

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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

G R E E C E

Addendum

The following communication from the International Monetary Fund, dated 8 June 1962, contains the IMF Executive Board decision taken at the conclusion of the Fund's consultation with Greece under Article XIV of the Fund Agreement, which was referred to in paragraph 2 of the report on the last GATT consultation with Greece (L/1776). This decision should be deemed to constitute an annex to that report.

During the CONTRACTING PARTIES' recent consultation with Greece under Article XVIII:12(b) of the General Agreement, the representative of the Fund stated that the Fund expected to conclude in the near future a consultation with Greece under Article XIV of the Fund Agreement and to transmit to the CONTRACTING PARTIES the Executive Board decision relating to that consultation when it became available. For the information of the CONTRACTING PARTIES, the Executive Board decision, taken at the conclusion of the Fund's consultation with Greece on June 1, 1962, is as follows:

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 1960 and 1961 the gross national product in real terms increased by 4 and 11 per cent respectively. In 1960 the growth was stimulated by increased government expenditures, especially on investments and increased receipts from invisibles, while in 1961 all elements of demand contributed to the impressive economic expansion. Wages, salaries and farm income were significantly raised but virtual price stability was maintained in 1961. Although in the first two years the rate of investment postulated in the 1960 to 1964 development program was not achieved, there was an important reduction in unemployment, in part because of large emigration. A high level of economic activity and a sharp rise in imports contributed to a further substantial improvement

in current revenue of the Government and as current expenditures rose less, the resulting surplus made a major contribution to the financing of public investments. In both years the money supply rose at a very high rate, partly because there was a continued heavy reliance on central bank financing of agricultural investment and price support operations.

3. The implementation of the development plan will require an increased volume of public and private savings. The Fund believes that to obtain such a rate of savings, it is essential for the Government to increase the surplus in its current budget through measures capable of reducing sharply tax evasion and by restraining current expenditures. These measures, together with steps in the monetary sphere designed to restrain the expansion in the money supply to the level compatible with the maintenance of internal price stability, should help to strengthen further confidence in the national currency. This, in the Fund's view, is a prerequisite for further balanced development of the economy and for the encouragement of personal savings. The Fund notes the progress made in the last two years in broadening the capital market and in reducing reliance of the Agricultural Bank on the Bank of Greece for the financing of its lending. The Fund believes that in order to strengthen the effectiveness of monetary policy, further steps in this direction are urgent.

4. There was a further substantial strengthening in the balance of payments. In 1960 and 1961 receipts from invisibles rose appreciably and in 1961 there was also an improvement in exports, but imports rose sharply. Receipts from U.S. aid and inflow of capital from private and public sources were larger than the deficit on current account and monetary reserves increased. At the end of 1961 they amounted to \$251 million, equaling about five months' imports. The Fund believes that, in order to strengthen the balance of payments further, a major effort to expand exports is necessary.

5. Since the last consultation, restrictions and discrimination, which had been intensified in 1959, have been greatly reduced. However, import procedures remain excessively complicated and Greece continues to rely to a substantial degree on bilateralism in its external trade and payments. The Fund believes that a substantial simplification of the import procedures is feasible and desirable. It also considers that the situation allows a large reduction in the reliance on bilateralism, especially in relation to Fund members and urges Greece to take early action toward a substantial reduction in reliance on restrictions and discrimination, including that arising from the import policy applying to state trading. The Fund does not object, on a temporary basis, to the existing multiple currency practice.

6. In concluding the 1961 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Greece.