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DO 2220

Distr.
GENERAL

ID/WG.4/2
June 1967

ENGLISH ONLY

United Nations Industrial Development Organization

FIRST MEETING ON INDUSTRIAL INVESTMENT PROMOTION
New York, 26-27 June 1967

**INDUSTRIAL INVESTMENT PROMOTION ACTIVITIES OF THE
UNITED STATES OFFICE OF THE
INTER-AMERICAN INDUSTRIAL DEVELOPMENT BANK**

submitted by

Antony N. Economides, Deputy Director

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

REPORT ON THE ACTIVITIES
OF THE U.S. OFFICE
OF THE HELLENIC INDUSTRIAL DEVELOPMENT BANK
BY ANTONY M. ECONOMIDES
DEPUTY DIRECTOR

I. BACKGROUND

1. Founding

The U. S. Office of the Hellenic Industrial Development Bank was opened on June 11, 1963, and has been in operation since that date. Until September 1964 the office represented the Industrial Development Corporation, S. A. of Athens, Greece. When the I. D. C. and two other Greek organizations -- the Economic Development Financing Organization and the Tourist Trade Organization -- were merged into the Hellenic Industrial Development Bank in September 1964, the office became the U. S. representative of the new institution.

2. Purpose

The Hellenic Industrial Development Bank is the central state agency for investment in Greece. It is by far the country's largest development and investment bank; in fact, its own funds, amounting to approximately \$200 million, exceed the share capital and reserves of all other Greek banks put together. Although wholly owned by the Greek State, the bank operates as a private enterprise.

The U. S. Office of the Hellenic Industrial Development Bank does not carry out any banking transactions. It is essentially a Greek information and investment promotion agency, serving the needs of Greek economy in the investment field in North America. It seeks the attraction of U. S. capital and technology for the development of Greek economy and serves as an information link between U. S. and Greek business interests.

3. Staff

The U. S. Office is staffed by an experienced economist as Director, who also doubles as Commercial Counselor of the Greek Embassy in Washington, and by a Deputy Director with experience in economic journalism and public relations. There is also an Executive Secretary and other secretarial assistance as required.

4. Office

The U.S. Office maintains a five-room suite in the Rockefeller Center. This includes a conference and reading room, stocked with books, periodicals and pamphlets on Greece.

5. Offices in Other Countries

The Hellenic Industrial Development Bank maintains a similar office in Cologne, Germany, and representatives in Paris and Brussels.

II. ACTIVITIES

1. Policy

Greece today is well advanced on the road to economic development. Thanks to the labor of its own people and large-scale assistance from the United States and other friendly countries, Greece made important strides in all fields of economic development in the past twenty years. However, if it is to bridge the gap still separating it from its associates in the European Economic Community, it will require considerable investment in capital, equipment and know-how. This investment will be aimed at the full utilization of the country's natural resources, including tourism, training and employment of idle labor, industrial processing of agricultural products, intensification of industrial production as a whole, and increase in exports. The fulfillment of these aims, it is expected, will contribute to a rise in the national income and to its more equitable distribution throughout the country through regional development and the decentralization of industry.

It is the policy of the Greek Government as well as of the Greek banks, industrial, professional and labor organizations to welcome foreign capital and know-how in productive investment in Greece, preferably, though not necessarily, in partnership with local interests. For this reason, special legislation has been enacted since the last war providing a whole series of constitutional guaranties to foreign investors, such as the irrevocability of investment agreements, the prevention of compulsory acquisition of or interference with foreign ownership, the repatriation of capital and profits, etc., as well as numerous incentives in taxation, depreciation allowances, fringe benefit costs and others.

The postwar internal changes in the Greek economy, plus the joining of that economy to Western Europe through Greece's associate membership in the European Economic Community, have transformed Greece's situation as far as private foreign investment is concerned. Foreign investors can now view Greece as a dynamic and growing economy which has proved its ability to maintain monetary and financial stability and to sustain a high rate of economic growth over a prolonged period. Moreover, Greece need no longer be viewed as a small market

of less than nine million people with still relatively low per capita income and purchasing power. Associate membership on favorable terms with the EEC has made Greece an excellent base for access to this large and prosperous market of 180 million Europeans. Greece's additional advantages of its intelligent and ample labor force, its relatively low labor costs, its geographic position, and the incentives it offers to foreign capital, all combine to make the Greek economy an excellent site for foreign private investment.

2. Fields of Interest

The U.S. Office considers that, in general, there are three broad areas where investment may be very profitable in Greece:

- a. Investment for the manufacture of commodities now produced in Greece but where technological advances and advantages of American industry may be used to reduce production costs; thereby offering goods to a wider range of low-income groups, both in Greece and in neighboring countries.
- b. Investment for the manufacture of commodities not produced in Greece but produced in the European Economic Community, where, however, the technology of American industry has the hedge over that of Europe. This technological advantage will enable goods produced in Greece to be sold in the EEC countries at very competitive prices.
- c. Investment for the manufacture of goods not produced on the European continent but where their use has just started or is about to start. This refers to the technological gap between Europe and the United States which permits the American businessman to make such investment because it represents the best chances for large profits on an increasing scale for a long period to come in a rapidly expanding European community.

Of special interest is the chain of food processing industries of plant and animal origin. Processing fish products, fruits and vegetables, cereals, livestock products, oil seeds, wines.

These broad areas of prospective investment can serve as guide posts to arouse the interest of businessmen. Investors are evidently not likely to find a favorable or profitable opportunity in fields where the local Greek market is already saturated, unless the output of their projected enterprises is specifically geared for export.

3. Types of Projects

Here specifically is the ideal type of a project in which the U. S. Office of the Hellenic Industrial Development Bank would be interested and which it would particularly encourage: It is the case of an important American firm proposing a major investment in Greece in a plant to be located outside the congested capital area to produce exclusively for export a product requiring high-level foreign technology on the one hand and considerable use of local labor and raw materials on the other.

The above of course is an idealized description of a project that is hard to find in practice. But the U. S. Office has processed a considerable number of applications that meet a few or most of the above requirements in some respect.

The office has been privileged to process a great number of projects of all types. In fact, hardly a day passes without an inquiry being received. Although a record is kept of all such inquiries, it is in practice impossible to count the number of projects which have been successfully implemented thanks to the efforts of the Bank's U. S. Office.

This is due to a number of reasons. Sometimes an inquiry is made by an American firm for a specific piece of information or advice and then the firm in question proceeds to Greece on its own or through other channels. At other times, requests for information or advice are made by firms which already have subsidiaries in Greece. In other cases, too, inquiries are received from individuals who do not wish to reveal their company affiliations or by research specialists in educational, technical or marketing projects.

It is the policy of the U. S. Office to assist all firms and individuals in this respect, regardless of whether the projects in question are to be carried out with the Bank's collaboration. The office in this case is deemed to perform a national service in cooperating with actual or potential investors in Greece.

III. ADMINISTRATION

1. Relations with Headquarters

The U. S. Office of the Hellenic Industrial Development Bank receives its instructions from, and is answerable to, the Bank's management in Athens.

It may, from time to time, seek specialized information directly from Government departments or from other organizations in Greece, always informing head office about action taken.

2. Channels of Approach

The U. S. Office follows a dynamic policy in seeking out investors for Greece. For this purpose, the office maintains close personal relations with principal U. S. banks as well as with U. S. Government departments, which are deemed to be in close touch with American business. In addition, it maintains extensive lists of American firms, constantly brought up to date. These firms are periodically bombarded with mailing campaigns, containing pamphlets, articles, reprints, texts of speeches, etc. on investment opportunities, regulations and incentives in Greece. Furthermore, visits are arranged to these firms for the establishment of personal contacts.

Close contacts are also maintained with the general and specialized U. S. press as well as publishing firms. Articles or book chapters on Greece are frequently being written, while the office provides every assistance possible to editorial writers by offering background material and interpreting economic news developments and Greek Government decisions. Finally, advertisements are placed in specialized publications or special issues of daily newspapers.

As for the Greek side, the U. S. Office always willingly assists Greek firms that express a desire to enter into a joint venture with U. S. firms. Such a joint venture can either take the form of a U. S. investment in equity, loan capital or equipment or take the form of a licensing agreement, whereby the Greek firm manufactures or assembles the U. S. product in Greece under license. Frequently there is a combination of an investment and licensing agreement or a licensing agreement that gradually leads to a capital investment for the expansion of the Greek firm's installations.

3. Processing of Proposals

The processing of an investment proposal by the U. S. Office usually follows the pattern described below, depending on the type and importance of the project.

The first step in the procedure concerns the screening of the proposal in question by the U. S. Office. Whether the proposal is first received in writing or verbally, a personal meeting is always arranged between the Director or Deputy Director of the office and senior representatives of the U. S. firm involved. The project in question is outlined in detail on the U. S. side, including size, output, expenditure, financing (whether U. S. or Greek), commitments envisaged such as exports, whether it involves Greek participation (Greece, incidentally, places no limitation on foreign ownership), location of plant projected, etc.

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The representatives of the U. S. Office in turn advise on investment opportunities in Greece in the specific sector in question, tax and other incentives offered, availability of plant sites, local labor, raw materials and financing, tariffs and other duties, transportation, etc. and provide any other pertinent data.

If the project in question warrants it, several such meetings are arranged, while the U. S. Office invariably seeks to obtain independent information about the status of the U. S. enterprise involved. Such information is obtained either from banks or from firms specializing in business information.

A detailed report is then drawn up by the U. S. Office and submitted to the Bank's head office in Athens for evaluation and reaction. Sometimes, the matter ends after the first contacts, when no sufficient seriousness is ascertained as far as the U. S. firm is concerned or when conditions are not considered ripe for a joint venture with Greek interests. At other times, the U. S. firm is merely sounding out the Greek side to compare Greek market opportunities and investment incentives with those of other countries before it decides where to locate its foreign interests.

When the seriousness of a proposal is ascertained, further correspondence may have to be exchanged between Athens, the U. S. Office and the U. S. firm involved, in order to clarify and specify various points in the proposal.

Then the question of a feasibility study may come up. The Bank in Athens has compiled a large number of feasibility studies on various sectors of Greek industry and these are brought up to date and made available to interested firms. When a new feasibility study is required, this may be prepared by the Bank in cooperation with the U. S. firm involved. In exceptional cases, the services of major specialized marketing firms of international repute have been engaged for the preparation of major feasibility studies.

Once the prospective investor has his case fully prepared, he is advised to file an application with the Greek Ministry of Economic Coordination so that his investment may come under special Greek legislation on the protection of foreign capital. The U. S. Office is willing to assist the investor in preparing the detailed information required in the application forms, though ultimate negotiations with the Ministry must be conducted in Athens by the investor's representative.

The Hellenic Industrial Development Bank, being a state institution, offers all these advisory services free of charge. In addition, it is prepared, under certain conditions, to contribute to the success of an investment through the granting of loans or equity participations. As of the end of 1966, \$155 million of the Bank's assets constituted loans to Greek or foreign owned industrial, tourist, mining, shipping, deep-sea fishing and transportation enterprises.

In considering applications from industrial enterprises for loans, the Bank uses the following criteria: The viability and productivity of the enterprise in question must be ensured; the investment must aim at attaining production costs which are internationally competitive, particularly in the Common Market; there must be definite prospect of an increase in exports or a substitution of imports without recourse to customs protection. In addition, the following criteria are taken into consideration: The enterprise's ability to absorb idle labor; the plant's location, with a view to promoting regional development; and the plant's effect on productivity increase.

Finally, the Bank is willing, in certain cases, to participate in the share capital of new enterprises established as joint ventures between Greek and foreign interests. This is particularly the case when a new venture is set up with the initiative of the Bank in new sectors that specifically require the Bank's encouragement for their development. At the end of 1966, the Bank participated in the share capital of 28 enterprises with a total investment of \$65 million. Several of these enterprises were joint ventures between Greek and foreign industrial interests. Among these are a major aluminum plant, a tin can factory, and a canned fruit plant.

4. Other Activities

In addition to the afore-mentioned activities in the investment promotion field, the U. S. Office acts as liaison between the Bank and the international organizations and major banking and investment institutions in the United States. As an example, the U. S. Office successfully conducted negotiations with the Export-Import Bank of Washington for a \$10 million line of credit from Eximbank on behalf of the Hellenic Industrial Development Bank.

Through the mailing and distribution of pamphlets, circulars and other printed material, the U. S. Office keeps thousands of U. S. companies, banks and individuals regularly informed of Greek economic policies and developments.

The delivering of speeches by members of the U. S. Office to selected groups of U. S. businessmen is another important activity. Two speeches recently delivered by the U. S. Office Director to groups in New York and Madison, Wisconsin, on the investment climate of Greece were particularly successful in arousing interest in our country. The office circulated about 1,000 copies of these speeches to its friends throughout the United States.

Finally, the U. S. Office has organized conferences and social functions between members of the Bank's management and U. S. businessmen and arranged visits, speeches and even television appearances of prominent Greek economic personalities in the United States.

IV. ACHIEVEMENTS

1. During the four years of its operation, the U. S. Office of the Hellenic Industrial Development Bank has managed to be productive and effective. Through personal and written contact, the office has become widely known and well respected throughout the U. S. corporate and financial community. It has developed cordial and intimate relationships with the top echelon of the major New York banking and investment houses and with the managements of many large corporations. The office is regarded by these institutions as an authorized, official, and reliable spokesman for Greece and for the Bank. Because it has devoted much time and effort to develop comprehensive and accurate files, the office is likewise generally recognized as a reliable source of dependable information regarding Greece, its economy, and its industry. Thus the office is also well known to and much relied upon by the U. S. press, the United Nations and other international organizations, legal associations, chambers of commerce, industrial associations, universities, diplomats, students, and others.

The office has found that personal contact with potential investors by the Director and Deputy Director is the most effective means of stimulating investor interest in Greece. During its period of operation, the office has personally contacted many hundreds of potential investors in the New York and Washington areas. These range from high-ranking officials of large corporations with annual sales of billions of dollars to private individuals, very often of Greek birth or parentage, interested in small undertakings. All were given every possible assistance.

The office has supplied written information about Greece and its investment potentialities to several thousand U. S. companies, banks, and individuals. Typically, this information is primarily in the form of letters providing specific data, with which is usually enclosed printed material.

The U. S. Office has been instrumental in having articles about Greece published in various influential U. S. economic and financial journals. These have included many articles in the New York Times, the New York Journal of Commerce, the Wall Street Journal, the New York World Telegram and Sun, the Christian Science Monitor, the Washington Post, and other newspapers. In this way the U. S. Office endeavored to keep the attention of the U. S. business focused on Greece. The office has also

helped prepare several magazine articles which emphasize Greece's attractiveness as a site for investment. Among these have been articles in the International Trade Review, Business International, the International Economic Review published by the First National Bank of Chicago; special articles on Greece distributed by the National Foreign Trade Council, a special bulletin on Greece published by the Foreign Information Service of the First National City Bank of New York; an article in the Morgan Guaranty Survey published by the Morgan Guaranty Trust Company, a chapter entitled "Industrial and Investment Incentives: Greece" included in the book Financing International Operations published by the American Management Association, a section on Greece published in the National Industrial Conference Board publication, Obstacles and Incentives to Private Foreign Investment 1962-1964, an article entitled "Greece" Mediterranean Door to the EEC" published by the magazine Business Abroad, and a chapter on Greece in "Investing, Licensing and Trading Conditions Abroad". The office has also collaborated closely with the New York Journal of Commerce in the publishing of three special supplements on Greece in 1964, 1965, and 1967, all of which were very favorably received in the United States. The office wrote an article on the H. I. D. B. which was included in these supplements and we distributed several hundred copies of the supplements to interested potential investors. In addition, we have assisted numerous publishers of specialized trade and technical publications on matters concerning Greece.

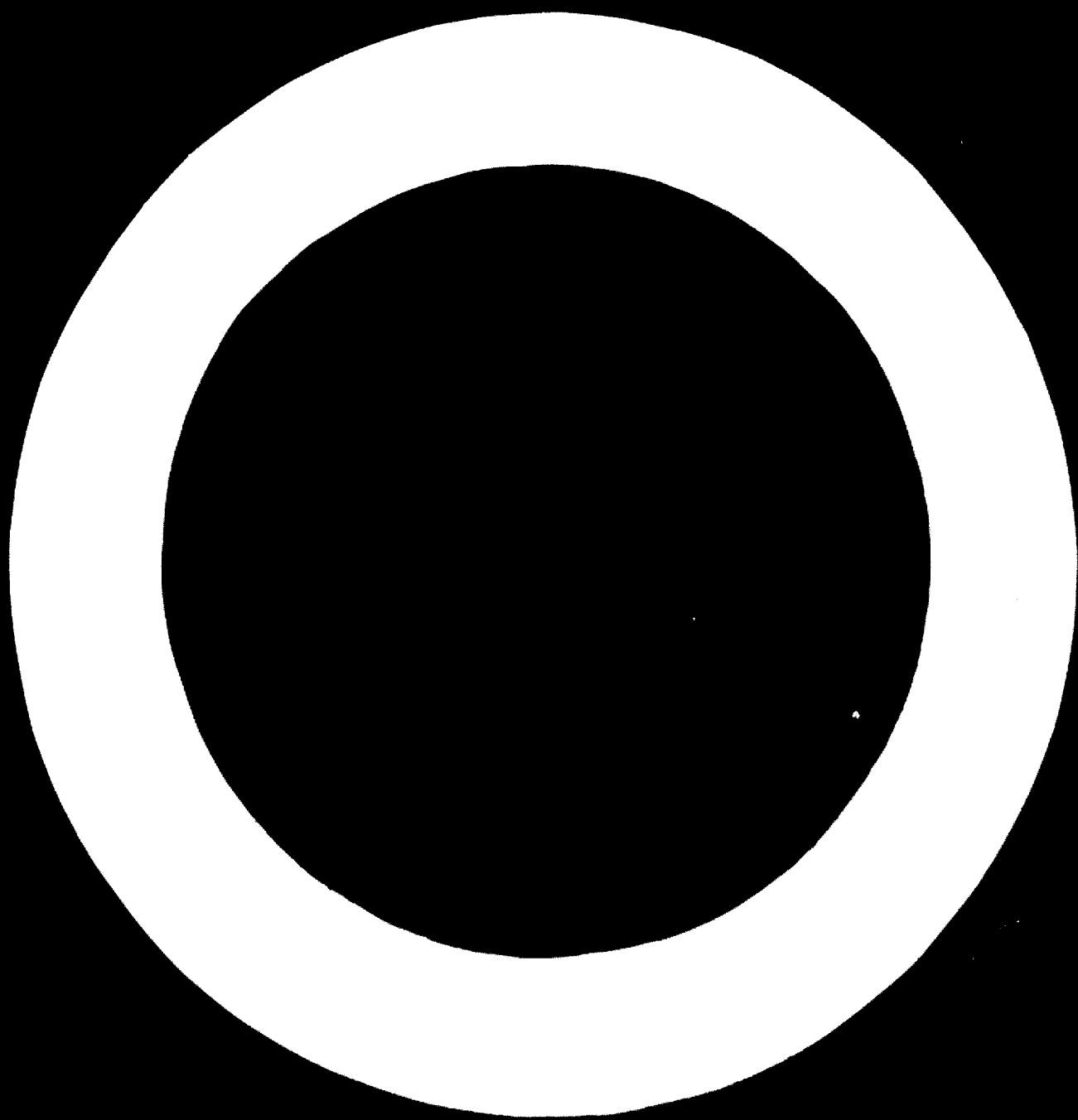
The principal problems encountered by the U. S. Office in its activities have to do with the size of the U. S. and Canadian markets and its own staff limitations. It is obvious that more trained personnel will be required in the future if more business visits, conferences and speeches are to be arranged throughout the North American continent.

VI. UNIDO ROLE

We welcome the establishment of the United Nations Industrial Development Organization and the investment promotion efforts it is exerting on behalf of developing and other nations.

We believe UNIDO can assist the investment promotion efforts of individual countries by contributing to the dissemination among potential investors of detailed information regarding investment opportunities and incentives existing in these countries. Business meetings and possibly study tours can also be arranged under the auspices of UNIDO for this purpose.

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APPENDIX I

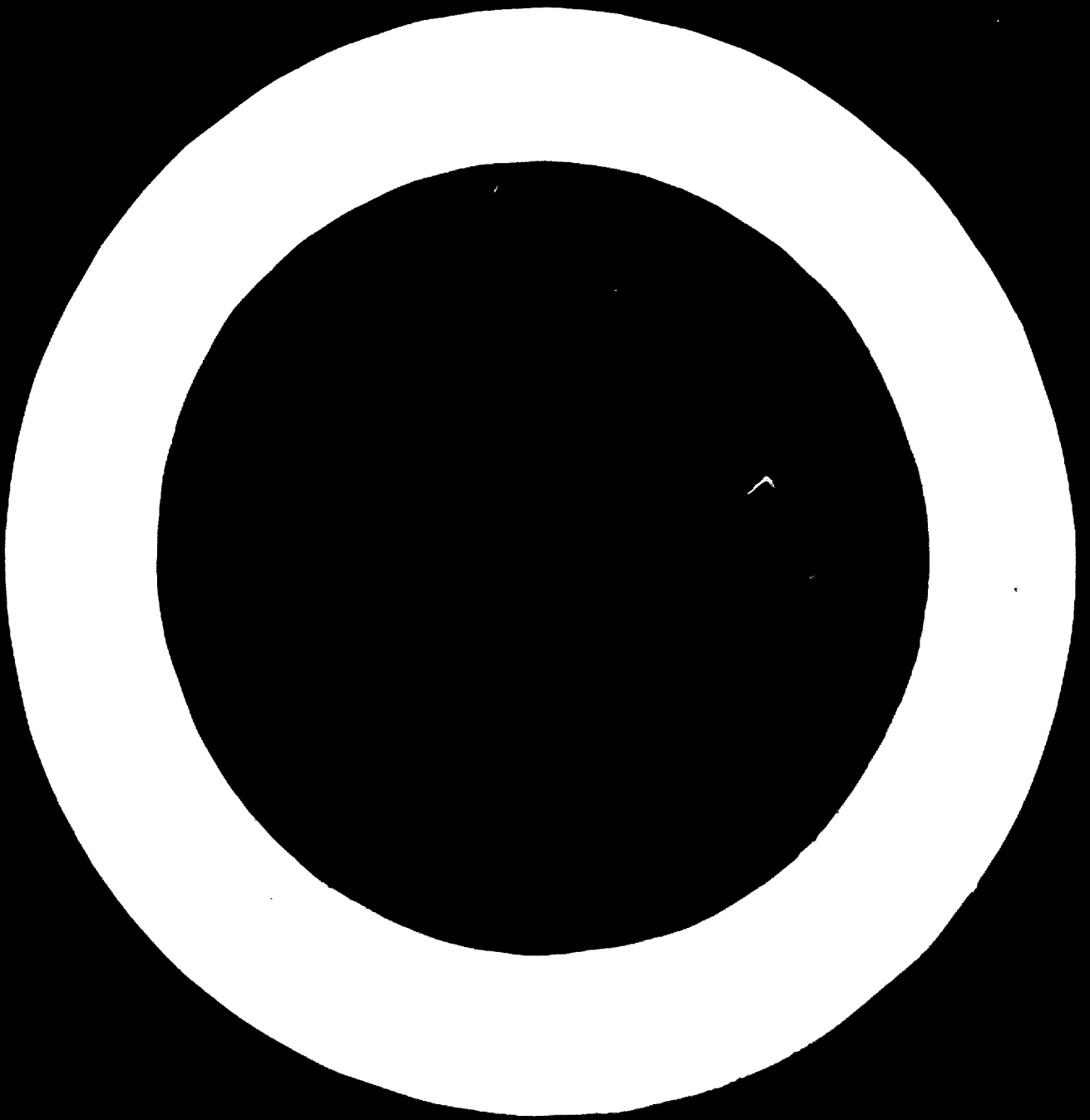
TABLE OF FOREIGN INVESTMENTS IN GREECE
UNDER LAW 2687 OF 1953 (All sums in \$ million)

Year	Investment Applications Submitted		Applications Approved and Implemented*		Foreign Capital Actually Imported**
	Number	Sums	Number	Sums	Sums
1953	1	0.2	-	-	-
1954	30	13.1	2	1.1	-
1955	33	36.9	10	2.9	3.0
1956	43	15.9	19	19.7	1.9
1957	34	15.3	16	4.7	6.7
1958	39	29.8	18	6.3	8.2
1959	64	100.7	35	21.2	8.3
1960	64	81.9	41	74.3	11.7
1961	69	88.4	41	30.4	13.5
1962	97	176.3	62	176.6	16.8
1963	131	69.6	76	42.3	40.0
1964	121	141.4	84	59.7	59.7
1965	124	188.8	73	53.8	111.6
1966	118	185.8	95	194.3	157.6
Total	963	1,144.3	573	687.3	439.0

* Regardless of date submitted

** Regardless of date approved

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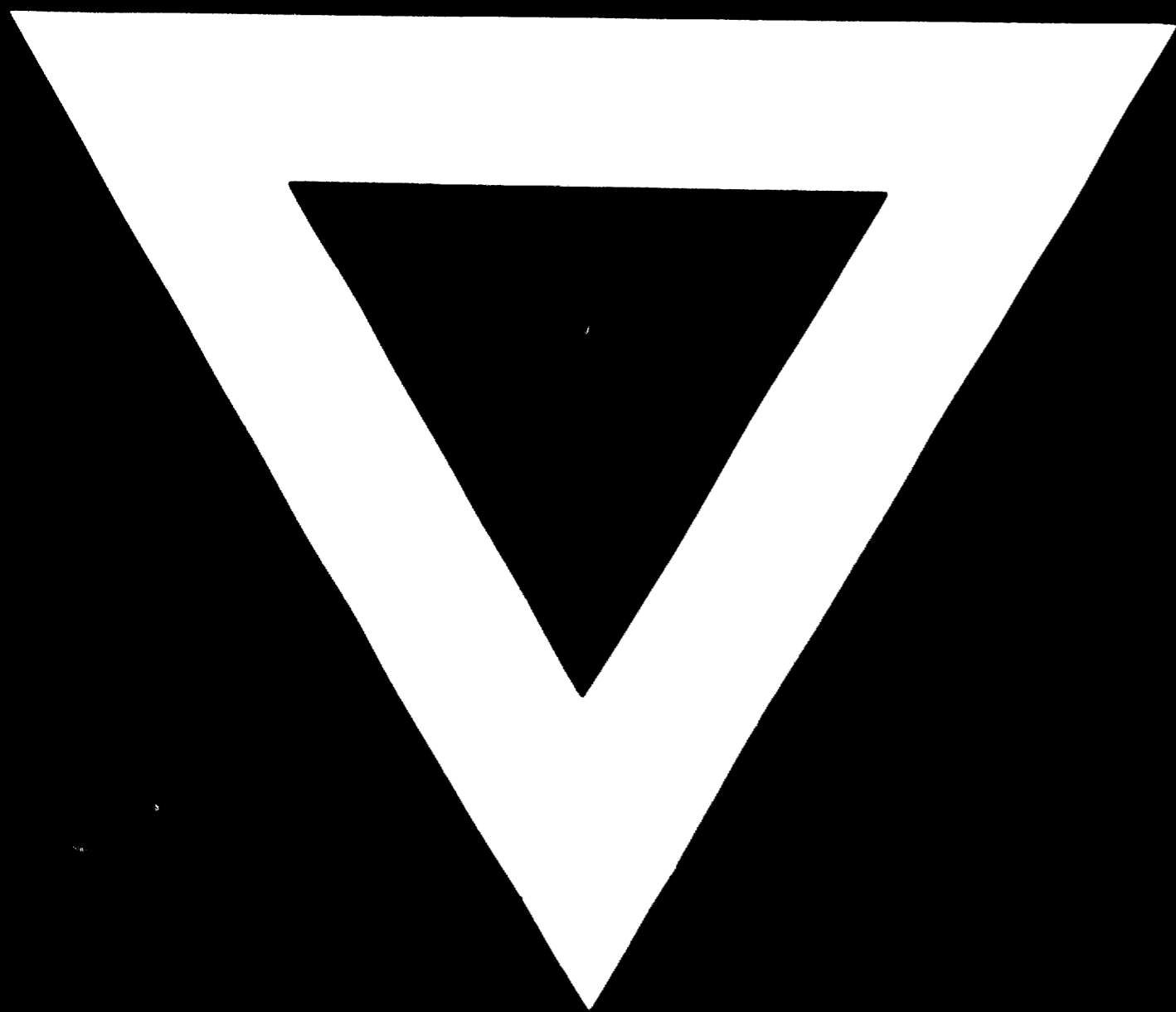
APPENDIX II

TABLE OF FOREIGN INVESTMENTS IN GREECE
BY COUNTRY OF ORIGIN AND ECONOMIC SECTOR
1953 - 1966 (In \$ million)

<u>Sector</u>	<u>U.S.A.</u>	<u>France</u>	<u>Switzerland</u>	<u>West Germany</u>	<u>United Kingdom</u>	<u>Others</u>	<u>Total</u>
Industry	172.8	163.0	32.4	14.9	2.9	136.6	522.6
Shipyards	1.2	-	-	-	-	49.9	51.1
Mining	21.5	1.9	1.1	7.9	6.2	9.1	49.7
Airlines	20.0	-	-	-	-	4.5	34.5
Hotels, Tourism	0.3	1.5	3.3	1.8	0.6	12.2	18.7
Deep-Sea Fishing	-	-	1.3	-	-	1.1	2.4
Miscellaneous	3.2	0.9	0.1	0.1	0.7	2.3	7.3
Total	239.0	167.3	38.2	24.7	12.4	215.7	687.3

Source: Ministry of Coordination, Athens, January 1967

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