

GREECE: FDI PERSPECTIVES

MARCH 2016

S. TRAVLOS

OECD EU HAVE IDENTIFIED THE NEED FOR INVESTMENT IN GREECE

- EU expects an increase in investment of 12.8% in 2017.
- The EU is expecting that investment should also benefit from the successful recapitalisation of the banks and the re-launch of privatisations.
- The OECD is expecting a quicker recovery in investment with a 8.6% increase in 2016 and 5.7% in 2017.
- OECD's latest report on Greece recommends that: "In addition to implementing structural reforms that boost growth and undertaking reforms that take advantage of the better external demand conditions, measures to accelerate private investment, particularly foreign direct investment, which is very low in Greece, are needed".

SOURCE: EC ECONOMIC FORECAST, http://ec.europa.eu/economy_finance/eu/forecasts/2016_winter/el_en.pdf

SOURCE: OECD REPORT 2016, <http://www.oecd.org/eco/surveys/GRC%202016%20Overview%20EN.pdf>

MOTIVES FOR FDI

Market-seeking: Investing in a host country in order to serve the market directly rather than through exporting.

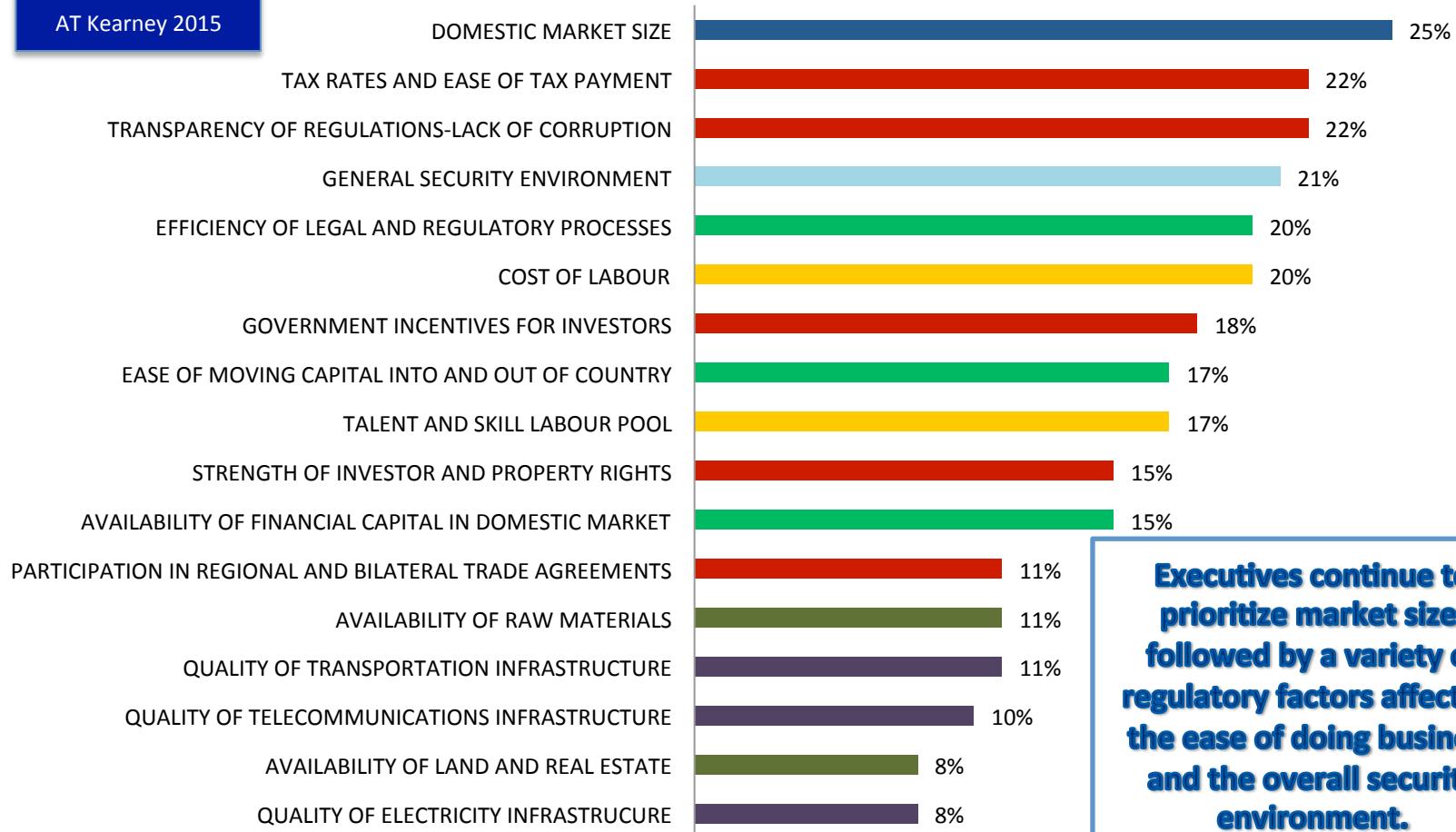
Resource-seeking: Companies which rely heavily on natural resources can gain cheaper and more reliable access to inputs by establishing or acquiring firms in resource-rich locations.

Strategic asset-seeking: Access to advanced technologies, skills and other highly developed productive capabilities can be secured by making investments in locations with a high quality of S&T and a high availability of skilled labour.

Efficiency-seeking: Companies allocate parts of their production chain to different countries in order to exploit specialisation advantages across the value chain (product specialisation) and along the value chain (process specialisation).

TOP FACTORS INFLUENCING FDI DECISIONS

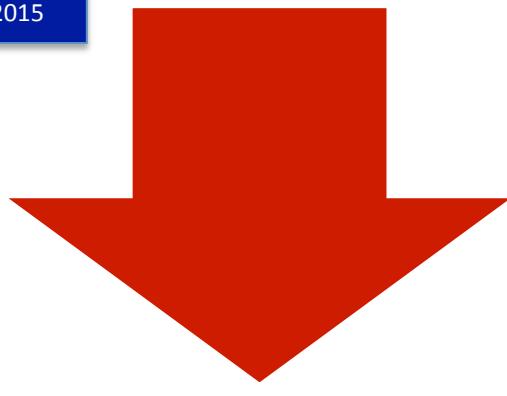
AT Kearney 2015



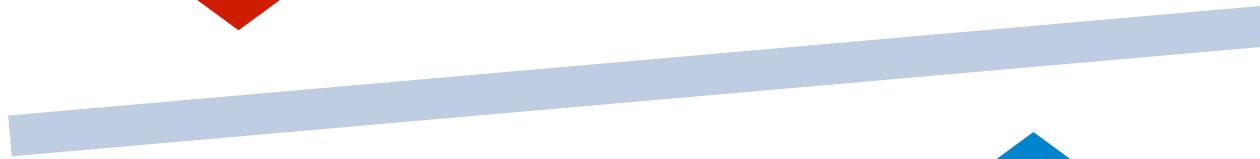
Executives continue to prioritize market size, followed by a variety of regulatory factors affecting the ease of doing business and the overall security environment.

FACTORS INFLUENCING FDI DECISIONS IN 2015

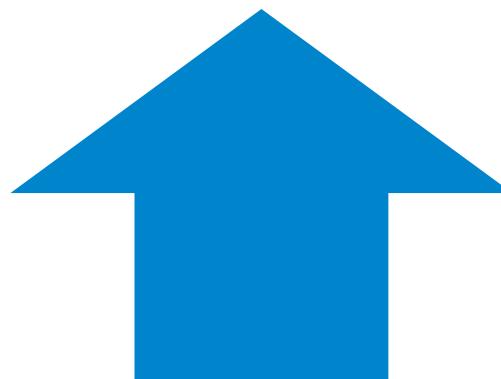
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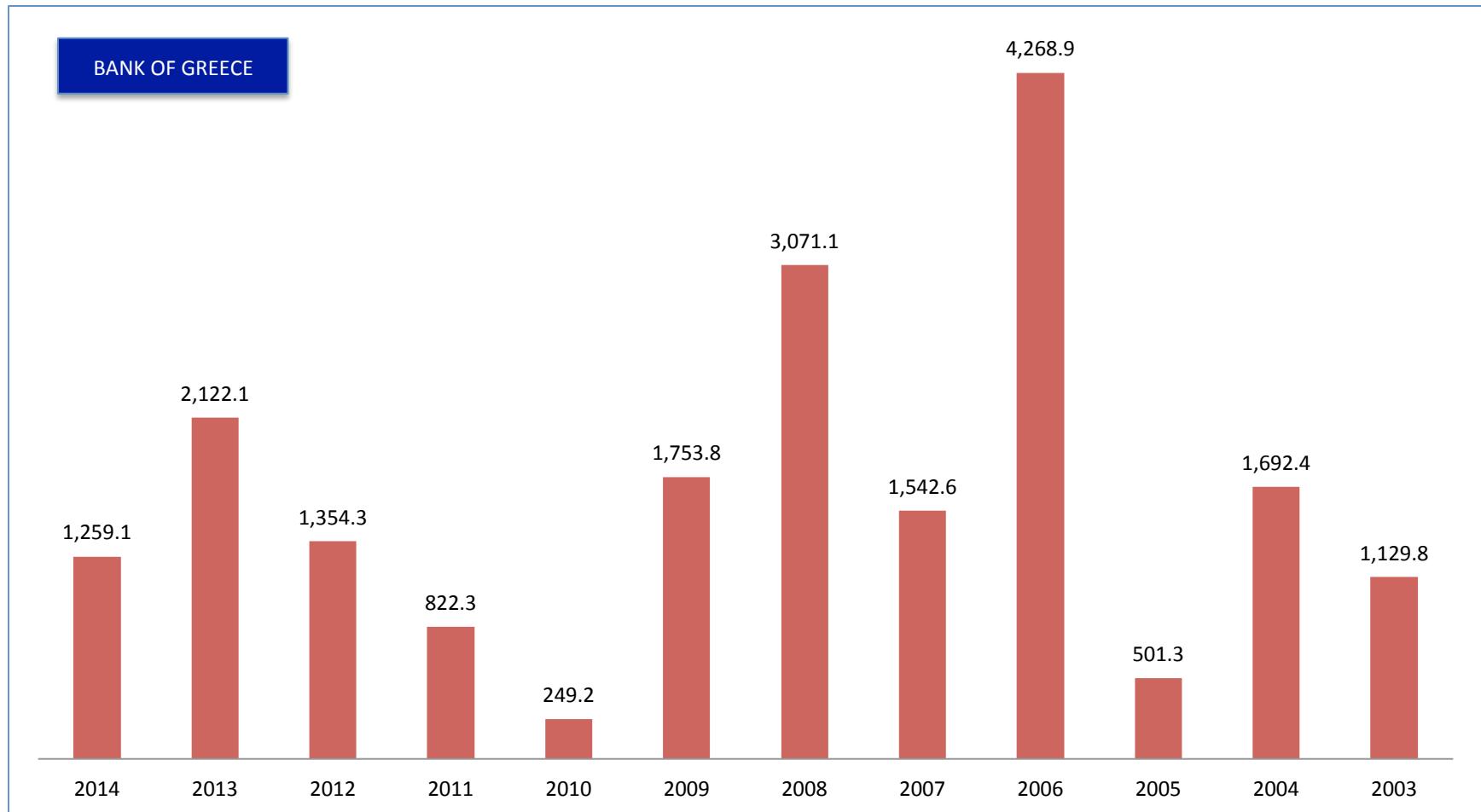
**DISCOUNTED PRICES
SUFFICIENT FUNDS**



**MACROECONOMIC
UNCERTAINTY
LOWER RISK
TOLERANCE**

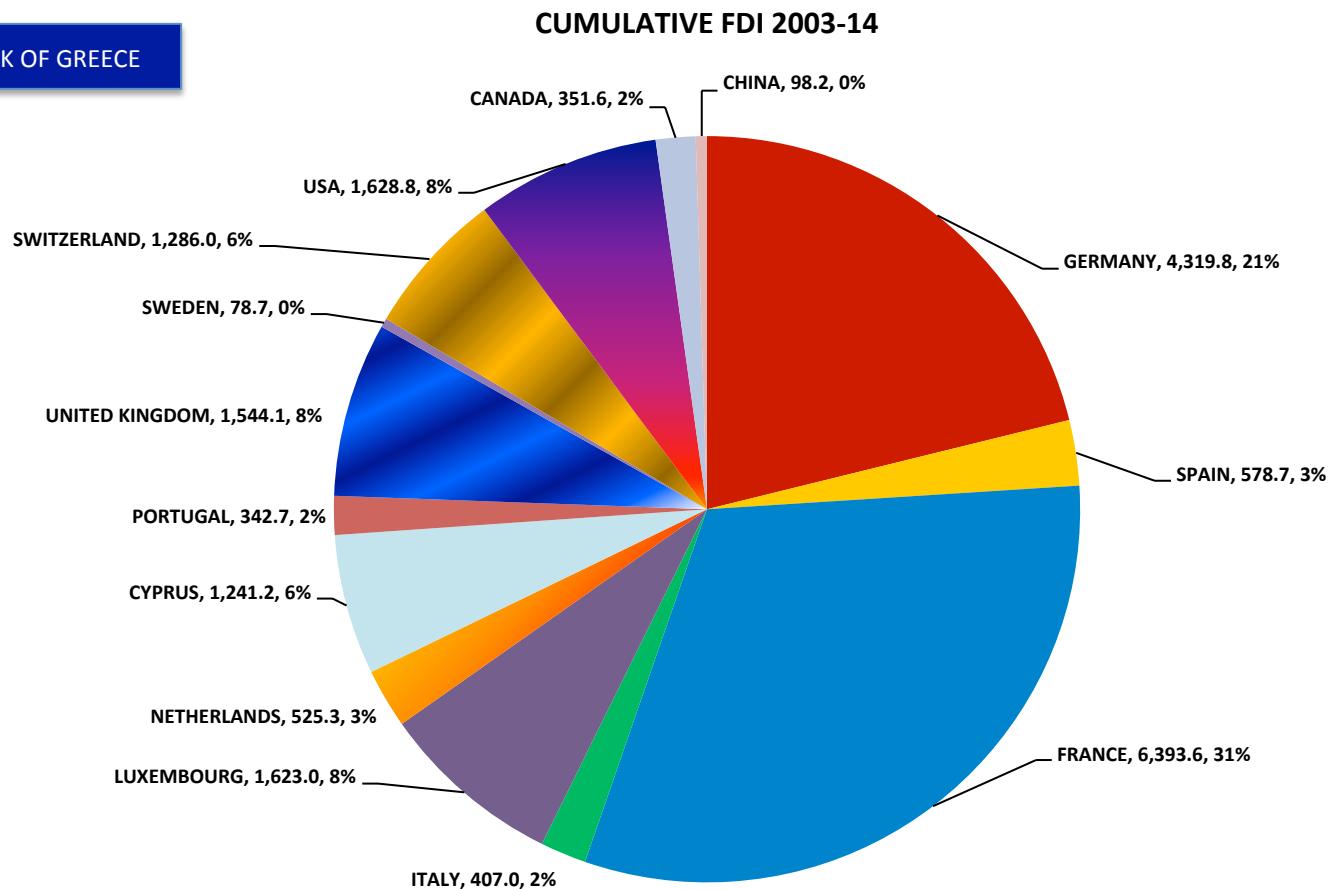


GREECE: FDI - NET INVESTMENT POSITION UNDERMINED

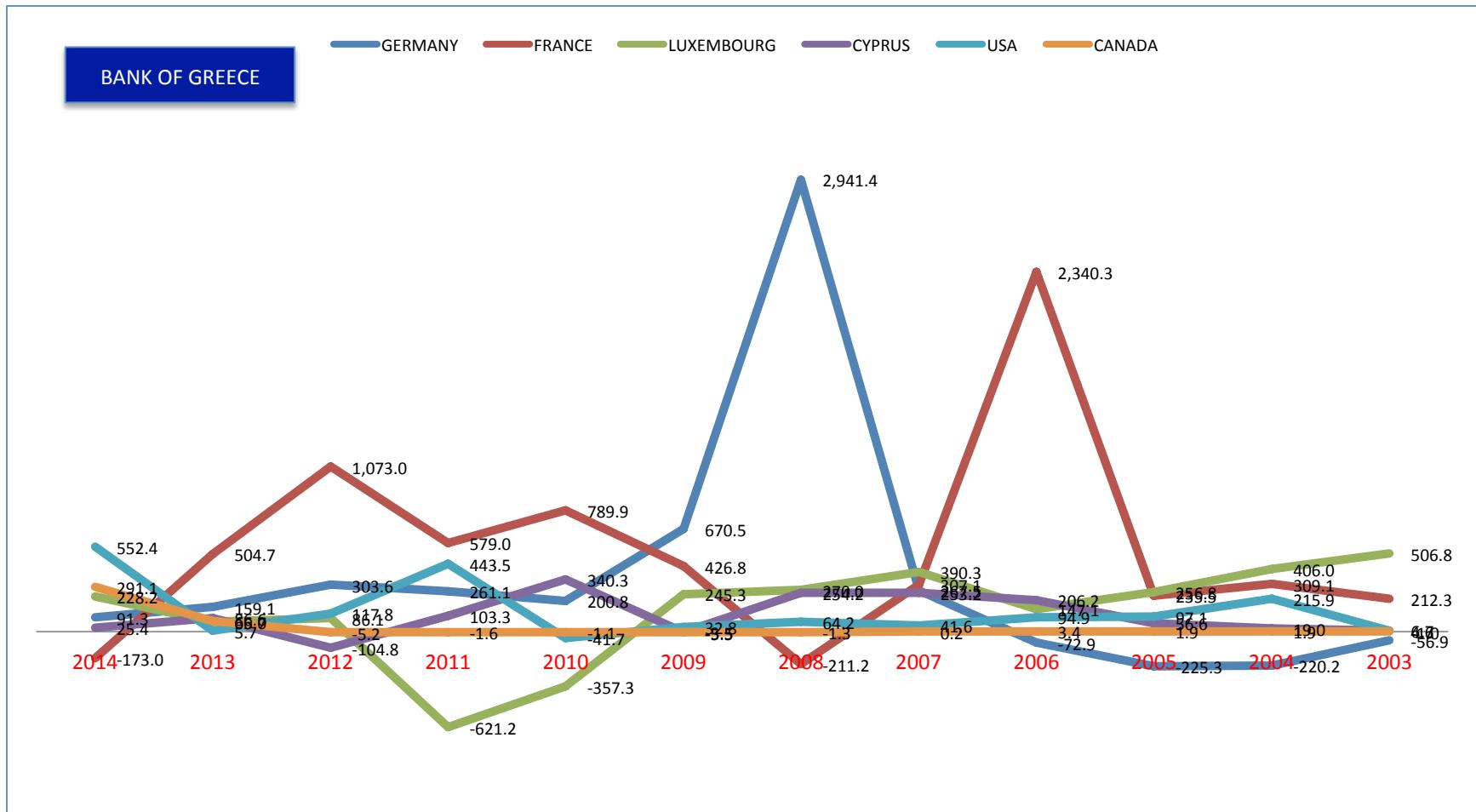


FRANCE AND GERMANY ARE THE DOMINANT PARTNERS

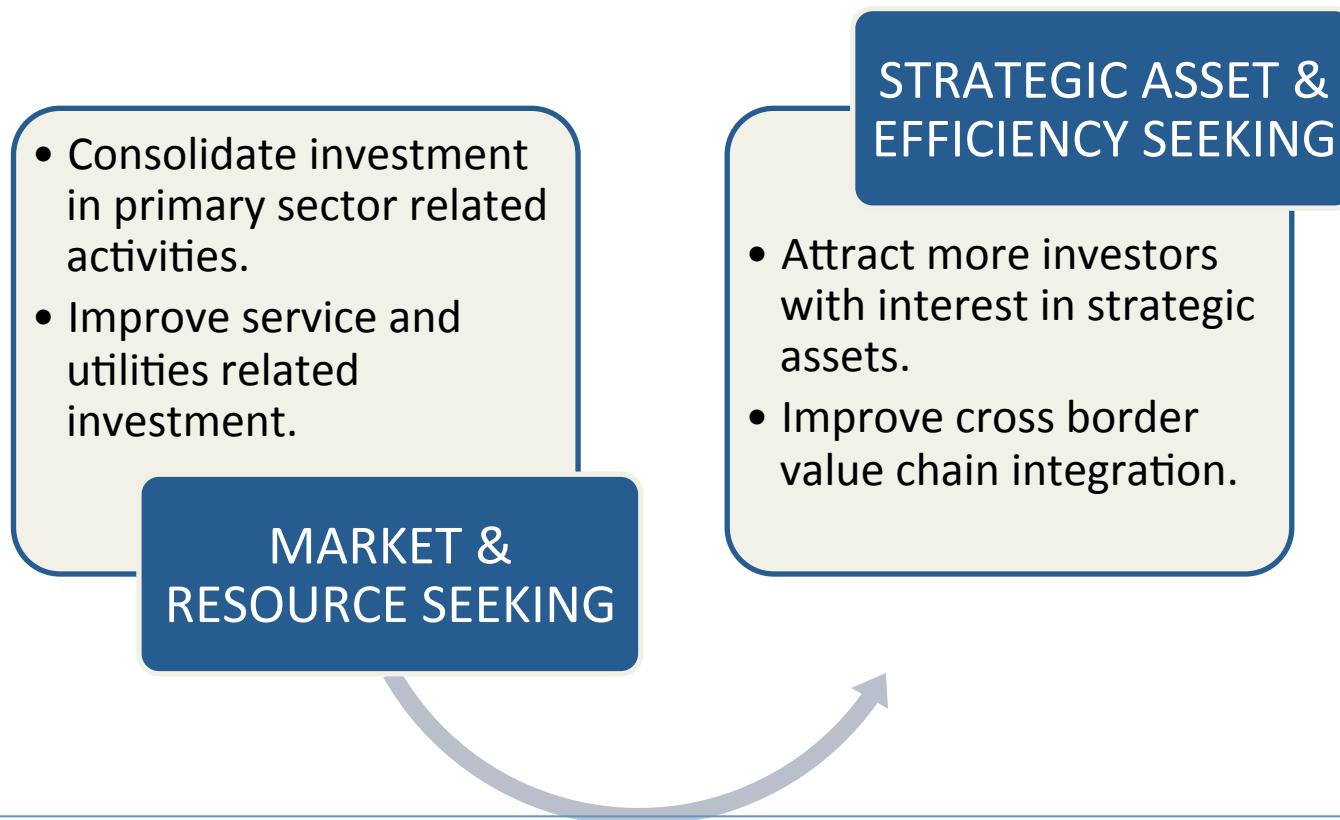
BANK OF GREECE



ALL MAJOR COUNTRIES OF ORIGIN HAVE BEEN CAUTIOUS DURING THE CRISIS - FDI HAS EBBED



GREECE MUST IMPROVE FDI PROFILE



RECOMMENDATIONS

SHORT TERM

- Cut-down bureaucracy.
- Minimize corruption.
- Accelerate legal enforcement.
- Reinforce tax transparency and predictability.
- Increase efficiency of tax examination and collection.
- Reinforce investor communication.

LONG TERM

- Develop and Sustain social partners' commitment.
- Increase the flexibility of the educational system.
- Create high profile industry research clusters.
- Build around existing success cases.
- Improve business environment in high priority sectors.