

Interview: Prof. Gikas A. Hardouvelis

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Q: Greece has experienced a rapid economic growth and, since joining the Euro zone, has seen growth twice the EU average. What do you consider to be the main contributing factors to this economic success?

There are many contributing factors. I think primary factor is now we have macro economic stability in Greece, the effort to join ENU implied fiscal responsibility, reduction rate of inflation, implied lower interest rates. It implied a sense of stability and security in the economic screen. Indeed Greece is growing with rates above the EU averages, since 1996. The margin has increased because of the recession of Europe. The main factor, besides the ones I mentioned before, is investment. And investment will continue in the future because Greece needs that investment, its infrastructure, and its human capital in many and various aspects. I don't think there is any worry that the investment rates will diminish after the 2004. We ought to see growth continuing for the next five or six years and one reason for that is that the financial of investment, part of the financial of investment is of EU fund. Nevertheless the existence of EU structure funds implies that Greece has to come up with its own funds. To complement the EU funds, so that need focus a tension upon investment and put in the top of the priority. It is a priority by itself. For the economic

development, it just makes politicians restrict other expenditures and emphasize the long-term investment and the long-term growth.

Q: Greek Presidency. What you see are the economic priorities for Europe in this six months?

In spring there are two summits. In March the focus is of the Lisbon process and on how to make Europe most competitive and dynamic economy in the world and capable to providing better jobs and more jobs without destroying the environment. So the Lisbon process has three legs. The pure economic leg, that focuses on the growth and competitiveness, it has the social dimension which is employment, and the third dimension is the environment. The Greek presidency intends to carry over of all three legs. Each Presidency is considered successful or not whether they close their issues and actually brought another issue in the front line that is missing. So our intention is to push these open issues that Mr. Pronti actually described in his lecture last week to all the prime ministers. They involve energy, transportation, European Patent. We will perhaps try to emphasize a lot of issues concerning the small – medium enterprises, due to the fact that Europe now is a bigger market. It's being dominated by large companies so the small guys are being squeezed out, so we want to make sure that competition works for them too and to make sure that they have access to technology, to financing. That's one element I think that's important. Another issue that we intend to push is research and development, of course this is something that is going on, but what we want to bring into the attention of European countries is the connection between R&D and defense. It is true that in the States in the past, most of R&D came from defense. It's time that Europe puts increased emphasis on this. Because does not have only economic consequences but also has consequences on the political side. Another issue is labor markets, I think everybody is talking about the flexibility of labor markets, I think we need to push in this

direction. However when you push for flexible kinds of employment, some times you give too much power to the employer, we have to make sure that there is the right balance between these two factors. Another issue I think that's important in Europe is migration. It's time to take a look at this issue in the European level and decide some policies, emigration issue is a social issue, a social economic issue, and it's a long term issue, given the state of the pension system. It is a hot issue, we cannot avoid it. We have to face it and we have to take decisions at an European level. Enlargement is another issue. That we are going to push and of course politically we want to see Turkey joining European Union, because for both, economic and political reasons. The economical reasons are obvious, everybody knows, the political reasons ... for more safety in the region, and gives a European place to Turkey.

Q: Your view on Greece's role towards the Balkans.

Greece is already the fact of stability in the Balkans. We are financing various projects in the that region. We have close contact with the politicians, we have lots of business ties. I think Greece can play a constructive role in the Balkans, Balkans being eventually incorporated in Europe. And I can give you examples, pipe lines, petrol, gas, electricity, this is not just with Balkans, but with Turkey and Italy, as well. We are working on a project to build a pipeline that will connect Greece with Turkey and this with Italy, so Europe will have now access to the Caspian natural gas and this will be a second resource of gas. Europe now depends only from the Russian. Now is going to give an alternative, which means more competitive prices for energy when you have a diversified resource of supply. So Greece definitely can play a role of connecting the East and the West. More specifically talking about the Balkans, we increased the size of our exports going to these countries. After 1990 when they liberalized their economies. And Greek direct investment in these countries has exploded.

Q: What are the most interesting areas of the Greek economy for foreign investment?

The obvious is tourism. Tourism is not still fully developed and when our infrastructure will be here, the airports, the roads, I think it's going to be a more attractive place. Greece has the human capital to attract high technology firms. People put all their efforts in education, so I think we are an educated people and in the sciences as well. Then of course Greece can attract the center of companies that want to look at the whole Balkan market and Northern Africa.

Q: Preparations have been underway for the hosting of the 2004 Olympic Games. What can you tell us about the impact this huge project will have on the Greek Economy?

We hope at least to repeat the scenario that happened in Spain with the Barcelona Olympics. Barcelona benefited a lot from the 1992 Olympics. We hope to see the same in Greece. We hope that Athens becomes a focus of international tourism. Athens would be a different city by year 2004 in terms of infrastructure, and so we hope to see an inflow of tourists coming after that. Athens will be ready to provide the best touristic services; Greece will be in the map now, for people that don't know about the country. But there is risk. The risk has to do with how you market the country, everything has to run smoothly. You spend a lot of money in stadiums, in underground, building a tram, highways and bridges, facilities for the athletes, safety. You have to provide safe Olympics, you are going to have a dividends of that advertising of the country. It's a risky business, it's a costly business, but it has high rewards. In every investment we don't get the return of the investment unless you risk it.

Q: As a final question, and one a more personal note, how do you envisage the future of Europe?

It's hard to make predictions. Europe has to take seriously the Lisbon process and move on and try to make Europe a competitive place and more unified, and being indeed what it plans to be, the most competitive area in the world. My view is that Europe will continue growing, it's a question if will manage to overtake U.S. We will see China as a new power. In general it's going to be a better world, I don't see things getting worse, they'll get better, so whether they gonna be better then the other better, doesn't matter that much. And the world is becoming more integrated, in every aspect. So if one region does well, the other one benefits as well.