

29 MARCH 2013

MEMO ON FDI: GREECE – SAUDI ARABIA

1. Introduction

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 17% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 80% of budget revenues, 45% of GDP, and 90% of export earnings. Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Diversification efforts are focusing on power generation, telecommunications, natural gas exploration, and petrochemical sectors. Over 5 million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors, while Riyadh is struggling to reduce unemployment among its own nationals. Saudi officials are particularly focused on employing its large youth population, which generally lacks the education and technical skills the private sector needs. Riyadh has substantially boosted spending on job training and education, most recently with the opening of the King Abdallah University of Science and Technology - Saudi Arabia's first co-educational university. As part of its effort to attract foreign investment, Saudi Arabia acceded to the WTO in December 2005 after many years of negotiations. The government has begun establishing six "economic cities" in different regions of the country to promote foreign investment and plans to spend \$373 billion between 2010 and 2014 on social development and infrastructure.¹

Points of interest to Saudi Arabian Companies:

Greece, after three years of **financial and structural reforms** is now at the forefront of positive changes. The government takes all the measures required to turn the crisis into a new opportunity for development and growth.

Even during current difficult financial times for Europe, as a whole, Greece can become the **entry point** for Saudi Arabian companies to enter South East and Central Europe. Greece can offer to Saudi Arabian companies its **strategic location**, its **knowhow** of doing business in the Eurozone and its well experienced, **well educated and multilingual human capital**.

Besides being an entry point into the European Union, Greece **remains the leading economy in South Eastern Europe**. By establishing a presence in Greece, any entrepreneur gains immediate access to a market generating over 1 trillion of US dollars in GDP each year, which comprises of over 140 million consumers. Greek businesses have already established a strong presence in South Eastern Europe. Furthermore, Greek entrepreneurs are building on their presence in the Middle East and North Africa. Therefore, Greece would be the ideal destination for setting up business development or support operations on 3 continents: Europe, Middle East and North Africa.

¹ The World Factbook

2. Investment flows & main investment projects, business activity and bilateral trade between S. Arabia and Greece

A. INVESTMENT FLOWS & MAIN INVESTMENT PROJECTS

INVESTMENTS FROM S. ARABIA TO GREECE

Foreign Direct Investment (FDI) flows from S. Arabia to Greece are very limited. Considering the capital availability in S. Arabia due to high revenues from crude oil and natural gas exports, as well as the comparative advantages of Greece in sectors like tourism, food & beverage and logistics, higher amounts of investment can be attracted. Improvements in FDI-flows in the future can also be achieved through large-scale privatizations, as well as utilization of public property in Greece.

Data from FDI-Markets database refers to the following investment announcement:

October 2007 - **SABIC Europe** [Subsidiary of Saudi Basic Industries (SABIC)] (Saudi Arabia) is investing in the city of Athens (Athina) (Attica), Greece in the Plastics sector in a Sales, Marketing & Support project.

SABIC Europe is to further expand its European sales office network with the establishment of a sales office in Athens, Greece. SABIC Greece is expected to become fully operational as of January 1st 2008, and will be responsible for business activities in Greece, Macedonia, Albania and Bulgaria.

- Sub sector: Urethane, foam products & other compounds

INVESTMENTS FROM GREECE TO S. ARABIA

Greek investment activity in S. Arabia is also very low. The economic crisis Greece was facing during the last years limits the potential of a substantial widening of investment activity from Greece to S. Arabia.

Data from FDI-Markets database refers to the following investment announcement:

May 2011 - **Fenchurch Faris** (Greece) is investing in the city of Riyadh (Ar Riyadh), Saudi Arabia in the Financial Services sector in a Sales, Marketing & Support project Greece-based insurance and reinsurance provider Fenchurch Faris has opened an office in Riyadh, Saudi Arabia. Fenchurch Faris Saudi Arabia intends to branch out into other Saudi provinces, and the new facility adds to the company's offices in the Middle East and in Europe. The new office will enable the company to provide insurance and reinsurance consultancy and broking, and risk management services in the country.

- Sub sector: Insurance

Source: FDI MARKETS database, March 2013 .

Disclaimer: the source for this data is Fdi Markets database (Financial Times), which occasionally uses information from media and business deals announcements. Because of this some of the investment projects listed are expressing investment intentions.

B. BUSINESS ACTIVITY

S. ARABIAN COMPANIES OPERATING IN GREECE (2011)

<i>COMPANY</i>	<i>NACE 2</i>	<i>DESCRIPTION NACE 2</i>	<i>FOREIGN SHAREHOLDER'S COMPANY</i>
<i>ADEXA S.A.</i>	<i>6820</i>	<i>Real estate leasing and management</i>	<i>A. BAMUJALLY UNITED CO</i>
<i>SELENTA E.Π.E.</i>	<i>6810</i>	<i>Real estate</i>	<i>SELENTA TRADING LIMITED</i>

Source: ICAP Database, Invest in Greece data processing

GREEK COMPANIES OPERATING IN S. ARABIA (2010)

Greek Company	Investor	Country of Origin	Foreign Company - Name	Activity	Participation 2010
ARCHIRODON (OLD) PARTNERS	ARCHIRODON CONSTRUCTION (OVERSEAS) COMPANY, S.A.	Panama	SAUDI ARCHIRODON LTD	Engaged in marine engineering	20,00%
ARCHIRODON (OLD) PARTNERS	SAUDI ARCHIRODON LTD	Saudi Arabia	SAUDI CONDRECO LTD	Engaged in marine engineering	20,00%
ELLAKTOR GROUP - AKTOR S.A. TECHNICAL COMPANY	GENERAL GULF	United Arab Emirates	EDRAKTOR CONSTRUCTION Co. Ltd.	Construction projects	50,00%
INTRACOM GROUP - INTRACOM TELECOM	INTRACOM TELECOM HOLDINGS INTERNATIONAL	Cyprus	INTRACOM TELECOM SOLUTIONS SAUDI ARABIA	Trade of IT and telecommunications equipment and services	95,00%
CHIPITA S.A.	CHIPITA SAUDI ARABIA(CYPRUS) Ltd.	Cyprus	MODERN FOOD INDUSTRIES	Production and distribution of bakery products	25,00%
SETE S.A.	Direct	Greece	SETE ENERGY SAUDIA FOR INDUSTRIAL PROJECT LTD.	Construction management	100,00%

SETE S.A.	Direct	Greece	SETE ENERGY SERVICES S.A.	Technical services to the energy industry	
SETE S.A.	Direct	Greece	SETE TECHNICAL SERVICES S.A.	Technical services to the construction industry	

Source: INVEST IN GREECE AGENCY - Annual survey of 585 Greek investors and their participation in 2654 foreign companies worldwide.

C. BILATERAL TRADE BETWEEN GREECE AND S. ARABIA

IMPORTS-EXPORTS (In Million Euros)

	2011	2010
Imports from S. Arabia	1.400	1.099
<i>(Total:)</i>	<i>(43.273)</i>	<i>(47.721)</i>
Exports to S. Arabia	228	93
<i>(Total:)</i>	<i>(22.451)</i>	<i>(16.248)</i>

2011: S. Arabia occupies 9th position in Greek imports and 24th position in Greek exports

Source: Hellenic Statistical Authority 2012

3. Recent development and sectors for growth

Greece is implementing, with the support of EU, ECB and IMF, an Economic and Financial Program that represents the government's firm response to the current challenges that the country faces. In 2010 and 2011 Greece achieved the largest fiscal consolidation in the Eurozone by undertaking deep expenditure cuts and tax increases, and introducing a broad range of structural, fiscal and business sector reforms (i.e. pension reform, labour market reform, fiscal management with a medium-term framework, local administration reform, simplification of the start-up of new businesses -set up in 1 day from 19 days-, a "fast track" process for strategic investments, the liberalization of the road haulage sector, lifting of cabotage rules).

As part of the Medium-term Fiscal Strategy 2011-2015 an ambitious **privatization** program will be implemented that aims to reduce Greece's public debt, attract private know-how and capital into critical sectors of the Greek economy, and support the economic recovery.

Greece offers a wide range of **investment opportunities in many sectors** of the economy to foreign investors, apart from the privatization program, outlined above.

As far as Saudi Arabian investors are concerned unique opportunities exist in sectors as:

Agriculture

Agribusiness is considered as a privileged sector in Greece, offering plenty of benefits to entrepreneurs. Agriculture accounts for 5-6% of GDP in Greece as compared to 1.5% of EU-15. Although the share of agriculture in total economy diminished in the previous decade, continues to be at much higher levels in comparison with other EU members. The utilized agricultural area (UAA) amounts to nearly 4m ha., with an average UAA/holding of only 5.6 ha. per ownership. There are 711,100 ownerships of UAAs. The UAA accounts for 30% of the total area of the country. Statistically, about 800,000 of family-type holdings appear to still be active in Greece. Greek production of the most important cereals amounted to 2,342k tons of grain maize, 1,830k tons of wheat, 280k tons of barley and 205k tons of rice. There are 7,810 producers and processors of organic products in Greece. Latest available figures suggest that cereals come first (38.3%) in organic cultivation followed by olive trees (38.2%) and vines (3.8%) while the 35 to 40% of the total agricultural land is cultivated with arable crops, 20% with olive trees, 11% with cotton, 8% with fruits and vegetables, 3.5% with vines and 1.5% with tobacco. Greek agriculture continues to provide jobs to a considerable amount of people in Greece. Its share in total employment (17%) is much higher than that of EU-15 (4.3%).

Energy & Renewable Energy Sources

The strengths of the Greek RES market create a very attractive business opportunity to international players. Greece has a great potential in the development of RES since the country is bound by **EU regulations and Kyoto Protocol** agreements and has specific national target for RES at 40% of electricity production by 2020, from 13% that it stands today. The Renewable production capacity should reach about 15.000 MW from almost 6.000 MW that it stands today. The country offers **ideal conditions for wind and solar energy, high feed-in tariffs and 20 – year PPA (power purchase agreements)**. Greece aims to create more than 210,000 new jobs in its green development model.

Today, almost 1700 MW of wind parks, 1300MW of solar parks and only 45MW of biomass are in operation, whereas geothermal and solar thermal projects are in the process to be implemented. Moreover, two (2) offshore wind parks with total capacity about 715MW have already got the production license and are in the implementation process.

Waste Management

Waste management is a promising service sector since, according to EU and national directives, Greece should decrease biodegradable waste that is sent to landfill by 1,900,000 tons in 2013, and 2,700,000 tons in 2020; the current status being 461,079 tons. Investors will find opportunities to create modern, integrated facilities to treat and dispose of municipal solid waste; generate energy from organic waste; rehabilitate existing landfills; engage in environmentally sound management of industrial, medical and hazardous waste; construct suitable transfer station networks and recycling centres; construct facilities for water treatment and sea or brackish water desalination, and facilities for wastewater and sewage treatment.

Tourism and Real estate

Tourism is a central pillar of the Greek economy and by many analysts is considered to be an “export champion” for Greece, since it brought more than €11 bn of foreign tourist **receipts** in 2011 (**19th in the world**). Amid a financially tough period, Greek tourism attracted more than 16 mn **visitors** in 2011 (**17th in the world**), an all time record. Greece possesses unique characteristics (climate, nature, history, culture, gastronomy etc) that offer a globally

competitive tourist product. The gaps that exist between demand and supply of tourist services provide significant room for opportunity in many **subsectors of the Greek tourism market** (luxury resorts, tourism residences, marinas, cruise, golf tourism etc). **Real estate** sector either combined with tourism services or not is also offering excellent opportunities for foreign investors. Being one of the main locomotives of the Greek economy for many years, now is reaching a low price level, due to current economic crisis bringing out significant opportunities for foreign investors.

As one of the world's most iconic tourism destinations, Greece continues to develop and enhance its tourism infrastructure, and Arab investors will find outstanding opportunities in ports and marina upgrades, integrated resorts and residential communities.

Food and Beverage

The sector offers investors a plethora of attractive opportunities. It is characterized by a privileged environment with **low operating costs and abundant raw materials of high quality**. Meanwhile, a general shift towards a low calorie, cholesterol free and vitamin-rich diet throughout the western world favors the Greek Mediterranean diet and Greece's traditional agricultural products. Furthermore, Greek companies have already established a long-reaching production and sales network that offers access to the emerging growth markets of SE and Eastern Europe, whilst the F&B industry is populated by a highly experienced and well-educated labor force. Foreign companies have experienced high rates of success in this sector, and Greece serves as an ideal bridge to the emerging markets of Southeast Europe.

Mining

The Greek mining industry is an important sector of the country's economic activity (together with the corresponding manufacturing sector it accounts for 3-5% of the GDP). It is also a highly extroverted field, since its exports account for 65% of its total sales (€960 mn in 2010). Greece is the only country in the world producing huntite/hydromagnesite, has the largest production of perlite, the second largest production of pumice stone and bentonite and the largest exports of magnesite in the EU. The country also has significant bauxite and lignite deposits. It should be highlighted that our country has important deposits of mixed sulfide minerals (lead, zinc, copper containing silver and gold) and epithermal gold, in many areas of Northern Greece.

Currently, there is a strong interest of Israeli companies in the surveys at the sea area west of Greece for the detection of hydrocarbons.

The prospects for the mutual investment relations between the two countries are promising. Greece, having significant energy assets can be attractive to Saudi Arabian investors, especially in the field of **Energy** (Oil Refineries and Natural Gas). The short term privatization program includes companies such as Hellenic Petroleum that might be of interest to S. Arabian entrepreneurs.

6. Invest in Greece-Your partner for growth

Invest in Greece can provide assistance to all Saudi Arabian companies to enter the Greek market and establish their presence in Greece, investing in a safe, European country with a great potential. Invest in Greece which actively promotes investment opportunities in Greece has compiled a project portfolio with investment opportunities in many sectors of the economy.

Proposed actions:

- Organize a series of trade and investment workshops in both countries with business delegation visits, exhibitions and promotion of products - sectors under the auspices of the Greek Government.
- Set-up of an exchange and hospitality program for individuals with entrepreneurial ideas.

Establish contact and relationship with SAGIA – Saudi Arabian General Investment Authority, Council of Saudi Chambers, King Abdulaziz City for Science and Technology, King Abdullah University of Science and Technology (KAUST) Industry Collaboration Program, Research Park and Innovation Clusters, and other relevant government agencies.

- Business Consultancy program. Forwarding of all information requests of S. Arab companies regarding the business environment and investment opportunities in Greece to the Front Office of Invest in Greece Agency.