

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/1212
31 May 1960

Limited Distribution

CONTRACTING PARTIES
Sixteenth Session

REPORT OF THE COMMITTEE ON BALANCE-OF-PAYMENTS RESTRICTIONS ON THE CONSULTATION WITH GREECE

1. In accordance with its terms of reference the Committee conducted the consultations with Greece under paragraph 12(b) of Article XVIII. The Committee had before it: (a) the "basic document" prepared by the secretariat; and (b) a document provided by the International Monetary Fund. In conducting the consultation the Committee followed the "plan" recommended by the CONTRACTING PARTIES. The discussion with the Committee was completed on 17 May 1960. The present report summarizes the main points discussed during the consultation.

Consultation with the International Monetary Fund

2. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with this consultation with Greece. As a part of the consultation between the CONTRACTING PARTIES and the Fund, the latter transmitted background material prepared in connexion with the current consultation of the Fund with Greece. In accordance with the agreed procedure the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Greece. The statement made was as follows:

"The International Monetary Fund has transmitted for the information and use of the CONTRACTING PARTIES a background paper on Greece, dated May 3, 1960.

"In connexion with the consultation with Greece under Article XVIII:12(b) of the General Agreement, the general level of restrictions of Greece which are under reference does not go beyond the extent necessary at the present time to stop a serious decline in its monetary reserves. The Fund expects to complete a consultation with Greece in the near future, and the decision relating to that consultation will be transmitted to the CONTRACTING PARTIES. Pending the conclusion of that consultation, the Fund does not wish to comment on possible alternative measures to restore equilibrium, or the system and methods of the restrictions."¹

¹The decision taken by the Executive Board of IMF at the conclusion of the consultation between Greece and IMF on 20 May 1960 is reproduced in Annex I.

Balance-of-Payments Position and Prospects

3. In opening the discussion, the representative of Greece outlined the development of his country's foreign trade and the changes in the foreign reserve position since 1957 when Greece had last consulted with the Committee. As a result of the generally lower levels of economic activity in many countries during the first half of the period under review and the decline in world market prices for many of Greece's major export products, together with a decline in domestic agricultural production, there had been a marked reduction in the rate of growth of the Greek economy during these years. As a consequence of these developments the trade deficit, particularly with the OEEC area, had shown some substantial increases in 1957 and 1958. The deterioration of the trade balance had been accompanied by a fall in the gold and foreign exchange reserves of the Bank of Greece from \$198.6 million at the beginning of 1957 to \$153.2 million by the end of 1958, or a decrease of \$45.4 million. If account were taken of the \$50 million of outstanding short-term exchange obligations, net gold and foreign exchange reserves at the end of 1958 had amounted to only \$100 million. In these circumstances, and in view of the difficulties encountered in the export markets for agricultural products, on which Greece was primarily dependent as a source of export income (in 1958 agricultural exports had accounted for about 73 per cent of total export earnings of about \$242 million), the Greek Government, in April 1959, had introduced quota restrictions for a limited number of commodities when imported from OEEC countries, the United States and Canada. As a result of the restrictive measures taken in 1958 and 1959, but primarily because of a reduction in inventories and a slackening of economic activity in Greece during 1959, the reserve position showed some improvement during the year. Exports stayed at a relatively low level during 1959; in fact they fell further, by 12.5 per cent from the level of the previous year, also the terms of trade, which had shown some improvement in 1958, deteriorated. The reduction in the trade deficit from \$293 million in 1958 to about \$267 million in 1959 must therefore be largely attributed to the decrease in imports.

4. Imports during the first quarter of 1960 had amounted to \$111.8 million while exports had reached a value of only \$57.0 million (as compared with figures of \$104.8 million and \$57.5 million for the corresponding period in 1959) and the trade deficit had been larger by about \$7.0 million than in the same period in 1959. It was expected that the unfavourable factors affecting Greek exports would continue in 1960 and no improvement was as yet visible. In these circumstances it had not been possible to relax import restrictions. It was the Greek Government's hope, however, that further economic growth and rising levels of prosperity in the world economy would result in increased trading facilities for Greece. An improvement in export possibilities was essential for the further economic development of the country and a pre-requisite for a reorientation of the Greek commercial policy. The Greek Government hoped to be able to revert to its traditional liberal trade policy as soon as this was possible. Only with great reluctance and after considerable losses in the reserve position had his Government imposed even the limited number of restrictions required to protect the country against a further deterioration in the balance of payments.

5. In the following discussion the representative of Greece re-emphasized the problems resulting from the disparity between merchandise exports and imports. The improvement in 1959 in the overall balance of payments could not be considered a factor of strength as it was primarily the result of a decline in imports (on a c.i.f. basis from \$525 million in 1958 to \$471 million in 1959). A continued low level of imports could not remain without serious repercussions on the development of the country. Another factor contributing to the improvement in the balance of payments in 1959 had been an increase in economic aid, to \$67 million compared with \$42 million in 1958. Although foreign aid was highly welcome, it could not in the long run be a substitute for a satisfactory balance on trade account. Furthermore, there had been a modest increase in invisible export earnings (from about \$54 million in 1958 to \$66 million in 1959) and an increase in private donations, mainly emigrants' remittances (from \$77 million in 1958 to \$89 million in 1959). It was mainly owing to these developments and to drawings on a loan from the Federal Republic of Germany that the gold and foreign exchange reserves of the Bank of Greece had risen by some \$50 million in 1959, to \$204 million at the end of the year. At the end of the first quarter of 1960 the gold and exchange reserves of Greece stood at \$219.8 million. The representative of Greece, however, pointed out that the increases were not based on any fundamental improvement in the balance of payments and considered that the present level of reserves, though higher than in the previous year, was still too low to justify a substantial liberalization of trade, having regard to the sustained and increasing trade deficit.

6. In reply to several questions concerning the prospect for increased foreign exchange earnings from tourism, transportation, insurance and other invisible exports and from private donations, the representative of Greece pointed to the volatile nature of some of these items. Foreign exchange receipts from tourism, for example, were particularly sensitive to changes in the political environment and economic conditions abroad and were therefore highly unpredictable. Income from transportation, mainly shipping, and emigrants' remittances, were also highly dependent on a favourable economic climate abroad. Although it was hoped that continued high levels of economic activity abroad would prevent a reduction in these exchange receipts there could be no certainty of significant increases in exchange earnings from shipping or tourism even though, as had been noted by a member of the Committee, net income from tourism was, as yet, at quite a low level.

7. In view of the very heavy dependence of Greece on exports of a few agricultural commodities and raw materials, namely tobacco, currants and raisins, cotton, minerals and ores, olives and olive oil, wines and fresh fruits, members of the Committee enquired about the export prospects for these commodities and about any measures which had been taken or were envisaged to promote their export. They also enquired what measures had been taken for diversifying and increasing the range of available export products. The representative of Greece explained that one of his country's basic problems was, indeed, the large influence of agricultural production and incomes on the general level of economic activity in Greece and more specifically the still

very large dependence on agricultural exports as the main source of foreign exchange receipts. While it was difficult, if not impossible, to predict developments on international markets for agricultural products, there had been particular concern that the establishment of regional economic groups might have adverse effects on Greek exports, thus further aggravating the problem of the trade imbalance which had been experienced with many Western European countries. Similarly, a significant expansion of exports to countries with which Greece had bilateral clearing arrangements was unlikely in view of the limited capacity of Greece to absorb larger quantities of the types and qualities of goods offered for export by these countries. As regards industrialization and diversification, some considerable progress had been made in recent years in diversifying the economy, and the output of almost all branches of industry had been increasing up to 1959. In 1959 the increase in the output of manufactures had been insignificant and textile production had even shown a substantial decrease. It was expected, however, that the rate of growth in the industrial sector would recover and a substantial increase in industrial capacity was provided for in the current Five-Year Development Plan¹, now in its initial phase. Despite the expected progress in industrialization, Greece would continue to depend for some time to come for a large part of its foreign exchange earning ability on traditional exports, mainly agricultural products.

8. With regard to export promotion measures, the Government had set up a Marketing Office to facilitate export marketing; notably this Office had acted to channel credits to the packaging industry for modernization and expansion of plant and equipment, and had rendered other services such as giving advice on packaging and product design. There was also a Quality Control Board whose function was to assure a uniformly high quality for export products. The Government was pursuing a policy of favouring the production of goods which could find a ready export market or which were still in relatively short supply. Measures had been taken to restrain the production of certain products which had encountered difficulties in export markets, but these measures were limited in scope, principally because demographic and climatic conditions made it difficult to find suitable alternative production. For example, about 1.2 million people, out of a total population of about 8.5 million, were dependent for a large or major part of their incomes on the production of tobacco in areas where no suitable alternative cultivation could be found. Nevertheless, measures affecting output had had to be introduced despite the not inconsiderable hardships which these measures caused, especially for large families.

9. Members of the Committee noted that the export difficulties experienced by Greece in 1958 and 1959 had been aggravated by farm price support measures, and enquired whether the Government had given consideration to measures to adjust agricultural prices so as to make Greek products more competitive in international markets. The representative of Greece explained that it had been his Government's policy not to fix prices in excess of world market prices, the major exceptions to this policy being the support prices for wheat and tobacco.

¹ See the memorandum in Annex II.

Out of social considerations it had been necessary to support an internal price for wheat and bread, the cost of production of wheat in Greece being higher than, for example, in the United States and Canada. No wheat was being exported and the volume of wheat production was still below domestic consumption requirements. Subsidies at present paid to wheat growers would gradually decrease while at the same time the shift to certain other agricultural crops such as cotton and feedstuffs was being subsidized. The price support policy followed by the Government with respect to tobacco did not seem significantly to affect the market prospects for this commodity. Tobacco was not a fast-selling product, and the stock and supply conditions in international tobacco markets were related closely to the timing of large-scale purchases by State monopolies and large firms. Furthermore, raw tobacco had a low price elasticity because of the relatively low share of the cost of the raw material in the selling price of the final product and because of the dictate of consumer taste and blending formulae. In reply to a question, the representative of Greece stated that unsold stocks by the end of the 1959/60 export season (June 1960) had been estimated at about 20,000 tons or about 20-25 per cent of average annual production in recent years.

10. In discussing the governmental measures relating to sultanas, the Greek representative stated that the deterioration in 1959 in the international market for this product had made it necessary for the Government to intervene and to purchase substantial amounts of sultanas at the set support price. When these purchases were made the support price was in excess of the world market price although at the time when the minimum support price had initially been fixed it had been well below world market prices. The major part of the official stocks accruing from these purchases had had to be sold at a loss despite some improvement in world market prices for the product early in 1960; the remaining stocks continued to be a problem.

Alternative Measures to Restore Equilibrium

11. Members of the Committee welcomed the success achieved by the monetary and fiscal policies pursued by the Greek Government in maintaining relative price stability and in preserving confidence in the currency. Noting that some progress had been made in the development of a capital market in Greece they enquired whether and what measures were taken by the Government to stimulate the inflow of private capital from abroad. The representative of Greece explained that the Government had enacted a law establishing an Industrial Development Organization which was to begin operations in the near future. It was hoped that this Organization would induce the public to convert existing liquid assets into long-term investment capital and would further stimulate the domestic capital market through the opening up of advantageous investment opportunities. The establishment of the Industrial Development Organization was an additional measure in the Government's efforts to provide incentives to investment capital. Other legislation favouring investment in public enterprises had already been enacted in 1957¹.

¹ Cf. also the memorandum in Annex II.

12. Members of the Committee noted the successive reductions in interest rates effected in recent years by the monetary authorities in order to encourage productive investment. As to whether the Greek authorities contemplated a possible increase in interest rates as an alternative measure to restore equilibrium, and to counteract the inflationary effects of the Development Plan, the representative of Greece affirmed that the Greek Government had taken and was willing to take all possible monetary and fiscal measures in appropriate circumstances. However, it appeared that an increase in interest rates, affecting economic activity in general, would not be the most suitable policy to deal with the present economic problems of Greece.

System and Methods of the Restrictions

13. In discussing the import control system of Greece, members of the Committee expressed the view that, although the intention appeared to be to apply import restrictions to only a small part of imports, the import regulations and procedures were exceedingly complex, and could not but be an impediment to trade even in the sectors where no restrictions were intended. The discriminatory application of the restrictions was a matter of particular concern and, having regard to the advent of external convertibility of many currencies, it was to be hoped that Greece could dispense with the discriminatory element of the restrictions at an early date. A member of the Committee referred to the statement made by the Greek delegation at the last session (L/1114, page 3) in which reference was made to paragraph 2 of Article XIV as the basis of discrimination, and noted that the invocation of that provision required the consent of the CONTRACTING PARTIES, which did not seem to have been obtained.

14. In reply, the representative of Greece explained that the discriminatory application of restrictions, which were in accordance with the appropriate provisions of the General Agreement, had been necessary owing to the abnormal circumstances prevailing in the post-war years requiring exceptional transitional period arrangements; apart from the limitations on currency convertibility, account had also to be taken of special factors affecting the country's external reserves, such as the availability of special external credit facilities. The Greek delegation confirmed that, as had been duly noted in GATT documents, including the Tenth Annual Report by the CONTRACTING PARTIES on Discrimination (BISD, Eighth Supplement, page 67), the discriminatory application of Greek restrictions was based on paragraph 1(b) of Article XIV. It was likewise acknowledged that in spite of the reference to Article XII in the statement circulated by the Greek delegation at Tokyo (L/1114) the Greek balance-of-payments restrictions were covered by Section B of Article XVIII.

15. The Committee noted that one of the reasons invoked by Greece for the introduction of new restrictions in April 1959 on imports from the EEA area, Canada and the United States (of timber, coal, iron and steel sheets, sewing machines, electrical equipment, wood pulp, newsprint and tyres and tubes) had been the continuous and progressive trade deficit with the countries of the EEA area. Some members doubted the appropriateness of applying the new restrictions only to imports from these particular countries, especially Canada and the United States. Greece's balance of payments

vis-à-vis the United States, in contrast to that vis-à-vis the OEEC countries, had been a favourable one. Another member observed that by the same token there appeared to be no justification for excluding countries such as Japan from the automatic authorizations treatment of certain imports under Procedure E, and especially for the special treatment accorded to the four Japanese products (spectacles and lenses for spectacles, earthenware, textiles and pencils).

16. The representative of Greece referred to the various decisions taken by OEEC exempting Greece from obligations pursuant to the Code of Liberalization and permitting such restrictions as the quotas introduced in April 1959 for OEEC countries. The decision to extend these quota restrictions also to imports from the United States and Canada had been taken in order to ensure adequate protection for the balance of payments. As for the area with respect to which the Procedure E was effective, this procedure applied to imports from (a) Canada and the United States, (b) the "EMA countries" in the sense of the signatories to the European Monetary Agreement and all countries in the currency areas linked with them, and (c) countries with which Greece had bilateral agreements. Imports from Japan, except for a few products included in List A and requiring a special licence, had until recently been authorized under Procedure A. Since the termination of the trade and payments agreement between Japan and Greece, imports from Japan had been subject to Procedure D authorizations, although in practice they were freely admitted.

17. Members of the Committee noted that for the import of goods subject to quota restriction from the EMA countries, the United States and Canada, quotas for the last three-quarters of 1959 had been fixed at an amount equivalent to an annual rate of \$43 million, and the quotas for the first half of 1960 were equivalent to an annual rate of \$38.9 million. These represented intended reductions of 22 and 30 per cent respectively from the level of imports of those products from those sources in the preceding year. These restrictions affected some countries more than others. The switching of imports of restricted items from this group of countries to other sources would have a more than proportional effect on the countries exporting these products. In view of the disproportionate incidence of these restrictions on certain industries in the countries affected it was little comfort for affected producers and exporters to learn that the restrictions taken as a whole were not excessive. It was hoped therefore that these discriminatory restrictions would soon be abolished so as to avoid future damage to trade that would be caused by a deliberate switch of purchases from one source to another. Such discriminatory restrictions seemed to have already served their purpose, now that Greece's bilateral clearing balances had already been considerably reduced. The representative of Greece stated that his Government would revert to its traditional policy of liberalization as soon as this was feasible. In the view of the Greek Government, however, the quota restrictions imposed last year had not significantly affected trade. Although it had first been thought necessary to reduce the imports in question by \$14.4 million, actual importation of these products in 1959 was only \$2.7 million lower than in the previous year. Not more than \$5 million of the reduction in imports from these countries in 1959 was attributable to the new restrictions (the reduction in automobile tyres and tubes accounting for about \$1 million and there was a reduction in imports of sugar) or about 1 per cent of total imports.

18. In reply to other questions concerning the restrictions on List A products (luxury items, textiles, and automobiles and parts), the representative of Greece stated that licensing targets for 1959 had been set initially at 80 per cent of actual imports of these products in 1958. In fact, licences granted had proven to be sufficient to meet all applications. Import applications had in effect been granted in every case for the full amount applied for. For example, in the case of textiles, licences had been granted to the amount of \$14 million, but actual import credits opened had only amounted to approximately \$11.2 million. Licences granted for the importation of motor cars had amounted to \$2.4 million while importers credits had only been opened to the amount of \$1.7 million. Members of the Committee pointed out, however, that even though licences for these products were issued to full amount of applications, imports could in no sense be regarded as free of restrictions, since they were subject to other restrictive requirements, including those of advance deposits and price controls; textiles imports, for example, were subject to advance payments of 280 per cent of the c.i.f. value.

19. Concerning the nature and purpose of the licensing restriction applied to imports of machinery and spare parts under List B, the representative of Greece explained that this licensing requirement of long standing was intended to ensure an adequate and reliable supply of such goods to domestic users, the policy being to regulate imports in the light of availabilities from domestic production and under foreign aid programmes.

20. The Committee was informed by the Greek representative that the licensing restriction of rice imports, introduced in December 1959, had been partly for the purposes of facilitating the Government's farm improvement programme and of encouraging the production of higher quality grades of rice, which had so far mainly been imported from the United States and Canada.

21. Members of the Committee enquired whether the bilateral clearing arrangements which Greece had with a number of countries provided for the settlement of final balances in convertible currencies. The representative of Greece replied that the bilateral payments agreements entered into by Greece did not as a rule provide for settlements in convertible currency, and that the few payments arrangements which did provide for such a settlement, notably those with some LMA countries, had been accepted by Greece mainly because of the swing credit facilities provided. The only significant exceptional case was the bilateral clearing arrangement with the United Arab Republic (Egyptian Region) which once involved the settlement of an outstanding balance partly in convertible currencies. Concerning the proportion of trade conducted under barter or private compensation arrangements, the representative of Greece stated that the proportion of trade effected under such transactions had been very small, about \$2.5 million or 0.5 per cent of total trade in 1959, and had only been used to liquidate special bilateral balances, mainly those with Egypt.

General

22. The Committee thanked the delegation of Greece for its co-operation in engaging in the consultation and welcomed the information supplied by the delegation, which threw light on the functioning and purposes of the import and payments restrictions system. Members of the Committee expressed gratification at the assurance given by the Greek delegation that the restrictions would be progressively reduced to the fullest possible extent permitted by the balance-of-payments position of the country and that the traditional policy of avoiding governmental interference in the flow of trade would be followed as soon and as fully as circumstances permitted. Members of the Committee noted with satisfaction that the drain on foreign exchange reserves, which had been particularly marked in 1958, had been stopped and that there had been an improvement in the overall balance of payments in 1959. It was hoped that a continuation of the present trend would lead to a situation where the policy and aims noted above would be given expression in practice. There was a general concern among members of the Committee regarding the discriminatory features of the Greek import control system; there was also concern about the complexity of Greek import procedures. Members of the Committee considered that it would be highly desirable for Greece as soon as circumstances permitted to establish a non-discriminatory régime and to simplify the procedures.

23. The representative of Greece expressed satisfaction at the proceedings of the consultation and assured the Committee that all the views put forward by members of the Committee would be conveyed to his Government for careful consideration. The Greek representative stressed that the restrictions, which were applied consistently with the provisions and rules of the General Agreement, had been necessitated by the continued deficit and deterioration in Greece's balance of trade. Greece therefore hoped that contracting parties would pursue policies and take measures which would contribute to a substantial expansion of her exports, and the Greek Government would be only too willing to take immediate advantage of any improvements in the balance of payments to introduce a more liberal import régime.

ANNEX I

IMF Executive Board decision taken on 20 May 1960
at the conclusion of the consultation between
Greece and IMF under Article XIV, Section 4
of the Fund Agreement

1. The Government of Greece has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.
2. During 1958 and 1959 the gross national product increased more slowly than in preceding years, mainly because of a slowdown in the growth of agricultural output. The relative stability of prices and wages has been promoted by increased confidence in the currency. The Government had in the last few years maintained a surplus on the current account of the budget and has financed rising investment expenditures without recourse to central bank financing. However, in 1959 money supply rose at a faster rate than real income, in part because of a continued expansion of central bank credit in connexion with the operation of agricultural price-support policies.

The Fund shares the conviction of the Greek authorities that maintenance of confidence in the currency is indispensable if sustained balanced economic growth is to be achieved. The Fund urges the Greek authorities to check the rate of monetary expansion, particularly by reducing the reliance of the Agricultural Bank on the Bank of Greece for the expansion of its credit operations. The Fund points out that agricultural price-support policies as presently operated lead to increased fiscal burden and excessive monetary expansion and have adverse effects on the balance-of-payments position.
3. The balance of payments on goods and services account, which deteriorated in 1958 primarily as a result of reduced earnings from services, improved in 1959 as imports, in part affected by intensified restrictions, declined more than exports, and receipts from services and private donations increased. Owing to a sharp decline in foreign commercial credit the net inflow of private capital was reduced in 1958 and 1959. Monetary reserves, after falling in 1958, rose in 1959 partly because of the smaller goods and services deficit but also as a result of substantial non-recurrent capital receipts. In the first quarter of 1960 monetary reserves increased moderately.
4. Since the last consultations restrictions and discrimination, including that arising from bilateralism, were increased. The Fund believes that the Government's objectives of economic development would be better served by action designed to strengthen the competitive position of Greek exports and urges the adoption of appropriate internal credit and price policy measures. Such action should permit reduced reliance on restrictions and discrimination.
5. The Fund does not object to the multiple currency practice maintained by Greece on a temporary basis but urges its early elimination.
6. In concluding the 1959 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Greece.

ANNEX II

Memorandum submitted by the Greek Delegation
on the Main Lines of the Greek Economic Development Plan

(1) Introduction -- Diversification of Production

The provisional five-year development plan published in the spring of 1959, was followed by the announcement of the new and definite five-year plan last month. This plan was mainly elaborated by a group of foreign experts under the leadership of Professor Saraceno, President of SVIMEZ in Italy.

The new development plan is to be applied during the year 1960-1964. But, in view of the nature of the economic development problems to be solved and the substantial structural changes which have to be accomplished, it was deemed necessary to place this plan in the framework of perspectives covering a longer period of ten years.

A development of all sectors of the economy of Greece is envisaged in the new development plan.

Industrialization gets particular importance in the plan as it is the most effective way to increase national production and decrease existing unemployment.

Special attention is also attached to the expansion of tourism.

In terms of income and employment the goals of the plan are set as follows:

An increase of the national income of 34 per cent by 1964 at an annual rate of 6 per cent in the first five-year period and 75.5 per cent by 1969 at an annual rate of 5.5 per cent for the second five-year period is estimated. The per capita income would thus rise from US\$280 in 1959 to the equivalent of US\$380 per annum by the end of 1964 and to approximately US\$453 by the end of 1969.¹

At the same time new employment opportunities are expected to be opened, thus reducing the existing unemployment levels.

Particular importance is attached to the diversification of production.

¹An increase of 9 per cent in population is estimated for 1969; increase in per capita income thus amounts to approximately 62 per cent.

The main changes in the contribution of the productive sectors to the net domestic product are given in the following table:

TABLE I

Value and percentage contribution of productive sectors to net domestic product during the period 1959-1969

<u>Sectors</u>	<u>1959</u>		<u>1969</u>		<u>Percentage change</u>
	(in million drachmas)				
		%		%	
1. Agriculture	24,350	33	35,020	27	+ 44
2. Industries	19,800	27	41,200	32	+ 108
3. Services	29,350	40	52,780	41	+ 79
Total	73,500	100	129,000	100	+ 76

According to the above figures it is estimated that substantial changes in the structure of the Greek economy will be effected in 1969. Thus the contribution of agriculture in the formation of total income will decrease from 33 per cent in 1959 to 27 per cent in 1969 and that of the other sectors will increase from 67 per cent to 73 per cent correspondingly.

In agriculture, land improvement and more effective methods of cultivation are to expand output and provide for structural changes in favour of goods which could either be more easily exported, such as cotton, certain fresh fruit and vegetables, or substantially reduce basic imports, such as dairy products, livestock and fodder.

A new subsidy policy and credit measures will be applied to foster structural changes in agricultural production and farmers will be granted increased long-term credit on advantageous terms for irrigation projects, equipment and cattle-breeding.

As a result of the above measures as well as of the Government's efforts towards acceleration of investments in agriculture and better organization, substantial changes in the structure of agricultural production are expected in the future ten-year period.

In the following table these changes are estimated in percentages:

TABLE 2

Percentage changes in the formation of gross agricultural production
from 1959 to 1969

<u>Products</u>	<u>1959</u> <u>% of total</u>	<u>1969</u> <u>% of total</u>
Cereals	21	16
Fruits and vegetables	26	27
Olive oil	8	6
Tobacco	6	6
Cotton	4	9
Wine	4	3
Other products	2	2
Fodder	26	28
Forest products	3	3
	<hr/>	<hr/>
	100	100

Thus substantial reduction in the contribution of cereals in the formation of agricultural output is estimated on the one hand, and a considerable increase in the contribution of cotton and fodder is expected on the other.

In manufacture it is provided that new industries, preferably connected with utilization of mineral ores, which are at present either unexploited or exported unprocessed, will be created. Existing industries will expand, rationalize and specialize in articles which can be produced in Greece under similar or even more advantageous conditions than in other countries. It is also intended that industrial expansion will improve the foreign trade through substitution of imported domestic articles and increase in exports of metallurgical products.

The estimated changes in the value of net product by industrial sectors are shown in the following table:

TABLE 3

Changes in net product by industrial sectors
in 1959 and 1969

<u>Sectors</u>	1959 <u>in million drachmas</u>	1969 <u>in million drachmas</u>	<u>Percentage changes</u>
Mines and ores	1,050	2,720	+ 159
Food, drink, tobacco	3,040	5,980	+ 97
Clothing	1,220	2,000	+ 64
Construction materials	760	1,570	+ 107
Other manufacturing	9,180	19,030	+ 107
Construction	3,600	7,440	+ 107
Electric power etc.	950	2,460	+ 159
Total	19,800	41,200	+ 108

Thus an annual increase of 10 per cent is expected in the industries of mines and ores and of electric power, an increase of 7.5 per cent annually is expected in the industries of construction materials and of 7.6 per cent in the other industrial sectors.

As far as services are concerned, it is estimated that the rate of growth will vary between 6 per cent and 7 per cent annually in respect of various sectors.

It must be stressed that a considerable increase of growth is expected in tourism. Specific measures have been taken by the Government to promote this important branch of the economy.

The following table shows the changes in the product from services in 1959 and 1969:

TABLE 4

Changes in net product of services in 1959 and 1969

<u>Sectors</u>	1959 <u>in million drachmas</u>	1969 <u>in million drachmas</u>	<u>Percentage changes</u>
Transport and communications	4,150	7,860	+ 90
Rents	4,000	8,260	+ 106
Public Administration	5,940	9,210	+ 55
Other services	15,260	27,450	+ 80
Total	29,350	52,780	+ 80

(2) The Balance-of-Payments Trends

One of the main objectives of the Government policy is the gradual decrease of dependence on financing from abroad for the country's economic development.

This is shown in the following table of balance-of-payments developments during the period 1959-1964:

TABLE 5
Balance-of-payments during the years 1959-1964

(In million drachmas)

Items	1959		1964		Annual rate of growth
		%		%	%
Imports of goods (f.o.b.)	12,428	79.0	18,300	78.2	8.0
Imports of services	3,306	21.0	5,100	21.8	9.1
Total of current payments	15,734	100.0	23,400	100.0	8.3
Exports of goods	6,569	47.3	9,700	47.5	8.1
Exports of services	4,455	32.0	7,400	36.3	10.7
Current transactions from abroad (Net balance) ¹	2,877	20.7	3,300	16.2	2.8
Total of current receipts	13,901	100.0	20,400	100.0	7.8
Deficit of current transactions	1,833		3,000		10.3

From figures of the above table it is shown that in 1964 an annual increase of 8.3 per cent in imports of goods and services and of 9.4 per cent in exports of goods and services is expected.

(a) Effects on exports of goods

The increase on exports of goods amounting to 47 per cent for the five-year period is expected to be achieved partly by exports of agricultural as well as of industrial products.

A substantial increase in exports of cotton is expected. It is estimated also that owing to special measures applied recently - standardization of quality, packing and transportation means, etc. - exports of fresh fruits and vegetables will also substantially increase.

¹Includes emigrants' remittances and aid from foreign institutions.

The changes in the structure of exports in the years 1959 and 1964 are shown in the following table:

TABLE 6
Export of goods during the years 1959 and 1964
(In million drachmas)

Items	1959	%	1964	%	Annual rate of growth %
Foodstuffs	1,850	28.16	2,700	27.84	7.9
Drinks, tobacco, oils and fats	2,193	33.38	3,450	33.51	9.5
Raw materials	1,648	25.09	2,350	24.23	7.4
Chemical products	176	2.68	230	2.37	5.5
Industrial products	672	10.23	1,120	11.54	10.7
Machinery and transport means	30	0.46	50	0.51	10.7
Total of export of goods	6,569	100.00	9,700	100.00	8.1

(b) Effects on exports of services and specially on tourism

A substantial rise in receipts from exports of services and specially from tourism is expected by the end of 1964. Receipts of foreign exchange from tourism are estimated to increase at an average annual rate of 13.9 per cent.

The developments of exports of services during the five-year period are estimated as follows:

TABLE 7
Exports of services during the years 1959 and 1964
(In million drachmas)

Items	1959	1964	Index 1959=100	Annual rate of growth %
Transport	96	150	156.2	9.3
Tourism	1,251	2,400	191.8	13.9
State services	627	750	119.6	3.7
Receipts of income from abroad and other services	2,481	4,100	165.3	10.6
Total exports services	4,455	7,400	166.1	10.7

(3) The Financing of Investments

Total investments provisions are set at US\$3.7 billion over the five-year period or about 20 per cent of the gross national product. Total increase of investment is thus estimated at 9.6 per cent annually. Public investment would average yearly at about one-third of this figure. About 16 per cent of total investment amounting to US\$600,000,000 is planned to be financed by foreign capital.

It is estimated that during the period between 1955-1959 the inflow of capital from abroad averaged approximately US\$90 million annually with a maximum of US\$136 million in 1958 and a minimum of US\$44 million in 1955. This inflow amounts to an annual average of 2.6 per cent of available resources. It accounts for 20 per cent of the financing of gross investment. A contribution of nearly the same order in inflow of foreign capital will be necessary for the five years to come in order to implement the development plan.

It is thus estimated that for the period 1960-1964 an average inflow of foreign capital of approximately US\$120 million annually will take place. During the same five-year period it is estimated that total available resources will increase by 34.6 per cent. Thus the contribution of foreign capital in the financing of investments is expected to decrease from 20 per cent in 1955-1959 to 12 per cent in 1964.

(4) Government measures for the inflow of private foreign capital and the utilization of domestic capital for the financing of the development plan

A special law for attracting foreign private capital is in force in Greece since 1953. This law of constitutional value offers to foreigners adequate guarantees and the possibility of exporting a great share of the earnings of invested capital. As yet the influx of external long-term capital has not attained desirable levels.

Credit and taxation measures have been applied to induce private domestic capital towards investment in development projects.

Recently an industrial development organization (IDO) was set up in the form of a corporation with a share capital of Drs.1,200 million (US\$40 million) to be paid in four annual instalments.

The activities of IDO would include (a) the setting up - with or without the co-operation of other bodies - of new industrial or mining corporations as limited responsibility companies, the shares of which would be sold subsequently to the public as opportunity offered; (b) participation in the expansion of industrial or mineral enterprises already existing; and (c) granting of technical assistance to such enterprises.

As a general rule the Greek Government is fully aware that the implementation of its five-year plan by increasing the standard of living of the nation will secure adequate conditions both in the economic and political fields, which warrant stability and provide the basis for further progress.

The Greek Government has taken the decision to do its utmost for the fulfilment of its aims, but, no nation could claim to achieve such results, relying only on its own efforts. A general high conjuncture and a long period of fruitful co-operation in the international field are needed and the Greek Government is hoping that the coming period of five years will largely provide these conditions.