluster, it hosts around 25 enterprises specialising in semiconductors — which are the core of IT - telecommunications and consumer electronics products.

Another cluster is being developed in the area of culture and language technologies. Future plans include the establishment of clusters in free trade areas at the International Airports of Athens and Thessaloniki.

The kind of firms being targeted are mostly small and medium-sized enterprises, including start-ups and spin-off companies that have the potential to become pioneers in their fields. Vassilios Makios, HTCI General Manager, says the common ground shared by the companies should be that they are knowledge-intensive, focused on research and development of products and export-oriented. The idea is that bringing such enterprises together will create an “ecosystem” in which innovation will flourish.

“We strongly believe technology will take off soon in Greece,” says Professor Makios. The focus is on “the ability to find pockets where there is a deficit of innovation in other countries and to develop that, to complement the US and other major countries in pockets of innovation.”

He adds that Greeks have proved throughout their history that they are highly versatile people. “Versatility is something which innovation needs.”

Innovation in the land of Ulysses

In today’s competitive world, cross-industry synergies and collaborations have become a necessary core competency, making clusters of enterprises increasingly important. The Hellenic Technology Clusters Initiative (HTCI) facilitates the formation of Innovation Clusters capable of competing at a global level. Through tailor-made clustering programs, HTCI brings together people, companies and technologies in order to create an innovation ecosystem. It implements an ambitious plan to boost Greece’s capacity in technology sectors driven by knowledge-intensive R&D and well-targeted direct investments. HTCI constitutes a reference initiative of bottom-up industrial policy that is co-financed by the EU Third Community Support Framework, under the Operational Program “Competitiveness”. The initiative is hosted in the Research Center "Athena" under the auspices of the Greek Ministry of Development and its General Secretariat for Research and Technology. For more information, visit us at www.htci.gr.