SPEECH OF THE

MINISTER OF ECONOMY AND FINANCE

OF THE HELLENIC REPUBLIC

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IN WASHINGTON

Washington, May 21, 2008

It's a great pleasure to be with you today.

At a time of new global opportunities and challenges, the Center for Strategic and International Studies (CSIS) provides strategic insights and constructive ideas for policy making to governments and institutions around the world.

In my speech here today I will first discuss the system of global economic governance in the light of the lessons from the recent international financial turmoil and developments in the prices of commodities. I will move on to developments in Europe, on the prospects of Southeastern Europe and on Greece’s role in the region.

Global economy

In recent months, we are all experiencing the effects of the slowdown in the world economy.

The financial turmoil proved deeper, wider and longer lasting than one could initially expect. Global growth is cooling rapidly from the exceptionally strong growth of recent years, to an expected 3.8% in 2008 and 3.6% in 2009. Excluding the EU, global growth is projected at 4.4% this year and 4.2% next. Similarly, world trade growth is slowing markedly, down from about 7% in 2007 to 6% during both years of the forecast period.

Looking ahead and despite the sizeable fiscal and monetary policy stimulus, the US economy seems to be set for sluggish growth at least for the current year.

The economic outlook for the EU and the euro area is for a marked deceleration of GDP growth, falling below potential. However, this is far from a recession scenario. At the same time, inflation has been revised up by more than 1 pp this year due to soaring food and energy prices. The economic situation and outlook is unusually uncertain at the current juncture.

Global Governance

Overall, the challenges the world is facing today do not only exceed the capabilities of a single country, but also the capabilities of big intergovernmental formations, such as the European Union. Many of today's problems require international coordination, a common global strategy and the strengthening of a global governance framework that will put in place and supervise the implementation of the appropriate solutions.

These challenges manifest the necessity to forge a new system of global governance where all the big countries and supranational formations will actively participate: the European Union, the United States of America, Japan, Russia, China, India, and Brazil. The system of international organizations that was established in the wake of World War II has reached its limits. It needs to be reformed in such a way that will allow us to deal effectively with the global economic, social and environmental problems.

With the notable exception of the World Trade Organization, when we speak about global governance we have to admit that the progress made over the last decades is insufficient. A new system of global governance should possess the following characteristics:

1. Representativeness. A new system should be able to represent of all its members adequately.
2. Accountability, as this system should be able to be held accountable for its actions to the global community.
3. Efficiency in implementing its agenda.
4. Sufficient supervisory powers in order to ensure that the decisions made will be respected by all participants in the global economy.

This new system should aim to deal with the following major challenges:

1. Global economic governance. The recent financial turmoil -that has its roots in the unraveling of the subprime loan crisis and the international macroeconomic imbalances of recent years- proves that when it comes to capital markets we can not speak about local problems. We are in urgent need of an international framework of rules, regulations, supervision and transparency.
2. The second challenge is the protection of our environment. The accelerated pace of climate change is sufficient proof that we must establish a well defined set of solutions. And we need it urgently. It will be difficult however to build consensus not only at the international level, but also at the national and the local level. It is certain that in any case a strong supervisory framework at the global level will be required in order to ensure that there will be no free riders in the system.
3. The third challenge is how to deal with poverty at the international level. From what we know, global macroeconomic imbalances and several practices that were intended to protect the environment (such as bio-fuels) ended up in exacerbating the problem as they are responsible for higher food prices.

One must acknowledge that it is going to be extremely difficult to build consensus. However, it is worth noting that the world is not divided anymore into two camps as it was during the Cold War period. Today most political cultures are converging towards systems of a mixed economy. This means that talks about a new system of global governance have more chances to succeed this time.

The European Social Model

In this discussion, the European Union - having established procedures that allow its enlargement as well as the efficient political and economic cooperation between its members- could serve as a useful example. Moreover, the European Union has achieved a certain degree of efficient governance together with democratic procedures that safeguard the interests of its members and help achieve ownership on behalf of their citizens.

In fact, despite a wide range of common policies, each country in the European Union pursues the social model its citizens consider more suitable. In general, there are at least five different social models:

1. The Nordic model is based on the notion of a welfare state with a high level of social protection for all inhabitants of the country. The flip side of this model is a high level of taxation. Intervention in the labour market is extensive and comes largely in the form of job-seeking incentives.

2. The Anglo-Saxon system followed by the United Kingdom and Ireland is based on a more limited collective provision of social protection and more flexible labour markets. In the tradition of Lord Beveridge, the state's objective is to ensure basic living standards and help those in need, than to cushion the impact of events that would lead to poverty, such as sickness, old age, or unemployment.

3. The Continental model, found in countries such as France and Germany, entails the provision of social assistance through public insurance-based systems in the Bismarckian tradition. In these countries, the role of the market in the provision of social assistance is limited and employment protection is high.

4. The social welfare system in Mediterranean countries combines high legal employment protection with lower levels of unemployment benefits. Spending is more concentrated on old-age pensions and the role of social support through the extended family remains important.

5. The system of the new EU countries with previously centrally planned economies which now move towards free-market economies. Their model resembles the Anglo-Saxon one but have no mature institutions.

Nevertheless, the different European Social Models do have a set of common features. All models involve government interventions to reduce poverty and social exclusion, achieve a fairer distribution of income, provide social insurance and promote equality of opportunity. The basic pillars of all models are pensions, health and long-term care, social protection for the poor or disabled, and the redistributive function of taxation.

This convergence towards a set of common features does not mean that any of the above models needs to prevail. Every country can have its own preferences. However, in terms of global governance this convergence shows that we could at least agree on some basic principles regarding the three major challenges that I mentioned earlier. Despite the differences in socio-economic models, Europe pursues a number of common policies such as the single currency, the stability and growth pact, the single market and the Lisbon agenda.

Southeastern Europe's Prospects

In regards to Southeastern Europe in particular, I would like to stress that it is my firm belief that its future prospects are poised to improve further. If Ireland was the economic miracle in Europe in the last 20 years, Southeastern Europe can become the next economic miracle.

Let me first start by presenting some major facts and figures about the region.

When we speak about Southeastern Europe we are referring to a region with approximately 140 million inhabitants - a region that consists of the following countries (in alphabetical order): Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, Greece, Montenegro, Romania, Serbia and Turkey. Of them, Greece, Bulgaria and Romania are members of the European Union, with Greece being the senior member. And with the exception of Greece and Turkey, the other countries were centrally planned economies until the early 90's. Today, all the countries in the region have mixed economies. And this is working. The peoples of these countries today enjoy a higher standard of living and have access to more opportunities. Let me provide some key economic figures, in order to briefly depict the current economic situation in the region (I shall refer to 2006 data, as for some of our neighbors there are no available data for 2007 as of yet):

Albania has a population of 3.2 million. In 2006 the GDP per capita was approximately equal to 3,600 dollars. Albania has experienced a near 6% growth rate during the last 5 years.

Bosnia-Herzegovina's population is 4.6 million, its per capita GDP is approximately 3,300 dollars, and the average rate of growth during the last five years was around 4.5%.

Bulgaria, that has joined the European Union in 2007, has a population of 7.7 million, a GDP per capita close to 5,000 dollars, and its average growth rate was 6% over the last five years.

Croatia with a population of 4.4 million, is a more developed economy with a GDP per capita of around 12,000 USD and an average growth rate of approximately 4.7% in the last five years.

FYROM has a population of 2 million, a per capita GDP of about 3,800 USD and an average growth rate of 4.3% during the last five years.

Greece, has a population of 11 million people, a GDP per capita in 2007 of 32,300 USD and has experienced an average growth rate of 4% during the last five years. To make comparisons easier, it is worth mentioning that the United States had in 2007 a GDP per capita of 46,000 dollars.

Montenegro has slightly less than 700 thousand inhabitants and a GDP per capita of 3,800 USD.

Romania, that joined the EU together with Bulgaria in 2007, has a population of approximately 22 million people, a GDP per capita of 7,000 USD and an average rate of growth equal to well above 6.5% in the last five years.

Serbia has 7.4 million people, a GDP per capita equal to 4,500 dollars and an average growth rate of around 6% during the last five years.

And finally, Turkey is the largest country in the region with a population of 75 million people. Its economy has evolved substantially in the last 10 years. Its GDP per capita is approximately 6,700 dollars, and its average growth rate during the last five years was 7%.

We can see that the majority of the region's countries have started from a very low point, but are experiencing significant economic growth. The reforms that have been introduced in recent years are working and the tensions of the 90's are easing.

In addition, the considerable funds the European Union is contributing to its newest members, but to nonmembers as well, means that they will experience an accelerated rate of growth in the years ahead. Both Bulgaria and Romania are expected to substantially improve their infrastructure level in the next 10 years. This

will positively affect the economic integration of the region as a whole, as it will further promote trade and investment.

At the same time, investment from abroad is pouring in the region. Despite the current unfavorable climate in the global economy, we should expect the countries of Southeastern Europe to continue attracting substantial foreign investment and post strong rates of growth. A good reason behind this is that the region as a whole enjoys a significant strategic position as a key transit corridor for energy and trade.

But there is much more to be done in order for the region to integrate successfully to the global economy. A key aspect is institutional reform in order to:

- improve the investment climate and contribute to private sector development,
- foster trust between businesses and national authorities,
- increase the mobility of investment,
- open further the region's economies to the world,
- support major infrastructure projects in transport, telecommunications and energy that will bring the closer the markets of the region,
- encourage local businesses cross their borders in order to gain access to international capital markets and know-how, and
- introduce ways to reduce tax evasion and the informal economy.

These are real challenges, and it is definitely positive that the governments of the region are committed to face them.

At the same time, there are several sectors in Southeastern Europe offering considerable opportunities to U.S. investors. The most significant opportunities exist in the energy, construction, agrifood, tourism, trade and industry.

Greece's role in Southeastern Europe

Evidently, Greece enjoys one of the most developed economies in the region and one of the largest. In this respect, but also because of our strategy Greece plays a significant role in the economic transformation of the region. Not only does Greece play a substantial role as member of the European Union, the Eurozone, and NATO, but also as a major investor in most of our neighboring countries. We are committed to help transform this region once torn apart by internal strife.

- We have substantially helped our neighbors in the difficult years of transition to systems of mixed economy.
- Greece has hosted more than 1.5 million immigrants from neighboring countries and has thus helped avoid the unraveling of a major humanitarian crisis.
- We supported the establishment of democratic processes and institutions in our neighbors.
- We wholeheartedly supported the application of Bulgaria and Romania to join the European Union. We also support the European prospect of all countries in the region.
- And, it is the Greek private sector that contributes to the economic growth of our neighbors. Approximately 4,000 Greek companies have invested more than 20 billion dollars in Southeastern Europe and are contributing to its remarkable economic and social progress. Greek banks in particular operate more than 3000 branches in the region, thus helping transform the banking system of our neighbors, but also effecting the transfer of valuable know how and creating tens of thousands of jobs.

Overall, Greece with a number of domestic reforms underway can contribute a lot to the development of the region.

Thank you for your attention.