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**Alexandros Lykourazos' speech
«Legal Safeguards of Foreign Investments»**

Ladies and Gentlemen,

I am very happy to be with you today to briefly present how the Law can enhance investments in Greece.

Greece has become a very attractive market for foreign investment and this can be attributed to the efforts of reforming and modernizing the relevant administrative and legal framework.

In the limited time I have, I shall attempt to present the challenges facing a modern legal system for establishing a competitive market and what has been done in Greece so far to achieve this goal.

Traditionally, the first consideration for setting up a new business is: Location. It is commonly accepted that Greece's location is unique and strategic.

The presence of Greece within the EU market and its proximity to the emerging markets of Eastern Europe and to the Middle East make it a convenient and attractive location for companies to expand their business rapidly. Therefore, many foreign investors seeking to expand their markets are investing in Greece by acquiring established distribution networks either through the purchase of existing companies or establishment of their own companies.

Add to that, the traditional and long standing ties of Greece with the Middle East, Greece is undoubtedly a hub for foreign investment.

Speakers more qualified in Business Administration can tell you that the business perspective of opportunities in Greece are broad and promising.

The major sectors of doing business in Greece include:

- Tourism the premier product of this land is open for a wide range of services and investment incentives.
- Provision of Services: From independent services to consultancy and financial services, the Greek market has grown significantly and competition in the local market has taken an international flavor.
- Light Industry is a market that has been underdeveloped in the past years in the country and, therefore, is wide open for development, expansion and a competitive lead in the broader region.

- Energy is a market now free from monopoly. The country's national resources are ideal for the development of renewable energy solutions.
- The Public Works area has grown significantly due to two relative new products: Concessions and, more importantly, Public Private Partnerships, a new and very promising market that has been recently introduced and has attracted the attention of major international players.
- The Real Estate market in Greece has grown significantly in the past years, with the most significant growth being located around development of both business centers and tourist accommodation.

Now, what are the safeguards of foreign investment in the sectors I just mentioned?

Undoubtedly, the first safeguard is a stable political climate. This also means political will to encourage foreign investment and to proceed with reformation of the country's economy and relevant legal framework. This, of course, must go hand-in-hand with social considerations, such as fighting unemployment, protecting the environment and increasing productivity.

This, in turn, brings us to the second safeguard, which is economic growth within the challenges of a global economy. Achieving growth in a time of a feared global market recession is, possibly, the most significant challenge.

These two prerequisites, political stability and economic growth are being met by Greece in a satisfactory manner. I would like to focus on the third and more specialized safeguard of foreign investment, which is the proper legal framework.

In particular, the main question that must be addressed is what would be a proper legal framework for guaranteeing competitiveness in a country's market?

Let's start with an overview of the legal obstacles to foreign investment. Which legal considerations discourage a foreign investor?

- First of all, a foreign investor will most definitely not embark upon an investment scheme, if he cannot understand what the law of the place of business is. Complicated legislation is expensive, unattractive and often discouraging to the point of irritation.
- Secondly, even if the law is unequivocal, precise and understandable, an investor wants adequate and timely protection of his rights. This protection is most often granted by the judiciary. A tardy and time-consuming access to justice will be an even more discouraging factor, because it causes a sense of insecurity.
- The third barrier is red-tape. Complicated bureaucratic systems cost the investor in time, money and incentive. Moreover, in larger projects, obtaining all the necessary permits and licenses is a task that should never be underestimated.
- The profit of a business enterprise is counter-measured by the taxation of the place of business. You can categorize tax as light or heavy and the criteria for this categorization are subjective. However, it is almost disastrous to categorize tax as straightforward or complicated. Taxation must never be complicated.

Now, I would like to briefly mention what has been done in Greek legislation, in a systematic attempt to overcome the aforementioned obstacles. Unfortunately I do not have to time to go into detail or to mention everything that has been done. I will focus on some major initiatives.

(1) With respect to modern corporate structures:

New legislation has been enacted regarding Societes Anonymes and modern corporate governance. The new law encourages foreign companies to set up operations in Greece given that it offers a more flexible corporate vehicle with less restrictions and controls.

In summary:

The administrative controls are dramatically reduced as regards the establishment and the operation of a SA with a share capital of up to 3 million EURO. It has allowed the establishment of a SA by one founding member (Single-Shareholder SA).

It broadens the scope for changes to the Articles of Association. It gives the shareholders the power to freely alter secondary issues in their Articles of Association.

The appraisal of contributions in kind can be performed by an auditor also and not only by the Special Committee of the Ministry of Development. Certain types of contribution in kind are excluded from the appraisal process.

It changes the responsibility of the board of directors and implements the institution of "Business judgment rule" as well as implementing the process for the annulling or annulment of decisions passed by the General Assembly.

For the first time provision is made for the issuance of redeemable shares by a company.

Furthermore, according to E.U. Legislation, older corporate structures, such as established foreign offices in Greece have been transformed into business coordination centers with wider capabilities and a more modernized operational mechanism. The centers provide administrative and supporting services to foreign group companies. The tax incentive is that the determination of the profits is based on the cost-plus method as provided by OECD.

Another significant corporate structure is the European Company (Societas Europea), a corporate vehicle enabling a single business network within the European Union, free of local barriers to trade and of setting up local subsidiaries.

Greece has implemented the relevant E.U. legislation on the common tax regime on mergers, spin-offs, exchange of shares and acquisitions between companies in different Member States. This law is focused on tax deferral of profits, good-will and income relevant to corporate restructuring.

(2) Concerning taxation:

The Greek Government is making a great effort to try and minimize the complexities with regard to taxation as well as with regard to the procedure for auditing companies. E.g. a list of expenses which are tax deductible from the gross income of the entities is issued by the Ministry of Economy and Finance and they are continuing to make new lists of expenses in order to bring an end to possible injustices by the auditors and any transactions between the auditors and the entrepreneurs. The reporting procedure with respect to VAT and other obligations related to the Greek Code of Books and Records has already been minimized and made easier and has reduced the number of accounting books that should be maintained by a company. As a result, a serious effort is being made to make the taxation process more modern and efficient in order to attract more foreign investors.

As for taxation, especially corporate taxation, it should be noted that the tax rate from 35% applicable in 2004 has gradually reduced to 25%.

(3) All these efforts have already greatly minimized bureaucracy and provide adequate incentive as well as a good investment climate.

(4) Without going into details with respect to court proceedings, I will only mention that the Greek Codes of Civil and Criminal Procedure have been amended in an attempt to speed up court proceedings.

(5) As I have mentioned, Greece has implemented a great part of the relevant E.U. Legislation creating a strong and competitive common market.

(6) In the field of Financial Services, Greece recently implemented the E.U. Directive on Markets in Financial Instruments, a law that creates a strong and competitive market for financial services across the European Union. This directly enhances credit opportunities for businesses being established in the country.

The same legislation guarantees a strong capital market and a transparent stock-exchange.

With respect to companies listed in the Athens Stock Exchange and, in particular, the protection of investors, rules on corporate governance have been introduced, which are aimed at protecting the market from abusive actions connected with the company's leadership.

This legislation has modernized the Athens Stock Exchange, which is by far the major capital market of the broader region.

As you can see, a lot has been done towards the right direction, but a lot has still to be done.

What should the next steps be?

- Firstly, simplification of the legal frameworks regarding licensing regimes and other matters of bureaucracy. This also means standardization of the process of setting up a business in Greece.
- Secondly, specific legislation on business incentives. More can be done in this field.

- Thirdly, the Greek market has broadened. Greek enterprises are already active in the broader region. Further incentives should be given for continuing this expansion.
- Lastly, further tax reform by applying lower tax rates for companies. Overall growth is higher with lower taxes and better collection. With tax incentives more companies and more jobs are created.

Ladies and Gentlemen,

Thank you for your kind attention.