

(1)

Doing Business with Greece

3 and 4 June 1976
Athens Hilton - Greece

- 3632

3 June

- Chairman: **Mr D. Marinopoulos**
President
Federation of Greek Industries
- 09.00 SPEECH OF WELCOME
Financial Times
Olympic Airways
- 09.20 THE GREEK ECONOMY – ITS PROBLEMS AND PROSPECTS
H.E. Mr Panayotis Papaligouras
Minister of Planning and Co-ordination
- 10.00 THE ROLE OF THE BANKS IN THE COUNTRY
Mr Nicolaos Kyriazidis
Deputy Governor
Bank of Greece
- 10.40 Refreshments
- 11.10 GREECE AND THE EUROPEAN COMMUNITY
Mr John S. Pasmazoglu
President of the Parliamentary Committee to the EEC
- 11.40 THE EFFECT OF A TENTH MEMBER ON THE EUROPEAN COMMUNITY
Mr J.O. Krag
Former Prime Minister of Denmark
- 12.10 Forum
- 12.40 Aperitifs and Lunch
- 14.45 MINERAL RESOURCES AND THEIR CONTRIBUTION TO THE GREEK ECONOMY
Mr Michel D. Scalistiri
President
Scalistiri Group
- 15.20 GREEK OIL
Mr George Spentzas
Financial Counsellor to the Prime Minister
- 15.55 Refreshments
- 16.15 INDUSTRIALISATION AND THE GREEK ENVIRONMENT
Mr D. Marinopoulos
- 16.40 THE GREEK CONSTRUCTION INDUSTRY IN WORLD MARKETS
Mr E. Couloubis
President
Technical Chamber of Greece
- 17.05 Forum
- 17.20 Closing remarks from the Chair
- 19.00 *Reception to be hosted by the Bank of Greece*

4 June

- Chairman: **Mr Minos A. Zombanakis**
Vice-Chairman
The First Boston Corporation
- 09.00 Opening remarks from the Chair
- 09.05 THE GREEK SHIPPING INDUSTRY – A WORLD PHENOMENON
Mr P.G. Callimanopoulos
General Manager
Hellenic Lines Limited
- 09.30 THE LONGER TERM FUTURE FOR GREEK SHIPPING
Mr J.O. Udal
Managing Director
Eggar, Forrester Limited
- 09.55 FINANCE FOR GREEK SHIPPING – PRESENT PROBLEMS AND
FUTURE OPPORTUNITIES
Mr Thomas C. Shortell
Vice-President
Citibank NA
- 10.20 Forum
- 10.40 Refreshments
- 11.00 THE GREEK SEAMEN – BACKBONE OF THE INDUSTRY
Mr E. Saitis
General Secretary
Pan-Hellenic Seamen's Federation
- 11.25 DIRECT RESULTS OF THE RE-OPENING OF SUEZ AND ITS
IMPLICATIONS FOR GREEK INDUSTRY
Mr C. Caldis
Technical Director
Hellenic Shipyards Co
- 11.50 PANEL DISCUSSION: THE FUTURE FOR THE GREEK SHIPPING INDUSTRY
- 12.20 TOURISM AND ITS EFFECTS ON THE GREEK ECONOMY
Mr G.D. Daskalakis
President
National Tourist Organisation of Greece
- 12.55 Aperitifs and Lunch
- 15.00 MEDITERRANEAN STABILITY – PROBLEMS AND PROSPECTS
Mr Stefano Silvestri
Vice-Director
Italian Institute of International Affairs

- 15.35 FOREIGN INVESTMENT IN GREECE
Mr W.B. Cook
Managing Director, Esso Pappas
- 16.00 THE ROLE OF GREECE AS A REGIONAL CENTRE
Mr Minos A. Zombanakis
- 16.25 FORUM
- 16.40 Closing remarks from the Chair

The Ballroom, Grande-Bretagne Hotel

20.30 Reception

21.00 Dinner

Chairman: Mr Marc Lee
Conference Director
Financial Times

Guest Speaker: The Rt Hon Roy Hattersley, MP
Minister of State for Foreign and Commonwealth Affairs
in the British Government

THE EUROPEAN COMMUNITY AND GREECE

Reply from: Professor Xenophon Zolotas
Governor
Bank of Greece

INFORMATION

An information desk will be set up in the foyer adjoining the conference room and will be staffed to handle delegates' enquiries and personal messages.

Coffee, tea and cocktails will be served in the area adjoining the conference room.

All participants are invited to attend the Reception and Dinner arranged at the Grande Bretagne Hotel on the evening of 4 June.

Copies of papers available will be distributed to delegates at the end of each session. In addition, a bound set of speakers' papers will be forwarded approximately three weeks after the conference.

Arranged by the:

**FINANCIAL TIMES
BANK OF GREECE
OLYMPIC AIRWAYS
and
INVESTORS CHRONICLE**

Organised by:

Marc Lee
Conference Director

Barbara Higginson
Conference Manager

Poland

1952/57 - high stable rate of prod

upward movement that continued during the 1950s

July 74 - domestic prod. +

continuous policy

inflation -

balance of payments.

76 GNP + 5%?

—
relatively easy conditions of the labour market.

→

structural expansion of Greek const. sector in
building
roads, etc

(P.E. - N.R.) -

—

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Delegate List

Mr G Agrafiotis	Doxiadis Associates Int
Mr A Anastasakis	Macedonian Magnesite Mining-Industrial & Shipping Corp
Mr C Angelopoulos	Halyvourgiki Inc
Mr M Angelopoulos	Public Power Corporation
Mr T Angelopoulos	Halyvourgiki Inc
Mr D Asimacopoulos	Macedonian Magnesite Mining-Industrial & Shipping Corp
Mr A Bossart	Pfizer Hellas
Mr Michael A Boyd	P S Refons & Co Ltd
Mr T H C Brown	Pfizer Hellas
Mr J van Brummen	Algemene Bank Nederland NV
Mr R Butler	First Boston AG
Mr C Caldis	Hellenic Shipyards Co
Mr P Callimanopoulos	Hellenic Lines Limited
Mrs Callimanopoulos	
Mr Alain Camu	Hill Samuel & Co Ltd
Mr S Chenik	Banque du Sud
Mr J F Chown	J F Chown and Company Limited
Mr S N Christofidis	Bank of Attica
Mr H Chryssopoulos	Diamantis Brothers SA
Mr B Collins	Oil & Gas Journal
Mr Paul J Condellis	Paul J Condellis SA
Mr W Cook	Esso Pappas
Mr John Price Corbett	British Aircraft Corporation Ltd
Mr Y S Costopoulos	Credit Bank
Mr E Couloumbis	Technical Chamber of Greece
Mr G Coumvacalis	Commercial Bank of Greece
Mr G D Daskalakis	National Tourist Organisation of Greece
Mr C Davaris	Union Carbide Hellas SA
Mr Yves D'Hoop	Societe Generale de Banque
Mr J G Dopfer	Conoco Chemicals, Europe
Mr Bent Gerner Dorning	Gosta Enbom Co Ltd
Mr A C Doxiadis	Doxiadis Associates Int
Mr C Dracopoulos	Hellenic Shipyards Co
Mr G Fei	Ing. C Olivetti and Co
Mr M Freland	CCBP

Mr M Gautier National Bank of Greece
Mr J Geddes Financial Times
Mr A D Ghertsos Viochrom SA
Mr N Gravenitis First National Bank of Chicago
Mr D W Green Pfizer Hellas

Mr P Hadjilias Cambridge Tankers Ltd
Mr G Hanin Mercantile Marine Hellas SA
Mr R J Harding Louis Newmark Ltd

~~7~~ The Rt Hon Roy Hattersley, MP Minister of State for Foreign and Commonwealth Affairs in the British Government

Mr M Higgins Investors Chronicle
Mr C Hollander Bank of America NT & SA

Mr Bertil Jung Stal-Laval Turbin AB

Mr T Karatzas National Bank of Greece
Mr C Kokomelis National Bank of Greece
Mr Werner Knapp Maschinenfabrik Augsburg-Nurnberg AG
Mr J O Krag Former Prime Minister of Denmark
~~9~~ Mr P E Kyriacopoulos Commercial Bank of Greece
Mr Nicolaos Kyriazidis Bank of Greece

~~7~~ Mr Philippe Lambert Banque Bruxelles Lambert
~~7~~ Mr M Lee Financial Times
Mr Israel Leviant Bechtel International Incorp
Mr C Liampeis ETMA S/A
Mr A Livieratos Public Power Corporation
Mr L Lolos General Hellenic Bank
Mr A G Lykiardopoulos ICAP Hellas SA
Mr J P Lykidis Unions Carbide Hellas SA

~~9~~ Mr D Marinopoulos Federation of Greek Industries
Mr T Marinos Public Power Corporation
Mr A Manuelides Hellenic Shipyards Co
Mr P J Mcsloy Continental Bank
~~7~~ Dr Guiseppe Moreno Banco Generale Di Credito

Mr Peter Nemschak Girozentrale Und Bank Der Osterreichischen Sparkassen Aktiengesellschaft

~~9~~ Mr K Papageorgopoulos General Hellenic Bank
~~9~~ H E Mr Panayotis Papaligouras Minister of Planning and Co-ordination, Greece
Mr H Parish III Wells Fargo Limited
~~9~~ Mr John S Pesmazoglu Parliamentary Committee to the EEC
Mr C Petropoulos Petros Petropoulos S/A
Mr J Platanitis Esso Pappas Chemical Co SA

Mrs Coumandou Rena Esso Pappas Industrial Company SA
Mr D Remoundos Macedonian Magnesite Mining-Industrial & Shipping Corp

Sir Brooks Richards British Ambassador, Athens

Mr E Saitis Pan-Hellenic Seamen's Federation
Mr T Savvas Hellenic Steel Co SA
Mr Michel D Scalistiri Scalistiri Group
Mr A O Schlitter Deutsche Bank
Mr Thomas C Shortell Citibank NA

Mr Robert F Shortell

Mr Robert F Shurtz	Bechtel Corporation
* Mr Stefano Silvestri	Italian Institute of International Affairs
Mr N Sotiriadis	Edok-Eter SA
Mr G Spentzas	Financial Counsellor to the Prime Minister, Greece
Mr G Stathopoulos	Chown Stathopoulos Europe SA
Mr J P Stuckens	Fabrimetal
Mr G Tacopoulos	British-Hellenic Chamber of Commerce
Mr D L Tarver	Unitank Storage Co
Mr N S Tavoularis	Hellenic Aspropyrgos Refinery SA
Mr A Tiktopoulos	Hellenic Steel Corporation
Mr G Tsatsosos	General Cement Co SA
Mr P Tsembelis	NAFSI SA
Mr N Tsomlektsoglou	ETMA S/A
Mr J O Udal	Eggar, Forrester Limited
Mr W J Uzielli	Hogg Robinson & Gardner Mountain Int Ltd
Mr C Varvias	Diners Club
Mr A Voulgaris	Macedonian Magnesite Mining-Industrial & Shipping Corp
Mr H van Welbergen	Philips S A Hellenic
φ Mr M Zombanakis	The First Boston Corporation
Mr John Zoungos	National Bank of Greece

ADDITIONAL DELEGATES

Mr E Amolohitis	Ethyl Hellas
Mr P Athanassiadis	O L P
Mr G Bates	N G Vardinoyannis
Mr H Bonour	N T O
Mr G Goudas	Chamber of Commerce of Alexandroupolis
Mr E Gourdomichalis	Gourdomichalis Maritime SA
Dr E Moore	Ethyl SA
x Mr N Xanthakis	Banka Commerciale Italiana

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Delegate List

Mr G Accas	Textile Mills Ilios-Ten Cate SA
X Mr A Angelopoulos	National Bank of Greece
Mr G Bitros	Bank of Greece
φ Mr D Bitsios	Minister of Foreign Affairs
Mr J Boutos	Alternate Minister of Coordination & Planning
Mr A Byars	Bank of America
Mr J Camaras	Bank of Greece
Mr G Capouranis	Interamerican SA
7 - Mr B Casini	Olivetti Co
Mr D Chalikias	Bank of Greece
Mr G Coumoussis	'Almar' Shipping Co Ltd
Mr E Couracos	Bank of Greece
Mr C Dalkafoukis	Price Waterhouse & Co
Mr D Demarquette	B I A O
Mr E Devletoglou	Minister of Finance
Mr E Duckworth	British Embassy
Mr J Georganas	Hellenic Investment Co SA
Mr K Georgoutsakos	Bank of Greece
Mr G Grigoropoulos	Bank of Greece
Mr A Grinkow	Organisation for Economic Cooperation & Development
Mr G Hayialides	Southern Shipping and Finance Co
Mr P Ioannidis	Olympic Airways
Mr I Joannos	Union of Greek Shipowners
Mr E Kampouris	Ideal Standard SAI
Mr D Karaiskakis	Under-Secretary of Industry
Mr M Kido	Maroubeni Co
Mr D Kokorinos	Athens Stock Exchange
HE Mr A W Konigsfeldt	Danish Ambassador to Greece
Mr K Konofagos	Minister of Industry
Mr G K Kontoghiorgis	Under-Secretary of Coordination and Planning
Mr D Kopanitsas	Hellenic Industrial Development Bank SA
Mr M Kyriacou	Peat Marwick Mitchell & Co
φ Mr P Lambrias	Under-Secretary to the Prime Minister
Mr J Lampsas	General Director TV and Radio
Mr N Linardatos	Ex Under Secretary to the Prime Minister
Mr J Mandilas	Kosmocar
9 - Mr D Marinopoulos	Federation of Greek Industry
Mr D Michalopoulos	D Michaelopoulos SA
Mr A Mitsos	Bank of Greece
Mr N Mopaitis	Berkshire
Mr P Morfis	Ministry of Press

Mr V Nicoletopoulos	Grecian Magnesite Ltd
Mr D Pandelakis	B I A O
Mrs A Pangalou	National Organisation of Hellenic Handicrafts
Mr A Papadongonas	Minister of Mercantile Marine
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Mr P Papastavrou	Bank Xerox Greece SA
Mr T Pappas	Esso Pappas
Mr S Pasmazoglou	Bank of Greece
Mr G Rallis	Minister to the Prime Minister
HE Mr G Roussos	Greek Ambassador to London
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Mr C Sandalis	Olympic Airways
Mr G Spentzas	Financial Counsellor to the Prime Minister
Miss H Speronis	Olympic Airways
Mr G Stathopoulos	Chown Stathopoulos Europe SA
Mr S Stratigis	Hellenic Shipyards Co
Mr C Stratos	Minister of Public Works
Mr G Tsatsos	General Cement Co SA
Mr G Theophanous	Olympic Airways
Mr J Vahaviolos	Bank of Greece
Mr L Van Creveld	Bank Leumi le Israel
Mr I Varvitsiotis	Minister of Commerce
Mr J Vratsarios	'Almar' Shipping Co Ltd
Mr A Zaimis	Under-Secretary of Finance
Mr A Zeris	Olympic Airways
Mr X Zolotas	Bank of Greece

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Speakers' Papers

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Athens Hilton - Greece

THE GREEK ECONOMY - ITS PROBLEMS AND PROSPECTS

H.E. Mr Panayotis Papaligouras

Minister of Planning and Co-ordination

1. RECENT TRENDS

I would like to take this opportunity - offered by the timely organised conference by the Financial Times on the subject "Doing Business in Greece" - to give you a short account of the current conditions of the Greek economy and prospective trends. I will try to explain the reasons behind the Government's optimism with respect to the country's future course of development without attempting to conceal the weaknesses of the economy - mainly of a structural nature - that we have to overcome during the years ahead. Sincerity is the sound basis of any mutually beneficial co-operation. Anyone who is interested in doing business or undertaking other entrepreneurial initiatives has to be fully aware of all the advantages that are provided by a fast growing economy, as it is the case in Greece, but also of the shortcomings that are naturally present in any country in the process of industrialisation.

Between 1952 and 1967, that is, between the time when the country started to recover from a long war and the year of the colonels' usurpation of power, the Greek economy managed to achieve a high and stable rate of development with relative price stability and no excessive strains in its external accounts.

The strong momentum of the economy had sustained the upward movement of the economy during the first years of the dictatorial regime. The completion of a series of major investment projects, which had been designed and started before the coup, contributed decisively to maintaining a high rate of growth. But the over-expansive and irrational economic policies pursued by the dictatorial regime have unavoidably ended in an open and galloping inflation. Towards the end of 1973 and the beginning of the following year, the dictators, under panic, attempted to react by excessively stiff and clumsy anti-inflationary measures which resulted in a dramatic curtailment of the real income of the working classes. Their impact was reinforced by the serious repercussions of the incipient recession in the world economy especially upon the country's invisible earnings, with the result that real gross domestic product in 1974 declined by approximately 1 per cent while the rate of price increase reached 26.9%. Indeed the greatest failure of the dictators in handling the economic affairs of the country is that, having lost touch with the real economic situation, they failed to take the necessary measures to reduce the repercussions of the international crisis on the Greek economy. On the contrary, they kept pursuing a series of totally inconsistent policies which finally placed the country at the top of the list of OECD countries with respect to the rate of inflation.

Amidst these and other serious problems, the democratic government that assumed power in July 1974 and its successor after the November elections launched a cautious policy for bringing the economy back onto a growth path while containing inflation and restoring equilibrium in the balance of payments. Thanks to the measures taken, gross domestic product during 1975 increased by approximately 3.7% and the rise of the consumer prices was reduced to 13.7%. Judged against the background of the recession in the country's major trading partners and for an economy as open as the Greek one, this can be considered as a real success. The revival with relative price stability has continued during the first months of the current year. According to available estimates real GDP will increase during 1976 by as much as 5%. On the other hand, price developments during the first four-month period of 1976 indicate that the initial forecast of a 10% increase in the price level during 1976, seems well within reach. Closing 1976 it is confidently expected that the Greek economy will be poised again for rigorous growth with relatively stable prices and a satisfactory balance in its external transactions.

2. SOME STRUCTURAL PROBLEMS

Despite the rapid increase in production, the rise in the standard of living and the very considerable structural improvements achieved during the last twenty years, the Greek economy is still handicapped by some of the typical characteristics of an economy in the process of development. Taken as such these traits no doubt constitute real weaknesses. But from the point of view of the prospects for development they provide challenging opportunities for rapid improvement.

The dynamism of the agricultural sector seems to be far below that of the rest of the economy. The unfavourable age structure of the agricultural labour force, the inadequate farm size and the land fragmentation, the comparatively low proportion of irrigated farmland - the expansion of which has been given top priority by the present government - and the inadequate adjustment of the composition of the agricultural output in relation to demand seem to be among the most important factors responsible for the low and slowly increasing agricultural production.

Notwithstanding the rapid growth in output of the manufacturing sector, firms are still in many cases of a small size, with limited specialisation and with relatively inadequate access to modern technology. In spite of the fact that some important lines of production have become internationally competitive, there can be little doubt that rigorous and sustained growth calls for larger, more integrated, export oriented and aggressive enterprises. In this respect the scope of mutually beneficial co-operation with foreign firms is very wide indeed.

The country's balance of payments continues to be the main growth constraint of the economy. In spite of considerable improvement during the last two years, the trade balance remains in deficit with export earnings covering only about a third of the disbursements for imports. Considering the level of the country's per capita income the exportable component of its output is still comparatively low. Although the large and quickly growing foreign exchange earnings from invisibles and the regular inflow of capital have reduced considerably the dimensions of the problem the relatively heavy dependence on these sources, precarious by their very nature, calls for some concern.

It should be added that a concomitance of unfortunate developments, to which I have already referred, widened deficits and rendered substantial borrowing from abroad inevitable, something which the country managed to avoid before the dictatorial regime. Still the cost of debt servicing remains within comfortable limits (it is well below 10 per cent of current foreign exchange earnings) and net foreign borrowing during 1976 is expected to be limited. It is indeed remarkable how smoothly and quickly the economy is absorbing the shock of recent unfavourable developments.

Another set of problems refers to the heavy concentration of population and economic activity in the two major urban centres at the expense of the rest of the country. Though large urban concentrations providing large markets for products and factors of production help in expanding modern industrial units they entail increased social costs and have a detrimental effect on the environment.

3. PROSPECTS FOR FUTURE GROWTH

Greece is a country which has firmly entered upon a path of rigorous and sustained growth and has proved its capacity to achieve structural readjustments, even under hard conditions. The remaining manifestations of underdevelopment constitute inviting opportunities for imaginative enterprise.

The sustained and rapid growth of the country's income over a long period, which the economic policy blunders of the dictatorial regime and the exceptionally unfavourable developments in the international economic scene slowed down but did not reverse, is a clear indication of the latent growth potential of the economy.

The country's labour supply, though no longer as abundant as in the past, has still got considerable margins for expansion both in the short-run, in the form of a readily available pool, and in the long-run through the gradual increase in the labour participation rates (currently low by international standards) and the utilisation disguised unemployment in agriculture.

The country's labour force has the physical capabilities, the alertness and the necessary level of education to render it efficient and productive under modern production circumstances, as this is witnessed not only by the record of Greek migrants abroad but also by the performance of Greek workers and technicians employed domestically in industries using the most modern and sophisticated technology. Obstructive labour militancy and resistance to the introduction of technological improvements is totally foreign to the prevailing spirit of the Greek workers or trade unions. Minor sectoral shortages may arise and some problems in providing special skills may be encountered but these will be faced as they materialise. With the expected natural increase in the labour force, the absorption of the currently unemployed in the urban sector, a minor increase in the female labour resources from the agricultural sector, there will be sufficient labour available to fill the new jobs expected to be created during the coming years. The relatively easy labour market conditions constitute an important asset for the expansion of the manufacturing sector where foreign participation has an important role to play.

Even though the savings ratio suffered a setback during the last years, it is expected with confidence that it will soon and quickly recover to its pre-recession levels, and in conjunction with the already attained comparatively high level of per capita income will provide the domestic resources

necessary for the financing of the planned rate of growth.

In view of the stage of development of the Greek economy, foreign investment and financing, which have always been encouraged and which have provided a considerable slice of the country's investible resources are confidently expected to continue and enhance their role. To this effect the necessary protection is constitutionally safeguarded and the system of incentives is designed to be sufficiently attractive.

Another major source of growth is the country's mineral and energy resources. The recent oil strike off the island of Thassos and new mineral discoveries provide sufficient evidence for the richness of Greek subsoil. In fact possibilities seem to exist along so many lines that despite their inherently uncertain character it seems highly unlikely that at least some of them will fail to materialise.

In spite of a temporary setback in international tourism, owing to the international recession, the country's natural historical and cultural environment, will continue to constitute an important asset not only for the tourist industry per se but also for the growing importance of the country as an international centre in the Eastern Mediterranean area. Its geographic location, its future membership in the Common Market, its increased international accessibility, its traditionally close ties with the countries in the Eastern Mediterranean area and the comparatively high standard of the country's services sector render it an attractive base for any operation in the wider region of the Middle East and North Africa. This is clearly evidenced by the spectacular expansion of the activity of Greek construction firms in those areas.

The export performance of the manufacturing sector despite its handicaps, is another most encouraging development. Industrial exports, mainly light and medium, have registered very high rates of increase in the recent past, and amount to a good deal more than 50% of the export bill. A very large number of producers are already in export business in a regular way and every year many new items join the list, thus paving the way for continued rapid growth. A significant feature of these accomplishments is that an important part of manufactured exports derives from small production units, which until recently were considered as a liability on account of their assumed lack of competitiveness. This is an exceptionally encouraging development showing that the existing handicraft and manufacturing establishments have a latent potential for exports and international competitiveness.

Finally, the prospective accession of the country to the European Community will strengthen its growth capabilities, encourage and facilitate a faster structural readjustment thus accelerating and consolidating the country's forward movement.

4. BASIC OBJECTIVES AT THE NEW PLAN 1976-80

To combat the economy's structural weaknesses and take full advantage of its potential for growth, the new five year development plan, is being formulated within the framework of the following objectives:

First: A rate of increase of output and income fast enough to permit a fuller exploitation of the country's growth resources but not exceeding the limits which are determined by the maintainance of a relative stability

of the domestic price level and an acceptable and decreasing deficit in the balance of payments.

Second: The development of industries exploiting domestic mineral or energy resources and industries which contribute to the vertical integration of production filling important gaps in the country's industrial structure, particularly those with strong export orientation. The government has already taken active measures for encouraging private enterprise to act in this direction. In cases in which the response of private initiative to these incentives will be clearly inadequate direct government action will be undertaken through channels that have recently been established.

Third: The restoration of a relative price stability by maintaining a rate of price increase close to the mean average of the price rises in Greece's major trading partners. Though firm forecasts in this respect cannot be made yet, the recent record shows that the gradual containment of inflation without stifling growth can be accomplished.

Fourth: The narrowing down of the deficit in the balance of current account thus paving the way for a long run equilibrium in the balance of payments. It is, thus, expected that by 1980 the final deficit before compensatory finance, as a percentage of GDP, will drop to half of what it stands today.

Fifth: An improvement in the distribution of income among classes and regions ie a more balanced regional development and a reduction of income inequalities among the major recipients of national income. Important measures in this direction have already been taken and more will be done after a systematic study of all aspects of the problem.

Sixth: A relatively fast expansion of the country's social services thus improving the quality of life and the general welfare of the Greek population.

In fulfilment of the above objectives, the planned rate of growth was tentatively set at the level of 6-7 per cent, which is in line with the growth trends of the last twenty years. Compared with the anticipated growth rates in Western Europe this rate is higher by at least two percentage points. This difference implies that by the end of the period the gap between Greece and its partners in the European Community will be substantially reduced.

To support this relatively fast growth rate and the high capital intensity of some new major industrial projects, fixed investment expenditure is projected to increase by an average rate somewhat higher than 10 per cent per annum which will bring the investment to GDP ratio from 24 per cent in 1975 up to nearly 30 per cent in 1980. As the rate of growth gradually increases, together with the fiscal policy designed to be pursued, it is reasonably expected that the savings ratio will increase again following its regular upward trend. Thus, under normal conditions, domestic capacity to finance the necessary investment expenditures should not present a serious problem.

Regarding the capacity of the private business sector to absorb the financial resources available domestically, though investment activity in some sectors appears to be currently rather sluggish, as in most Western countries, rapid growth is observed in others and all indications point to a satisfactory revival. A number of new important industrial projects that will strengthen

the industrial structure of the country are in an advanced stage of preparation and contracts for some of them - as for instance a new alumina plant and an expansion of an existing iron-nickel facility - have already been signed. Investment activity will also be encouraged by the government in the field of exploiting the country's mineral deposits. Furthermore a bank consortium has been set up to support such initiatives.

It is in this connection that Greece invites international co-operation more than in any other respect. Direct foreign investment in manufacturing, foreign participation, transfer of technology and any other fruitful method of co-operation both with the private sector as well as with the public, will be welcomed on terms that current underlying conditions in Greece will render mutually beneficial.

The achievement of the target rate of development is not considered as an end in itself. It will simply furnish the government and the economy with the means for upgrading social services, for reducing inequalities without hampering growth, and will provide the favourable background necessary for overcoming some of the structural weaknesses that can hardly be dealt with in the context of a stagnant or even slowly growing economy. It is, accordingly, a major objective of the new programme to expand investment in improving social services such as education - especially technical education - and medical care. Special emphasis will also be given to redressing the current inequity in the provision of social services between the capital and Salonica on the one hand, and the rest of the country on the other. Internal migratory flows, which have seriously upset the regional balance have rendered the problem more urgent and acute. Strong incentives will be provided for decentralising economic activity by the creation of infrastructure, especially by speeding up the programme of organising industrial zones and ancillary facilities. Preference will be given to selected provincial centres chosen on the basis of location, labour availability, existing facilities or traditional expertise. Finally, special consideration will be given to promoting production and investment in sectors or in ways that contribute to an improvement in the structural characteristics of the economy - even at the expense of a higher current growth - so that sound premises are laid for a sustained long run growth of the economy.

In conclusion one might say that, at least in their majority, the shortcomings and problems facing the Greek economy today are a manifestation of still unexploited potentialities that render the margins for further growth and development very wide indeed. The government and the country are fully up to the challenging task of taking advantage of them.

Athens Hilton - Greece

INDUSTRIALISATION AND THE GREEK ENVIRONMENT

Mr D. Marinopoulos

President

Federation of Greek Industries

It is both a pleasure and an honour for me to address myself to such a distinguished audience as the one which is assembled today in this room, For a country whose economic development and progress depends so much on international collaboration, the contact of the local leaders of economic activity with their foreign colleagues becomes imperative. Only thus can a constant flow of information be insured and only thus can the general lines of a closer collaboration, beneficial to all interested parties, be perceptively and realistically drawn.

1. INDUSTRIALISATION AND ECONOMIC DEVELOPMENT

During the post-war years the Greek economy has shown an impressive rate of development, which within twenty-five years brought it to levels of activity very close to those of developed economies. The GNP, in constant values, increased during the 1950-1975 period at an average annual rate of 6.3%, while the international trade of the country (imports and exports) increased at an average annual rate of approximately 25%. The overall developmental endeavour was characterised by internal monetary stability, since, during the 1955-1973 period consumer prices increased at an average annual rate of only 2.5%, the lowest of all countries-members of the OECD; and the average per capita income, at constant 1958 prices, increased from \$125 in 1950 to \$860 in 1973; in other words, it increased sevenfold within twenty-three years. In current values, the per capita income of Greece amounted to \$2130 in 1975.

The greatest part of the developmental effort in our country was based on industrialisation, which was accomplished at a relatively fast rate. The product of the secondary sector increased at an average annual rate of 9.2% during the 1950-75 period, as against a rate of 3.4% of the primary sector and a 6% of the services sector. Already the secondary sector represents a 35% of the GDP, as against a 20% in 1950. At the same time, the endeavour for improvement of the country's balance of payments was also based on industrialisation, and exports of industrial products now represent almost 2/3 of the country's total exports, as against a 15% during the first years of the 1960's.

The citation of these specific basic figures of the Greek economy gives a brief picture of the progress accomplished, and of the long-term tendencies which govern it. Private initiative successfully and responsibly carried the weight of the developmental effort, utilised efficiently the significant infrastructure which was created during the same period, and contributed to

its improvement. Responding to the expectations, it created the proper climate for the further economic progress to start becoming self-sufficient to a great extent.

The industrialisation accomplished was not the result of chance factors. The effort made during the last twenty years, and which continues despite the restraining factors of the international economic recession during the last two years, was based on a socioeconomic environment favourable for industrialisation. This environment was formed by the special characteristics of the Greek economy and of the encouraging policy measures taken at various times, whose aim was to strengthen the developmental foundation and to exploit more fully the country's economic resources.

2. LABOUR FORCE

During the first postwar years the Greek economy was basically an economy of intensive use of manpower. In the agricultural sector as well as in the industrial one, the proportion of labour to the other factors of production remains, even today, quite higher and the productivity of labour relatively lower than the respective values of the developed countries of the OECD. This contributed to the fact that the cost of labour continues to be relatively low, which becomes one of the comparative assets of the country, in comparison with the other European economies.

At the same time, the surplus of human labour led to an increase of external migration during the whole period, but primarily during the decade of 1960-70. During the past few years, however, this tendency has apparently been reversed. Thus, apart from the migrant remittances, which constituted an important factor in the inflow of foreign exchange during the total post-war period, we have also the beneficial effects of the repatriation of industrially disciplined and trained workers. It is expected that in the immediate future this category of workers will constitute a dynamic element for the further economic development of the country.

The utilisation of the labour force, which constitutes the apparently most basic foundation for industrialisation, was based on the simultaneous development and expansion of higher technical education, and the establishment of secondary technical and vocational schools. Thus technical education undertook the task of bridging the gap between higher scientific personnel and unskilled workers, and of producing all kinds of skills indispensable for a modern and rationally co-ordinated productive process.

Systematic technical and vocational training is offered both by the government and by private initiative. At the same time, on-the-job training procedures and re-training of the already employed labour force were successfully applied in many cases and industry has shown particular interest in any governmental initiative related to the re-education and recycling of manpower, and closely collaborated with the government in this area. Today, apart from the technical schools, approximately sixty training schools function, under the supervision of the Department of Labour, within the industries, combining theoretical preparations and practical on-the-job training for the students. Approximately twenty-five schools for the retraining of workers are also functioning.

The rapid development of industry and the enlargement of individual enterprises, created a relative shortage of management personnel. During the last few years, however, the problem has been considerably reduced, especially in

the larger manufacturing firms, where the collaboration of foreign management with young Greeks with post-graduate studies in Greece or abroad, gave satisfactory results. The transplantation of tested management methods and their adaptation to Greek conditions had best results in those cases in which the collaboration of local enterprises and foreign firms took the form of joint ventures. This, of course, was natural, since the foreign partner has at his disposal the experience from the application of analogous methods abroad, and the Greek partner has the knowledge of the local conditions and of the peculiarities of the domestic market, both for products and for production factors. The use of foreign personnel in the higher positions of the technical and administrative staff, and their payment in foreign exchange transferable abroad are permitted, under the condition that the enterprises were founded on the basis of law 2687/1953, or under the condition that residence and work permits were granted. Moreover, certain special accommodations are granted to foreign personnel, apart from their total equilisation with the natives, as to the rights of the employees.

3. CAPITAL AND TECHNOLOGY

In respect to the creation of productive capital, the rapid development has produced special needs and pressure. Gross capital investment, which constituted the 13% of the gross national expenditure during the 1951-53 period, has reached 26% twenty years later. Private investments realised during this period were, of course, based on domestic private savings, but a considerable part was covered by the inflow of capital from abroad. It is estimated that, of the one trillion drachmas which constituted the total net investments made during the 1951-75 period, an 18% was covered by transfers of capital from abroad, and the rest was covered by domestic sources.

Special legal arrangements provide special treatment for the attraction and protection of the foreign capital invested in our country, while its protection has also been secured by the Constitution, so as to be strengthened and absolutely insured.

Special arrangements also provide for the repatriation of foreign capital and profits under the best conditions, both for the country and for the foreign investors. The inflow of foreign capital is not conducted totally in a monetary form, but also in the form of machinery and other equipment. This way part of the transfer of technology in the country, which needs modern production methods and know-how, has been realised.

Greece is a member of the International Union for the Protection of Industrial Property, and offers full legal, administrative and judicial protection, according to the international standards now in force. Inventions are protected with a priority for foreign citizens of the countries-members of the International Union, while the industrially exploitable results of research can obtain special financing, according to a decision of the Currency Committee. Foreign patents listed in Greece receive equal protection with Greek ones, and corresponding protection is rendered to trademarks and packaging rights. Finally, the vacancies which might be presented by the existing legislation concerning industrial protection are covered by the law concerning unfair competition. This law also offers protection to foreigners, under the condition of reciprocity, and among others insures the commercial and industrial secrets.

The protection offered to foreign investors primarily concerns the insurance

of property, the maintenance of a fixed status quo, the re-export of capital, profits and interests and the securing of taxation privileges. The properties of enterprises which either were founded or substantially assisted by foreign capital are exempted from any compulsory expropriation. The afterwards unilateral alteration by the government of conditions agreed upon by an approved administrative act is not permitted, and, in the very few cases where it was proved necessary to be done, due to harmful clauses, it was carried out with a new negotiation and with mutual understanding and agreement.

Experience up to now has shown that the attraction of foreign capital in the form of participation and technical or commercial collaboration with Greek enterprises enriches the Greek industry with new technology and accelerates the specialisation of manpower in modern production techniques.

It is true that the domestic market for capital has not managed to develop at a satisfactory pace, so as to fully meet the developmental needs of the industry. This deficiency was covered to a great extent by the banking and credit system of the country, through which a great part of the financial capital required by economic development was channelled. The result was the noted growth of the banking activity, in the form of both the expansion of Greek banks and the creation of special banking institutions for the financing of investments for industrial development, and the establishment in Greece of branches of foreign banks and the creation of special banking institutions for the financing of investments for industrial development and the establishment in Greece of branches of foreign banks, which, apart from other things, also served our transactions with the foreign countries and investors.

The stock market and the more direct contact of savers with the investing enterprises has still not assumed a developed form, despite the fact that under the present conditions the structure of the banking system and the existing investment institutions cover the needs for financial capital to an adequate extent.

On the other hand, technology and know-how have the greatest relative importance of all production factors for Greek economy. The conditions under which Greek economy moved towards development rendered its dependence on foreign technology inevitable. Past experience has proved that the best way for the realisation of the transfer of technology is collaboration between Greek and foreign enterprises and the common undertaking of investment programmes. Research and development do not occur in Greece at the rate required by economic growth. And this because the expenditures which research activity requires are significant and cannot be made possible by the scale of operation of Greek industrial enterprises. Furthermore, the application of technical methods which have been tested and which have proved efficient abroad are, most of the time, better for Greek enterprises. In the past, the application of these very methods in our country has been successful, thanks to the scientific personnel it has at its disposal, and which has all the required qualifications for the transfer of foreign technological methods to the Greek production system.

Legal protection of foreign patent rights are provided for the transfer of technology and special regulations cover the payment of royalties to the foreign firms. The agreements contracted by local enterprises with foreign patent beneficiaries are accepted and secured by the Greek government. In general, the transfer of technology, either incorporated in the machinery and installations imported or independent and based on the application of

methods by means selected by the Greek firms. In many instances the transfer of technology, the inflow of capital, the investments and the productive and export activity are closely interconnected, thus constituting part of the same process.

4. MECHANICAL EQUIPMENT AND RAW MATERIALS

Industrialisation was based in a large degree on the import of raw materials and equipment. The development of domestic enterprises of industrial equipment, not of course of high technology, was, however, notable. The contribution of domestic raw materials and productive sources was also notable in the overall developmental effort.

The production of electrical energy increased and continues to do so at a fast rate, based, to a great extent on hydroelectric power and domestic lignite production.

The sector of mining also made considerable progress, while a large part of the ore extracted is exported after it has undergone partial or total processing. Despite this fact, much remains to be done for the fuller exploitation of the country's mineral resources, which are of a quite considerable size.

On the other hand, the recent discovery of petroleum and gas opens new horizons and perspectives for the securing of energy sources, after the oil crisis which inevitably struck Greek economy also, and for the further development of the petrochemical industry.

5. THE LOCATION OF INDUSTRY

The fast rate of growth and industrialisation, with the concurrent rise of the other activities, created problems in the geographical placement of the various economic activities in the Greek space. In the beginning, industrial activity was concentrated in the urban centres and the markets for products, especially around the district of the Capital, with a result the demand for special intensive efforts for a balanced regional development. Today special incentives for regional decentralisation are being applied, aimed at the propulsion of industry toward provincial centres, and especially toward the regions where industrial development is deemed most necessary, but also where the cost of land is significantly lower.

Industries were established and developed especially along the Athens-Salonica and the Athens-Patras axes, while their concentration around other poles has begun, especially in industrial areas designated by the government. The incentives provided for this reason include increased depreciation rates, tax exemptions of invested profits, return of interest rates, lower contributions of the employer to the social security agencies etc.

6. THE MARKET FOR PRODUCTS

All the above-mentioned facts are related with production and delineate the existing climate and conditions from this aspect.

However, the picture of the entrepreneurial environment cannot be completed solely from this aspect. The development of Greek economy and particularly of industry was based to a great extent on the formation of the total demand for products both of the domestic market and from abroad, especially during

the last decade. The rate of development achieved assumed the production of goods needed for the formation of the appropriate infrastructure. Thus, along with the branch of construction, the branches of cement industry, steel industry, the production of metal products and of machinery and appliances were developed.

At the same time the improvement in the living conditions and the increase of the per capita income were favourable elements for the further development of traditional branches of consumer goods and the establishment of new manufacturing industries in undeveloped branches. Especially impressive was the development of textiles, clothing and footwear manufactures, household appliances, chemical and pharmaceutical products and plastics. A corresponding development occurred in the sectors of the various services, particularly in tourism, since the geographical location and the climate conditions of the country are especially favourable for this activity.

Concerning the satisfaction of domestic demand for manufacturing products, certain traditional branches of industry today cover the largest part, of the market. The branches of food, drinks, tobacco, textiles, clothing and footwear, wood and furniture, leather, non-mineral products and electric household appliances belong in this category. The further development of these branches will be primarily based on the acceleration of their export.

Considerable margins for development based on domestic demand and the possibility of further substitution of imports exist for the remaining branches, which include primarily the intermediate and certain capital goods. Such a substitution was also noted in the past with respect to finished industrial products. The possibility of strengthening the competitiveness of Greek products will depend on the encouragement of private initiative and on the maintenance of conditions of healthy competition in the market. The perspectives in this direction are quite favourable.

Greek manufacturing products are becoming known and favourably received abroad. Foreign demand was especially strong, as can be seen from the data mentioned in the beginning. The improvement of quality and their production in accordance to international standards played an important role in this.

The full incorporation of Greece in the European Economic Community anticipated in the near future, according to all the evidence existing today, will definitely favour the effort for further industrialisation. Of course, it is recognised by all that Greek economy in its totality and, more specifically, manufacturing industry, will have to undergo certain essential adjustments: organisation, institutional etc. However, our experience since the Association Agreement of 1962 until today justifies every optimistic forecast. In the fourteen years which have passed since the Association:

- The country's GNP has increased by 126%, as against 62% of the Community of the Nine.
- Exports increased at a rate double that of the Community and their composition changed radically.
- Our trade with the Community developed copiously, so that today the Community absorbs half of our exported food and drinks (as against 32% in 1962) and more than 1/3 of our industrial exports (as against 14.5% in 1962).

But also apart from Europe, Greek products have achieved a notable penetration of other regions of the world. The expansion of our foreign markets is also within the general framework of our developmental effort. Greece has signed various bilateral or multilateral agreements with other countries. The most important of these concern trade, taxation, economic collaboration and transportation.

The development of our trade with countries of the Middle and Near East, Africa and Eastern Europe has been especially worth mentioning lately. However, in this instance the geographical position of Greece as compared to the petroleum-producing countries of the Middle East, with the great concentration of wealth created in these countries by the new prices of oil and consequently with their extremely rapid rate of development constitutes a factor of decisive importance. Greece exports primarily pharmaceutical, chemical and textile products, machinery and accessories, electrical appliances, cables and iron pipes, transport equipment, cigarettes, foods, leather and wood products to the Middle East and African countries.

On the other hand, leather goods, plastics, cotton goods, minerals, cables, tobacco and wood products are primarily exported to the Eastern European countries.

The outlook for acceleration of these tendencies in this direction is with no doubt good. The traditionally excellent relations of Greece with the countries of the Middle East and Africa and the re-opening of the Suez Canal constitute two basic factors supporting the favourable forecasts.

It is apparent that the problem is not so much a matter of markets, as it is a matter of development of industrial units and industrial production.

In conclusion, I would like to emphasise again that the general climate within which Greek industrialisation is asked today to continue its developmental role is indubitably especially favourable. The internal political stability, the international economic relations of the country, its geographical location, the infrastructure of an adequate manpower, the anticipation of our incorporation in the European Community and the expected recovery of the international economy, formulate, in our opinion, a very favourable environment and a very suitable framework for a steady and uninterrupted industrialisation in this country.

Athens Hilton - Greece

THE ROLE OF THE BANKS IN THE COUNTRY

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Any discussion of the role of the banking system in financial and economic development has to take account of the institutional framework that prevails in the particular case considered. General principles are not necessarily applicable in all cases although they are extremely useful in defining the limits of each particular type of institution.

The chief characteristic of the Greek financial system is the extremely pronounced predominance of commercial banks. The capital market plays a less than marginal role in the supply of finance of development or risk capital. The stock market is relatively thin and the spread of stock ownership with few exceptions is not sufficient to sustain conditions under which the investor could be assured that he could liquidate his holding at any time at an equitable price. There is no money or over the counter market and no commercial paper market which can provide alternative instruments for the placement of the liquid holdings of the public. Recent issue of negotiable instruments but this market is bound to take time to develop.

The dominant position of the commercial banks in the financial system is sufficiently indicated by the fact that they handle nearly 3/4 of total private deposits which constitute the almost unique source of supply of loanable funds outside the Central Bank and about 2/3 of total deposits in the country. Furthermore it has been expanding very rapidly with an average deposit growth rate of over 20% per annum over the past fifteen years.

The commercial banks in these conditions are the chief recipients of the liquid savings of the public. They enjoy something close to a monopoly of financial intermediation, a monopoly mitigated first by the central bank and the control that it exercises over the resources of institutional savers, such as social security funds, and the Post Office Savings Bank which is the major competitor of the Commercial Banks for the savings of the public and second by the specialised credit institutions which have been established and operate with government support in order to cover either the credit requirements of specific sectors such as the Agricultural Bank or the National Mortgage Bank or the longer term finance for investment which the commercial banks are not able to provide. In these circumstances the commercial banks have to assume a global role considerably beyond what academic orthodoxy would indicate.

Thus, the commercial banks are called upon (a) to meet the short-term financial requirements of the private sector outside agriculture, (b) to

provide the bulk of the medium to long term financial support required by the private sector for investment and (c) to supply the major proportion of the borrowing requirements of the government particularly for the finance of the public investment programme.

In a developing economy the financial dominance of the commercial banks and the global nature of their activity do not necessarily constitute a drawback. On the contrary they present certain advantages. In the first phase the monetary authorities are thus in a position better to exercise the proper control over the volume and overall distribution of credit that the maintainances of monetary stability and development priorities require without undue speculative disturbances.

In the second phase, and this is not immediately obvious but perhaps more directly relevant to our subject, the fact that the commercial banks are the major suppliers both of short-term finance allows them to play a crucial role in promoting and maintaining a healthy capital structure in the private sector which is an essential factor of stability in a rapidly growing economy and a fundamental prerequisite for the future development of a healthy capital market. The next step in this development is the establishment and provision of the financial support required to specialised institutions which should in due course assume the burden of merchant and investment banking operations in parallel with the proper development of the capital market. This is a process of institutional change which has already started with satisfactory results, through increasingly significant activity of the investment banks established by the two major commercial banking groups and the Hellenic Industrial Development Bank. It is important that it should be continued both in the direction of the development of the operations of the existing investment banks as well as through initiatives such as the newly established investment company, with an important capital endowment supplied by the four major investment banks in the country, the purpose of which is to support and to provide risk capital for major business ventures.

A number of major initiatives in the industrial field had already in the past been undertaken directly by the commercial banks and this has been a significant contribution of the banking system to industrial development. Commercial banks, however, by their nature are not appropriate institutions for the assumption of the entrepreneurial risks that such initiatives on a large scale imply. In the particular case of Greece in which there is an extremely high degree of concentration of the banking system (close to 85% of total commercial banking operations are carried out by the two biggest banking groups of which the largest one alone accounts for nearly 60% of the total) the expansion of the role of commercial banks in promoting new business ventures on the scale required by a growing economy would imply the assumption of risks to a degree that is not permissible from the point of view of the stability of the credit system. The role of the Banks therefore in this direction is likely to diminish in favour of specialised institutions such as the existing private investment banks, the Hellenic Industrial and Mining Investment Company or the state supported institutions such as the Hellenic Industrial Development Bank which can better act as risk capital suppliers, underwriters or intermediaries between entrepreneurs and the public in raising risk capital and arranging the financing of major industrial investment projects. Secondary refinancing mechanisms required with direct access to appropriate financial resources from the public. Such mechanisms are in the process of being developed.

Another particularly important aspect of the banks role in support of the

development of investment and entrepreneurship in the Greek economy is their unique position as a link between the Greek business community and the world financial and trading markets. As an example I would like to mention the crucial and decisive role that they have played in supporting the expansion of activity of Greek contracting firms in the Middle East and Africa. This has been a particularly important recent development which has already had multiple direct and indirect beneficial effects on the Greek economy but more importantly opens the way for much wider possibilities in the future. Furthermore, the development of the private sector in Greek economy over the coming years in the light of the prospects outlined by the Minister of Co-ordination and Planning will require substantial access on the part of the Greek business community to appropriate sources of finance as well as substantial direct investment in technologically advanced fields. Given the knowledge of Greek conditions and the Greek business community, their financial strength and their international relations, the banks are in an exceptionally favourable position to become the channel of communication and the intermediaries between Greek businessmen and investors and the rest of the world to become in fact the moving agents in the promotion of a flow of investment beneficial to the foreign investor, their Greek partners and the Greek economy. The accession of Greece to the European Community opens very wide possibilities for such activities in parallel with the expansion of business opportunities. It is in this field that the international banks established in Greece can play a crucial role and provide an addition of major significance to the resources of entrepreneurship which the Greek business community and the Greek banking system can mobilise. It is the policy of the Government and of the Central Bank to support and encourage this type of activity which should increase considerably in scale and importance over the next few years. No less significant than the financial resources themselves are the advice and assistance that the banks can provide to the business community in establishing the proper international links, in obtaining information, in finding the proper technical advice and support across the frontiers in this increasingly interdependent world.

The banking system in Greece is a highly dynamic one. It has been growing over the past fifteen years at a considerably faster rate than its Western European counterparts. The presence of a significant number of major international banks has also endowed it with a new international dimension. These developments have enhanced its flexibility as well as its ability to handle wholesale banking operations and to participate in the activity of the international financial community. The prospects are that it will continue to expand in the international field and to diversify its operations. It has now to provide the necessary impetus under the guidance and with the support of the monetary authorities to the developing parallel financial institutions such as an active money market and a healthy capital market in the wider acceptance of the term. It will thus further enhance its flexibility and strength as well as its contribution to the modernisation, growth and progress of the Greek economy in the wider European framework.

Athens Hilton - Greece

GREECE AND THE EUROPEAN COMMUNITY

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The argument in this article is based on three main considerations which, in the writer's view, are not adequately taken into account in discussions on Greece's proposed accession to the European Community. The first point is that Greece already is and has been for more than 13 years an associate member of the EEC. In accordance with the Agreement of Association of 1962, import duties are already completely eliminated on about two-thirds of Greek industrial imports from the Community and for the remainder they are reduced to about half their 1962 level. By 1984 all trade impediments between Greece and the Community should be removed and their policies in agriculture and other key sectors harmonised. By the same year Greece will have also fully adopted the Common External Tariff. A declared objective of her association is full membership and there is a contractual obligation of the Community (under Article 2 of the Association) to provide financial resources designed to facilitate the accelerated development of Greece with a view to implementing the objectives of the Association. The second consideration is that the effects of the association have, on the whole, been positive, although considerably weaker than those expected or necessary for a deeper transformation of the Greek economy. Despite the extensive disorganisation caused by dictatorial rule during the seven years following the coup d'état of April 1967, the Greek economy appears to have shown considerable capacity of adjustment to a unified European economy. The third consideration refers to the generally accepted political implications of the Community's activities and policies. There are strong general influences associated with common action in agriculture, regional development, the management of demand and exchange rates, problems of energy and trade with third countries and with a joint approach to the re-organisation of the international monetary and trading system. There are significant political aspects in support of Greece's full membership, which are of importance to both Greece and the Community.

Greece's relationship with the Community has been longer and even now is in certain respects more advanced compared to that of the United Kingdom, Denmark and Ireland. Full membership given a reasonable transitional period, as provided in the Treaties for the United Kingdom, Denmark and Ireland, would accelerate by two or three years Greece's integration, due to be completed by 1984, according to the Agreement of Association.

The argument put forward in this article is briefly the following. Greece and the European Community are committed by an Agreement of Association to a relationship leading to the full integration of the Greek economy in the emerging unified European economy. Greece's integral participation in the

institutions and procedures of the Community is a necessary consequence of the advanced stage of her association. Regulations concerning detailed aspects of the customs and economic union with the Community increasingly require Greece's active presence in the decision-making process. Had it not been for the existence of the dictatorship, Greece would have applied to join the EEC in the early 1970s and probably become a full member at the time of the first enlargement of the Community. The proposed accession reflects the will of the great majority of the Greek people to confirm, deepen and strengthen their relationship with the Community. The Greek initiative for accession is an expression of the belief in the necessity of a European entity designed to protect the particular character and legitimate aspirations of the European peoples. This attitude reaffirms Greek confidence in European integration despite some recent difficulties or delays in developments within the Community and irrespective of the rate of advance towards a European Union. The opinion is widely held in Greece that the European Community, especially with progress towards political union, would lead to a new type of strengthened and advanced democratic society and would reinforce peace, justice and progress in Europe and throughout the world.

The Commission's "Opinion"

The problems usually mentioned in connection with Greece's accession to the Community could be brought under three main headings. First, the strains or difficulties due to the structural weaknesses of the Greek economy. The financial assistance to be required is stressed in conjunction with the corresponding drain on the Community's resources. The amounts to be drawn by Greece from the Agricultural and Regional Funds, in particular, have been emphasised on various occasions. Second, the institutional re-arrangements following the accession of Greece as a tenth member. Third, the political implications, with open or disguised references to "the differences" between Greece and Turkey and to Greece's relations with Nato. Some (but not all) of these arguments were reflected in the "Opinion" of the EEC Commission submitted at the end of last January to the Council of Ministers. There was a strong reaction from Greece to some of the contents of this document. First, any reference to the so-called "differences" between Greece and Turkey is hardly acceptable to the Greek people. Second, the proposal for a preparatory phase designed to strengthen the Greek economy in anticipation of the strains to be caused by full membership was strongly rejected, on account of the delay which this preparatory phase would inevitably cause to Greece's accession and participation in the decision-making institutions and procedures of the Community. The proposal also constituted a significant deviation from the practice applied for the three new members which joined the Community on 1st January 1973: a transitional period beginning with the coming into force of the treaties of accession was already granted to meet special problems of the new members. The EEC Council of Foreign Ministers on 9th February noted the Commission's Opinion and decided to proceed to negotiations for Greece's accession in accordance with Article 237 of the Treaty of Rome and according to the practice applied for the first enlargement of the Community. It was recalled on that occasion that about three and a half years were required after the submission of the Commission's Opinion for the negotiation, signature and ratification of the Treaties of Accession, before they came into force. A similar period was probably thought to be necessary in the case of Greece. However, in view of the fact that the preceding Treaties of Accession were negotiated with four countries, one of which, the United Kingdom, presented especially complex problems on account of the size and weight of its economy and of its vast network of relations with Commonwealth countries, a consider-

ably shorter period should be sufficient for a similar procedure with a single relatively small country, already in association with the Community for over 13 years.

The Greek people and their leaders attach considerable importance to Greece's participation in the election by direct vote of a European Parliament in 1978, following last December's decision of the European Council of Heads of State and Government and in accordance with recent proposals by the Belgian Prime Minister, Mr Tindemans, for the organisation of a European Union. This implies that Greece's accession should come into force on 1st January 1978.

Economic considerations and perspectives

Previous experience indicates that the adjustment of the Greek economy to the Community could be realised under certain arrangements without serious disturbances.

Despite the irresponsible management of the economy by the Colonels' regime and the suspension of basic provisions of Greece's Agreement of Association with the Community the following developments in the first 15 years are indicative:

- (i) Per capita gross national product (GNP) of Greece increased within 12 years from about 35 per cent to almost 50 per cent of per capita gross national product of the Community of Nine;
- (ii) The share of Greek exports to the Community of the Six rose from 33.5 per cent in the early 1960s to about 40 per cent in recent years. This increase is related to a corresponding ninefold rise of the share of exports of manufactured products from about 5 per cent to about 45 per cent;
- (iii) The average annual rate of growth of gross productivity per employed person in the urban sector is markedly higher than in any one of the Nine countries; the growth rate of productivity in manufacturing is 1.5 to 2.5 times the growth rate in any one of the present member countries.

As measured by the usual indicators, the relationship between the Greek economy and the Community is not greatly different from that of Italy at the coming into force of the Treaty of Rome in the late 1950s, or from that of Ireland in 1972. Per capita GNP in Greece is more than 90 per cent the corresponding level for Ireland and the structure of their economies is not dissimilar.

An increased general effort for the adjustment of the Greek economy, associated with progress in economic development and modernisation, is certainly required, but this was already envisaged in the framework of Greece's far-reaching association, a declared objective of which was her full membership in the Community. The Commission's Opinion does not indicate any 'specific' difficulty or problem. In agriculture, the level of Community protection in conjunction with the general objectives stated in Article 39 of the Treaty of Rome for improvements in productivity, marketing and real incomes would strengthen the effort, which is generally necessary and which is already applied for structural adjustments in agriculture and for the expansion of production and exports of certain products with rising demand in European markets. It should be noted that Greek production and Greek exports to the Community of Nine of what are usually considered 'sensitive' agricultural

products represent only small fractions, correspondingly, of the Community's production or imports from non-member countries. This is also reflected in the finding, mentioned in the Commission's Opinion, that for most of these products the degree of the Community's self-sufficiency is very moderately increased. The production of wine in Greece is 3.5 per cent of the production in the Community, and Greek exports of wine to the Nine do not exceed 22 per cent of their imports from non-member countries. The production of olive oil is about half the production of the Nine but exports from Greece do not exceed 9 per cent of imports of the Nine from non-member countries.

Small or medium-size firms in Greek secondary and tertiary activities need of course extensive re-organisation and modernisation. In the last 15 years many small enterprises have shown a considerable ability for organisational adjustment and expansion. They constitute a reservoir of manpower, drive and initiative. Progress towards economic integration does not necessarily signify, as proved by experience between the Six, the elimination or drastic reduction in the number of relatively small firms. A strong case could be made in support of policies and action to sustain small enterprises adjusted to modern techniques and marketing methods, as a means towards securing a more competitive market throughout the Community.

Greek economic development should take the form of determined action in regional development, on the lines and basic arrangements provided for the Italian South and Ireland. A comprehensive regional development policy of the Community should not necessarily rely on rapidly rising transfers not of a fast growing Regional Fund. A well co-ordinated system of strong inducements could effectively promote decentralisation and regional development within the Community in the interest of all member countries. Such a policy will be required to correct the tendencies towards uneven expansion and widening discrepancies which have probably been an importance cause of inflation in recent years. A more balanced development throughout Europe would result in significant gains for the economically strong members of the Community, thereby increasing their budgetary and foreign exchange resources and consequently their capacity to contribute to the Regional Fund. Member countries already enjoying transfers from the Regional Fund should see in Greece's full membership a partner generally supporting the importance of an effective European regional policy. Countries contributing to the Regional Fund are certainly aware of the existing obligations and the importance of financial assistance to Greece under the Agreement of Association. These would be met by the existing institutions in the case of Greece's accession. The burden on the Community funds would in any case be relatively modest given that Greek agricultural output does not exceed 5 per cent of that of the Community as a whole, and that Greek gross domestic product corresponds to about 1.5 per cent of that of the Nine. A European regional development policy including the operation of the Regional Fund should be associated with policies designed to bring all members of the Community in step with the requirements of a European monetary union. Such arrangements are necessary in order to minimise the adverse effects of possible widening discrepancies, resulting from more rapid advances of certain countries towards monetary integration, as recently suggested in the Belgian Prime Minister's report on a European Union.

There are strong indications that Greek economic growth could be complementary to that of the Community, especially if a new pattern of development is sought in a period of renewed economic expansion. Considerations of social cost and efficiency, associated with increasing concentration of production in the industrial centres, point to the necessity of drastic action for industrial

decentralisation in Europe. The Greek people and their leaders are anxious to secure rapidly increasing employment opportunities within Greece, with drastic reduction and elimination of the reliance on mass emigration. A new pattern of development based on a new conception of a European division of labour would require Greece as an essential partner. These prospects, of economic and more general significance to Europe, should be associated with the establishment and expansion in Greece of industrial activities applying intermediate technologies, as distinct from highly advanced methods of production on which the Northern and Western European countries would eventually increasingly concentrate.

There are prospects of strength in the Greek economy. Control over hyper-inflation caused by the irresponsible management of the economy by the dictatorship having been achieved, the actual pressures on the Greek balance of payments are now almost entirely due to the rise in the oil bill, increased expenditures for defence and higher transfers for the payment of loans largely transacted during the seven years of dictatorial rule. The expectation of growth and strength of the Greek economy is well founded on the availability of a manpower adaptable to modern organisation and techniques, as well as on Greek sources of energy. Surface lignite deposits are abundant and there are positive indications of Greek oil deposits on the mainland and offshore in the immediate proximity of continental Greece.

Institutional re-arrangements

Greece's full membership would not present new institutional problems, since a 10-member Community was already envisaged with Norway's accession. There is complementarity and therefore affinity of interests between the Northern and Western industrial countries of Europe and Greece at her present intermediate stage of development. A strengthening rather than a weakening effect on the institutions and policies of the Community should be expected as a result of the Greek accession.

The view that, with Greece's candidature, the possibility of a '13'-members Community including all Southern European countries should be examined is an untimely complication of the problem, which would unavoidably lead to delay. The possibility of accession of the Southern European countries rests on Article 237 of the Treaty of Rome and full membership is already envisaged in the Agreement of Association with Turkey. Although future membership of the countries of the Iberian Peninsula and of Turkey is certainly a positive perspective of general interest to Europe, such a development is hardly imminent. The following distinguishing characteristics of the Greek case are relevant:-

- (i) Greece has been an associate member of the Community for almost 15 years;
- (ii) GNP per head is, according to the World Bank estimates for 1972 (or the OECD figures based on gross domestic product of 1973 market prices) almost four (more than three) times that of Turkey and a little less than double (or 40 per cent higher than) than of Portugal;
- (iii) Recent developments have re-affirmed the attachment of the Greek people to democratic principles and human rights.

On consideration of principle or substance, it is unlikely that accession of other Southern European countries could become an issue in the coming years.

The view is also implicitly or explicitly suggested that full membership of the European Community should be confined to the industrially advanced European countries.

Three points should be made to refute this argument:

First, on legal and political grounds, the exclusion of the non-highly-industrialised European countries would correspond to a serious deviation from the letter and spirit of the Treaty of Rome, which is founded on the principle that all peoples of Europe are invited to join the Community, on an equal institutional basis, in a process of socially and regionally balanced growth. At any rate, present members are not all of the same degree of industrial or economic development.

Second, a fuller entity comprising all Southern European countries would open the way to a new pattern of development, different from that based on large-scale emigration and major urban concentrations in Western and Northern Europe. Such a new pattern of development would be necessary for more than one reason and of interest to all European countries.

Third, on geopolitical considerations, without an entity comprising all European peoples, a serious division will inevitably result forcing the Southern European countries to other methods and associations for their economic and social development. This would gravely weaken the position and influence of the whole of Europe in world affairs, especially in the geographical areas bordering on Europe in the South.

The opinion is widely held in Greece that the institutions of the European Community should be strengthened with reinforced democratic controls and with the adoption of new procedures of decision-making, reflecting more adequately the fundamental interests of the participating peoples. The following brief comments on the Tindemans Report are indicative of the Greek approach towards a European Union. Great emphasis is given to the application of democratic principles by all member countries and to the respect of basic rules of law as well as of the resolutions of international organisations. The view that integration could be pursued, if necessary, at two levels in certain directions, as for example with regard to monetary union, is answered by three main considerations. The first is that no discrimination or different treatment is conceivable in the institutions or procedures of the European Union. The second is that a common monetary policy should be designed and applied by a reinforced Fund of Monetary Co-operation, which would take fully into account the particular monetary and credit conditions in member countries; with due regard to these conditions, processes should be devised leading gradually to an overall monetary and credit integration. The third is that more rapid advances in certain directions should be counterbalanced by powerful mechanisms of regional development, designed to extend and strengthen integration throughout the European Union. A Community approach should be dominant in all directives and policy decisions concerning the effort towards a monetary union.

Finally the arguments for a wider European Community with weaker institutions on the pattern of the United Nations are rejected by Greece as inconsistent with the scope and objectives of European unification.

Political Aspects

The vision of a united and strong Europe guaranteeing the respect of human

rights and political liberties and the independence of European peoples, as well as their presence in world affairs, was an important factor in maintaining high the hopes and the determination of the Greek people in their opposition against the dictatorship of the Colonels. The conception and existence of the European Community, as well as the vital interests of all European peoples, depend on the condemnation and immediate cessation of all acts or threats of aggression. Greece is willing to promote and deepen a constructive co-operation but refuses and denounces all manifestations of expansionism of any origin and insists on the application of the rules of law and of the decisions of international organisations. These considerations underline the political character attached by Greece to the formation of a European Union. The view that the European Community 'should urge upon Greece and Turkey the need for them to reach just and lasting solutions to their differences' is deemed unacceptable by Greece: the issue of the so-called 'differences' is alien to the process of accession according to the Treaty of Rome and the practice applied hitherto. But considerations of substance hardly justify such a reference.

On Cyprus, as well as on the claims to the Aegean continental shelf, which are insistently advanced by Turkey without any legal foundation, Greece has proved her attachment to the principles and procedures of law and to the resolutions of the United Nations. It should be recalled that, in regard to Cyprus, all points essential for 'a just and lasting solution' were specifically indicated in the November 1974 UN resolution which was almost unanimously adopted in the Assembly and voted by the Nine. On Greece's relationship with Nato, the following two points should be remembered: first, the attitude of this organisation and its representatives during the dictatorship caused profound disappointment to the Greek people, who deemed it inconsistent with the principles of the Alliance. In addition, Nato's attitude during the successive aggressions of one of its members against a small and unprotected country - whose strong national links with Greece, another member country, were well known - inevitably led to the disengagement of the Greek forces from the integrated military command of Nato. These events are not of interest to Greece only - they are of general importance to the defence of all European peoples.

Greece's proposed accession to the Community is no reflection of her attitude towards the United States, nor of her relationship with Nato. Any attempt to identify or link Nato with the Community would deeply affect the latter's character and scope. Moreover, France withdrew from Nato's military organisation and Ireland has never been a member of Nato. And after Turkey's invasion of Cyprus and her claims against Greece, Nato proved that it was inadequate to cover Greece's defence problem.

On the other hand, the presumed dilemma between enlargement towards Mediterranean Europe and the aim of a political European Union does not stand up to serious examination. It either implies intrinsic qualitative differences between European countries, which are unthinkable as a serious proposition, or it refers to regional disparities and associated problems. Such disparities and problems already exist not only within the Community, but also within individual countries, whose political unity was never allowed to be questioned on this score. Neither could the argument be seriously advanced that the non-existence of land frontiers with Greece could be an obstacle. Similar considerations have evidently been overcome in the cases of island European countries, which are now members of the Community.

Greece's full membership would reaffirm the policies to associate and probably ultimately include all European Mediterranean countries in an integrated and balanced European entity. It has been officially stated that Greece would support progress in Turkey's relationship with the EEC leading to her eventual accession to the Community. Such advance could contribute to equitable, reasonable and orderly relations between Greece, Turkey and Cyprus in the interests of all European Mediterranean countries.

Greece's accession is essential for, and will significantly contribute to, the building of a constructive relationship of the Community with the countries of South-East Europe and the Eastern Mediterranean. This task acquires particular significance in the framework of a policy aimed at a wider and deeper intercourse with the East European countries and with the Arab and African worlds.

Growth Rates of Per Capita Gross National Product (GNP) and Productivity

	<i>Per Capita GNP 1972 (a)</i>		<i>Average Annual Rate of Increase of Gross Value Added per Employed Person, 1962-72(b)</i>	
	<i>Amount (US \$)</i>	<i>Growth Rates % 1960-72</i>	<i>Urban Sector</i>	<i>Manufacturing</i>
Belgium	3210	4,2	3,9	6,2
Denmark	3670	3,8	1,9	4,9
France	3620	4,7	4,3	4,6
Germany	3390	3,7	4,4	5,2
Ireland	1580	3,5	3,3	3,9
Italy	1960	4,4	4,7	5,6
Luxembourg			1,9	1,5
Netherlands	2840	4,1	4,3	6,0
United Kingdom	2600	2,3	3,1	4,4
Greece	1460	7,2	5,1	9,5
Turkey	370	3,9	1,7	5,8
Portugal	780	5,4	6,0	8,7
Spain	1210	5,8	4,8	7,2

Sources :

- (a) World Bank, ATLAS, Population, Per Capita Product and Growth Rates, 1974;
 (b) Estimates based on OECD National Accounts of OECD countries, 1950-1968, 1962-1973.
 The growth rates of productivity in manufacturing do not differ significantly from those published for most countries in ILO, Yearbook of Labour Statistics, 1970 and 1974.

Athens Hilton - Greece

OPENING ADDRESS

Professor Xenophon Zolotas

Governor
Bank of Greece

It is a great pleasure for me to open this Conference and address a warm welcome to all the participants. It is my duty first of all to congratulate the Financial Times for their initiative in setting up this Conference. It was a particularly happy idea to set up as a subject a case study of a country which has some particular characteristics of wider international interest.

Greece is a country with a rather remarkable economic record. It has succeeded over twenty years in maintaining a rate of growth under conditions of stability and external equilibrium which has allowed her to reduce significantly the gap separating her from the highly industrialised countries of Western Europe. The unwise policies of the dictators and the international developments have broken this trend in 1973 and 1974. But with the success achieved by the democratic government of the country over the past two years in containing inflation and reviving economic activity and growth, Greece is now poised for a renewed phase of expansion and progress.

The country is well ahead on the road towards industrialisation. It is looking forward to its accession to the European Economic Community. It has good prospects for solving in the near future the energy problem out of its own resources. It is strategically placed both geographically and politically to serve as a link between Europe and the emerging world economic power that is constituted by the oil producing countries of the Middle East.

This particular point I think becomes very significant in the light of the integration of the Greek economy into that of Western Europe. The close ties that Greece has maintained for several centuries with Arab countries, the wide and friendly access which Greek engineers, contractors and businessmen have so far had in the Middle East and Africa constitute a very promising base for the development of joint Greek European ventures oriented towards these areas to the benefit of the European economy as a whole. These possibilities are, I believe, of a wider political as well as economic interest.

I hope that you all will find this Conference interesting and constructive and wish you all possible success. Allow me also to express the hope that you will spare some time to enjoy the surroundings.

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THE EFFECT OF A TENTH MEMBER ON THE EUROPEAN COMMUNITY

Mr J.O. Krag

Former Prime Minister of Denmark

Thank you, Mr Chairman, for your very kind words of welcome. I am myself most grateful to have been given the opportunity to participate in this prestigious conference. Not only is a visit to Athens pleasant, and the impressive historical surroundings inspiring, but the possibility of speaking to this Conference about Greece as a potential tenth member of the European Community must give great personal pleasure to someone who has for the last ten years followed the development of Greece and its relations with Western Europe with great interest - with concern and regret at first; with encouragement and satisfaction later. It was not only in Greece that democrats welcomed the demonstration that the fall of a dictatorship does not have to bring confusion and inefficiency, but may clear the way for a truly democratic, parliamentary system.

On this background of a restored democracy the Greek Government has taken the bold decision of applying for full membership of the European Community without awaiting the time foreseen in the Association Agreement for a progressive integration of Greece in the Community (eg 1985). The response of the European Community to the Greek decision has been unanimously favourable - from the Commission, the Council, and the European Parliament as well as from public opinion in Member Countries. The actual integration of Greece into the Community is no simple affair. It is clear to everyone in the Community as well as in Greece that it raises many problems in various fields. The unconditional Greek request and the favourable response it received is therefore clear testimony to the recognition on both sides that Greece belongs to Western Europe and to the political determination of both sides to surmount whatever problems may be involved.

The negotiations are now beginning under very good auspices. As all parties have demonstrated a determination to succeed, we can take up the problems and find mutually acceptable solutions to them. We can speak openly about the problems without fearing unfair accusations of a negative attitude. Starting from this reassurance, I shall try to outline for you this morning some of the problems which the Greek application in my judgment raises to the Community and to Greece. My background is not only that of a politician with some experience in entrance negotiations with the European Community, but that of a staunch supporter of the European construction as well. I do not, however, pretend to have detailed knowledge of economic technicalities.

1. Difficulties of extending the European Community for a Tenth Member

As for the difficulties created for the Community by its extension with a tenth member, various economic problems, of which the implications for the

Common Agricultural Policy are under examination in the Community institutions, and negotiations of substance with Greece can probably start in a few months time. These negotiations will no doubt be difficult and time-consuming, for the agricultural field is very sensitive to the Community, and quite comprehensive and costly reforms of the structure of Greek agriculture will be needed. Nevertheless, the overall political interest is likely to secure a compromise in this area.

A problem of a rather different nature is the effect of an extension upon the general functioning of Community Co-operation and on the speed of further progress towards European integration. There is sometimes said to be a contradiction between the enlargement of the Community and the proper functioning of the Community institutions and its ability to make progress in its own internal development, for instance in the matter of direct elections to the European Parliament, the Economic and Monetary Union, etc.

This is a question of principle and one that must be taken seriously. The functioning of the Community institutions is, in fact, far from satisfactory, and the inability to reach agreement is often frustrating. It would indeed be deplorable if the entry of Greece were to hold back the development of European co-operation. However, I think it would be an oversimplification to assert that the entry of Greece will make the functioning of the Community less dynamic. We have no reason to fear that the Government of Greece and the Greek people will not be willing to co-operate fully in the construction of Europe. Nor - by the way - is it fair to ascribe the present difficulties in European Co-operation to the fact that the Community has recently been enlarged from six members to nine. Whatever the causes of the present stagnation in Community Co-operation may be, they are to be found inside the Community in its present composition. They are connected with admittedly differing economic interests of member countries and with the political attitude to the Community on the part of governments and populations. The best way to restore and develop confidence in the Community cannot be an inward-looking concentration on institutional matters which have no appeal to the large public. Much rather the Member States should endeavour in common to make the existing institutions go to work on matters of substance. One might recommend taking up new challenges of a certain magnitude, such as sharing in the responsibility for the future of Greece.

Various people have advanced the idea that - as the European Community grows with the entry of not only a tenth but an eleventh, twelfth, and thirteenth member - and coming from a Nordic country I certainly would not exclude a fourteenth member - it may be necessary to distinguish between two groups of members - some with all the rights and obligations of membership - others only partly involved in the integration. Now, it is obvious that the existence of the European Community should not exclude special forms of co-operation between two or more members of the Community. The "Snake" is a prominent example, but mind you, it has some participants outside the EC. Certain practical reforms of a discriminatory nature may also be necessary for the practical functioning of the Co-operation; for instance it is hard to see how the number of official languages can be increased, (I think a reduction would be a better idea). Having conceded these points, however, I must emphasise that I would find a formalised "two-speed Europe" disastrous for the cohesion of the Community and probably for its efficiency in relation to the rest of the world. I am happy to say that this idea has not found much support in relevant circles, and there is no danger that the entry of Greece

could be successfully exploited as a pretext for advocating a "two-speed Europe".

2. The Problems that Greece is likely to Encounter

I have spoken about some aspects of Greek entry to the Community viewed from inside the Community. Turning now to the problems that EC membership is likely to present to Greece, I shall again leave it to others to examine the details of the problems that the Greek economy is likely to encounter. The Greek industry will have to face competition within the Community - deprived of the possibilities of protection now existing. These problems do as far as I understand justify my calling the Greek application a bold decision. It will be the task of the negotiators to find such modalities for Greek entry to the EC that an adequate adaptation will be possible. The question of timing is, of course, crucial.

I would like to point to another problem, which has been felt especially by the smaller new member countries: In order to participate fully in the activities of the Community and draw the full advantages from membership, a considerable administrative effort is required. This was a problem both in Denmark and in Ireland, where many Government Agencies had to be staffed up, with the necessary financial consequences - and, I dare say, with the political controversies which are inevitable in countries where the taxpayers are very vigilant about the way their money is spent - and I think that is the attitude of taxpayers all over the world.

The strain on administrative resources was felt not only in economic agencies. Participation in the political co-operation among the Nine is a considerable burden on the foreign service of a small country. The European Political Co-operation has no international institutions, not even a technical secretariat. The meetings - between ministers and officials in numerous committees and experts groups as well as between diplomatic missions all over the world - are organised by the country in charge of the Presidency, which rotates among member countries every six months. The European Political Co-operation is one of the great attractions of EC membership. It gives Member Countries a very useful extra instrument for their foreign policy. The cost, however, is more active involvement in many affairs by which a small country might not have been concerned on its own.

3. The General Effect of Greek Membership on the EC

I have mentioned some problems which the entry of Greece to the European Community is likely to create either in the Community or in Greece. Some of these problems must be solved in the course of the coming negotiations; others will have to be faced when the membership of Greece comes into effect. I deliberately say when because all parties are determined that the difficulties must be overcome. Greece has liberated herself from dictatorship and chosen to tie her fortune to that of the democratic countries of Western Europe. These countries will, of course, live up to their statement of a few years ago, in the Document on European Identity, that the European Construction is open to other European nations who share the ideals and objectives of the Nine. Recognition and support to Greek democracy is for Europe a way of showing solidarity and responsibility. The value of such an attitude is not measured in units of account.

In the activities of the European Community and the European Political Co-operation, the Greek contribution will be valuable. By virtue of its

geographic situation and traditional ties to many parts of the world, Greece will no doubt be able to enrich the internal consultations of the Nine and their relations with the rest of the world. This Greek contribution will perhaps be particularly valuable in relation to the Arab countries, with whom the Nine have already started a very promising dialogue.

To conclude my statement I should like to make a few remarks about Cyprus.

As you know, the Nine have been working with the Cyprus problem in the framework of the European Political Co-operation since the outbreak of the crisis in the summer of 1974. On geographical grounds and especially because all the three countries involved in the dispute are associated with the European Community, the Nine feel entitled to a role in the efforts to find a solution to the dispute. The activity of the Nine has developed from occasional and generally uniform demarches to the parties, urging them in general terms to show moderation and seek a solution through negotiations, to what is now a continuous diplomatic dialogue between the parties and the Nine, represented by their Presidency, by which the Nine are trying to persuade the parties to co-operate with the Secretary-General of the United Nations on negotiations of substance between the two communities in Cyprus. So far, there has been a depressing lack of progress in the negotiations under the aegis of Dr Waldheim, but it is possible that the constant attention of the Nine has been helpful, and in any case it is conceivable that they may be able to make a useful contribution in the future. It is therefore in the interest of all parties that the EC-countries should be able to continue to play a role in the Cyprus affair.

The principal condition for the efficiency of a continued effort of the Nine in this matter is the maintenance of an impartiality which is credible to Greece, to Turkey, and to both communities of Cyprus. In the final analysis, it must be in the interest of Greece that the European Community may continue to be regarded - also by the Turkish side - as impartial in relation to the Cyprus conflict. This may require some sort of arrangement between Turkey and the European Political Co-operation when Greece joins the Community.

But first of all, the Cyprus problem - like the other problems connected with the extension of the European Community by its tenth member - requires an energetic effort in the time between now and the date of Greek entry. It is a problem which Greece and the Community are equally interested to solve. It is not an obstacle.

To summarise my remarks, let me say that Greece and the European Community are now facing a difficult and perhaps long process of negotiation. There will be many problems on the way, and controversies can hardly be avoided, for the matter has very considerable financial implications for the present members of the Community. But there is no doubt that the negotiations will take place under the imperative of a political determination to succeed. I am, therefore, convinced that the difficulties will be overcome, and we shall be able to welcome Greece as the tenth member of the European Community.

Athens Hilton - Greece

GREEK OIL

Mr George Spentsa

Financial Counsellor to the Prime Minister

1. Historical Note

The history of the country you have been given the opportunity to visit and which is receiving you today with traditional warmth and esteem, is a long one.

The subject I shall be dealing with in this brief talk is one of the most vital subjects in the present phase of international economic relations and it has its own history in our country.

Therefore, before I come to specifics, I feel I should say something about this history.

The presence of oil has been known since ancient times in Greece. Herodotus refers to the pitch wells at Keria on the island of Zante where the tar was used to cover the hulls of wooden vessels. In this region and at various times in recent years, several shallow drillings were made but with no result.

In pre-war years, a Greek from Louisiana named William Helis, returned to his native village in the Peloponnese and in areas on the mainland opposite the island of Zante, and - with government permission - made a few systematic efforts to discover oil with medium-depth drillings. These did not produce positive results because he met with thick strata of salts and did not have sufficient funds to continue his explorations.

2. The Post-War Period.

In the post-war period, for the first time in 1959 and under a Karamanlis government, a law was passed in relation to hydro-carbons covering "research, exploration and exploitation of hydro-carbons in liquid and gaseous form" and for the first time a more systematic effort was made to discover oil, particularly in regions of Western Greece.

The Ministry of Industry, through the Institute of Geological Research and with the cooperation of the French Institut des Petroles, plus the participation of large oil companies such as BP, Esso, etc., undertook extensive research. This research gave rise to indications that there was oil in Western Greece from the southernmost to the northernmost end of the area.

It was not ascertained, however, if there was commercially exploitable oil again because the layers of salts encountered were extremely thick, more than 2,000 metres deep, and none of the test drillings went beyond that point.

These difficulties discouraged the explorations teams because even if oil had been discovered it would not have been commercially exploitable because of the cost of deep drillings of more than 3,000 metres in comparison with the cheap cost of Middle East oil.

3. The Oil Crisis.

The world oil crisis of 1973 resulted in new prices of petroleum products which were not based, of course, on the cost of producing them but on the cost of finding and exploiting new deposits or new, or other sources of energy. The effort to discover new oil deposits under the sea extends throughout the world and large oil companies are taking an interest in areas which up to that time had been considered economically uninteresting. In Greece, this period coincided with the period of the seven-year dictatorship. The government of the colonels granted exploration rights and exploitation rights of any deposits found in Greece to various companies on terms that would have been deemed unacceptable by any parliamentary government.

Most of the concessions were granted in the Ionian Sea and in the Northern Aegean. Some of these companies, after brief and perfunctory research, relinquished their concessions while others continued their exploratory work, each at its own pace. Only one of them found indications of commercially exploitable oil deposits in the offshore area of Thasos.

4. The Present Time. Democracy.

One of the first problems which had to be faced by the first post-dictatorship parliamentary democratic government was the speedy solution to the sore problems that accumulated for seven years, and the rapid confrontation with the situation created internationally by the energy crisis in relation with the programme of economic development.

The Prime Minister, Mr Karamanlis, after many consultations, on-the-spot surveys and visits to the various regions of the country, personally laid down the lines for a new policy aimed at the speedy development of the country's mineral wealth.

He is personally supervising the application of this policy.

The basic line of this new policy is to develop to the greatest degree possible, the country's mineral wealth and also the more intensive and speedier research of the Greek subsoil in order to locate existing raw materials and, of course, oil deposits as well.

In order to apply this policy, three new draft laws were drawn up by the Ministries of Coordination and Industry and were passed by parliament.

5. The New Legislation.

a) NATIONAL ENERGY COUNCIL

With the first law passed in 1975, the National Energy Council was instituted within the Ministry of Coordination as the supreme body in relation to any matter concerning energy.

The presidency of the Council has been entrusted to the internationally-known professor of nuclear technology of the M.I.T., Mr H. Gyftopoulos, who is surrounded by distinguished assistants who derive both from the civil service and from the private sector.

b) INSTITUTE OF GEOLOGICAL AND MINERAL RESEARCH

The second law instituted the Institute of Geological and Mineral Research which has the object of proceeding with the speedy research of the subsoil with modern, scientific methods. The Institute is administered by distinguished scientists also derived from the civil service and the private sector.

c) PUBLIC PETROLEUM CORPORATION

A third law in 1975 instituted the Public Petroleum Corporation. The P.P.C. function as a société anonyme with shares wholly owned by the Greek state. It is supervised by the state through the Minister of Industry. The Board of Directors is composed of a state representative, an industrialist, a mineralogist, a banker and a member of the faculty of a university. The Director-General is Professor K. Zahos, whose long scientific career is closely related to all efforts made to exploit the country's mineral wealth.

The present first stage of operation of the P.P.C. is to execute research with all scientific methods in all probable oil-bearing land areas, to supervise the contractual obligations of the consortia of companies which have been granted exploration and exploitation rights for oil in the Thasos area known up to the present as the OCEANIC contract, to draw up contracts following international competitions with concessionnaires in various parts of the country's continental shelf. At this point I should note that up to the present, the Ministry of Industry has received and passed on to the P.P.C. about fifty applications by companies seeking concessions for research in various regions.

6. Revision of the OCEANIC Consortium.

In parallel with the above, the government has set up a committee under the chairmanship of Professor Zahos to review the terms of the contracts signed during the dictatorship. The first contract to be revised was that between the Greek State and the consortium composed of:-

Oceanic Exploration Co. of Greece
Hellenic Oil Company Inc. (Fluor)
Wintershall Aktiengesellschaft
White Shield Greece Oil Corporation

After lengthy negotiations, the original contract was revised, or rather was actually replaced by a new one which was ratified by Parliament on 1st August 1975. The changes made were basic and substantial. The revision of this contract was necessary and unavoidable. Not only because it had been signed at a time of political anomaly but because the conditions connected with the marketing and sale of oil had in the meantime changed completely as a result of the oil crisis. It must be admitted that during these negotiations, the consortium showed a spirit of understanding and realism and, from the Greek side, an effort was made so that the revised contract would safeguard to the fullest extent possible, the country's interests without overlooking the reasonable interests of the contractors. The fact was taken into account that the consortium was fortunate enough to discover

the first exploitable oil deposit in the country.

The revising committee is continuing negotiations for the revision of the remaining contracts which had been signed during the dictatorship.

7. The Research Programme Under Way.

In the Northern Aegean, between the Evros River and the Chalkidike Peninsula, about twenty-five structures have been located, of which only three have been explored by drilling by Oceanic. In all three, hydrocarbons have been found. In the first of the drillings, east of Thasos, heavy crude has been found. In the second drilling, north-east of Thasos, the well-known Prinos deposit was found with medium-quality oil rated at 28 a.p.i. which, with the recently completed fourth drilling has proved to be interrupted by a break which extends north-westwards because from this point another deposit begins with better quality oil than that of Prinos (37 a.p.i.) the extent of which, however, cannot be ascertained without supplementary drillings.

In five days' time, a fifth drilling will commence to the north of the fourth drilling. Besides this research which is being carried out in the Prinos area, the PPC has drawn up a broad programme which has been approved by the supervisory Minister of Industry and which is being executed in stages. This programme includes:

1) Synthetic work on existing seismic research on various regions of the Aegean continental shelf. Corresponding work is being carried out on the continental shelf of the Ionian Sea where hopes are greater. This work is being carried out by mixed teams of PPC engineers and Institut de Petrole engineers under the supervision of the technical counsellor of the IFP, Mr Moody, who is a distinguished American professor and Chairman of the American Association of Petroleum.

2) Geological mapping of all izematogenic basins in Continental Greece.

3) Geophysical research in the Komotini-Porto Largo area.

This work is being done in cooperation with the Norwegian Company, GECO, and with the IFP.

Next August, the Rumanian ROMPETROL Company will install a drilling rig in the area west of the Nestos river for the execution of two deep drillings. The points where the drillings will be made have been marked after seismic research carried out by the American Rogers Company in cooperation with PPC and IFP experts last autumn and after the results were studied all winter.

7. New Law - A Framework for Hydrocarbons.

The Ministry of Industry, in cooperation with the PPC, is drafting a new law to act as a framework for research and exploitation of hydrocarbons in the Greek State. Legal counsellors of the PPC and the Ministry of Industry engaged in drafting the law, have returned recently from Norway where they appraised themselves of Norwegian legislation in this respect. Also, two months' ago, the Managing Director of the PPC went to the Ministry of Energy in Britain and to the British National Oil Co, to appraise himself of British legislation in this respect. Also, Lord Ballogh, this company's vice-president and a world authority on such matters, has been invited to Greece next month.

The new law provides, among other things, for:

The possibility by the Ministry of Industry or the PPC, to contract for research and exploitation of hydrocarbon deposits within the necessary framework without the need to ratify such a contract by law as was necessary up to now. This will greatly speed up the procedures and will also speed up the execution of research operations. The passing by Parliament of this basic law is expected within the next few weeks.

From what I have briefly explained, I think it is clear that the country's democratic government has faced up to the serious oil problem with system and with despatch. The PPC, on the other hand, as the body that is applying government policy in this respect, always under the supervision of the Minister of Industry, has already clearly defined its targets in the short time it has been in existence.

These targets are to cooperate on scientific, technical and businesswise terms with all countries, provided, of course, the interested parties are prepared to dispose of sufficient capital funds and means for this kind of research and exploitation and can provide sufficient guarantees for the fulfilment of their contractual obligations in the interests of all concerned.

Athens Hilton - Greece

THE GREEK SHIPPING INDUSTRY -
A WORLD PHENOMENON

Mr P G Callimanopulos
General Manager
Hellenic Lines Limited

It is indeed a pleasure for me to be here with you today and to participate in this impressive conference which the London Financial Times has organised in conjunction with the Bank of Greece. I feel particularly honoured to have been selected by the London Financial Times, a newspaper that has unequalled standing in the international business community, to speak to you today about the Greek shipping industry. I would like, in particular, to address myself to the historical development of the Greek Merchant Marine, its contribution to the history and economic life of the country, and to evaluate its present status and the possibilities for the future.

Now as we all know, Greece has been a seafaring country from the very start, and for three basic reasons at the very least. The first has to do with the topography of a country that is so mountainous and rocky that only one-fifth of its surface is arable. Since it was impossible to produce enough food for the population, the necessity arose to seek supplies from abroad. This could only be achieved by venturing out across the sea. This task was facilitated, of course, by the virtual inseparability of the Greek from the sea. No country has so long a coast as Greece. To fish, to swim, to sail is as natural to the Greek as to eat and to breathe. But the possibility of finding new sources of supplies was made particularly easy by Greece's geographical position in the middle of the Mediterranean, between Italy and Asia, the Black Sea ports and Africa.

Now the forms and shapes of ships which excavators have found on pottery and mirrors show us that Greek seafaring began 4000 years before Christ. The first important merchant marine in Greece developed first on the island of Crete. Even at that time, Crete was trading steadily with Sicily and Italy, Egypt and Libya. By 1450 before Christ, Continental Greece had superseded Crete in the extensiveness of its seafaring activity. It is then that trading with Black Sea countries developed, as well as with Southern France and Southern Spain. This was no easy feat. Piracy was rampant in the Mediterranean. Merchant ships, in fact, had bows attached to their hulk to protect themselves against Pirates; they even had men aboard trained in the art of war. Notwithstanding these very real difficulties, seafaring flourished and Greeks made significant contributions to the commercial and cultural development of foreign areas.

By 500 years before Christ, the city of Athens and the port of Piraeus already dominated Greek shipping. Cargoes generally consisted of wine, olive oil and wheat. But from the third century before Christ various kinds of merchandise, what we now call "general cargo", began to be carried.

The conquests of Alexander the Great enlarged the parameters of Greek maritime activities to the East Coast of India, a feat that involved 1300 miles of sea travel, from East Indian ports to contact Persia and thence overland the Northern parts of Greece.

The establishment of the Byzantine Empire witnessed, in fact, the first Maritime Bank in the world. The financing of merchant tonnage by mortgages began to be an accepted phenomenon. Greek merchant vessels have always been run by individuals without any financial help from the government. When the size of the ships and their value increased, two or three persons might pool their resources for a new vessel; one of them was also usually its captain and a merchant in his own right.

Even during the occupation of Greece by Turkey, the activities of the Greek Merchant Marine never stopped. Indeed, on the eve of the Greek revolution against the Ottoman Empire in 1821, Greece had 615 ships operating of 153,580 tons deadweight manned by 37,526 seamen. Converted into a revolutionary naval force after the outbreak of the revolution, this fleet helped disrupt Turkish communications. There was, of course, a substantial number of ships lost during this revolution, which lasted until 1828. With the re-establishment of peace, new shipyards were instituted in a number of islands and ports, and shipbuilding became one of the national industries. Aside from the wealthy Greek merchants, established in neighbouring countries, who invested in Greek shipping, shipbuilding was organised around a co-operative system among captains, seamen, carpenters and lumber merchants pooling their skills and capital, and sharing profits.

Of all the Greek Islands, Syros became the most active in shipbuilding. Between 1834 and 1880, in fact, we know that 5600 ships were registered in Syros, most of which had been built in her shipyards. In this same island, the first steamship company was established in 1857.

The advent of steam navigation, however, brought the activities of the Greek merchant marine to a standstill. Greece was forced to build steamers abroad because it lacked the necessary technical skills. Indeed, it was not until the late 18th century that several steamships were acquired. These steamers were first used for coastal services, and carried mostly passengers and mail. Later, that owning company extended its services to Constantinople and Trieste. As of 1875, however, vessels also began to be purchased and built for the account of Greek merchants. As such ships could not be financed by any bank, several prospective buyers would associate themselves to make up the required capital, and they would have a percentage in the ownership of a vessel correlative to the amount they had each contributed. In the beginning, the main activity of this merchant fleet was to carry grain for Russian ports in the Black Sea, and from Roumanian and Bulgarian ports to the Mediterranean, and later to the United Kingdom and Northern European ports. Returning from England and Northern European ports, such ships usually carried back coal to Mediterranean ports or proceeded to loading ports in the Black Sea in ballast. In a number of ports on the Black Sea and in Constantinople, several merchants of Greek descent were very active in the grain exporting business, had shares in Greek steamers or actually owned them. Indeed by 1900, there were 158 steamers under Greek flag with a total capacity of 231,541 tons gross, about 400,000 tons deadweight.

This tonnage more than doubled within the next fifteen years. When the first World War broke out, in fact, Greece had a fleet of 475 steamers of 893,650 tons gross equal to about 1,350,000 tons deadweight carrying capacity. During

the first World War, shipowners had very substantial profits. Every one of the Allies wanted additional tonnage to fulfil its country's needs. There was, therefore, strong competition among the Allies and it is this competition which brought about a steadily rising freight market. By the same token, however, the need to replace lost tonnage or to build new ships came at a time when the market was very high. When the war ended, 67½ per cent of that tonnage was lost. Only 205 steamers of 290,793 tons gross survived. In the aftermath of the war, however, the world freight market steadily declined. Notwithstanding this situation, the tonnage of the Greek merchant marine kept on increasing. At the declaration of World War Two, the Greek Merchant Marine consisted of 577 vessels of 1,837,315 tons gross. Our fleet was again placed at the disposal of the Allies. And once again, at the end of the war, Greece's fleet was decimated: only 149 vessels of 518,639 tons gross remained, and most of these ships were in very poor condition. As after the First World War, Greek shipowners set again to replace the tonnage lost. Indeed, praise must be given to the shipowners who disregarded the high prices at which second hand tonnage was offered at the end of the war and the high prices for building new tonnage. There was, however, one saving grace in the purchasing of ships. In appreciation for the services that the Greek Merchant Marine had rendered the Allied cause, the United States placed at Greece's disposal 100 liberty ships and six T2 tankers at reasonable prices. These ships were to form the basis for the rebuilding of the Greek Merchant Marine.

No sooner had this rebuilding begun than civil war broke out in Greece. Banks declined to finance ships under Greek flag. As a result, several Greek shipowners were faced with the necessity of registering new tonnage under what has come to be known as "flags of convenience". This is why substantial new tonnage belonging to Greek citizens still continues to fly the flags of Liberia and Panama. In point of fact, the unrelenting activities of Greek shipowners in the last thirty years has brought the total tonnage controlled by Greeks to 48,940,418 tons gross. This is the largest tonnage controlled by the citizens of any country. And it is a particularly impressive phenomenon when one considers that Greece is a country of 8 million people. Second to Greece is Japan with 39,740,000 tons gross; the United Kingdom is third with 33,157,000 and Norway is fourth with 26,154,000.

Beyond the personal qualities of ambition and drive that such figures reveal about a people, we must not forget the equally important fact that the Greek Merchant Marine has always been a valuable element in the defence of the country. This is a tradition which started with the defeat of the Persian fleet in the Gulf of Salamis, which continued with Greece's war of independence against Turkey and which was manifested in Greece's commitment to the Allied cause in two World Wars. Moreover, the Merchant Marine has contributed enormously to Greece's national economy. In 1975, for example, \$835,000,000 were brought into Greece by Greek shipowners in payment for ships' operating expenses, repairs, supplies, seamen's salaries and taxes.

At the same time, we cannot ignore the fact that the situation which shipping faces today is, to say the very least, bleak. For the good freight market which prevailed during 1971-1973, encouraged shipowners all over the world, including Greek shipowners, to place orders with shipbuilders for a very large amount of tonnage, mostly tankers. This new tonnage has come to exceed demand for it. As a result, we have witnessed a very substantial fall in the freight market, to the extent that the rates of freight offered do not even cover the cost of voyages. A large number of tankers, even ones just delivered by shipyards, have had to be laid up at great cost to their

owners, both because of the cost of maintaining such vessels while laid up, and the interest and instalments due on their original financing. Some owners have been able to cancel outstanding orders for tankers. Others have changed the orders into dry cargo vessels. This change of building contracts from tankers to bulk carriers will depress the dry cargo freight market for quite a few years to come, in my opinion. Indeed, I do not anticipate that there will be a substantial improvement in the tanker freight market before the mid-eighties. By that time, the cancellation of new buildings and the scrapping of old ships on the one hand, and the continuing 5 per cent annual increase in oil consumption on the other will create, I believe, a new equilibrium between supply and demand in which shipping can once again prosper.

And yet, in our present state of depression, we must also remember that in its long history of shipping, Greece has passed through similar crises, indeed far worse crises. The lessons of the past can, therefore, help us live through a difficult present and look forward to a brighter future. The spirit of man, Greece has taught us, is ever resourceful and indomitably vital. We will not be vanquished.

FINANCE FOR GREEK SHIPPING - PRESENT
PROBLEMS AND FUTURE OPPORTUNITIES

Mr Thomas C. Shortell

Vice-President
Citibank NA

I am particularly honoured to address this 'Financial Times' Forum on Greece as a long standing resident of this magnificent country and one who has had an association with the Greek shipowners for many years. I am very proud to be included in such a distinguished group of speakers, who are experts in their respective fields. It also gives me a particular pleasure to be on the same panel as my dear friend, Pericles Callimanopoulos, whom I have known for over 20 years and whom I consider an outstanding example of the Greek merchant marine success story.

Before attacking the problems inherent in Greek shipfinancing as well as future opportunities, I would like to briefly summarise the evolution of Greek shipfinancing during the 20th century from international sources.

The Story begins with the advent of steamships and the principal source of international financing in the period 1900/14 was the private bankers of Constantinople, the most significant being Sideridis. His wife Theofano's name still adorns the stern of several Greek vessels today. In those days, as you know, financing was on the basis of a partnership between the owner and the banker who took an interest in the vessel and shared in the profits until the loan was repaid. In the case of total loss, the banker received nothing.

After World War I, the centre of International financing for Greek shipowners shifted to London, the main sources being the London banks and shipbrokers. These loans were normally on a demand basis against a mortgage on the vessel and the personal guaranty of the owner. During the shipping crisis of the 1920's and 1930's many owners were severely squeezed by the banks as you may well recall.

During World War II, most of the Greek merchant navy was sunk. After the war, the centre of international shipfinancing for Greek shipowners shifted to New York, initially with the Maritime Administration's long term financing of warbuilt tonnage including the celebrated 100 Liberties and Victory ships, and subsequently the T2 tankers. By 1947, the financial institutions in New York, including the commercial banks and insurance companies, entered the arena of shipfinancing with loans on fixed rates of interest, as many of you may recall with nostalgia, and with terms usually up to 5 years and occasionally 7 years, against the mortgage on the vessel and in practically all cases an assignment of a time charter party which paid out the loan.

I would like to say here that during that period the rate of inflation was under 2% which made such charter discount financing feasible.

By 1953 with the profits made during the Korean War, the owners turned to the shipyards for newbuildings, first in the United States (Todd, Bethlehem, etc) and subsequently to Europe and by 1954 to Japan which over the years developed 50% of the world's shipbuilding capacity. Terms of these credits were determined by the OECD in Paris which fixed the period at 8 years initially, with 80% financing and a minimum rate of interest which, at the outset, was 5% for dollar credits. The security for these loans, as you know, was the mortgage on the vessel and usually bank guarantees for about 30% of the cost. During this period the activity of the commercial banks was limited to financing second-hand vessels and furnishing the bank guarantees to the yards.

The picture changed suddenly in 1970 when the dollar weakened against other major currencies and shipbuilders around the world started to invoice their contracts in Yen, DM, Kroner, etc., which in turn imposed a cross currency burden on the owners.

However, one man's problem became another's opportunity and the international banking system re-entered the arena of financing newbuildings with dollar credits.

The central focus of the market was in Europe through the use of Eurodollar credits with terms tailored to the individual owner, the composition of his fleet, his pattern of employment of the ships, etc. From my own experience the tendency was to move away from strict charter financing because of the inflation of operating expenses, towards fleet financing where the banker, armed with an overview of the entire fleet position, could extend flexible credit tailor-made to the particular owner's needs. Terms here varied as to hull cover and liquidity cover and periods stretched out from the traditional 7 years to sometimes 10 and even beyond for some institutions.

I would like to give you my own view on how I regard a good fleet. The first and foremost factor is the quality of the owner himself and more will be said on this later. By and large we bankers look at two major ratios. One is the leverage of the fleet, which is the ratio of debt as a percent of the market value of the fleet, plus the cash. The second is liquidity, which is the ratio of the net fixed income from contracted employment, plus the cash as a percent of total fleet debt service and unfunded future commitments for newbuildings.

Now I come to the matter of the problems today and I would like to briefly discuss what I consider to be the main reasons for the present crisis.

Market Expectations

As many of you recall, in 1970 the Nixon Administration came up with an energy report that indicated that the U.S. needed to import over 10 million barrels of oil a day mainly from the Middle East and this view was also confirmed by some of the major oil companies.

Vanity of Shipowners

The second cause for the crisis is somewhat indelicate to say but should be said, i.e. the vanity of some owners who ordered vessels because other owners did so. I do not intend to stand in judgement on this point, but

merely wish to make the point.

Overeager Bankers

I must reluctantly admit that the present crisis can also be attributed to some bankers. From the small number of traditional shipfinancing institutions, the number of banks in the Eurodollar market expanded rapidly in the 1972/74 period, including many syndicated bank loans from consortia, etc., some of whose members were not knowledgeable in this industry.

Yard Capacity

During this period the yards themselves nearly doubled their building capacity and some in fact geared up to produce mammoth supertankers of up to 1 million tons deadweight.

Fiscal Incentives

These were also a contributing factor, particularly for the Scandinavian owners, who were encouraged to make new investments to defer paying taxes. The rest of this is history, including the October War with oil prices increasing 400% and consumption dropping by 25%.

This situation brought a number of combinationships plus tanker switch tonnage into the bulk trade which contributed to the bad dry cargo markets in 1975/76.

Surrounding these last two points is the worldwide recession that followed the oil crisis, which we hope is now coming out of its doldrums.

As regards problems, it is not a secret that some banks have problems and I would say that the only real guarantee for a successful shipfinancing programme is to pick good owners, make sure that they invest in good ships, know their operation thoroughly, and to stick with them when the going gets rough, provided the banks are satisfied that the owner is doing his part and that a spirit of good coordination exists at all times.

What then in the eyes of the bankers, constitutes a good owner. He must be honest, capable and experienced. The oldfashioned three Cs credit which are:-

Character - Capacity - Credibility

This is as old as the hills but sometimes forgotten. Naturally, the owner should buy good ships, suitable to the trade he knows and naturally he should have a cash flow adequate for his type of operation which is quite different for tankers and tween deckers. The owner should be prepared to provide the bank with enough information so that the bank can play a constructive role. I have previously mentioned liquidity and leverage and nothing more need be said on this point. An essential complement to the above should be the element of a long standing relationship and not just a deal. A very fundamental point is that good shipfinancing banks build their portfolios on long term relationships with identified owners and not on a series of deals. Now, for the banker. The most important decision that a shipowner can make in his life is the selection of his wife. The second most important decision, is the selection of his banker.

Shipfinancing history has proved to us that a good banker can be an owner's best insurance policy in times of need.

What are the characteristics of a good shipping banker.

First and foremost, he should also have the same qualities as a good shipowner:-

Integrity - Capability and Experience

In other words, he should be the living embodiment of the three Cs. He should have a fundamental commitment to the shipping industry with a highly specialised knowledge and expertise thereof and not handle shipping as a random business segment.

He should provide all the services of a commercial bank in the movement of money and foreign exchange operations as well as other peripheral services to the owner's professional and personal interests. He should have a sufficiently large credit capacity to be able to handle the owner's needs without the owner having to resort to syndicated loans from a large number of banks. Owners do not like to syndicate sensitive information on their operating accounts. I believe that recent history can well illustrate this point. A good banker should also be able to provide good advice to owners who themselves are quite often the sole decision makers in their enterprise and who welcome the opinion of an objective source outside of their own organisation.

A good banker should, as a result of industry specialisation, have the staying power to stick with the owner in times of need, provided he is satisfied that the owner is doing his part to improve any given situation and provided also that a good spirit of cooperation, not confrontation, exists at all times. Lastly, the Banker too should provide the environment for a long standing relationship and this includes a continuity of his personnel who handle the owner's affairs.

Now for the future. What will be the posture of banks towards shipowners and the possibilities of future financing. It is not an over-simplification to say that a good owner and a good shipfinancing banker will always find opportunities even in bad markets, because bad markets are more normal than booms. As an illustration of this point, I would like to show here some of the events that have taken place since 1950.

We know that the industry is volatile because its market place covers 70% of the earth (i.e. the sea), and is therefore affected by macroeconomic and geopolitical factors that are not necessarily foreseeable, including opening and closing of canals, bad and good harvests, imbalance of raw material supply, and demand positions, weather which can affect both grain production and oil consumption, to name a few. The possibilities are almost infinite, and if one were to apply the Murphy's Law which says that "if anything can go wrong it will" no business would be done at all. The task of the banker is to minimise his own and the owner's exposure to these eventualities.

In addition to the foregoing, there are a number of other problems that may evolve in the future, some of which are sensitive but must be taken into account. The first is the role of seamen, who without doubt are the backbone of the merchant marine. In 1907, in the village of Kardamyla in Chios,

there were three steamships, one owned by Livanos, another by Carras, and the third by Xylas.

Today there are over 450 vessels from the same "horio" and many of them are owned by former seamen. The excellent cooperation over the years between the Greek shipowners and the crews has contributed enormously to the success of the Greek merchant marine, which today represents the largest concentration of ethnic ownership in the world. I sincerely hope that this cooperation will continue to exist so that the Greek merchant navy can remain competitive in the future. This is particularly true since unlike other larger countries in Europe (France, UK, Germany), the Greek merchant fleet is not subsidised by its own national seaborne trade and as cross traders the Greek shipowners must retain adequate margins through control of the operating costs to remain competitive in the world shipping market in the future.

It is with great pride that we recognise that this small but highly esteemed country has been able to produce the greatest merchant navy in the world through this remarkable cooperation between owners and crews.

The second point is fiscal policy. It would be most inappropriate for me to suggest anything regarding national tax policy but I should point out that this too has contributed to the pre-eminence of the Greek fleet over the years. We have only to look to Scandinavia for the antithesis. Some highly reputable Scandinavian owners, with many generations in the business, now face critical problems because of the fiscal incentives which encouraged them to renew and expand their fleets as a means of eliminating fleet tax exposure.

Nationalism

This will play a larger role in future as we have already seen with the emergence of the Soviet fleet in cross trading and we will see an ever increasing extent in the lesser developed countries who desire the prestige of national flags. These are naturally matters of concern but I feel that the Greek shipowners will continue to play a dominant role they have because of their thorough efficiency (provided they can keep their expenses under control) and because of their traditional commitment to the industry over many generations.

For new technology we can expect faster and more efficient ships and those that will reduce cargo handling and turn around time. We might also dream a little about the possibility of factory ships that will process cargos during the voyage as we have seen in the whaling days or as is being done today with the automobile assembly ships in the Pacific islands. One day we might even see vessels that will extract the rich mineral resources from the bottom of the sea by means of vacuum systems and process the materials on board. The only problem here is who owns the bottom of the sea.

The Greek shipping story is long and impressive: Citibank's relationship with Greek shipowners dates from 1910 when we financed an owner from Andros to buy a 5,000 dwt scantling ship. Since then we have financed three generations with excellent experience and I expect that we will still be doing so in 2010 and beyond.

Shipping is like the sea, it goes up and it goes down, but it never dies.

Athens Hilton - Greece

THE GREEK SEAMEN - BACKBONE OF THE INDUSTRY

Mr E. Saitis

General Secretary
Pan-Hellenic Seamen's Federation

During recent decades, the merchant fleet of Greece has made a truly spectacular recovery. In World War II, Greek merchant ships sailed the Atlantic and took an active part in carrying the war material needed for the Allied invasion and the liberation of Europe. Most of these ships went down in the course of enemy action. They became the graves of approximately three thousand Greek seamen who found a cruel death in the depths of the Atlantic Ocean.

The reorganisation of the Greek merchant navy began a few years after the liberation of Greece - in 1948 - with the delivery of a hundred Liberties from the U.S.A. Our country has always been known for its unusual power of recovery, for its dogged determination in following an uphill course against all possible odds. In the case of the Greek merchant navy, the uphill course can truly be said to have started from zero as a result of the war; our progress has indeed been amazing and unexpected, proceeding literally by leaps and bounds. How else is one to describe our merchant navy's growth from the 700 ships we had in 1950 to the 4,000 or more we have today?

However, there is nothing metaphysical or unearthly in this capacity of ours for rebirth and recovery.

A group of men, endowed with the most characteristic qualities of our race, have without doubt contributed decisively to the miraculous recovery of our merchant navy: I am referring to the group of Greek seamen whom I have the honour to represent. Without allowing themselves the least respite after the hardship and suffering caused by the war, they remained at their posts and continued to man all the new ships added to our merchant navy thanks to the persistent efforts of the Greek shipowners.

It is a well-known fact that shipping is a highly specialised enterprise, totally different from enterprises conducted on land: the latter can be controlled and directed at all times by the central offices and the men in charge of them, whereas a merchant ship is an independent economic unit which is compelled, by the very nature of its mission, to move incessantly across the world, where it cannot come under the shipowner's immediate control. The success of its mission therefore depends on the ship's crew. If the crew is inadequate or indifferent, any plans for shipping activity laid down on paper by the shipowner, no matter how ingenious or inspired, will never get beyond the stage of planning.

This is precisely where the outstanding qualities of the Greek seamen have

always made themselves manifest. They have proved to be the necessary supplement to our shipowner's abilities and the State's assistance.

Hard-working, conscientious, imbued with our country's great naval tradition, disciplined, yet showing the right kind of initiative whenever the ship-owners' interests required it, our seamen displayed a sturdy sense of realism, combined with understanding, in facing severe odds to ensure first the survival, and then the leadership of Greek shipping among its world competitors. There were not a few instances when these fine men gave up their very lives in the service of this cause. They reduced and limited their own demands so as to keep down the operating cost of Greek shipping, a factor which definitely influenced its development and expansion.

About 125,000 Greek seamen (including 35,000 officers) man the four thousand odd ships of the Greek merchant navy. They are the worthy continuators of their older colleagues, the men who first set the foundations for the growth of Greek shipping; they share the same qualities that are the components of our race's unmistakable seafaring temperament. But these new men possess something more: specialised and up-to-date technical, economical and nautical knowledge that puts them on a par with their colleagues in technologically advanced European countries. The revolutionary developments of technology in recent years have clearly indicated that mental and moral qualities, nautical experience and tradition, no matter how substantial, are insufficient if they are not accompanied by thorough technical and professional training, far more specialised and scientific than anything known in the past.

Greek seamen have responded to the new demands of the age with considerable success. The State has assumed full responsibility for the up-to-date professional training of our seamen, and has established through the past years a whole network of training schools (preparatory, training proper, and post-graduate courses). Most of them were financed by shipowners, while a number of them were started and operated on strictly private initiative. These establishments are to be found in many different parts of Greece and offer courses completely free of charge. To be more specific: the preparatory schools train boys to become members of deck crews on board merchant ships. They are given accelerated courses that cover all sections of the nautical trade. The training schools proper prepare naval cadets to embark on a career as merchant navy officers in the three main capacities of Master, Engineer Officer and Radio Officer. There exist sixteen such schools in Greece. The high-quality training of men attending these schools has received additional confirmation by the fact that they all come under the classification of Higher Vocational Education.

The post-graduate establishments for officers and crewmen of the merchant navy, amounting to four at present, offer their students a chance to renew, complete and improve their professional knowledge on any new technological or other development in the field of shipping.

The capacity of these training establishments amounts to an annual output of 800 boys from the preparatory schools, 930 from the cadet schools and 7,400 from the post-graduate schools.

Since these state schools have started functioning - not simultaneously, of course, but escalating over a fairly long period of time, as the need arose - the manpower of the Greek merchant navy has increased quite considerably.

In addition to the State, however, private initiative has also contributed a great deal towards manning the merchant navy with competent and well-trained crews, always under State supervision. As a result of this initiative, there now exist in Greece:

- a. Fifteen Merchant Navy Schools for Engineer Officers; four-year courses; qualifications required: 3rd form Secondary School certificate.
- b. Twelve Merchant Navy Schools for Radio Officers; two-year courses; qualifications required: 5th form Secondary School certificate.
- c. Two Merchant Navy Schools for Masters; 2-year courses; qualifications required: 5th form Secondary School certificate.
- d. Three Post-Graduate Schools, training officers in the use of electronic equipment. The annual capacity of these establishments now amounts to 1,000 odd: 75 masters, 492 engineers and 420 radio-officers.

Anybody studying the development of our merchant navy cannot fail to observe that the numerical growth - since the end of the war - of the two principal elements of a merchant navy, i.e. the ships and the crews - has followed a parallel, though by no means symmetrical, course. This asymmetry has become manifest particularly in recent years, with the following consequences: the 120,000 seamen in active service today do not suffice to cover our present requirements, for if our merchant navy labour market is to function smoothly, we need approximately an additional forty thousand seamen. As you all know, this shortage in our crews is by no means an exclusively Greek problem. It is basically due to the ever growing rise in the international standard of living, which has been reinforced by the greater availability of well-paid jobs ashore. This shortage first became apparent in the merchant navies of economically advanced European countries; our own country followed suit with a delay of several years and on a relatively limited scale.

It is not possible to quote exact figures concerning this shortage, precisely because of the fluidity and peculiarities of the seafaring profession, as it is impossible to keep track of people entering or leaving it, or the length of time spent in it.

As regards deck crews, the thirty thousand foreign seamen, mostly coloured, employed in the Greek merchant navy are believed to represent the exact figure of crew shortage on Greek merchant ships. However, the Panhellenic Naval Federation has certain reservations as to this figure, for they hold the view that in certain specific cases, at least, the use of foreign crews has exceeded real requirements, owing to the shortage of Greek seamen.

It is a commonly accepted fact that holding on to what one has conquered is a much harder task than the conquest itself. In conformance to this principle, all those who have helped the Greek merchant navy to reach its present position should feel duty bound to continue - indeed to intensify - their efforts to safeguard that position. This obligation is naturally incumbent on Greek seamen as well. However, it cannot possibly be fulfilled unless it is counterbalanced by a number of corresponding benefits for seamen; only thus can the notion of a great and powerful merchant navy, for which they have toiled and suffered too much, acquire a positive meaning for them. Any contrary policy such as has been so obstinately followed in the past, will unquestionably lead to the most disastrous results, for it will debilitate the very backbone of our merchant navy which is none other than our seamen. Instead of covering the existing shortage, our crews will steadily prove more and more inadequate in number to serve our ships'

requirements. Young men will no longer feel any incentive to follow the seamen's profession, while those who are already in the profession will inevitably turn to foreign shipping (in view of our country being soon due to join the EEC) in search of a better future, in which case nothing can or should be done, in all fairness, to stop them.

This mathematically predictable increase in the shortage of our crews will naturally necessitate an ever larger recourse to foreign crews, the final consequence of which will be a radical change in the traditional character of our Greek crews.

All of us who are involved in the merchant navy have surely had some experience of this change; fortunately it is still being found on a limited scale only, and remains restricted to the lower and unskilled members of our crews; however, none of us can deny that such experiences of the change as we have had were far from satisfactory.

The Greek seamen agree that their own progress and prosperity is of necessity dependent on the progress and prosperity of the Greek merchant fleet as a whole. But they would like to believe that the representatives of the Greek merchant fleet will agree in their turn to the reversal of this principle - in other words, that the progress and prosperity of the Greek merchant fleet is of necessary dependant on - at least to a certain extent - the progress and prosperity of the Greek seamen.

The Panhellenic Naval Federation has found, to their deep satisfaction, that the present administration of Greek shipowners have already begun to operate along these lines.

TOURISM AND ITS EFFECTS ON THE GREEK ECONOMY

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National Tourist Organisation of Greece

When tourism is described as "an industry without chimneys" the suggestion is clear that in order to gauge its effects on a country's economy with any accuracy, one should take into account its special features as well as the fact that non-economic factors can seriously influence the supply and demand of the "tourist product".

Of the special features of tourism as a sector of the Greek economy, I would like to note a few of them which are of particular importance to it.

I will begin by saying that tourism belongs to those par excellence sectors of the qualitative development of the country's economy. It produces non-material goods which are classed as services. Moreover, the services it provides are directly connected with the physical and spiritual health of man and with the enjoyment of the right to rest and leisure. Indeed, in Greece, the services rendered by tourism are also offered in a spirit of traditional hospitality which goes beyond the limits of any overdeveloped professionalism.

The last recession has shown that tourism has a special resistance to the deterioration of the world economy and that it can overcome its ill effects with much greater ease than other sectors of the economy. Thus, while in 1974 Greek tourism had been reduced by 31.1% in comparison with 1973, in 1975 it sprang back to the fringes of the 1973 figures with 3,172,986 tourists compared to 3,177,682 which, up to then, had been Greece's best tourist year.

The general infrastructure which is necessary for any kind of economic development favours tourism as well and the special tourist infrastructure in turn contributes positively to the development of a region and it does this in many ways. And as the recent measures taken to develop Greece's border areas have proved, tourist development can easily be linked to social (improvement in living conditions) and other more general national aims.

There are no objective standards by which one can judge the sensitivity of tourism to challenges of a political, social (e.g. internal upheavals), or sanitary (e.g. epidemics) nature. It is certain, however, that when the causes are removed or reduced, recovery is much faster than in other sectors of economic life. The acute crises in the Middle East and in Cyprus in 1974, which led to a large reduction in Greek tourism, as mentioned before, were followed by a rapid rebound as soon as they had somewhat subsided, which

began as early as in April 1975. One might dare to generalise by saying that the latter-day tourist has developed a particular resistance in this respect and become crisis-proof.

Tourism can be blessed with a well-balanced development when it can offer landscape goods such as a clear sea, a beautiful coastline, picturesque hills and peaceful lakes, and environmental conditions such as a different life style, places of historical or cultural interest or a different social environment. This means a geographical distribution throughout the country and an equally decentralised distribution of income. This occurs basically also in Greece where the prerequisites for tourist development exist practically throughout the country and where a properly conceived programme could lead to a country-wide development of tourist resources with all its well-known positive results. However, in periods of crisis or recession, the repercussions are general and do not only afflict the over-developed tourist spots such as Rhodes, for instance, but almost the entire country.

All the research conducted by the World Tourism Organisation, the OECD and the European Tourism Committee on the prospects for tourism agree in the fact that the increase in world tourism will continue - a growth rate of 57% is estimated between 1975 and 1985 - and that the economically and socially developed countries (the West and Japan), i.e. the tourist generating countries, will show a continuous increase of their travelling populations at least up to the year 2000. This is attributed mainly to the increase in their real incomes, to their motorisation, to the improvement in means of transport and communication, to urbanisation as a result of continuing industrialisation, to increased education, to travel facilities (e.g. paid leave, professional travel) to fashion, to the social prestige of those who travel abroad and to the demonstration effect.

This increase from the tourist generating countries will naturally benefit the tourist-receiving countries provided they not only dispose of the attractions I have mentioned before - natural beauty and environment - but provided also there is a difference in the relative price levels of the country of origin and the tourist receiving country. As one can observe in the Guide of Travel Costs Around the World, published in the Financial Times on May 28, 1975, Greek prices are far lower than those of the tourist generating countries. If the predictions made for the next five years (1975-1980) are borne out, this difference will continue to exist. For each country, naturally, there will be a different relation in prices such as with the United States, United Kingdom, Sweden, France and Switzerland, for instance. But for all of them together and for each, separately, Greek prices will definitely be lower.

On the other hand, there are limits to how many tourists a tourist receiving country can accept, however dynamic or elastic they may be. Without going into detail I shall merely note that the maximum number of tourists we can accept in Greece, with present forecasts, is eight million, while the optimum number is reckoned at ten to twenty percent less.

II.

Within the framework I have described and with the general observation that tourism is only one of and not the most important of the large development branches of the Greek economy - industry and shipping continue to dominate in this respect - I shall try to analyse the effects of tourism on some basic economic aspects. The quantitative aspect of the analysis will not

be complete because - as happens in many other developed countries - several special studies do not exist and because certain effects of tourism, e.g. social effects, cannot be measured quantitatively.

1. Effects of tourism on the national income.

Those who derive their income directly from tourism are the people who work in the industry such as hotel personnel, those who offer services such as transport and supplies (e.g. hotel caterers). Those who work in the building trades or supply building materials also derive an income from tourism through capital expenditure for building a hotel, for instance. From there we get the multiplier effect of increased income by those who benefit from the increased purchasing power of the people who derive their direct income from tourism. They derive an indirect income from tourism. These economic results are reduced by the need for more imports (meat, for example) but as far as the tourist sector is concerned, the balance is a positive one. Moreover, even though accurate figures with respect to other sectors are not available (e.g. farming) the income-generating potential of tourism in Greece can be considered strong. The distribution of this income in general and its geographic distribution as well are satisfactory and it is the policy of the state and of the National Tourist Organisation to continue to improve them and broaden them as much as possible (e.g. by increasing income and creating new tourist regions). Although the quantitative contribution of tourism to the national income has not been accurately assessed, it is not a small one. Also, the multiplied income effect is significant and a ratio of 2.5 to 3 times the expenditure inflow may not be far from the truth.

2. Effects on the balance of payments.

It would not be an exaggeration to say that the tourist development of a country is usually linked with its capacity to earn foreign exchange. Also, the development of domestic tourism, provided the right conditions exist, in relation to other industries, is much more feasible, has more scope, involves much small expenditures and produces relatively stable gains. Moreover, tourist markets abroad, in the developed countries in particular, are not difficult to win - they are not protected - and their continuing expansion provides large margins for a satisfactory participation in them.

The calculation of the contribution of tourism to the balance of payments can be made in different ways. First by calculating the difference between the foreign exchange brought in by tourists visiting Greece and that spent by Greeks on travel abroad. In 1973, 1974 and 1975, foreign exchange earned in this respect was 515, 436 and 621 million dollars respectively. Foreign exchange issued to Greeks travelling abroad was 72.5, 74.0 and 89.3 million dollars, leaving a favourable balance of 442, 362 and 532 million dollars. For many and well-known reasons (currency restrictions, difficulties of comparison, non-representative figures) this calculation cannot give a satisfactory result particularly as far as exported foreign exchange is concerned. Another calculation is made with the contribution by tourism to the narrowing of the balance of trade deficit. The following table gives the figures in this respect for the last three years:

<u>Year</u>	<u>Imports in</u> <u>U.S. \$</u>	<u>Trade</u> <u>Deficit</u>	<u>Foreign exchange</u> <u>earned from tourism</u>	<u>Percentage</u>
1973	4,030,8 m	2,800,3 m	514,9 m	16.4
1974	4,639,2 m	2,861,1 m	436,0 m	15.0
1975	4,875,7 m	2,916,1 m	621,3 m	24.7

Although this calculation gives a more convincing picture it is still not complete. A more accurate calculation should, among other things, take into account the following: The foreign exchange paid out for capital expenditures on tourist projects, the payments on tourist capital loans contracted abroad as well as the exported profits of foreign tourist enterprises operating in Greece. Also the expenditures for imported goods and services used by tourists, promotion expenditures abroad, training expenses abroad for Greek tourist trade personnel and the increased imports made necessary by the higher income earned by people engaged in the tourist trade.

A calculation that takes all these factors into account has not been made in Greece and there are doubts in general whether it could be made even roughly. The indications which do exist, however, and which are related to many of the above factors, show that the contribution of tourism to the Greek balance of payments is very important and will continue to increase in importance, particularly if one considers that for 1976, the foreign exchange earnings from tourism will be in the order of one billion dollars.

3. The effects on employment.

The nature of tourism is such that it is difficult to calculate its effects on the country's general degree of employment. Nevertheless, as a service industry, it has the capacity to offer employment to a very large number of people. It should be noted here that tourism offers employment not only to those engaged exclusively in the tourist trades (e.g. hotels, travel agencies) or to those engaged in tourist services such as transport, but also to those in trades which supply tourism such as building workers, fruit growers, advertisers, etc., and those who administer (control, coordinate) tourism. The staff of the National Tourist Organisation and the Tourist Police, belong to the latter category.

Although this is a generalisation that is not founded on firm grounds of experience, one could say that tourism, compared to other sectors of the economy, creates jobs more easily and more quickly than other sectors of the economy and that the wages earned in the tourist trades are usually higher than in many other sectors. This is linked with the unforeseen but nevertheless substantial income derived from tips and other kinds of gifts or bonuses related to the spending habits of tourists. Percentages of 20 to 150 may not be too far from the truth.

About 100,000 persons are directly employed by Greek tourism and although the relation between investment expenditures and jobs created is quite large it is, on an average, smaller than in investments, for example, in industries that have not become entirely automated. The weak point of tourist employment is that it is seasonal. About 50% of those employed work for only part of the year. Greek tourism is making efforts to extend the season - the natural possibilities are favourable - and to create winter tourism in order to reduce the effects of seasonal employment.

Moreover, in Greece, as in other developed countries, the labour shortage is daily becoming more acute. The percentage of skilled and semi-skilled personnel is becoming steadily smaller and the enrolment in training schools for tourist trade personnel is relatively limited. And so we see the beginning of trends by which forms of automatic tourist service are sought (e.g. in hotels and restaurants) so that personnel requirements are reduced or that the personnel available can be used in better-paid positions (e.g. in luxury restaurants).

4. The Effects of Tourism on the General Level of Prices.

The general effect of tourism on price levels in Greece does not appear to be high. Of course, there are fluctuations due to its seasonal nature and its geographic distribution throughout the country. According to recent calculations based on the participation of tourist spending in Greece (4% on an average for 1973 and 1974) and on the annual increase of foreign exchange earnings from tourism (with an increase of 25% - 30% in tourist spending and an increase of 26.9% in the consumer price index during the same period 1973-74) the effects of tourism on the general level of prices were 1 to 1.4% which is relatively a small percentage and cannot upset the balance of supply and demand.

Inflationary tendencies can be noted also in the price of land or other forms of property (e.g. houses of cultural or historic value) which are offered for tourist purposes. Unfortunately, there are no data for the entire country. But I will mention cases where prices have risen 300 to 1500%, particularly with regard to land by the sea, for property that lends itself to tourist development. The policy of state expropriation on behalf of third parties for the sake of tourist development which has been followed in recent years gives rise to many questions, problems and doubts.

A general improvement in prices has been noticed in handicraft items sold to tourists, particularly those which are not standardised or which have artistic value.

III.

The effects of tourism on the Greek economy appear also in two other sectors although, because they cannot be measured, they are classed as social benefits or social costs with no way of assessing them quantitatively. More specifically:

1. In the Environment.

Every form of development is bound to create changes in the environment. The same applies to tourism. Here, however, the changes can be positive by definition, because every proper form of tourist development implies a parallel preservation of the country's natural and cultural environment. An attractive environment is the quintessence of tourism. According to the Greek Constitution of 1975 (Art. 24, par. 1) "The protection of the natural and cultural environment is an obligation of the state". The tourist policy which has been followed from 1974 onwards is being applied under the guidelines of protection and improvement of the environment. Our programmes, such as the maintenance of traditional settlements, and the development of new regions or the approval of hotel constructions plans, clearly follow this line.

During the past seven years there have been some obvious encroachments on the environment - huge hotels on the sea shore - and other disturbances and distractions of the ecological elements of the environment resulting in pollution, noise, etc. In general, however, tourist development has fortunately been the cause of only very few instances of such encroachments in comparison with other culprits (e.g. industrial development, wastes), and could have been avoided with proper planning. For tourism, at least, and almost without exception, the valid rule is: protection of the environment depends mainly on correct state planning and the application of a tourist policy.

2. In the Social Structure.

Among the social effects of tourism, those which can be stressed as positive are the fact that it helps in creating a world culture, in removing prejudices, in peace and understanding among individuals and peoples, in overcoming complexes among the underdeveloped and making indigenous populations development minded and anxious to achieve higher standards of living. Among the negative effects are the demonstration effect which prompts indigenous populations to adopt the consumption patterns of the tourists which correspond to higher incomes and the holiday spirit. Another effect is the introduction of social problems (e.g. alcoholism, drugs, prostitution, vagrancy) which do not exist, or do not exist in an acute form, in the receiving countries or of moral ways and manners which offend the receiving country's moral or religious structure. Finally, the concentration of a large number of tourists in a receiving country might endanger the identity of a country or of one of its regions and create social problems with their different life style and higher income level.

While some of the positive effects of tourism have made themselves felt in Greece such as a familiarity with world culture or more specifically, West European culture, the negative effects that can be seen are very small. Greece's basic cultural orientations stand in no danger from tourists and neither do our religion, our national identity nor the main traits of our national character. Fortunately, also, the spread of destructive social problems such as narcotics is very restricted and the involvement of tourists in it is very small. Nevertheless, there are dilemmas with regard to the policy to be followed in regard to the social effects of tourism. The restriction of tourism to visitors who belong to the higher socio-economic levels increases the danger of social gaps even though it is a more economically beneficial policy. On the other hand, to throw our doors open to the "barefooted brigade" from which there are no economic benefits, or even negative effects, helps to overcome the underdevelopment complex and in understanding individuals and peoples.

IV.

Greek tourist policy is lodged within the framework of the general planning of the Greek economy which is made by the Ministry of Coordination and Planning.

The National Tourist Organisation of Greece is the medium through which this policy is applied. It has the responsibility for carrying out tourist development research, partial planning, tourist promotion abroad and the training of tourist trade personnel. It undertakes the execution of special tourist infrastructure works and the establishment and management of units such as hotels, camping sites, bathing beaches, etc. It supervises the tourist trades in general and provides assistance and incentives to various sectors of the tourist industry. Its main role, however, is to coordinate and the motto of its current policy is: Close cooperation with all who have direct or indirect connections with tourism because tourism is an endeavour that needs the efforts of all working together and of each one on his own. The Organisation's revised budget for 1976 amounts to 1,400,000,000 drachmas and is only slightly less than the budget of the Ministry of Public Works. The Public Investment Budget amounts to 1,328,000,000 drachmas. Both budgets depend to a great extent (73.4%) on state support. The balance is derived from property revenues and exploitations. Special tourist taxes do not exist except for a tax on visitors which will be applied from 1977 and will be a source of revenue for local authorities.

With reference to the state's investment policy, I would like to note two special cases which are of particular interest to tourist development. They concern investments which can be made through the importation of foreign capital, i.e. capital from abroad. Law No. 2687/1953 "on the investment and protection of foreign capital, which is constitutionally guaranteed, is valid also for tourist investments and guarantees a series of privileges, starting with tax exemptions and ending with the ability to re-export interest, profits and capital. Also, economic incentives are provided for investors who build hotels and other tourist installations. Reduced rates of interest are applied such as 9%, 7% or 5%, according to the region and in the border regions, as well as other privileges. Tourist investments by foreign investors are welcome in this country, particularly at a time like the present when automation is being introduced in which case the know-how of the advanced countries could make an important contribution to the further development of tourism in Greece. The same applies to sectors, such as that of winter tourism, which is just starting and could be accelerated or to the development of spas which has not yet taken definite shape.

V.

In order to appraise correctly and to the full extent the effects of tourism on the Greek economy, I must refer, even briefly, to the problems of dependencies connected with the tourist industry. In two words, there are no dependencies, at least up to the present, which could create special dangers or special sensitivities in Greek tourism. This is an important fact which should be noted since it is fundamental and has a great bearing on tourist policy.

For one thing, as I have mentioned before, the tourist industry, albeit important, is not the only industry in Greece and not the main industry, so that the nation's economic life and prosperity should depend on it alone. Tourism, with an income of \$621.3 million ranks fourth in the balance of payments, preceded by exports with \$1,959,6 million, shipping with \$853.8 million and emigrants' remittances with \$733.6 million. It is true that certain of the country's regions depend more on tourism than others (e.g. Rhodes and Corfu) but there too an effort is being made to achieve a well-balanced development such as exists in the province of Magnesia for instance.

Moreover, Greek tourism does not depend on one country alone for its visitors. In 1975 the number of tourists from the U.S.A. was 485,575 (17.4%) from the U.K. 319,510 (12.1%), from Germany 397,405 (15%), from France 223,756 (8.5%), from the Netherlands 59,378 (2.3%), from Switzerland 66,879 (2.5%), as far as the advanced countries of the West are concerned. From the Eastern countries, the number of visitors from Yugoslavia is impressive: 259,885 (9.8%). Finally, Japanese visitors numbered 27,925 (1.0%). Our policy of "selling" Greece in other markets such as those of Canada, Australia, South Africa and the Eastern countries, will reduce even further any form of dangerous economic dependency. The fact remains that all the economically developed countries of the West are and will always be the main countries of origin from Greek tourism but that does not mean we are wholly dependent on them or exclusively dependent on any one of them.

The participation of foreign capital in our tourist development has been insignificant so far and the use of foreign manpower has been almost non-existent. The imports of material and equipment in the past have been quite

large but with the rapid industrialisation that is going on, such imports are steadily declining and cannot be considered a dependency of any kind. Large, multinational, tourist companies of a dominating or neo-colonial character or with a vertical or horizontal integration of their operations do not exist in Greece.

The Greek tourist market is distinguished by a plethora of medium-sized and small enterprises and there are no signs of any change in this respect. This is another reason why the outward-looking tourist strategy of Greece is generally beneficial and more broadly acceptable by all interested parties.

The only area where some dependency can be observed is in the marketing of foreign markets. But this is unavoidable, given the nature of the tourist industry. But here, too, if one takes into account the fact that most of the markets in the countries of origin are neither monopolistic nor oligopolistic in character and that there is a great deal of rivalry among tour operators, wholesalers and the airlines in each country and between each country, the degree of dependency, for the present at least, is greatly reduced.

Moreover, the fact that political or other reasons (e.g. social, change of fashion), restrict the number of host countries now and again and increase the demand for other tourist destinations, can reduce and even nullify completely such dependency.

VI.

I would not like to close these thoughts without referring to the aspirations of Greek tourism with respect to our pending entry into the Common Market. Here, the future field of activity seems vast because tourist cooperation between the members of the Community has only now (Spring of 1976) begun to take on flesh and bones with the establishment of an "inter-services committee on tourism" within the E.E.C.

The E.E.C.'s interest in tourism appears to be growing and there is the possibility that assistance could be forthcoming from the Regional Fund and the Social Fund for tourist purposes.

Also, it is hoped that Greece's contribution will be considerable in the future development of tourist relations among members of the Community. Indeed, such relations could become one of the most important links that bind them together and on a broader than a mere economic basis as evidenced for instance, by the attempt to institute a common E.E.C. passport.

THE ROLE OF GREECE AS A REGIONAL CENTRE

Mr Minos A. Zombanakis

Vice-Chairman

The First Boston Corporation

I would first like to deal with the political and strategic considerations of the country's position and then go to the practical aspects of the subject as we see it in the business world.

Following the tragic events of the summer of 1974, when Turkey took advantage of a series of unfortunate episodes and invaded Cyprus, the relations with Turkey have been the predominant factor of the country's foreign policy. Simply speaking, Greece now struggles to secure a just solution to the Cyprus problem and on top to prevent any aggressive notions that Turkey may have in the Aegean region. These two major preoccupations have forced the country to devote a large portion of its resources to defence. It has also accelerated its efforts to become a full member of EEC, not only for the economic benefits it hopes to derive from such an association, but also because the Government believes that an integration with Europe will be an organic form of security.

Although the efforts have failed so far to bring about a just solution for Cyprus, they seem to have succeeded however in:

- a) Depriving Turkey of the possibility of a surprise adventure against Greece, as the country now feels secure due to its defence capabilities.
- b) Exposing and isolating Turkey internationally, as demonstrated in the vote of the U.N.
- c) Demonstrating to the E.E.C. the need of accelerating Greece's membership and
- d) Allowing the Government, from a position of strength to reassess its relations within the Western alliance and specifically with the U.S. following the withdrawal from the military establishment of NATO in 1974.

As these objectives have been achieved, the country now seems to be proceeding to reconstruct what it believes to be a well-balanced foreign policy which will allow Greece to survive, to pursue the freedom of its political choices and, by solving its pressing problems, to allow it to play a constructive role within its geographic environment.

May I take the liberty, Ladies and Gentlemen, to outline very briefly some practical views as to the path that the country may follow in the

reconstruction process of its foreign policy, within the context of present world realities:

- On the dispute with Turkey, both countries must realise that they have much to lose from the continuation of the present stalemate. A practical and just solution to Cyprus must be found for it is unthinkable to believe that, in terms of 20th Century considerations, world opinion can accept such a *fait accompli* as the Turks hope to have created. Unless this takes place and soon, Cyprus may end up to be a far greater destructive element to Turkey's foreign position than it has been so far.
- On the Aegean question, Turkey must realise that it must follow legitimate channels to pursue its claims, if it believes to have such claims, for any change in the status quo, imposed by force, is likely to provoke appalling reactions in the area which will not spare Turkey itself, considering the present interests of Russia in the Mediterranean region and more recently in the Indian Ocean.

These and other developments in our region, such as the possible outcome of the Italian elections, make it imperative that the two countries find a modus of peaceful co-existence as soon as possible and turn the present negative attitudes into a spirit of cooperation which will allow them to jointly pursue their common interests in the area.

Relations with the EEC represent today one of the corner stones of the country's foreign and foreign economic policies. However, in the pursuit of these policies, we should not overlook the following elements:

- That since the economic crisis of 1973-1974, Europe itself has moved closer to the U.S. for its defence requirements, as it has become evident that the Continent does not have the means to finance its own nuclear deterrent; so the closer we get to integration with Europe, the more we have to depend on the Western alliance for our own defence. This we must realise, if we wish to pursue our efforts for European economic integration, otherwise it may be an inconsistency in objectives. Naturally, we should see to it that the members of the alliance will respect territorial rights, in other words, that Turkey's 1974 behaviour will never be repeated.
- That the policy of the so-called detente, if anything, has convinced the Europeans, including the major communist parties of Europe, that the U.S. has to stay in a strong position domestically and internationally for it is only through equality of strength that detente can be preserved and thus Europe can be spared from the consequences of its failure, at least until such time as Europe can achieve self-sufficiency in defence.
- That the economic problems of Europe are such that the original objectives of political, economic and monetary integration may have to be altered severely and in some areas be abandoned. With the economic crisis of Italy, of the United Kingdom and the potential strains on France, we are moving inevitably towards a major reappraisal of the structure of the European Economic Community and the results of such a reappraisal may not necessarily suit relatively weak countries like ours. Plainly speaking, unless Germany is willing to pool its external resources with the Community (a very doubtful possibility one must admit), the weak countries of Europe would be forced into protectionist policies and eventually a two-tier membership may evolve. To be more specific,

we may see a differentiation in relationships between countries within the community.

We should not overlook the fact that considerable economic resources have been shifted towards the oil producing countries of the Middle East in the form of balance of payments surplus, which will inevitably induce considerable economic activity from which we should be able to benefit to the maximum. Greece is presently in a unique position to benefit from such developments and thus lessen its absolute dependence on the fortunes of Europe. The Government should actively pursue to opportunities offered to the Greek economy in that part of the world, and as we have seen from the present conference, we have all the potential to do so. We should be able to at least join the countries of the OECD that have succeeded to equilibrate their balance of payments through an increase of economic relations with the OPEC countries.

Let me now proceed to the practical aspects of the role that Greece can play within the area of the Middle East and the points where we can contribute and where we can benefit from the area:

Following the tragic civil war in Lebanon, Greece has emerged as one of the possible regional centres for companies doing business in that part of the world. Although other locations have attracted a portion of the uprooted business community of Beirut, by far the greatest number have moved to Athens so far. The only other point of attraction up to now seems to have been Bahrain. Egypt which would have been the most logical location, has lost this advantage due to lack of communication facilities and a suitable business infrastructure.

Among the prime attractions of Greece are said to be good facilities and legislation favourable to the establishment of companies whose objective is to conduct business outside of the country. The decision to move to Athens was reinforced greatly by the fact that democratic institutions had been restored after a long period of military regime and this is a very important consideration for companies whose move to Athens represents a long-term commitment.

The debate in the press that the relocation of these companies has provoked, has helped in defining the positive and negative aspects of Greece as a centre. On the positive side, it is stressed that Athens offers good schooling, housing, telecommunications and most importantly, the favourable tax provisions of Law 89. Quite correctly, it is stressed that, while the Beirut exodus has placed a severe strain on these resources, Athens has absorbed the surplus with minimal difficulties. On the negative side, it was pointed out that it is difficult to maintain contacts with events and personalities in the Arab world residing outside the area. Athens then is viewed as a temporary stopgap until either Beirut recovers or other middle East cities develop the necessary facilities.

There are other factors offered by way of support and criticism of Athens as the successor to Beirut but they all miss the mark. The central question is whether Athens can, in the long run, be a suitable location from which international companies can establish or service and monitor their operation throughout the Arab world.

It is my view that it is unrealistic and inappropriate to evaluate Athens by the criteria which for many years made Beirut the great crossroads

between the Near East and the rest of the world. Beirut achieved prominence during a period in the development of the Middle East which was dominated purely by commercial interests. Under these conditions, Beirut served as a centre for commercial representation, as a window for information and as an area of financial intermediation, while it continued to serve as a recreation and vacation centre.

Now, however, with the tremendous increase in business activity financed by the oil price increases, companies are no longer confined to small scale commercial interests. Their objectives in the area are much greater and they include, among other things, the possible location of industrial capacity as this will inevitably happen in the process of shifting actual resources to a region that has acquired a great importance for the world.

Decision on location, therefore, is now influenced not only by such factors as geographic proximity, communications and other such prerequisites, but also by the availability of skilled, managerial and scientific manpower which can be used by the world corporations for their long-term objectives. In this respect, comparatively speaking, Greece can offer more than any other country in the area east of Italy. Of course, other Middle East locations have attractions as well and, one must not ignore the possibilities offered by such countries as Egypt, Iran, Turkey and eventually countries of North Africa in a wider context. The determining factor, however, in the final analysis will be the availability of resources and the governmental attitude when decisions for location are made. Greece so far can show some very impressive advantages.

1. It is a society fully committed to a free enterprise system and a successful one at that.
2. Its expected full membership with the E.E.C. can act as a bridge for industrial and commercial intermediation between the Arab world and Europe itself.
3. It has an ample capacity of skilled manpower and, in addition, it is susceptible to an influx of foreign technology and manpower.
4. It possesses the social infrastructure which can support an increase in industrial and commercial activities.
5. Its legislative attitude towards foreign investments and more specifically towards the establishment of offshore companies, is adequate.

But above all, Greece can offer to the Arab world the experience it has gained through the process of its own development in the last 20 years, a development which has resulted in dramatically raising the standard of living of its people, a development which in actual terms can be rated second only to Japan's among the OECD countries. These experiences are most valuable to the oil producing countries as they would try to use their newly acquired wealth to develop their own economies. Because of Greece's geographic proximity and its long-standing historical connections with the Arab world, our experience in development is far more relevant to the region than that of other highly industrialised societies. It is for this reason that one sees even today the predominant role that Greek companies play in various fields of activities, such as construction, transportation, etc.

So, the long-term trends and objectives are the factors that will determine

the role that Greece will play as a centre in the new development in this part of the world and, in this respect, even the reopening of Beirut will not necessarily reverse the trend that has started.

What is important for the Greek side is to realise these potentials and adopt the appropriate complimentary attitude. This includes a realistic assessment, on the part of the Government and the monetary authorities, of the laws and regulations which could facilitate not only the establishment of foreign interests in the country, but equally important the activities of Greek firms in the Middle East area. Extensive search is required, for example, to determine the relations that the country should establish with the Middle East. The monetary authorities must define and clearly state the way financial institutions oriented to the needs of the area can locate here.

Fortunately, the initial signs of Greek-Arab cooperation are already in evidence in fields such as town-planning, housing development, port expansion and transportation services from Europe to the Arabian Peninsula, and such activities are taking place in a spirit of real understanding and long-standing friendship that exists between Greece and the Arab world.

A strong commitment on the part of the Government at an early stage to achieve this potential will greatly encourage the trend towards Athens becoming a regional centre for the Middle East and in the process accomplish the further objectives of increasing the economic influence of Greece in both the Mediterranean and the E.E.C. and establishing the country as a bridgehead between the Middle East and Europe.

May I say, as a concluding remark, that all that we have said could be achieved only if Greece is able to maintain the political stability that it enjoys at present and offer such stability as one of the main ingredients of cooperation with others. It is only through a strong political structure, Ladies and Gentlemen, that we can maintain our freedom and our right to a democratic dialogue, in the midst of violent changes that are presently taking place within our part of the world. Only united and free from sterile and dogmatic prejudices can we resist pressures, enjoy the opportunities we have and guide our own destinies to where we believe them to be in the interest of our people.

DIRECT RESULTS OF THE RE-OPENING OF SUEZ AND
ITS IMPLICATIONS FOR GREEK INDUSTRY

Mr C. Caldis

Technical Director
Hellenic Shipyards Co

In preparing this address, I thought that the best way to go about, was an analytical approach of the subject, that is, in the first place to examine how the existence and operation of the SUEZ CANAL influenced the transportation pattern of Europe, what happened when the Suez Canal was closed in 1967 and against this background to deal with the influence of its re-opening to the Greek Industry at the different stages of its development. From very early in life it was established that the cheapest way of transportation is by sea. Since then, people are in continuous search of improved transportation means, "better ships", and of exploring the seas, so that shorter transportation distances and safer conditions are established.

The opening of the Suez Canal was the result of such endeavours.

It is worth mentioning here that the first idea of connecting the Eastern Med. to the Red Sea belongs to the ancient Greeks. It was during the far reaching campaign of King ALEXANDER THE GREAT, to unite into a very large empire all the known World from India to Greece and to spread the Hellenic civilisation and culture to the barbarians, that it became clear that transportation of troops and equipment in large scale and over long distances could not be effected by land.

King Alexander's Admiral, Nearchos, got the idea to shift overland the entire fleet of vessels across the desert to the Red Sea.

The difficulties and obstacles were formidable. But the crafty admiral, after careful exploration of the morphological conditions of the ground and using the intervening lakes, achieved what was considered impossible.

Nearchos was the man who showed the World that East and West should communicate through the Egyptian sandy strip, and thus he can rightly claim the title of the Suez Canal Godfather.

Twenty one centuries elapsed before FERDINAND DE LESSEPS, a visionary Frenchman, following the steps of Nearchos, persuaded the strong of the Earth to invest him with authority and means to realise his dream of connecting Med. and the Red Sea by a Canal. The daring enterprise after long years of hardship and tribulations, was brought to a successful end and the Suez Canal was opened to shipping in 1869.

The opening of the canal brought Europe nearer to the East. The sea routes were shortened by 4000 miles and the voyage hazards greatly reduced. The riches of the East became easily available to the European Markets, at a time when the industrial revolution was in full swing.

During the 100 years from its inauguration to 1967, the influence of the Suez Canal to the European and the World industrial development and economy continuously increased and culminated in the unprecedented prosperity of the sixties and early seventies. During these long years, and especially after oil became the prime source of energy, the World came to believe that the existence of the Suez Canal was a fixture of the World development and all economic considerations were taking its free operation for granted.

The decision of Egypt to close the Canal to world shipping as an aftermath of the Middle East war in June 1967 was received with surprise and awe. Transportation routes, established through 100 years of continuous development were suddenly to be abandoned and new principles to be quickly considered. But the impetus of the industrial development and the prosperity was strong and the World economy was able to absorb quickly the imposed shock and to adapt the economics of transportation to the new pattern; the size of vessels was reconsidered, new ports were developed for larger vessels, industries were established along the coast of Africa, new energy sources were developed in spots nearer to the consumption centres, and even a pipeline across Africa was considered, so that the sea transportation length and time could be reduced.

So, by 1972, the European and World economy had fully recovered from the jolt of the Canal closure and people all over the World were convinced that life could, after all, continue even if the Suez Canal ceased to exist.

But the newly established, post Suez closure, prosperity, came to an abrupt end in October 1973 by the new Middle East war and the Arab Oil EMBARGO.

This new threat to the World Economy proved, by far, more devastating than the closure of the Canal, as it required a complete reappraisal of established basic economic factors and principles.

It is not within the scope of the present address to elaborate on the conditions created by the realisation of the fact that the MIDDLE EAST OIL is the main SINGLE FACTOR which can have a continuous direct influence on the World Economy, except in pointing out that within the still persisting chaotic conditions the OPENING OF THE SUEZ CANAL lost its expected significance.

The Canal was re-opened to shipping on the 5th June 1975, after remaining closed for exactly 8 years. As a result, the length of the voyage from the PERSIAN GULF to Northern European ports is reduced by 4730 miles or approx. 13 sailing days and the voyage to Greece is reduced by 7800 miles or about 22 sailing days.

The freight differential of the shorter route, based on certain considerations and allowances, amounts to approx. \$4.00 per ton of transported oil to Northern Europe and \$8.40 per ton of oil transported to Greece.

Under normal conditions the above freight savings would make the advantage of using the Suez Canal unquestionable. However, under the still unsettled

political situation in the area, the persisting general depression, the tonnage surplus and the consequent slow steaming make the use of the canal, in the case of transportations to Northern Europe, marginally profitable and in certain cases the alternative route around the Cape could be even preferable.

With regard to Greece and in view of the much greater freight differential, the use of the Canal still holds a great advantage.

As conditions improve, shippers will tend to send more and more vessels through the Canal, but, unless the Egyptian Government takes quick measures to widen and deepen this waterway and unless it applies realistic policies to attract the larger vessels, it will take a long time, if ever, to re-establish the SUEZ CANAL at its prewar state of predominance. It should not be forgotten that during the 8 years the Canal was closed, the pattern of shipping has changed and will be difficult to abandon the well established practices and conceptions.

In my opinion, the Canal has lost forever the unchallenged position which it held for a whole century as the main throughfare connecting the WEST to the EAST.

In order to form an idea of how the movement through the Canal develops, I give below some - unofficially received - figures of monthly crossings from last June until the end of April 1976. About 20% of the crossings were made by vessels below 4000 tons.

June 1975	330 vessels
July	672
August	748
September	826
October	929
November	953
December	1074
January 1976	1126
February	1152
March	1381
April	1350

The rate of increase is positive but for the time being the volume is still about 50% of the pre-closure traffic.

Having given a sketchy review of the activity of the Suez Canal and its influence to the transportation needs of Europe, I now turn my attention to how Greece's transportation needs were affected and, through that, the effect upon the Greek Industry.

During the 100 years from 1869 to 1967, when the European economy reaped the advantages of the canal operation, Greece having rid itself of a four centuries yoke imposed by a backward country, was still weakened by wars of liberation and later by internal strifes while undergoing the necessary evolution to establish the institutions becoming to the national character.

The industrial development of the Country really started at the end of the fifties when a number of important new industries were established and existing ones were extended and renovated by adopting the organisation and

technology of the advanced countries. The beginning was made and the Country, spurred by a general industrial prosperity forged ahead with bold steps in increasing the industrial production.

It was at that time that industries started looking beyond the local market, and, as was natural, they turned their attention to the markets of countries of a lower development standard. A small but encouraging opening was made to the Middle East and East African countries and a fruitful commerce started with Egypt, Saudi Arabia, Ethiopia, Sudan, etc. It is obvious that these industrial exchanges were made possible by the existence of the Canal and the establishment of regular liner services between Greece and the countries beyond the Canal.

The closure of the Canal in 1967 put a sudden end to these hopeful exchanges by placing the markets beyond the reach of the Greek Industries and the effect was more important than a mere calculation of the direct losses would show, as it involved the loss of the established goodwill created with patience and effort.

The most affected industry was the repair industry and especially Hellenic Shipyards Co. This industry belonging to the NIARCHOS GROUP, by far the largest private employer and one of the most important foreign exchange earners in Greece, started operating at the end of 1959 and quickly developed as one of the important REPAIR INDUSTRIES in Europe.

The sudden closure of the Canal and the change of the shipping pattern brought the Yard to a standstill and complete catastrophe was only avoided by a quick re-appraisal of the newly created conditions and the realisation that the longer shipping route would inevitably result in the need of a greater number of vessels.

The yard was quickly re-organised and a newbuilding section was created which soon filled the vacuum caused by deterioration of the country's strategic position.

The repair industry slowly regained part of its preclosure activity as, following the initial shock, new policies of oil exploitation and transportation were established. Thus, by the end of 1973 when the new Arab-Israeli war broke out and the oil embargo was imposed, Hellenic Shipyards had completely recovered by having balanced the lost repair work by a promising newbuilding activity.

In spite of the adverse effects of the Canal closure, the Greek Industry, spurred by the European and World prosperity, continued its dynamic path to development.

As a result, the industrial production steeply increased by an average of about 17% per annum during the period between 1963 and 1973, increasing its share of the total export of the country from 5% to 41% during the same period.

The industrial development, after a short pause in 1974, continued and the country has been presently considered eligible to join the European Economic Community, and this new setting imposes serious obligations for intensifying the developing trend so that the national product and the productivity approaches the average level of the EEC countries. For the above to be realised, the Government is planning the installation of new

industries by direct investment and by encouraging the private sector to participate. The selection and priority of the investments will take into careful consideration the markets to which the new industries will be directed and the net foreign exchange profit which they will realise. The influence of the re-opening of the Suez Canal will, of course, depend on the extent of the industrial production and the orientation of our exports.

As I pointed out earlier, the immediate result of the Canal operation is an average reduction of the length of the transportation route from the countries east of Suez to Greece by approx. 8000 miles of 22 sailing days, which in turn is translated to a \$8.40 freight reduction per ton of transported commodity.

The beneficial impact of this decrease, to our import and export exchanges, with the countries east of Suez, is obvious. Indicatively I point out that the saving in foreign exchange from the annually imported P. Gulf oil may amount to about \$60,000,000 and this will directly effect the production costs of the energy dependant industries.

Similar savings will be accounted for from the shipment of other raw materials or semi-manufactured commodities imported from Japan, Australia, and other East Africa countries for further industrial processing and re-export.

In other words, the re-opening of the Suez Canal will benefit directly, on the one hand, the energy dependant industries and the industries using imported raw material, such as Australian wool, zinc from East Africa, scrap iron, etc., or semi-manufactured goods imported from Japan and other beyond-the-Suez countries and, on the other hand, the exporting to the East industries, by reduction of the transportation costs and the facilities offered by the liner services which will place Greece in a relatively advantageous position. The trade which was interrupted by the closure of the Suez Canal in 1967 will have to be revived and intensified, unfortunately, under adverse conditions, since during the 8 years that elapsed and especially during the last few years of the unprecedented prosperity of the oil exporting countries, their markets have been invaded by the industries of other countries which found themselves in a better communicating position than Greece. But Greece is geographically, traditionally, and politically, the natural trading partner of the Middle East countries and the Government is taking the necessary steps to increase the natural ties and make the country the main-spring of their development and the main gate for their commerce.

The results of this policy are already becoming apparent:

A number of Greek technical companies have undertaken large projects over \$1 billion. Already about 8000 Greek technicians are occupied in the various Middle East countries. The effect of this activity on our economy cannot be over-emphasised as it opens a new perspective to the country's possibilities.

Greek shipping companies are combining with Arab concerns, bringing to these countries their expert knowledge and increasing their own scope.

The value and volume of the commercial exchanges are rapidly increasing.

The imports valued at \$140M in 1972 increased to about \$400M and 5,700,000 tons in 1974 and to \$600M and 6,950,000 tons in 1975.

In other words, the Greek imports from the Middle East increased from 2,6% in 1972 to 19% of the total Greek imports in 1975. Although in the above figures the value and volume of imported crude is included, the rate of increase of other commodities is still important.

The exports which were less than \$2M in 1972 increased to \$90M and 190,000 tons in 1974 and \$140M and 450,000 tons in 1975. In other words, the share of the Greek exports to the countries East of Suez to the total exports increased from about 8% using a different reference scale, we can say that the exports to these countries increased by more than 60% in the last two years. Although the above figures may not be entirely precise, the trend is correct and the evolution of the activity becomes more important when it is considered that only during 6 months of 1975 the Suez Canal was open, and that most of the exports refer to a broad spectrum of industrial products.

The perspectives for the Greek industry are good but to achieve the set targets and to become the bridge which will connect EUROPE with the EAST, the SUEZ CANAL should be opened to shipping and in a state of efficient operation.

Before I close my address I would like to refer specifically to the SHIP-BUILDING and SHIP REPAIRING Industry:

In the case of Shipbuilding the SUEZ CANAL opening and the traffic increase through it will have an adverse effect to the already unprecedented plight of the industry. In the case of Repairs, the opening of the Suez places Greece again in an advantageous, strategic position towards the North and as the traffic increases and more vessels plough through the Med, we shall have more chances to see vessels repairing in our Yards. Thus, an improvement should be expected, but under the present shipping conditions and the increased competition, the final result will not be what some optimists are led to believe. As far as our shipyard is concerned, we shall intensify our efforts to provide our clients with the best possible service hoping to secure sufficient volume of work to keep our personnel reasonably busy until the shipping recession is over and we return to more balanced conditions.

Finally, I would like to make the following conclusions:

1. The Suez lost the unchallenged position as the main sea route connecting Europe with the East.
2. Unless the Egyptian Government applies a realistic policy to attract the larger vessels, the activity through the Suez Canal will remain the pre-1967 level.
3. The young Greek industry was severely affected by the closure of the Suez Canal in 1967.
4. The re-opening of the Suez Canal finds Greece in a stage of intense industrial development aspiring to become the main gate to the developing Middle East and East African countries.

For the Greek Industry to achieve these targets, the influence of the re-opening of the Canal will be of extreme importance.

Athens Hilton - Greece

FOREIGN INVESTMENT IN GREECE

Mr W.B. Cook

Managing Director, Esso Pappas

It is indeed a pleasure for me to have the opportunity to talk to you about foreign investment in Greece. My Company, - Exxon - has just completed its first ten years as one of the major foreign investors in the country. Since I have been associated with these investments for all of that time I suppose I am qualified to some extent to speak on this subject. Nevertheless, when I look over the audience this afternoon, I recognise many people who are more knowledgeable than I. My situation brings to mind the predicament of the survivor of the Johnstown flood who died and went to heaven. He at once began regaling a number of his new associates in heaven with stories of his experience during this great flood. He dwelt at length upon the depth of the water, the terrors of the current, the extent of the destruction. He found his listeners so sympathetic and encouraging that after a while he approached Saint Peter and said that he believed there were many people in heaven who would like to hear his account of the Johnstown flood, and that perhaps it would be well if they could set up a time and a lecture platform. Saint Peter readily agreed and arranged for a platform and a podium to be constructed, sent out the news of the event, and at the appointed hour a huge crowd assembled. Just as the man was about to ascend the platform, Saint Peter tapped him on the shoulder and said, "Remember, Noah is in the audience".

Even though I recognise that there are a number of Noahs in the audience, I am happy to share with you my views on the climate and opportunities for foreign investors in Greece. In preparing for this speech, I thought it might be desirable to set the stage by reviewing the magnitude of such investment to date. However, in trying to gather information on this subject I ran into such a diversity of confusing statistics that I was reminded of a questionnaire recently sent to a large number of American companies by a Federal Agency in Washington. One question read: "State the number of your employees, broken down by sex". The question from a small firm was, "None. Our problem is alcoholism."

While recognising the definitional difficulties, I have concluded that direct private foreign capital imported since 1953, when the basic law for the protection of foreign investment was enacted, has amounted to roughly \$1 billion. To some extent this overstates the direct foreign capital inflow since perhaps as much as 15% represents capital imported by Greek individuals or firms. On the other hand, it excludes significant amounts of private foreign capital which has been imported without the protection of the basic foreign investment law. There is no good measure of the total amount which has flowed in in this form over an extended period, but indications are that

it has been increasing and in 1975 may have been as much as \$175 million.

It is also worth noting that roughly 40% of the \$1 billion total I referred to is associated, directly or indirectly, with two major foreign investment projects which were materialised in the early 1960's - the Pechiney aluminium project at Distomon and the Esso Pappas complex in Thessaloniki. An indication of the importance of these two projects is given by a 1973 study done by the Centre of Planning and Economic Research which concluded that 37% of total foreign investment had gone into the chemical industry and another 30% into non-ferrous metals, primarily aluminium. Next in line came transportation equipment with 10% and electric appliances with 9%.

As might be expected, the largest source of foreign capital has been the United States, followed by the countries of the European Economic Community, particularly France and Germany.

Turning now to an examination of the conditions which influence foreign investment, I suppose we all would agree that one of the major factors is the size, strength and rate of growth of the economy in which the foreigner is considering investment. In the case of Greece, these subjects were very ably discussed by the Minister of Coordination, Mr Papaligouras, yesterday morning. As he pointed out, since 1973 the Greek economy, along with those of most other countries, has gone through a period of severe testing. However, the economy of Greece recovered more rapidly than most others and appears to be emerging in a reasonably sound position. Strong needs exist for more output and new products; while there are bottlenecks - for example in water supply - a reasonably adequate infrastructure already exists; the well-known Greek entrepreneurial spirit is quick to take advantage of opportunities; and the Government, business and agriculture are preparing for the difficult adjustments that will accompany full membership of the European Economic Community.

In spite of these strengths, balance of payments deficits will continue to exercise a restraining influence on Greek economic development in the immediate future. Longer-term, Greece's balance of payments, and consequently its growth prospects, should improve. This improvement is expected to come from the domestic production of petroleum, increased earnings from tourism and shipping as world economic conditions improve, and structural changes in the Greek economy which should increase the competitiveness of her exports and reduce her import dependency.

Another major problem which must be solved in order to provide a sound basis for sustained economic growth is that inflation must be controlled without undue restraint being placed on the conditions required to support a healthy investment programme. So far, the performance of the Government in reducing the rate of inflation has been impressive, but it has been accomplished largely by a variety of restraints imposed on industry while similar measures have not been applied to other groups. The result has been a significant deterioration in profit margins for many Greek companies. There clearly is a need for a more equitable sharing of the burden of restraining inflation in the future. If this is done, I believe that the bases exist for a sound and sustained expansion of the Greek economy - at rates somewhat higher than will be experienced by most other European countries.

Despite this basically favourable prognosis for the Greek economy, the relatively small size of the domestic market means that most prospective foreign investors will also be concerned about the possibilities of Greece

as an export centre. Here the outlook is mixed. The limited size of the domestic market is a drawback in that for many industries it does not offer the opportunity of a sufficiently large base load business on which to build an export capability. Similarly, the country does not have a wealth of raw materials on which to base exports although there are notable exceptions as pointed out by some of our earlier speakers. From the point of view of geographic location, Greece is not well suited to penetrate the major Western European markets, particularly with products which contain a significant imported component. On the other hand, there has already been evidence that investors from some countries outside the European Economic Community regard Greece as an attractive way to enter the Common Market through a duty free gateway.

A further positive factor is that Greece is strategically well placed to export to Eastern Europe, the Middle East and Africa. The long experience which Greeks have had doing business in these markets often seems to give them a leg up. Another advantage of Greece is that the costs of production here are still somewhat lower than in most other Western European countries. Perhaps most important, a number of firms, in industries as diverse as home appliances, cement and textiles, have proven that by careful concentration in areas in which Greece has an advantage, Greek based firms can compete very well in world markets. I would expect that in the future most foreign investment will be concentrated in industries where such competitive advantages exist. This would be in line with government policy which I will get to in a moment.

One of the attractions of Greece for the foreign investor is the existence of a satisfactory labour supply in terms of both quality and quantity. If I may speak from my own experience for a moment, we have found that when adequate training is available, the Greek worker can quickly measure up to the high standards found in other European countries. Of course, some problems exist between unions and management at the present time, but they are not worse than those found in many other parts of the world. They can be explained, to a large extent, by the fact that for seven years there was an unnatural delay in the development of the labour movement and of labour-management relations. This development is now taking place in an accelerated fashion and inevitably results in a certain amount of friction. I personally believe that the development of the proper legal and institutional framework, which the Government is trying to do, will assist the country in getting through this difficult transition period.

Another major concern of foreign investors is the attitude in a host country towards foreign investment. The attitude of the present Greek Government was expressed earlier this year by the Prime Minister when he announced that the new five year plan assumes that foreign capital, along with foreign technical and organisational know-how, will be attracted. The Minister of Coordination expanded on this point by stating that while the plan will aim at encouraging the inflow of foreign venture capital, a more selective approach toward foreign investment would be adopted. The basic criteria in approving foreign investment projects, he said, would be their export orientation. Foreign investments with a low domestic value added and oriented mainly toward the domestic market, would be discouraged.

Support for foreign investment is not confined to the Government since the leadership of the major opposition party has stated that it is in favour of such investment provided it is made under terms and conditions which safeguard the national interest. The attitude of the Greek business

community has been expressed by our Co-Chairman, Mr Marinopoulos, who has stated that foreign investment is welcome provided that it contributes significantly to the industrial and economic development of the country and that the foreign investor cooperates with domestic industry.

In the past, many investments have been made on the basis of one hundred percent foreign ownership. Recently, however, the Government and Greek business community have indicated clearly a preference for joint ventures with local participation. One of the steps taken to facilitate such developments has been the establishment of a consortium of Greek Banks for the purpose of combining with domestic and foreign investors for large scale projects in the minerals, chemical and petrochemical industries.

Perhaps the clearest manifestation of the country's attitude toward foreign investment is the fact that legislation has been enacted which provides special guarantees and protections for such investments. The principal measure is Law 2687 which was enacted in 1953 and which was incorporated in the new constitution approved last June. The most important provisions of this law are that it guarantees capital repatriation and remittance rights, provides protection against expropriation and nationalisation, and establishes the possibility of obtaining preferential tax treatment provided certain conditions are met.

Another measure which is of interest to the foreign investor is Law 4171. This law provides various incentives for both local and foreign investments which qualify on the basis of size - Drs. 150 million in the case of an initial investment and Drs. 50 million for an expansion. The principal benefits of this law are the right to import machinery and equipment duty free; the freezing of income tax rates for a period of 10 years; and the granting of exemptions or reductions in certain taxes and fees connected with the establishment of investments and corporations.

Both of these laws are well-conceived and provide sound incentives for attracting foreign investment. However, they require that the terms of each investment be embodied in special agreements with the government and that specific governmental decrees be issued. This inevitably calls political attention to major foreign investment projects and has occasionally led to their becoming hot political issues. This politicalisation of development projects is also encouraged by a tight web of administrative procedures which require the investor to obtain a multiplicity of specific and unique governmental interpretations and approvals. Unfortunately, the officials who get involved in this process almost invariably take a very strict and narrow approach to interpreting the basic laws, agreements and decrees. This too often places the investor and Government in adversary positions; negotiating, bargaining with each other on too many things. Relatively trivial items in the overall scheme of things require investor Government agreement and they create uncertainties and sometimes antagonisms, which get in the way of real issues, and thus real progress. It seems to me that if specific laws covering foreign investments are desired, it might be better to have somewhat more restrictive basic laws but for fewer subsequent approvals to be required and for the general bias in interpretation to be favourable to the investor.

Of course, political and economic conditions vary from country to country and call for different paths to economic development. However, when private foreign capital is a desired route for such development, the most favourable

environment is created when laws are clear, broad in scope, directionally permissive and require a minimum of subsequent interpretation and approval. Under these conditions, there is less likelihood of a specific project being attributed to one political party or another, and thus there is less vulnerability to political posturing on bases unrelated to the technical and economic soundness of the endeavour.

I have touched on one specific administrative problem and now would like to spend a little time discussing in general terms the efficiency of the machinery of public administration in Greece. Some problems exist in this area as a result of cumbersome and inflexible bureaucratic procedures; the need to revitalise the institutions and programmes used to train people in the skills needed to operate a modern and efficient administration; and the existence of practices that inhibit decision making, even at the senior civil servant level. These problems might result to some extent from the tradition of political patronage which, of course, is not unique to Greece. I am reminded of another story with an American background. Many of you will be aware that Woodrow Wilson, before he became President, was Governor of the State of New Jersey. Like most political office holders, he was besieged by job seekers. One particularly persistent fellow had been after him for many months for an appointment. One night at two o'clock in the morning, this man called on the telephone and said, "Governor Wilson, Governor Wilson, the Commissioner of Taxes has just died. Can I take his place?" Wilson paused for a moment and then replied, "It's all right with me if it's all right with the undertaker".

One area in which a number of serious problems exists is the Tax Data Code. This code, even though it was adopted in 1968, follows old patterns and seems geared to the requirements of the small, family-type businesses which were common in Greece many years ago. It takes a narrow, bureaucratic, and formalistic approach to taxation and in many ways inhibits the operations of large, modern and complex enterprises.

The Government recognises the weaknesses in the public administration area and has a number of actions underway or planned which should improve efficiency and performance. Of course, such problems are not unusual and exist to a greater or lesser extent in most countries. To put the situation in perspective I would say that the standard of public administration in Greece is much better than that found in most developing countries but that considerable improvement is required to bring it up to the level found in the majority of western European countries.

Before leaving the subject of public administration, I would like to make a modest suggestion to the Government. It seems to me that the procedures involved in agreeing terms and obtaining approval to make a foreign investment, work well. Questions and problems which arise at this stage usually can be answered and worked out with the Law 2687 Committee or with the new liaison committee established in the Ministry of Coordination. However, difficulties are frequently encountered in resolving the myriad of problems which inevitably arise in the implementation of an investment. At the present time there is no government body with overall responsibility and authority for dealing with these problems and unnecessary delays are often encountered in finding the right point of contact in the Government. Might it not be desirable for the Government to establish a body, perhaps in the Ministry of Coordination, which would have overall authority to act in following up the implementation of foreign investments? One of its responsibilities could be to act as the principal point of contact for

foreign investors after they have agreed to make an investment and to assist them in resolving the problems which inevitably develop.

So far I have dealt with the environmental conditions which are of most concern to a foreign investor when an investment decision is being made. Now I would like to turn to a brief examination of what a country such as Greece should expect from foreign investment.

Clearly, one very important consideration is the contribution the investment will make toward improving the productivity and level of economic development of the country. Often closely related to this is the extent to which the investment will help to improve the country's balance of payments position - both through the investment funds which will flow in and by producing products for export or which will substitute for costly imports. A further consideration should be to attract foreign investors who will introduce new technology and who will train citizens of the host country in advanced technical and managerial skills which will gradually be diffused throughout the economy.

Some of the most important and permanent benefits of foreign investment are difficult to quantify or even to observe. These include such things as provision of incentives for local producers to carry on complementary operations, directly adding to local employment and incomes; and introduction of new ideas, commercial attitudes and initiatives to the local population.

Greece has obtained such benefits from foreign investment in the past. Anyone who knew Thessaloniki in the early 1960's and visits it again today can see dramatic evidence of the positive role foreign investment can play. The Greek Government recognises these facts and clearly continues to be receptive to investors whose operations and policies will contribute to the economic progress and social health of the nation.

SPEECH GIVEN BY THE RT HON ROY HATTERSLEY, MP, MINISTER OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS IN THE BRITISH GOVERNMENT, AT THE RECEPTION HELD IN THE GRANDE-BRETAGNE HOTEL, ATHENS, ON THE EVENING OF FRIDAY, 4TH JUNE, 1976.

The Government of the United Kingdom is in wholehearted support of Greek membership of the EEC - not just to the principle of membership but to the practice of membership, not just the idea of membership but the reality of membership. The inclusion of Greece within the Community is a mutual necessity. Neither party to the Treaty of Accession will be doing the other a favour. The interests of Greece dictate that her future lies within the Common Market. Were the Community to deny Greece that prospect, the Nine would be turning their backs on the principles that brought them together and neglecting their own long term economic and political advantage.

The case for Greek membership is primarily political. Two years ago, Greece - the state that conceived and first practised democracy - returned to democratic government after seven years of tyranny. It did so with an ordered composure that surprised even its delighted friends. Membership of the European Community adds to the strength of Greek democracy with two hundred and fifty million other European votes and voices committed to the role of the law and sovereignty of the people. The preservation of democracy, no less than the extension of prosperity, is an essential objective of the EEC. All our democracies are strengthened by membership. The rules applies to every member nation - no matter how stable its institutions, no matter how ancient its freedoms, no matter how entrenched its liberties.

There are, I know, two arguments advocated against Greek membership. The first - the low argument - is that it will cost the existing Members money. The second - the high argument - is that it will divert the EEC from its remorseless pursuit of a closely-knit homogeneous Europe with each virtually contiguous state working away to build a European identity.

Both these arguments have some force. Superficially it is easy to dismiss them. We can draw attention to the inconsistency of first denouncing the EEC as a rich man's club and then protesting about the inclusion of the poorer nations. We can caricature those who worry about the Community's future structure as constitutional theorists creating schemes for integration which are both impractical and undesirable. But we do our cause no service by dismissing such arguments as if they have no force. It is wiser to accept their validity and yet insist that the case for Greek membership is so strong that to deny Greece membership would be short-sighted as well as selfish.

But there are many difficult decisions which have to be faced before the Nine becomes Ten. Greece may find itself paying a considerable short-term price for membership. The present members of the Community may have

to face considerable costs if that price is not to be intolerably high.

If we talk as if Greece can slip effortlessly into the EEC we deceive ourselves and delude others. Worse still, we pursue a policy that can only end in disillusionment both in Athens and in Community capitals. Perhaps we could ignore or blur the difficult issues during the year in which the entry negotiations begin. But they will force their way into the forefront of our minds when the final balance sheet is drawn up. Anyone present at this week's Council of Ministers in Brussels could hardly fail to realise that there is a general and genuine enthusiasm for Greek membership. But the determination of every single member nation to minimise the cost of that membership to the present Community was equally obvious. This is a time of financial stringency in the Community and there are many competing demands for available funds.

Next, a word of warning from our British experience. The major economic benefit of membership will be the dynamic effects of Greek industry and commerce that naturally comes from Community membership. But they will not come at once and they will not come automatically. After 3½ years of membership, British exports to Community partners are just beginning to expand at the rate we hoped that membership made certain. That is, in part, because the natural dynamic effects have now begun to work. It is also because we in Britain have made adjustments to our own economy which enable us to enjoy the benefits that the EEC membership can provide. For Community membership offers the prospect of expansion not the certainty of improved prosperity. The economies of the member nations have to be ready to respond to the challenge. Part of that response will be painful to individual sectors of the Greek economy for the benefits will be far from evenly spread and as some sectors thrive and grow others will dwindle and decrease.

Nor can the conversion of your agriculture to a condition suitable for Common Market membership be easy. I confess regret that the Association Agreement that Greece enjoys with the European Community has not enabled sufficient progress to be made towards agricultural harmonisation. The failure to make greater progress is a demonstration of the problems that agricultural harmonisation brings. But difficulties still lie ahead. An agricultural economy with almost 250,000 holdings of two acres or less equally divided between mountain and plain and with 400,000 more farms of between 2 and 7 acres is certain to have severe problems in adjusting its products and its performance to the agricultural economy of the EEC. Certainly the Agricultural Ministers of the EEC will not accept that all Greek agricultural produce can automatically be sold in the EEC at enhanced prices. The diversity of agricultural interest can only be solved by a major programme of structural reform. These problems ought to be exposed and faced at once.

Greece enters the Community at a time when Common Market consumers are expressing their growing concern with agricultural surpluses and the inflated agricultural costs that they create. The Common Agricultural Policy of which Greece will be a part will increasingly concentrate on a higher level of agricultural efficiency, on production geared to the Community's needs. Rural prosperity that comes from price fixing to give the least efficient a living wage and the most efficient vast profit has little attraction to consumers. What we need now is optimum-sized farms run in the optimum way. The rationalisation that must follow is certain to have painful aspects but it is necessary both for the Community's farmers and

the Community's consumers. It is a necessity which I hope the farmers of Greece will understand.

And let me give you a second warning. Some of my friends in Greece believe that the best course for this country is simply to accept EEC membership on any terms, to enter with a minimal transitional period, to accept the regulations and the directives and to pay the price of sudden and desperate adjustments. I do not believe it is possible either in terms of the price that would be paid by the Greek economy or in terms of the problems it would cause for the Community. When you are a full member of the EEC, your Minister of Agriculture will sit with other Ministers of the Ten determining price levels for the following year. Funds from the Common Agricultural Policy will somehow have to be distributed between your farmers, the rice producers of the Po Valley, the market gardeners of Holland, the wheat growers of Picardy and the dairy men of the English west country. Unless the Community's agricultural economies have at least a prospect of developing mutual interest and compatible objectives, the varied demands of all the Community's agriculture cannot be reconciled year by year.

All of us who wish Greece to be a member of the Community must now face a period of hard bargaining and detailed negotiation. Within the Nine the interests of each member nation will be carefully examined and fiercely protected. The bargaining is only just about to begin. It starts with argument within the EEC about the terms and contents of our mandate. It continues during the long days and nights in Brussels with your Ministers and the Community's representatives pitting the Common Market mandate against the Greek proposals. I ask you that you should not believe that the determination of our negotiators is in any way a sign of our basic reluctance to see Greece within our range. It is in fact a demonstration of the essential hardheadedness of the Community, from which Greece - when she becomes a member - will eventually benefit.

I wish the Community had made more progress towards the opening of entry negotiation. Frankly, at our last Council meeting little was done to bring the formal opening any nearer. The Council failed to agree about the aid elements in the Protocols to a range of Association Agreements. Until that hurdle has been cleared the Accession Negotiations cannot profitably begin. Some of us struggled to make progress to find a compromise that would carry all our partners with us. We had only eight-ninths success. But on one thing the Community as a whole is clear. The enthusiasm for Greek membership is unanimous. It is the ponderous way we take our decisions, not the absence of good will that must be overcome if the enlargement negotiations are to begin this summer as we in Britain hope and believe they will.

I am afraid that there may be those in my audience who will regard the difficulties I describe as either overstated or as the product of a sub-conscious wish to see the Nine remain in its present shape and size. The second suspicion is simply wrong. I have demonstrated that during the last two years and will demonstrate it many times during the difficult period that lies ahead. It is the first misjudgement which I fear the most. I want to see Greece a full member of the EEC. I want to see Greece benefiting from the economic and political advantages membership brings. I want the community of Western democracies strengthened by Greece's inclusion in the EEC. But I do not want Greece, once in the Community, to be afflicted by doubts and disillusionment about the

fundamental decision she has taken.

Six months ago I discovered a quotation which some of you will know well. It begins with a question from a member of the Standing Committee of Ten.

"How could you find a cure for so much confusion in our countries? How could you unravel it?"

Lysistrata replied:

"Very easily".

Greek scholars assure me that Lysistrata under-estimated the problems that lay ahead. However, Lysistrata's basic judgement turned out to be right. My hope is that in Greece today you will avoid the pains and penalties which will certainly multiply if we treat the problems of the entry negotiations as if they can be very easily overcome. Though we are, of course, basically right. Greece needs the Community, the Community needs Greece. We shall come together.

Athens Hilton - Greece

MINERAL RESOURCES AND THEIR CONTRIBUTION TO THE GREEK ECONOMY

Mr Michel D. Scalistiri

President
Scalistiri Group

I am very flattered to have been invited by the Financial Times to address this conference on the Contribution of Mineral Wealth to the Development of the Greek Economy. It is difficult to give an adequate speech on a broad subject in a short space of time and particularly in the presence of such a distinguished audience who have arrived from all parts of the world.

Here in Greece we are always expected to preface all talks with reference to Ancient Greece - just as though the British were expected to commence with reference to the times of their glorious empire. However, mining today in Greece, is a modern development, and therefore, I shall limit myself to the contemporary, impressive achievements, of the mining sector in Greece.

The prospect of Greece becoming the tenth member of the European Economic Community, has served to emphasise the directions which the Greek economy must follow. The Government, the Political Parties, the public and private sectors of the economy, share the conviction that the only way for Greece to survive and to take its place among the developed nations of the world, is to undertake a rapid industrial expansion. It has become obvious that only accelerated industrial progress with high productivity rates can guarantee the fulfilment of such a target.

Agricultural development and tourism alone are not sufficient to raise the standard of living of the Greek people to a level corresponding to that of our future European partners. The Government, supported by the private sector, has declared that Greece has the potential to develop into a successful and significant industrial nation within a short period of time. This optimistic assumption, is based on two premises, the one subjective and the other objective.

The subjective takes into account the aggressiveness and demonstrated ability of Greek businessmen, managerial class and labour force to adjust to modern methods of organisation and production.

One of the objective factors is the availability of large mineral resources in the country. An even more intensive utilisation of this wealth, will give a dynamic boost to the industrial development of the country. We have discovered that Greece after all is not poor in minerals as had been thought, but on the contrary it has a very substantial mineral wealth already being mined and with prospects of further development. The rate of increase in mineral production in Greece, promises to be very high.

I hardly need to say that the mining enterprises which with their vigorous activity during the last 20 years have succeeded in making internationally well-known the Greek products, feel great pride and satisfaction that finally their contribution to Greece's development has been recognised.

The road to success was not easy. It has demanded perseverance and effort on the part of the mining companies of Greece, which have invested substantial funds in exploration and in plant and equipment to demonstrate the existing prospects of mineral development. This year the Government and in fact the Prime Minister Karamanlis himself, declared Greece's mineral wealth to be of prime importance to the economic growth of the nation. Obviously the mineral wealth of Greece should be of great interest to our future partners in the Common Market. It constitutes, if I may be permitted to phrase it so in the era of Women's Liberation, the dowry which less-developed Greece will present upon its marriage with the industrialised countries of the Common Market.

Professor Zolotas, The Governor of the Bank of Greece, rightly underlined in a recent speech to the Athens Academy, that Greece possesses extensive mineral wealth. Such wealth when metallurgically processed, will provide the European Economic Community upon our country's entry, with a variety of processed raw materials at low cost of transportation, and will thus contribute to the Community's virtual self-sufficiency in many of these products. From the development of the mineral resources we expect the solution to two critical problems:

First, to the establishment of domestic heavy industry, and second, to the improvement of Greece's Trade Balance which has been in chronic deficit. The latter will be achieved since most of the mining and metallurgical products are exported.

We in the mining industry, firmly believe, that we can be successful in both areas, provided of course, that the Government maintains a suitably encouraging policy, conducive to a favourable climate, in which we can continue our endeavours. Greek subsoil has sufficient deposits to satisfy short-term requirements both for the domestic and foreign markets, and to allow for long term plans for the expansion of the metallurgical industry at an even more accelerated rate than in the past. Thus the added value to our raw materials can be readily translated into ever-increasing foreign exchange earnings.

The results of extensive and costly exploration undertaken in the last 20 years mainly by the private sector, allow us to determine the size of our mineral wealth fairly accurately, and to evaluate its significance in relation to the total economic activity.

Greece is presently rich in many minerals: Bauxite, magnesite, nickeliferous ores, lignite, pyrites, manganese, lead, zinc, copper, asbestos, chromite, sulphur, emery, perlite, bentonite, kaolin, pumice stone, marble, gypsum etc. These ores and minerals are of great industrial value.

In the past ten years, development in the mining sector has been impressive indeed. Here are some striking statistics: In 1964 the annual production of Bauxite was 1.3 million metric tons. In 1975, it reached 3.3 million tons, representing an increase of 156%. The main bauxite areas are located in Central Greece, in Giona, Parnassos, Elikon and Eleusis. Production of magnesite in 1965 was 315,000 tons. In 1975 it increased by 352% to 1,5 million tons. The main mining areas are on the Island of Evia and in Northern Greece in Halkidiki.

Nickeliferous ores have registered, however, the most impressive achievements. Production increased by sixty-five times from 30,000 tons in 1965 to 2,000,000 tons in 1975. The prospects for further significant gains are very promising.

Equally impressive rates of increase were recorded in the mining of other ores, such as mixed sulphides, manganese, emery etc. Even more significant has been the continuous improvement in product quality coupled with the tendency towards vertically integrated production, from mining of the ores, to the production of final industrial products.

In the mining sector, production can take place in three distinct stages: mining of ores in their natural state, processing or dressing of ores to concentrates, and finally production of metallurgical products.

Only about 5% of Greece's total production is marketed presently in the form of unprocessed natural ores.

Production of concentrates extracted from poor non-marketable ores has expanded in the past ten years. For example, the output of barites rose from 57,000 tons to 93,000, a gain of 63%. Galena output increased by 140%, from 15,000 tons to 36,000 tons. Pyrite production rose by 82% from 103,000 tons to 187,000 tons, and sphalerite concentrates production marked a 125% gain from 20,000 tons to 46,000 tons.

In the field of metallurgical processing, the results were also impressive. I should add that this was a 100% accomplishment of private industry. For example: production of alumina and aluminium from Greek bauxites began for all practical purposes in 1966 with 85,000 tons of alumina and 36,000 tons of aluminium metal. In 1975, production of alumina reached 459,000 tons, more than five-fold increase, while production of aluminium rose almost four times, to 136,000 tons.

Deadburned Magnesite

This is a sintered product of Greek magnesite. Its high quality has established it as the best in the world markets. Production of deadburned magnesite rose more than five-fold from 64,000 tons in 1965 to 360,000 tons in 1975.

Basic Refractory Bricks constitute the final stage in the manufacture of Greek magnesite and chromite. In 1974, the first year of full production of the factory at Mantoudi on the Island of Evia, refractory bricks output reached 31,500 tons.

Greece produces ferro-nickel with a 25%-30% nickel content. Production of ferro-nickel at Larimna rose from 2,500 tons of nickel content in 1967 to 15,000 tons of nickel content in 1975, an increase of six times.

The indicative figures that I have cited provide objective measures of the dynamic developments in Greece's mining industry.

In terms of the National Economy, it is estimated that the direct and indirect contribution of the mineral wealth represents about 5% of the Gross National Product. (In my estimate, I have included of course, production of ores as well as of processed and manufactured mineral products).

The contribution minerals to the Gross Domestic Product rose from Drs 3,5

billion in 1970 to 8 billion Drs in 1975, according to figures published by the Ministry of Co-ordination and Planning.

This represents more than a two-fold increase over a five-year period. To these figures we should add the production of the mining sector that appears in the manufacturing and other sectors in the National Income Account: For example, metallurgy accounted for Drs 9 billion in 1975, the biggest portion of which represented production of alumina, aluminium, ferro-nickel and other manufactured products of the mining sector; the production of dead-burned magnesite and refractory bricks amounted to about 3,5 billion Drs in 1975. Metallurgy has developed in Greece during the last 15 years. Thanks to the initiative of private Greek enterprises it succeeded in becoming one of the most dynamic branches of the Greek economy. In that period, annual growth of that sector amounted to 22,7%, compared to 12,7% of the Gross Domestic Product. The contribution of mining to employment has been equally important. Approximately 25,000 workers are employed directly by the industry, earning among the highest wages in the nation. In addition, 8,000 workers are employed by enterprises processing Greek mineral products.

Of paramount importance are the beneficial effects of the mining industry in regional development, especially in a country where economic development has tended to concentrate in a few areas. Indeed this is a direct result of the nature of mining. Mining companies must operate near the site of mineral deposits which are spread over the country, and have thus contributed decisively to the development of some of the poorer areas, reducing the undesirable affects of urban concentration, creating job opportunities and providing incomes to otherwise neglected areas.

Furthermore, the mining industry makes a positive contribution to the Balance of Payments. In the decade 1965-1974, exports of ores, industrial minerals and metallurgical products, increased twelve-fold, earning hundreds of millions of dollars in foreign exchange. Exports from such products rose from \$24 million in 1965 to \$278 million in 1974. In the same period, total Greek exports rose from \$330 million to \$1.75 billion, representing about a five-fold increase only. Thus the share of mining exports to the total Greek exports has more than doubled from about 7% in 1965 to about 16% in 1974.

In 1975, due to the international crisis, this rapid rate of increase was interrupted. Nevertheless, there was no decline in mining exports.

More significant has been the change in the structure of Greek mining exports. As late as 15 years ago, exports of manufactured mining products were non-existent. Only ores were exported, particularly in their natural state, at particularly low prices. In some cases, such as the bauxite, the value of shipments was sometimes lower than freight charges. The situation has changed dramatically. Exports of industrially processed minerals represent 80% of the total exports of the mining sector. This figure rises to 95% when exports of concentrates and processed ores are included.

What I have given you was only a brief outline of the work being done to develop the mineral wealth of Greece. It would be an omission not to mention who has shouldered the burden of this work. I would be unfair to forget the contribution of the State. The National Geological and Exploration Institute created immediately after the Second World War, has offered much in the field of exploration. So did the Government by adopting tax measures and by providing financing first through the Organisation of Financing Economic Development (OHOA) and American Aid and later through the Hellenic Industrial Development Bank.

It would be very modest, however, on the part of private mining enterprises not to underline their contribution to the development of the mineral wealth of Greece. Mining companies started from virtually zero after the Second World War and have since then created what is presently recognised as the basis for further hopeful developments. To achieve this pioneering effort, it took courage and incalculable sacrifices on their part. The achievements have been substantial.

In the past ten years, the mining industry has dug 136,000 metres of galleries and drilled 2.7 million metres of bore holes. 92% of the galleries and 82% of the drilling has been undertaken by the private sector.

In the past six years, gross investments in mines and quarries have amounted to fourteen billion Drs. Of this, 10,5 billion Drs or 75% was accounted for by private enterprise. In 1975 alone private companies invested 2.3 billion dollars, corresponding to almost 90% of the total mining investment for the year. I should further point out that the main Greek private mining companies have started new investments in plant and equipment to the value of 16 billion Drs and in exploration to the value of 1.8 billion Drs. These projects are expected to be completed in the next five years.

When the spectre of recession loomed, investors were held back and most private initiative, burdened by excess capacity, remained hesitant. The mining companies nevertheless took the lead and embarked on large-scale investment programmes.

Furthermore, the mining enterprises in Greece, proved that they are conscious of their social role and that they are not merely guided by profit motives, for the purpose of accumulating wealth. The annual income statements of mining companies shows that 70%-90% of net profits are reinvested in plant and equipment and in working capital.

Finally, the private sector of mining has excelled in scientific research and development. We, private companies, have set up modern laboratories and pilot plants manned by highly qualified technical staff, whose members are encouraged to travel abroad regularly to re-train and to attend seminars and scientific congresses.

The results have been gratifying. Marginal ores, which were disregarded in the past, can now be processed, thanks to the new techniques developed by our scientists, thus supplying a substantial addition to the country's proven mineral reserves. New techniques of ore-dressing and industrial processing developed by our scientists have been awarded international patent rights. Our industrial mining products, have not only become equal, but in many cases have surpassed them in quality. Mining companies in other words, have succeeded in changing Greece's world image from that of an under-developed country producing low quality products to that of a country pioneering in the mining sector. The most gratifying proof of this has been the fact that a number of foreign countries have sought know-how and engineering from Greek mining companies.

The picture for further development of the private sector is promising.

To illustrate this: Only four major projects presently under implementation, will double our metallurgical products, contributing \$200 million annually to our foreign exchange earning. The four projects that I have arbitrarily selected are:

Bodosakis's 1.7 billion Drs ferro-nickel expansion, Scalistiri's new 2.1 Drs project for ferro-nickel, Parnassos Bauxite Mines 7 billion Drs alumina project and Scalistiri's 1.7 billion sea-water magnesia plant.

Naturally there are also many other projects, both of the aforementioned companies and of other mining companies under way, but it is unfortunately impossible to enumerate them all. Greek mining enterprises are among the most dynamic productive units in the Greek economy. The standards of their organisation, the degree of mechanisation and the level of technical know-how, are very high. This has been recognised by the Government and the scientific world and has been confirmed by flattering observations of visiting scientists and professors from MIT and other foreign Universities.

We are optimistic. We private mining enterprises, are confident and determined to continue with even greater enthusiasm the development of the Greek mineral wealth. We also believe that the State can create appropriate conditions and tackle successfully a few critical problems facing the industry, such as the question of manpower provision of substantial export incentives, Government participation in infrastructure work, and the balanced solution of safeguarding mining development, while guaranteeing the protection of the environment.

This, coupled with a climate of social peace, should allow private initiative to function unhampered for the benefit of the National Economy.

THE GREEK CONSTRUCTION INDUSTRY IN WORLD MARKETS

Mr E. Couloumbis

President
Technical Chamber of Greece

When I was asked to address this Conference on the subject of the Greek construction industry in world markets the first thought that came to me was that a few years ago there would have been nothing for me to talk about. The size of the construction units in our country was so small that they could not conceivably make their presence felt on the international scene. My next thought was that I would be facing the dilemma of having to extol the qualities of the major Greek construction companies, most of which achieved spectacular growth during the years of the dictatorship and with methods which are not forgiven easily by the Greek people.

I should stress from the start that what I shall say is merely a suggestion of the ways and means by which a detailed analysis should be made of the problem facing the Greek construction industry on the international scene - a problem which so far has not been gone into in depth so that proposals for a realistic solution could be formed.

It is obvious to all that the few large construction companies in Greece are an accomplished fact and it is also a fact that they are working in Middle East and African countries.

HOW IT ALL BEGAN

Construction techniques in our country have a long and rich history. They are inseparably linked with the local production of building materials and the methods imposed by these materials. And these methods, in turn, are based on the boundless imagination of our people. Construction in Greece has nurtured generations of worthy artisans and for centuries has moved, inside the country, within a closed and self-sufficient circuit.

As could be expected, this circuit was broken by the rapid progress of technology, the industrialisation of production and the increasing scale of social requirements in our century. The decisive turning point in our country was reached towards the end of the fifties. The scale of the works in hand, made necessary by the country's reconstruction, the gradual mechanisation and the adoption of modern construction methods which were already being applied by foreign construction companies engaged in large public works in Greece, plus the whole re-deployment of our economy after the war - all these things led to the final abandonment of traditional construction methods.

The result of this break with the past was a new situation which has pre-

vailed for the past twenty years in the construction sector in Greece and which is characterised by:

- A plethora of small construction companies which undertake private projects;
- And many small and medium-sized companies which undertake public works.

More specifically, in the public works sector, when the rehabilitation of the national economy began at the end of World War II, the country's construction potential had to start from scratch, adapting itself to conditions in Greece at the time, without equipment and without capital funds.

The state was under pressure for sheer survival and had to abide by the terms of the loans it was obliged to contract. In these circumstances, it turned a deaf ear to the fair demand of Greek constructors to be given equal participation with foreign contractors on works which were being initiated. Thus, all the Greek constructors could do was to offer their services to the foreign companies.

When the foreign firms began working with Greek companies, the latter were relegated to a minor role with the execution of parts of a major project as sub-contractors. Very soon, however, this form of "co-operation" changed in character when, in actual fact, Greek sub-contractors were doing all of the work involved.

Through systematic and insistent effort, Greek engineers won equal status in co-operating with foreign firms and by the beginning of 1960, construction units had developed to such an extent that some of them ventured to take part in bidding for international projects. And thus, for the first time, Greek construction companies won contracts for public works projects abroad such as the harbour of Benghazi in Libya, pre-stressed pipes for Persia, Beirut Harbour and dams in Cyprus.

But these first appearances of Greek construction companies on the world scene were not continued. The advent of the dictatorship in Greece produced orders for large projects inside the country, aimed at bolstering the regime and launched without proper planning. I shall now refer briefly to the private construction sector.

During the twenty-year period from 1950-1970 our country ranked high on the world list of housing construction with a rate of about 10 homes per 1000 inhabitants per annum. At this point I would like to stress the particular role played by housing construction in the country's economy.

During this twenty-year period and within the framework of an economy developing along the lines of a dependent industrialisation, the construction sector became abnormally large and gradually began playing a leading role as an activating factor in other sectors and in money circulation. While the key sector of industrial production was progressively influenced by foreign capital with the creation of a few, large and technically advanced industrial units, housing construction, as a small-scale investment outlet, became the sole drawing card for small and medium-sized capital in the country which could not be invested in industry by reason of the special conditions under which industry is organised. In these circumstances, construction - and housing construction in particular - was fated to become the first target

for state intervention whenever inflationary phenomena, caused by more general factors, appeared on the horizon, in government attempts to curb inflation.

The climax of these fluctuations was reached during the crisis of 1973-74.

The thoughtless policies of the dictatorship and international developments as well led to unprecedented inflation which resulted in a vertical drop in the purchasing power of the people and a steep rise in prices. The measures imposed by the dictatorship to curb housing construction dealt a death blow to the industry and condemned a large section of the country's working people to unemployment and underemployment.

And yet, paradoxically enough, it was the dictatorship itself which stimulated housing construction and construction in general. In its efforts to bolster the regime, the dictatorship embarked, on the one hand, on a thoughtless lending spree with regard to the private sector and, on the other, on the construction of huge public works which were often unproductive - all without proper study or planning. In this way, it gave the false impression that the country was rising the crest of a wave of prosperity and thus prolonged its existence. However, in order to secure the necessary funds, the dictatorship had to resort to borrowing on onerous terms. Private constructors who secured capital from abroad were able to obtain contracts for works of their preference on terms that were extremely favourable to them and therefore naturally unfavourable for the state.

In this way, the dictatorship wasted huge amounts without proper planning and with no effective control over expenditures all of which resulted in the burdensome public debt it left behind when it collapsed.

This is why I hinted at the beginning that the contracts executed under the dictatorship should be investigated and that measures should be taken to compensate for the damage suffered by the state resulting mainly from the onerous terms of borrowing and the excessive cost of the works undertaken.

As far as the period of the dictatorship is concerned, during which certain people enriched themselves at the expense of the Greek people, it is my opinion that the state should impose a special tax on excessive profits gained during this period, and not on the construction companies alone - also that the various loans granted during the seven years to industries, tourist installations and other beneficiaries should be settled by taking inflation into account as well.

This is the sorry situation bequeathed to the new government by the dictatorship and which it will have to contend with in the best interests of the Greek people.

THE PRESENT SITUATION

The picture presented today is marked by the following features:

There are certain large construction companies which, as mentioned before, developed rapidly during the dictatorship and assumed gigantic proportions which are not compatible with the Greek scene.

For example, while the public investment budget for 1976 calls for works to the tune of one billion drachmas, Greek constructors could easily handle

works budgeted at twice or even three times this amount. This is due to the immense size of the top ten construction companies compared to that of about 2,000 smaller units. This phenomenon arose from the deliberate award of complete projects which could have been parcelled out as separate, flexible contracts to a larger number of companies.

On the other hand, in our country, the construction sector, and the study sector as well, has been on the decline for the past three years. Greek engineer-constructors and study engineers are currently going through the greatest professional crisis that has ever occurred in peace-time years.

They are therefore seeking an outlet by devoting part of their activities to projects abroad - in such places as the Arab countries and in Africa and later, when we have become a full member of the Common Market, in Europe as well.

THE POTENTIAL

As I have already said, the construction potential which grew during the post-war period and which contributed so much to the country's rehabilitation and subsequent development, is a noteworthy capital asset for our national economy and must be maintained.

It occupies a large segment of the working population in the form of engineers, technicians and skilled workers. And this potential must be supported because it is in a position, without needing large amounts of fixed assets, to contribute a great deal to our national economy, particularly in view of our forthcoming full membership in the Common Market. The possibilities for Greek construction units to capture markets abroad are theoretically limitless.

More specifically, however, they can work in:

- a) As of now in the Arab countries and in some African countries such as Nigeria, Gabon, etc.
- b) In EEC countries after we have gained entry.

New possibilities are opening up in the Balkans and more generally in the Eastern bloc countries following the new, positive government policy of closer co-operation and exchanges, for a more substantial co-operation in the technological sector with possible opportunities for joint projects with these countries in Arab lands and more generally in the third world. I will not hesitate to say that on the world scene, Greek constructors can successfully compete with foreign firms because:

- Their costs are lower as has been amply proved in cases where they have competed with such firms both at home and abroad.
- They are staffed by first rate engineers and technicians and Greek engineers excel not only in concept but in practical application as well.
- They adapt themselves easily to new situations and are flexible in their decision-making.

There are of course shortcomings related to the insufficiency of capital

funds, the purchase of expensive equipment and limited experience in working abroad.

However, the abilities of Greek constructors are such, both professionally and business-wise, that they will surely distinguish themselves on the world scene.

POSSIBILITIES IN ARAB AND AFRICAN COUNTRIES

The tremendous concentration of wealth in these countries presents possibilities for the execution of extensive development works and opens up opportunities for Greek constructors. The benefits to the national economy, as has been often proclaimed by Greek officials, are as following:

- Surplus potential (engineers, technical personnel, machinery) which is underemployed or unemployed can be used without creating emigration problems since it will be moving out of the country only temporarily and will return.
- Foreign exchange revenues will accrue and improve the balance of payments.
- The foundations are laid for a broader economic and even political co-operation with these countries.

For a better insight into the situation as it stands today the following table lists the projects currently in hand by Greek construction companies abroad. It has been roughly compiled from information received from engineers working in our construction companies. There will probably be omissions and in any case some medium-sized units which are engaged in small-scale projects in the Arab countries are not included.

A glance at the table leads us to the following observations:

1. Contracts worth more than four billion dollars (150 billion drachmas) are today being carried out by Greek construction companies using almost exclusively Greek engineers, senior technical personnel and a core of skilled workers and machinery operators. Managerial positions are always occupied by Greeks.

2. The magnitude of the value of each project and the total value of all the contracts are indeed impressive.

Two of these projects, Archirodon's in Saudi Arabia worth 36 billion drachmas and Elliniki Techniki's in Iran worth 30 billion drachmas are of the same order as the budget for the entire public investment works programme for Greece in 1976 (35.5 billion drachmas or one billion dollars).

It is reckoned that these large projects will take three or four years to complete. Yet, with foreign contracts worth more than one billion dollars per annum, it is reckoned that about 20% of this amount will come into Greece in the form of obligations to the state and remittances from Greek personnel, ie \$200,000,000 which is certainly not to be despised. If the necessary measures are taken, Greek construction companies could be executing projects worth 2.5 billion dollars per annum, thus earning \$500,000,000 in foreign exchange or more than the total amount earned from tourism in Greece in 1974. If we calculate that the deficit in the balance of payments in

TABLE
MAIN PROJECTS CURRENTLY IN PROCESS ABROAD

Country	Company	Value of Project in millions of Drs.	Total per Country	Personnel Abroad	Involved in Greece
NIGERIA	EDOK-ETER	10,000	10,000	270	140
GABON	EDOK-ETER	1,000	1,000	50	30
CAMEROON	EDOK-ETER	1,000	1,000	50	30
LIBYA	ETE	1,000		100	30
	XEKTE	1,800		100	30
	EPIROTIKI	2,500		300	100
	ARCHIMEDES-GENIKA ERGA	800	6,100	80	20
SAUDI ARABIA	ODON & ODOSTROMATON	600			
	ARCHIRODON	36,000		700	50
	EDOK-ETER	10,000		600	100
	THALES	2,500		300	50
	ALEMAT	2,000		200	50
	IRAKLIS	1,000		50	30
	METON	300	52,000		
GULF EMIRATES	ARCHIRODON	7,000		100	20
KUWAIT	ELLINIKI TECHNIKI	4,000	11,000		30
SYRIA	DOMIKI	300		20	10
	EDOK-DOMIKA ERGA	2,000		200	50
	TECHNODOMIKI	700	3,000	100	20
IRAK	SCAPANEUS	3,600		350	150
	ELLINIKI TECHNIKI	16,000	19,600	?	20
IRAN	SCAPANEUS	6,600		350	150
	ELLINIKI TECHNIKI	30,000	36,600	80	70
			<hr/>	<hr/>	<hr/>
			140,000	4,000	1,200
Works carried out by smaller or other companies - rough estimate			9,300	500	300
			<hr/>	<hr/>	<hr/>
			150,000	4,500	1,500

1975 was one billion dollars it becomes easy to realise how important the foreign exchange earnings of construction companies working abroad can be to the national economy. And more so when one considers that there is no need to spend a large percentage of it on imports of various commodities as is the case with tourist earnings.

3. The number of people occupied appears small at the present time and would not seem to solve the unemployment problem. But we must remember that most of these works are at a preliminary stage and that as the projects progress, more personnel will be needed. In fact, Greek construction activity abroad regulates, without draining the country's human resources, the problem of surplus technical personnel.

The Greek government, in the conviction that the country is benefitting from this source, has taken a series of measures to facilitate the task of Greek construction companies abroad such as the law relating to the capital fund for the protection of foreign credits, the ability to send mechanical equipment abroad by importing the equivalent in foreign exchange, the opening of bank accounts in convertible currency, etc.

But we must not forget that this exodus of construction potential from our country also harbours considerable dangers for our national economy and our political status in the world. One of them is the danger that the companies concerned will not fulfil their contractual obligations in the country they are working in. In this respect, it is worth mentioning that the National Bank has so far issued letters of guarantee for financing, satisfactory execution and advances to the extent of more than fifteen billion drachmas (and this is another serious reason why we should be extremely careful).

Therefore, we should not lose time in foreseeing the problems which will arise, and take the proper measures so that our presence on the world scene should not be uncontrolled but guided by specific prerequisites and limitations.

These measures must not only protect the interests of the country and of our contractors but also those of the countries they work in. Greece has gained bitter experience with respect to the problems that accrue from dependence on a foreign country in the technological and economic fields and we would not like to see our country acting in the same way. Of course, our country is a small one and the Greek construction industry cannot exert any political influence or impose alternatives that do not serve the host country's national interests.

Finally, and equally important, the interests of Greek and local personnel working for Greek construction companies in these countries must also be safeguarded.

Such safeguards can only be provided by bilateral agreements with the countries concerned which will define the scope of activity of the companies and, more specifically, so that:-

- 1) The mother country can exert full control over the financial and other activities of the companies.
- 2) A mechanism of incentives and counter-incentives is brought into operation for the suitable disposal of the country's construction units to the degree made possible by its own development programmes.

3) The re-importation of exported equipment is guaranteed.

It should be also guaranteed that:

- 1) Only Greek technical personnel and nationals of the host country are to be employed.
- 2) The rights of the technical personnel (collective agreements, wages, leaves, medical care, free union activity, etc) are safeguarded.
- 3) Proper living and working conditions will be provided for engineers and other personnel in the host country.
- 4) The host country's own potential be allowed to participate at all levels and skills so that it shall be able in the long term to assimilate the imported technology.

Construction work and the presence of groups of Greeks in these countries will surely promote the export of many of our products.

It should be noted at this point that industries connected with construction are among the most advanced in Greece. The building materials industry (cement, steel, etc) does not only completely satisfy local demands but exports as well.

Finally, an effort should be made to win study contracts by Greek technical firms in these countries.

The advantage with studies is that they can be made almost entirely in our own country and result in the employment of a large number of people who do not have to go abroad. There is already one large firm of engineer consultants in Greece which has, in the past twenty years, undertaken studies and supervision of contracts abroad worth \$104,000,000 of which \$42,000,000 were earned from 1973 to the present day.

This is not enough, however, and greater efforts should be expended in winning more study contracts abroad.

A very important role will also be played by the good relations which have begun to be cultivated between Greek engineers and their colleagues in the Arab countries. Representatives of the Technical Chamber have been invited and have visited Syria, Libya and Iraq and the Chamber has recently played host to representatives of Palestinian engineers' associations which are prominent in many Arab countries and with which protocols of co-operation have already been signed.

Here I should reiterate the proposal by the Technical Chamber to the government that technical advisers should be appointed to the Greek embassies in the Arab countries who will be able to familiarise themselves with local conditions (cost of materials, cost of living, etc) and thus be in a position to ensure that our national policy in this sector is faithfully applied, to serve the large numbers of engineers and technicians in these countries and facilitate the course of the projects in hand.

POSSIBILITIES IN THE COMMON MARKET

As you can understand, I shall not dwell upon the broader problems that face

this country as a result of our pending membership in the Common Market. Nor will I refer to the adjustments that will have to be made in our national economy in this respect. Adjustments that will require measures which will also delineate the necessary period of time during which the country must prepare itself for such a fundamental prospect with the least possible damage to its economy.

Our entry into the EEC will require great changes in our state machinery, bringing various institutions up-to-date and adapting ourselves to new methods and working habits. I will not venture to forecast precisely what sectors of the economy will benefit most from our entry into the Common Market.

More particularly, the Greek construction potential and the companies that make it up will have to face stiff competition from the larger and better organised companies in Europe and will probably face difficulties, due to inexperience, in undertaking projects beyond our boundaries.

In spite of all this, I hope that in a very short time, they will be able to compete successfully with foreign rivals and will gain equal status within the Community - because the Greek engineer-businessman is a good engineer and an even better businessman.

It has been proved repeatedly that in Greece and abroad, the Greek contractor can achieve lower costs. This is due not only to his engineering and businessman's abilities but also to his flexibility, his ease of adaptation to new conditions and the quick decisions he makes, when necessary, on the work site.

CONCLUSIONS

The conclusion to be drawn is that the tremendous growth of Greek construction units, regardless of how this was achieved, is an actual fact which necessitated and made possible their expansion towards the Arab and African countries. This outlet will make it possible for the smaller units that have stayed behind to secure work in Greece.

A new era has already dawned.

The possibilities are great but they are beset by many dangers.

Measures should be taken so that, in the final analysis, our national economy will reap full benefits.

Radical and organisational changes should be made within the framework of a programme for speedy economic and social growth. And it is absolutely necessary that we should know what development policies are to be followed and which are the targets of our national economy.

Among the changes that will have to be made very soon are the streamlining of our state machine which is ill-paid, badly organised and consequently inefficient.

We must make the most of the preference the developing countries are showing towards the Greek construction industry which is understandable in view of the fact that the country which controls them (under the terms referred to previously) is small and cannot exert political influence or impose alterna-

tives which are contrary to their own national interests. I should stress here that the solution to the country's problems does not lie in extending unconditional facilities to the large construction companies with no return other than the inflow of foreign exchange (which in the recent past turned out to be prohibitively expensive) but in extending facilities that also take into account the broader national interest. This clearly means encouragement but also controls.

All we have said up to this point with regard to construction works abroad should be combined, for equal development, with the execution of public works within our borders. The drive to win contracts abroad should not be at the expense of our own country by depleting the home potential.

Greece should not be deprived of all her able and dynamic construction engineers as a result of which the present high standards of construction will be lowered and our competitive ability, on technical and economic grounds, will be reduced.

Works abroad should only be undertaken to occupy the country's surplus potential and this should be regulated by the state. And for this to be effectively achieved, it is absolutely necessary that a complete and realistic long-term public works programme be drawn up and made part of the state's development policy.

Only then will the construction companies be able to organise themselves suitably so that they can parcel out the works to be executed at home and abroad. Only then shall we be able to control our future in the field of construction.

Athens Hilton - Greece

MEDITERRANEAN STABILITY - PROBLEMS AND PROSPECTS

Mr Stefano Silvestri

Vice-Director

Italian Institute of International Affairs

The Mediterranean is an area divided in many different regions. The Mediterranean unity, even culturally, is a dream that ended over fifteen centuries ago, and that was never more a reality, nor was re-established even during the colonial period. That is why the "Mediterranean" stability is a very difficult argument, that would require a careful approach country by country, region by region, and much more time that we do not have here now. Therefore, you will allow me to be sketchy and provocative. I hope that questions will follow, that will help me to clarify some points, and you to concentrate on the arguments of your greater concern.

The Mediterranean already is a crisis and conflict area but new sources of conflicts will probably arise and complicate the Mediterranean picture even more in the near future.

First: Nuclear proliferation in the Mediterranean is a quite possible development - many reports speak of Israel's nuclear capacity. Turkey has spoken of possibly going nuclear, and it certainly may do so if its involvement in Cyprus enlarges the gap between Turkey and the West, Turkey may then become more involved in the Middle East, with the possibility that Egypt too may go nuclear.

Other countries can make the same choice, here in the Balkans, or elsewhere and that may revive even some Italian temptations, especially if our links with Nato are in doubt.

Second: The enlargement of economic rights over the sea up to the 200 miles limit will practically multiply the source of possible conflicts and will render it very difficult for military fleets to pass freely through the straits of the Mediterranean. Imagine also, a new Middle East conflict and the problems that commercial cargos with strategic or military material will have to face.

Third: The technological developments are favouring more precise armaments especially naval missiles, with conventional or nuclear warheads. The increased precision, lethality and rapidity of these weapons together with an increased ability in finding objectives, will increase the first strike capacity of the American and Soviet ships, so lowering the nuclear threshold. At least in the next years, the US ships will lower their speed and still be great and heavy, but if there is a shift to small, rapid vessels then the situation may change.

Even these examples alone make a point for Mediterranean onus control, and all Mediterranean agreements. Many ideas have been put out by economists and politicians, but they stop short of the main problems and crises existing in the Mediterranean area. It is now likely accepted that no disarmament or control agreement can survive in a changing political situation.

We will concentrate on the countries forming the southern belt of Europe.

These countries suffer at least from three different global divisions: East-West, North-South, Democratic and Autocratic countries. Each time the southern European countries are presented as "bridges" between North and South, "non-aligned" between East and West, or constitutionally weak and changing.

In reality their situation is not happy - generally the southern European countries in the post war years have experienced all the problems of displaced persons trying to identify themselves in greater, more stable, contexts but in fact resting on the borders of the main global divisions, ready to go out or to be pushed out.

We are all aware of the economic problems of southern European countries, and how difficult it is for them both to become integrated with the developed north, or to utilise the growing resources of the south.

Similar problems exist on a political level. We have experienced great changes of regimes, that I will only remind you of, without detailing them:

- Greece obviously (twice)
- Cyprus
- Turkey - that is changing rapidly even if it maintains the old constitutional framework.
- Portugal

We are now experiencing changes in:

- Italy
- Spain

In the near future we will eventually see changes in:

- Yugoslavia
- Albania

Someone is saying also in - France.

The global framework in which these changes are taking place is one of Western predominance, but that affirmation should be qualified.

Militarily the Western predominance in the Mediterranean is notable and practically unchallenged by the Russian fleet. But that predominance mainly based on the US VI fleet requires bases, facilities and assistance. In a word: allies. Without allies the American presence will become not only more costly, but eventually ~~irresponsible~~. The key countries in that respect still are Italy and Greece (probably Spain or Portugal).

impossible

Politically the situation is more confused, and difficult. The American government is in a big constitutional crisis (relations between the President and the Congress) and in search of a new policy line. The Soviets seem more decided, but in fact both economic shortcomings and recession problems have slowed down their pace. It seems now clear from recent experiences in the Middle East and in Angola that the Soviet Union has the ability to intervene, directly or by proxy, in distant and important areas, but do not have as yet the power or the ability to maintain and impose her gains. Exactly the contrary seems to happen to the Americans.

A kind of unifying strategy for the Mediterranean, is the one provided by the military-strategic realities. It originates in Washington and Moscow primarily, and links the Mediterranean area to the East-West Conflict. The presence of the two fleets, the American and the Soviet one, is the clear indication of the existence of such linkage. But the Mediterranean countries and conflicts are not at ease in such a scenario. Many times we have crises that do not stem from the East-West conflict, or that cannot be reduced to it, eg the Middle Eastern crises, the Cyprus war, the Portuguese change of regime, the infra-Maghrebian conflicts, etc. It is difficult, and sometimes impossible, to re-organise these local conflicts and local political developments, along the main lines of the East-West division. To force such a re-alignment on local leaderships, can also be counter-productive, as was clearly demonstrated in the case of the early reactions of the American administration to the Portuguese situation. A similar case we have had in the US-Greece relations during the past colonel's regime.

What follows is a different outlook, from the local scene and from the outside capitals, of the same Mediterranean crisis: communications are often broken, and minor crises risk becoming major ones.

That is probably true for all the Mediterranean countries. The reasons for that are deeply buried in history, but can be summarised as follows. There does not exist any innerbuilt stability in the Mediterranean regions. Many times the neighbour is the major enemy; no-one has enough force to overcome his enemies alone; the Mediterranean regions do not have a clear political unity, around a well defined and dominant pole. The horizontal ties, the ties existing between these Mediterranean states, are far too weak, and cannot form a stable, indigenous, stability system.

The number and quality of vertical ties, those which link the single Mediterranean countries to external powers, are far superior to the number and quality of the horizontal ones. Even the internal political life of these countries is often regulated by the vertical policy lines, linking Mediterranean countries and outside powers. In the first few years after World War Two, the political forces of Southern European countries regarded their preferential ties with the USA or the USSR as a point of strength. Internal political balances in countries such as Greece or Italy, were based also on these preferential ties. The division between government and opposition forces coincided ideologically with the division between the Western and the Eastern bloc. At that time, in Southern Europe, there was a partial coincidence between internal and outside positions.

The situation is changing - In Portugal, Italy and eventually Spain the so-called "area of government" is enlarging, and no longer coincides with the divisions of the cold war period. Let me say, as an Italian, that it is almost comical to read from Italy, Kissinger's (or Rockefeller's) recent affirmations about the danger of the PC's joining the government. Not

because one can't agree with his analysis (even if I don't agree on many points) but because what Kissinger sees as an hypothesis to reject, has already been for several years a historical reality, not formalised in a government but working on the political forces level, and thus requiring not decisions of principle but concrete decisions of management.

In Greece and in Turkey too, new problems linked to the Cyprus situation and to the emergence of new political forces, make it impossible to go back to the ancient bloc solidarity, and requires a more careful approach.

For these reasons, the vertical ties, once an element of stability and reinforcement of the local governments, are now becoming less secure and stable. Sometimes they even favour the changes that they would like to avert.

A last, but not least, case in point: Yugoslavia and Albania. According to a simple East West division, blindly carried out to her extreme consequence, we should leave these countries to Soviet dominance. A consequence feared by these same countries, in contrast with our interests and not even hoped by the Soviets. But such was, to put things bluntly, the somewhat deceiving conclusion reached by Sonnenfeldt, the Kissinger aid, some weeks ago, on a purely theoretical base. Theory should accommodate better with European reality.

Summarising: The local Mediterranean countries are unable to agree and guarantee a credible Mediterranean stability, but the Superpowers' appraisal of the Mediterranean evolutions and crises is necessarily conditioned by global considerations (that is, by how the East West relations are going). They, therefore, tend to consider anything that happens in the Mediterranean as "eccentric", a risk to stability, a jarring note in the international panorama. They tend to reduce these variables to their policy constants, simplifying their analysis of the Mediterranean crises and basing their decisions on a few fundamental criteria (keeping the "balance of power", distinguishing between communists and anti-communists, etc) that turn out to be too far away from the actual internal realities of these countries to be able to work efficiently.

There remains, therefore, an atmosphere of general uncertainty. In such a situation of uncertainty the safest choice appears to be a flexible, ad hoc approach to the single problems. For example, the US seems ready to support some eastern communists (irrespective of Sonnenfeldt's opinions), but also to oppose the Italian ones and even support the persecution of the Spanish ones. The USSR contemporaneously theorises the "Cunhal line", has good relations with Spain etc. In diplomatic terms there is a net increase in the already accentuated bilateralism, which characterises the international relations of the Mediterranean countries with the Superpowers.

In the Eastern Mediterranean, for instance, the US bilateral relations with either Greece or Turkey remain the major element in securing the presence of the Atlantic Alliance in the region. The recent defence agreements, signed with Turkey at the end of March and with Greece in April, both provide for continuous American presence in these countries, in exchange for 1.7 billion US\$ of military assistance to the two countries. Congressional reactions to both agreements is reported to have been unfavourable. Rightly unfavourable, I may add, at least for one reason: these agreements, in exchange for a four years permanence of military bases, oblige the US to support an important military build-up in this rather fragile area.

In times of profound changes and crises such bilateral relations are insufficient to guarantee the stability of either the international alliances or the local governments. They do not even guarantee peace. Through these bilateral ties the superpowers become more, instead of less, dependent on local factors. In order not to throw away bases and money they feel obliged to support the policy choices of their local allies. When her two allies are in contrast between them, the superpower has no choice unless the freezing of the crisis, that favours not only the status quo, but also the fait accompli. As the Cyprus case clearly demonstrated.

These errors of the superpowers are partially justified by the reality of the Mediterranean countries. As we have said, they have very few common ties and it is difficult to imagine a multilateral system of security and stability, in the Mediterranean, less dependent on external intervention.

Any collective security pact in the Mediterranean, or even only for Southern Europe, would not only be an illusion, but a risk as well. There is no real force on which to base it, capable of resisting determined external pressures. The political situation and the institutions of the Mediterranean states are not sufficiently stable and are, therefore, exposed to all winds and capable of unexpected policy reversals. Finally, there is no common economic basis that could make this region independent of Northern Europe, the superpowers or Arab oil.

To think in only Mediterranean terms seems, therefore, nonsense. In fact, no country does and this is why we have underlined the importance of vertical political ties.

This does not mean, however, that there is no room for change. On the contrary we are facing important, sometimes violent changes, from Spain to Lebanon, from Italy to Yugoslavia. If there is no common framework that could act as a moderator of these changes, bringing them to new stabilities, we will face important crises: possibly a period of internal agitation and unrest, followed by international realignment (either following the traditional pattern or according to new alliances). There will be no real stability, but a continuous re-negotiation of bilateral agreements between the superpowers and the Mediterranean countries (on a beggar your neighbour basis). The important economic and social problems of these countries will not be solved (because there will not be for a period a stable, credible government), and agitation will increase. In other words, this scenario does not offer the political leaderships of the Mediterranean countries prospects of development and integration in a greater international context, even though it keeps alive the reality of all those transnational currents and international needs which hang like deadweights over the life of Mediterranean countries.

In a certain sense we are today faced with a dilemma analogous to the one in '48/49. In that period there was a current of thought in the US State Department (of, the opinions of George Kennan, at that time) which held it more advantageous to maintain bilateral ties with Italy and the other Mediterranean countries, without fitting them into the vaster multilateral context of an Atlantic Alliance between the USA and central-northern Europe. Today the problem is similar. Kissinger's policy exalts the "flexibility" of "ad hoc" relations, which in the short term facilitate relations between the USA and the countries of the Mediterranean (Southern Europe in particular), but which does not offer these countries an equitable future prospec-

tive for integration in an area of not only strategic, but also political and economic stability.

Nevertheless it would be erroneous to reduce Mediterranean prospects to a dilemma between subordination or chaos (or to subordination and chaos, as normally was). Especially in the past few years a third alternative has been taking shape, one which has been widely discussed and analysed by the political force of these countries: Western Europe. There is almost a "wild hope" on the Western European way, that characterises many political forces in Southern Europe, and has her supporters in the Arab states too. That can be easily understood. After years of division in an Eastern and a Western party, the political forces are trying to find some international perspective that can help to unite, instead of divide.

Western Europe already represents the other pole to which the South European countries are attracted (economically and politically). The continuation of the Euro-Arab dialogue, almost malgre soi, demonstrates the interest of the Arabs in new economic and political relations. If you come to my country, Italy, you will see that the prospect of growing European integration has worked as a stabilising factor on the political forces. It unites forces that were divided by the East West conflicts and help to integrate in the West the old pro Soviet forces. In these past years EEC policy towards Greece first and towards Portugal and Spain later, proves that Western Europe is well aware of the internal political debate and of the long-term possibilities and options of these countries. And so today the Common Market represents in a way the most important political link between these countries and the West: a substitute, but also at least partially an alternative to Atlantic ties which have been weakened or are in crisis.

The flexibility shown towards Yugoslavia and Rumania opens the way to better political relations with these countries as well. The approach to the Cyprus crisis has shown a greater awareness on local sensitivity: EEC has not acted, until now, in that crisis, but there are interesting plans to do so in the not too distant future. If they will be realised, the main advantage of the EEC will probably be its complete absence of military forces: the solution will follow economic lines, much more suitable for long lasting agreements.

From an economic point of view, obviously, integration of Northern and Southern Europe poses the big problems typical of relations between developed and less developed (or developing, or underdeveloped) areas. Nevertheless, it is evident that such difficulties remain also because of the absence of political integration: we need only look at the tendencies in trade, investments, workers migration, etc. Only a greater political integration can work as a corrective to such tendencies; studies and proposals by the EEC Commission have already been made. The political will to actuate such plans has not yet fully matured. It is clear in my view that the decisions to be taken are not simply economic decisions, however important they may be. There is a military (security) dimension, until now practically absent from the EEC interests, that will have to be confronted. Without such a dimension, in fact, a new contradiction would develop between superpowers and European presence, with new risks for the stability of the area.

We are facing a situation of open options. The demand from Southern Europe is one of greater stability, in a better integrated Western Europe. That demand comes from practically all the relevant political forces. There is a demand coming from the Middle East and North Africa: not of greater integration but of a better organised economic co-operation that could help them to better utilise their oil revenues. The Superpowers' policy is not opposed to these developments, but do not favour them either. They confront important political and economic changes with old instruments. Their flexibility becomes a source of possible weakness. The demand is still there and the option is still open: I think that the answers will follow.

THE LONGER TERM FUTURE FOR GREEK SHIPPING

Mr J.O. Udal
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To be invited to address the leaders of the Greek business, and especially the shipping community in Athens, is a signal honour. Those of us in the shipping industry in London hold our sister centre of the Piraeus in qualified admiration and respect. My grateful acceptance is tempered with corresponding humility.

You have asked me to speak on the Longer Term Future for Greek Shipping. After discussion with the organisers of this conference, I have agreed to interpret the longer term as being the decade 1980 to 1990. That at least gives me ample time to leave this conference before events have confounded my predictions.

You will understand that this task will require the application of some power of divination. Nowhere can this be more appropriately practised than Athens. After all, the ritual of divination was a characteristic peculiar to ancient Greek religion. I recollect that Plato distinguished between two major forms of divination: first the sane form; and secondly, the ecstatic, enthusiastic or insane form. The first method involved the application of cool scientific analysis - "mantis" I think it is called in Greek. Signs have to be interpreted according to strict principles whether from the observation of sacred fish, tame serpents, the entrails of sacrifices or the flights and cries of birds. Sophocles relates in Antigone how Tiresias kept a special aviary as a data bank.

The second method of divination has been most successfully practised by prophets, preferably of the fairer sex, overpowered by a deity and uttering mystic words in a temporary ecstasy under Divine suggestions. I will return to this later - even if I must confess to a private prejudice in its favour. Nevertheless, if due respect is to be paid to the subject I feel I must address myself first to the former - the 'sane' form of divination. I hasten to add that my colleagues in Terminal Operators Limited, our consultancy and research company, have employed a somewhat more advanced technology than that of old Tiresias. In London they find it easier to organise computer simulations than to keep a tame aviary. On the comparative reliability of the results, I leave you to judge.

Let me tell you what I plan to do.

First I shall describe briefly the method we have adopted for forecasting world seaborne trade. This as I have said, is our technique of sane divination.

Having done that we shall examine in turn the principal divisions of seaborne trade and of shipping, first in relation to world tonnage, and then in relation to the Greek fleet. This will help us to deduce the areas of potential tonnage scarcity and identify those sectors where Greek shipowners may usefully direct their investment interest.

When I say the Greek fleet, I mean the Greek-owned fleet. Despite the recent added attractions of the Greek flag, many Greek owners still find it attractive to operate their vessels under non-domestic flags - Liberian, Cypriot and so on. How long this will remain so I am not sure; especially when Greece is a member of the EEC. However, here today we are looking at the Greek owned fleet, regardless of Registry.

First, Method. I won't weary you with the technical details of our method of analysis. Our forecast of the development of seaborne trade is derived as follows. We extrapolate a series of historical relationships between economic activity as indexed by the GNP of the OECD area (in millions of US \$ at constant 1963 prices) on the one hand, and the volume of the principle constituents of seaborne trade on the other.

Demand for shipping is determined by these patterns and volumes of world seaborne trade. Since the war, the most significant feature perhaps has been the rapid growth of world economic activity. This has been powered by an increasing supply of raw materials and fossil energy leading to an ever increasing volume of manufacturing production.

OECD countries account for about 85% of world industrial production. In the period 1957/74, their GNP increased by an average 4.5% per annum. Simultaneously, world seaborne trade increased by an average 7.7% per annum and the tonnage of the world fleet by an average 6.2% per annum.

Today we are only too conscious of the effects of recent and simultaneous recession in the leading industrial countries coupled with the events of the Middle East at the end of 1973. The consequences have been too unforgettable for them not greatly to have influenced our attitudes. Yet the reverse in trends of world activities and trade of these last two years must be seen in a longer perspective, if we are to draw the right conclusions for the 1980's. Despite the experience of the last two years, we see no reason to think that the long term relationship between world industrial production and world seaborne trade has significantly altered. Away from Delphi we cannot reasonably allow for unexpected calamities which occur in the world with random irregularity.

Unexpected calamities then excepted, here is our forecast of future demand. First OECD GNP growth.

On the basis of OECD projections to 1980 and thereafter, our own extrapolation of historical growth rates, we forecast OECD GNP increases to \$2,267m by 1980 and to \$3,306m by 1990. This is equivalent to an average growth rate from 1976 of 4.0% per annum.

Total world seaborne trade in the same period we project to increase at an average 5.2% per annum to 3,918 million tons by 1980 and 6,255 million tons in 1990. Within this total picture, seaborne oil movements increase at 6.5% per annum, dry bulk shipments at 5.0% per annum and general cargo at about 4.3%.

Now we have to translate this forecast of seaborne trade into actual ship demand. The outcome is broken down into forecast demand for the principal ship types.

Later we shall further sub-divide these into size groups for each ship type.

A most significant feature is the way in which oil tanker demand continues to increase. This is partly due to a still increasing demand for oil and partly to the long distances over which much of the incremental oil tonnage will have to be transported. I refer of course to the growing US demand for Middle Eastern oil.

So now we have in broad terms our forecast of world shipping demand to 1990. How much of this demand can be met by existing tonnage? Where, allowing for ships on order and anticipated scrappings and losses, are the areas of shortage of shipping space likely to fall? And when are they likely to occur?

We shall take a closer look first at oil tankers, then at bulk carriers and finally at general cargo carriers.

OIL TANKERS

Let us look first at the most troubled sector - oil tankers. From our forecast we estimate world demand for oil tanker tonnage to rise from the 1975 level of about 190m dwt to 267m dwt by 1980 and over 505m dwt by 1990. The existing tanker fleet is a massive 287m dwt with a further 81m dwt on order or under construction. On the assumption of scrapping after 20 years it is a relatively simple calculation, knowing the age structure of the world fleet, to develop a picture of what I shall call the "residual" fleet - the future fleet making no allowances for additions other than those already on the order books today.

This is the tanker picture we get. No allowance is made here for slow steaming, lay-up, the adoption of IMCO segregated ballast proposals or scrapping for 20 years.

On this basis, the broad picture for the larger size tankers until and into the 1980's is discouraging. Not so however the equation of supply and demand for tankers smaller than 60,000 dwt. Subject essentially to the rate at which US import expands and the extent to which larger tankers can be employed for this US demand, the demand for smaller tankers for the early 1980's would seem definite. As to the VLCC and other large tankers, investment in deliveries before the mid-1980's would seem unprofitable.

How will this affect the Greek tanker fleet and the Greek owner? We now look at the Greek fleet as it exists today.

As befits the great independent fleet of the tanker world, there is a wide spread of vessel sizes. Greek owners have been wise to avoid too great a concentration of VLCC's and ULCC's. By 1980 no less than 12m dwt tons will be 20 years old - thirty per cent of your tanker fleet, and of course largely the smaller sizes. Anthony Chandris in Hong Kong last November, courageously 'floated', if that is the word, the idea of scrapping over 15 years. Even assuming scrapping at 20 years, the number of tankers under 70,000 dwt will have fallen by 1980 from 541 to 189. VLCC's will comprise 46% of the fleet by deadweight, tankers over 70,000 (including VLCC's) 79%.

Extending the age profile and scrapping assumption to 1985 and 1990, what do we see? Excluding future new orders which are unforeseeable, the percentage by dwt of tankers under 70,000 shrinks in 1985 to 12% and in 1990 to about 8%. Only 6 of the VLCC's would meanwhile ordinarily have been scrapped.

In the light of this, gentlemen, I would suggest that in seeking opportunities for further investment in the tanker sector the obvious area, at least in the shorter term, must lie in handy sized vessels.

DRY CARGO - BULKERS

Turning now to the dry cargo sector, let us look first at dry bulk carriers.

Our demand forecast indicated a growth in demand for bulk carriers from the 1975 level of about 83 million dwt to 113 million in 1980 and 203 million in 1990.

As with the tanker fleet, though not to the same disastrous extent, the present fleet of 104 million dwt is in excess of demand, and there remains some 24 million dwt on the world's order books, swollen by substitutions for larger tankers.

The combination of this demand and supply data, again using the residual fleet approach on the basis of a 20 years gives a picture which bears a certain similarity to that of the oil tanker trades.

Overall the surplus is likely to continue until the early 1980's with the first revival of demand occurring at about 1980 in the smaller sized group - handy sized vessels of less than 60,000 dwt.

And how will the Greek owned dry bulk fleet look at this time? With regard to the existing Greek bulk fleet, two features are I think worthy of note. First, the fact that in keeping with the traditional role as a tramp operator, the Greek owner has again avoided too heavy a concentration in the larger vessels currently in vogue. His preference has been to invest in the smaller-than-Panamax-size tonnage with its inherent flexibility of operation.

The second point is that, of the total Greek fleet of some 19 million dwt, over 70% is presently less than 10 years old.

If we project this picture to 1980/90, again with an assumed ship-life of 20 years, and recognising the current order book of about 4.9 million dwt, we see that the Greek owned fleet will have increased to 21 million dwt by 1980. About 75% of this fleet will be vessels of less than 60,000 dwt, constituting over 18% of the total world fleet of that size.

By 1990 the residual fleet will have declined to 10.7 million dwt, of which about 65% will still be in vessels of less than 60,000 dwt.

As with the tanker sector earlier, the message for the Greek ship owner which comes out of the analysis, is this. Except in the obvious cases, there profitable long term employment is assured; there is little to be gained from a major shift into the big-ship league. Stick to the handy size.

GENERAL CARGO

Now let us look in the world context at the rest of the dry cargo sector - the general cargo trades - the tween-deckers.

Referring again to our forecast, we find that demand for general cargo carriers, in which we include RO-Ro, container, Lash and other specialised tonnage over 10,000 dwt in addition to conventional tween-deck liner and tramp vessels, will increase from 92 million dwt in 1975 to 107 million in 1980 and 146 million dwt by 1990.

The existing fleet of about 104 million dwt, though in theory rather in excess of demand, is in practice close to balance, largely as a result of chronic port congestion. By 1980, assuming a ship-life of 25 years and taking current orders and new building of 5 million dwt into account, the residual general cargo fleet will have declined to 86 million dwt. Of this, large inter-continental unit-load ships will constitute about 12% in terms of dwt. By 1990, with no further orders, the residual fleet further declines to 50 million dwt, of which about 80% will be the general purpose carriers.

In other words, we will have a situation like this, where the demand for general cargo tonnage outstrips supply in 1978/79 as a result of the withdrawal of a large proportion of the existing 1976 fleet through sheer old age. Without allowance for further new orders, the gap between supply and demand would widen dramatically.

Now the Greek-owned cargo fleet is similar to the world fleet in that it has a large proportion of older tween-deck vessels.

Well over half the Greek fleet today is aged 15 years or more. With the present order book of 52 vessels totalling 0.9 million dwt, the Greek owned fleet will more or less maintain its size up to 1980. After that there will be a demand for replacement tonnage of about 5 million dwt between 1980 and 1985 alone, without considering the demand generated by the forecast increase in the world general cargo trades.

So here on our analysis the call is insistent: "Invest in general purpose dry cargo ships".

PASSENGER

You have probably had enough projections but one last word about the passenger sector of shipping.

Though relatively small by comparison with the other sectors we have looked at, a discussion of the Greek shipping industry would be incomplete without some mention. You gentlemen seem to be about the only group to have the skill of operating fleets of passenger ships profitably.

At the moment the Greek owned passenger fleet numbers 43 vessels or over 5,000 gross registered tons, totalling 504,000 GRT, but it is to the age structure of the fleet and its implications that I would like to draw your attention.

35 of the 43 vessels were built before 1955. Now accepting that these have undergone major rebuilding and refitting to meet the demands of present day

passenger operations, their useful life must come to an end sometime.

If we assume that 35 years from the original date of construction, is a reasonable ship life, by the end of our 1980-1990 decade, the Greek owned passenger fleet will have been reduced to only six vessels having a total of a mere 63,000 gross tons. Such a total is manifestly inadequate to allow Greece to maintain a significant presence in the passenger market, even without any increase in demand above the present level or further expansion into passenger operations by the USSR.

The world supply of passenger liners and other tonnage suitable or available for adaptation to Greek flag passenger operation, is just about exhausted. This being so, new passenger tonnage could be considered as a possible investment area, perhaps not immediately, but certainly in the 1980's.

Well after that rather hectic survey, I feel it would be unkind to awaken those who have already taken refuge in Lethe. If, however, I am to be faithful to scientific divination, to "mantis", I must marshal the conclusions. Best buys for the 1980's for the Greek trampship owner - that is what we have been seeking. Viewed statistically, they are first and predominantly, general purpose tween-deckers, secondly - handy-sized bulk carriers, and thirdly, handy-sized tankers. I would also add passenger ships.

But we live in a changing world. The developing countries through UNCTAD have secured a Convention, which sooner or later will surely be ratified by a sufficient number of States to secure its enforcement, applying the 40-40-20 formula to conference liner shipping. While Greek shipping is predominantly tramp shipping, the philosophy underlying the formula casts its shadow over the bulk trades. Following implementation of the formula in the liner trades, this shadow may be expected to deepen.

And that must worry Greek merchant mariners whose proud *raison d'etre* is to be the third flag carriers of other countries' cargoes. In shipping, the free market system is everywhere under attack, but its replacement by alternative systems can only result in a loss of efficiency (in the full economic sense of the word) to the world-wide shipping industry. Retention of as much as possible of the free market system in shipping is worth fighting for. If pressure were to grow for the application of 40-40-20 to all seaborne trade, the free-market European countries of an enlarged EEC, with Greece a member, would have to look to the consolidation of their trading unity.

Much too has been said of the Russian challenge with over 400,000 dwt of general cargo tonnage for delivery by 1978, and a policy of competition which is by Western commercial standards, uneconomical. The Russian fleet is included in the projections I have made previously - which perhaps enables the USSR threat to be viewed in a wider perspective. Nevertheless, the Russian fleet expansion in all sectors must be another adverse factor to be reckoned with in maintaining the freest practicable trading market for world shipping in the 1980's.

Early in my talk, I confessed to a personal prejudice in favour of the "enthusiastic" as opposed to the "sane" form of divination. The success of Greek shipping has not been founded on statistical analysis but on the intuitive flair of Greek shipowners. There is no substitute for that. It

was this same recognition of the vital role for psychic judgement which brought the Spartans to Delphi. There they would wait on the Pythia, while she chewed the leaves of the sacred laurel, drank from a prophetic stream, and then, seated on a tripod and entering an estatic trance, would divine, albeit obliquely, the solution of their policy problem.

If the time given to this talk had been better spent at Delphi, nevertheless I hope I may have given some broad indicative forecasts of the trends and opportunities for Greek shipping in the 1980's. Perhaps I have kneaded a little the dough in which the yeast of Greek ship-owning intuition can be profitably mixed.

(3)

MEMORANDUM
ON THE FORM AND EFFECTIVENESS OF REC ACTION IN SOLVING
THE CYPRUS PROBLEM

by

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submitted to
The Council of Ministers
of the European Economic Community
Brussels

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MEMORANDUM
ON THE FORM AND EFFECTIVENESS OF EEC ACTION IN SOLVING
THE CYPRUS PROBLEM

1. EEC Involvement in the Solution of the Cyprus Problem.

It is hereby proposed that the EEC should undertake a more positive role on the Cyprus problem. The EEC is obliged to take an initiative in this case because this problem concerns three European countries associated with the Community, Greece is an associate member by the Athens Agreement (July 9, 1961); Turkey became an associate member by the Ankara Agreement (September 12, 1963); Cyprus and the EEC signed an Association Agreement on December 19, 1972 (first stage); (this first stage is to expire on June 30, 1977; however, eighteen months before this date, negotiations for the second stage may begin).

Thus the EEC has a natural interest to take initiatives in solving a problem concerning three associate members, which, presumably, will become full members in about five or ten years. However, given the fact that the United Nations has already undertaken a negotiating role in the solution of the Cyprus problem through intercommunal talks, it is assumed that the EEC will place its services at the disposal of that organization. This parallel action by the EEC should be very discrete and should take the form of good offices to the Secretary General of the United Nations. However, the EEC may act independently in this case, if its actions are in accordance with the U.N. Resolutions on Cyprus.

The EEC may act on the Cyprus question in two complementary ways :

- a. by establishing an ad hoc Political Committee which will offer plans, suggestions etc. to the Secretary General and to the countries concerned;
- b. through official statements by the Council of Ministers which will indicate the Community's attitudes towards the parties concerned and their respective

proposals.

The EEC should emphasize action and initiatives in the economic and political spheres, areas in which it can exercise considerable influence.

2. The Guiding Principles of EEC Action in the Solution of the Cyprus Problem.

Any plan or suggestion supported by the EEC should conform with the following fundamental principles of the Treaty of Rome, which is binding law for all members (full or associate) of the EEC.

- (a) the principle of free movement of goods, established in articles 9-37, and
- (b) the free movement of persons, services and capital, established in articles 48-73; in this respect it is important to mention the principle of the right of establishment (articles 52 and 53) which is instrumental in any plan for the solution of the Cyprus problem.

The above principles are very important in any future settlement of the Cyprus problem according to the underlying philosophy of the European Community. This philosophy is expressed clearly in the preamble of the Treaty of Rome, which refers to the following conditions and objectives, which Member States are expected to meet :

- (a) to ensure "... an ever closer union among the European peoples ".
- (b) "... to ensure the economic and social progress of their countries by common action in eliminating the barriers which divide Europe ".
- (c) " to direct their efforts to the essential purpose of constantly improving the living and working conditions of their peoples ".
- (d) "... to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various re-

gions and by mitigating the backwardness of the less favoured".

- (e) "... to confirm the solidarity which binds Europe and overseas countries," and "to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations".
- (f) "...to strengthen the safeguards of peace and liberty by establishing this combination of resources, and calling upon the other peoples of Europe who share their ideal to join in their efforts".

In view of the above principles, which are extremely relevant for the Cyprus question, the two fundamental conditions set forward by the government of Cyprus, that is,

- (a) any settlement of the Cyprus problem should recognize the territorial integrity, the independence and the unity of Cyprus, and
 - (b) all refugees should return to their homes,
- should be the cornerstones of any future settlement.

The respect of the above principles will ensure the unity of Cyprus as a viable economic entity. The island of Cyprus is very small and it cannot afford to be divided in two small and non-viable states. The arbitrary division of the island into two regions, one predominantly agricultural in the north and the other predominantly industrial in the south, will destroy the economic interdependence of the island and will lead it to gradual decay. The implementation of the principles of the Treaty of Rome in solving the Cypriot problem will ensure the island's long-run viability within the EEC. Under these conditions it is obvious that both communities will benefit from such a settlement.

If the Cyprus problem is going to be solved on the basis of the above principles, the EEC as a whole should be one of the guarantor powers along with the mem-

bers of the Security Council and other concerned states.

3. Two Effective Means to Implement a Settlement of the Cyprus Problem according to the Principles of the Treaty of Rome.

It is obvious from Turkish attitude in the recent negotiations under the chairmanship of the Secretary General, that they (a) want to impose a solution on Cyprus which is contrary to the principles of the Treaty of Rome, or (b) to maintain the existing status quo on the island, a situation which is a flagrant violation of the principles of the Treaty of Rome.

We think that the EEC, more than any other member of the international community, is in a position to impose a settlement of the Cyprus problem which will be beneficial for both communities. Since the Turkish side is the one which is reluctant to settle the problem, the EEC has the following two courses of action which are within the scope of permitted sanctions or political pressure against a state which violates the principles of international (and in this case, Common Market) law :

1. The EEC might "freeze" the existing Treaty of Association with Turkey until that country withdraws all of its occupation forces from Cyprus. The freezing of the Association Treaty with Turkey will be a very effective measure of exercising pressure because under this Treaty, Turkey enjoys very significant advantages such as a number of tariff concessions on its main exports which are necessary for the development of the Turkish economy. In addition, Turkey has drawn approximately 400 million dollars in loans by signing various financial protocols and from the European Investment Bank. The loss of these economic advantages and the political isolation of Turkey may lead her to reconsider seriously her present policy on Cyprus.

It should be noted that the freezing of the Treaty of Association with a member by the EEC is not a rarely taken action. It is known that the EEC has already used this means of persuasion against the Greek dictatorship by freezing its Treaty of Association for seven years. The effectiveness of such a precedent should lead the EEC to use it again to enforce the compliance of Turkey to the principles of the Treaty of Rome.

It should be noted, however, that the measure of "freezing" the Association Agreement with Turkey compared with the alternative measure of the expulsion of Turkey from the EEC -which should not be used- is not a very strong one if used in isolation.

2. Concurrently with the freezing of the Association Agreement with Turkey, the EEC may use another measure ^{which} /will be extremely persuasive in forcing that country to recognize the territorial integrity and the independence of Cyprus. This will happen if the EEC starts immediately negotiating with the official government of Cyprus on her admission as a full member to the EEC. As is stipulated in the Association Agreement with Cyprus, negotiations for the second stage of the association may begin on January 1, 1976. This presents an opportunity for negotiations for admittance of Cyprus as a full member. This will force the separatist Turkish-Cypriots to join with the government of Cyprus and take part in the negotiations. Obviously, this will discourage any further efforts on their part to establish a non-viable separate "state". Turkey will also be discouraged from supporting Turkish-Cypriot separatist actions. If Cyprus becomes a full member of EEC now, this will certainly confirm her status as a sovereign state.

It should be mentioned that the high per capita income, which had been achieved in Cyprus before the incursion, entitled that country to become a full

member of the EEC^{I/}.

Both the above measures, though not employing force, can be very effective in persuading Turkey to change her present policy on Cyprus. It should be stressed that these two measures can be taken independently or in coordination with current U.N. efforts on the Cyprus question.

4. Conclusions.

In this memorandum we have proposed two complementary courses of action which the EEC may take to help the negotiations on Cyprus out of the impasse into which they have been led by Turkish intransigence, and towards a fair and permanent settlement :

1. To establish an ad hoc Political Committee which will study the situation and offer proposals.
2. To release official statements of the Council of Ministers stating the Community's stand on the different issues arising out of the negotiations.

Two concurrent measures may be taken by the EEC to enforce Turkish compliance to the principles of the Treaty of Rome :

1. The freezing of the Treaty of Association with Turkey until that country withdraws all of its occupation forces from Cyprus.
2. The beginning of negotiations with the official government of Cyprus for the admittance of the island as a full member to the Community.

It has been suggested that action by the EEC will be effective in persuading Turkey to alter its policy towards Cyprus for several reasons :

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1. The per capita income of Cyprus before the invasion was three times higher than that of Turkey.

1. That the EEC possesses bargaining clout where the Turkish economic interests are concerned.
2. The Turks are not in a strong bargaining position vis-a-vis the EEC as they are with the United States because in the former case strategic interests are not at stake.
3. The form of EEC action which we suggest is non-violent and therefore acceptable to the international community.
4. EEC pressure may be used as a face-saving device by any Turkish government to silence extremist elements which may want to follow a hard line which will eventually lead to armed conflict.

The measures suggested here should be decided and acted upon swiftly because this is a matter of great urgency. The Cyprus problem must be put soon into the road of fruitful negotiations before extremists take the situation into their hands.

There are forceful arguments for Community action in this case :

- 1) Ethical-constitutional : The EEC is charged to act by the commonly ratified principles of the Treaty of Rome regarding the laws governing interstate relations of member countries.
- 2) Jurisdictional : The EEC can be considered both a functional, a forum and a regional organization. This latter characterization automatically gives it a say in matters affecting states which are members of the region.
- 3) Economic : Should the Cyprus problem be left unattended, the deterioration of the Cypriot economy as well as the partial or complete destruction of the Greek and Turkish economies following an outbreak of armed conflict between these two countries, will adversely affect the observance of the Treaties of Association of all three countries, and will negate any progress made so far

in their association with the Community.

- 4) Political : Active involvement in the Cyprus problem is an opportunity for the EEC to assume a leading role in the settlement of the problems of the region (which up to now have been left to extra-regional powers) and to promote the unification of Europe. Moreover, it will demonstrate to the world the determination and the ability of Europeans to cope with their own problems.

With Compliments

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