

INFORMATION

EXTERNAL RELATIONS

GREECE AND THE EUROPEAN COMMUNITY

105/75

Commission Vice-President, Carlo SCARASCIA MUGNOZZA will be its representative at the European Day at the Salonika Fair on September 11 1975.

The occasion seems a good one for sending you an information note on the relations between Greece and the European Community.

455/X/75-F (E)

9/75

Free reproduction authorised with or without indication of source. Voucher copies would be appreciated.

1. THE ASSOCIATION AGREEMENT :

Greece was the first European country to become associated with the European Community (1).

The association agreement is of unlimited duration. It was signed in Athens on July 9 1961 and came into force on November 1 1962.

The association provides for :

- 1) the setting up of a customs union ;
- 2) the development of joint action programmes in fields specified in the agreement and the harmonisation of Community and Greek policies therein ;
- 3) the making available to the Greek economy of resources calculated to facilitate the speedier development of the country.

The securing of these objectives is in the hands of a Council of Association. Political control is exercised by a mixed parliamentary Committee.

The association agreement specifies that the possibility of Greek membership of the Community may be examined as soon as the operation of the agreement has made it possible to look forward to the full acceptance by Greece of the obligations laid down in the EEC Treaty.

Since July 1 1968 Greece has had the advantage of intra-Community treatment -- i.e. customs franchise -- for all her industrial exports to the Community and almost all her agricultural exports.

The Greek obligations under the agreement include the elimination of customs duties on goods exported from the EEC over a period of 12 years for some headings and 22 years for others. The complete withdrawal of duties for the former list of goods took place on November 1 1974. For goods scheduled for the removal of duties over a 22-year period, the rate of the tariff will be 44 % after November 1 1975.

(1) Article 238 of the EEC Treaty provides that the Community may enter into agreements with non-member countries or groups of countries, or international organisations, setting up an association characterised by reciprocal rights and obligations, joint action and special procedures.

Following the coup d'Etat in Greece on April 21 1967, the Community had decided to "limit" the operation of the association agreement to its "current transactions". This limitation was to last "so long as democratic and parliamentary structures have not been reestablished in Greece". The current transactions under the Athens Agreement were mainly concerned with the system of customs duties and trade relations between the EEC and Greece. Among the matters held in suspense were negotiations concerning, inter alia, the harmonisation of agricultural policies and the conclusion of a further finance protocol to take effect after 1967 ; and negotiations for the harmonisation of economic policies were not even begun. The granting of loans by the European Investment Bank had also been suspended. Those already granted amounted to \$ 69 million, and the authorisation for a further \$ 56 million was blocked.

Negotiation of an additional protocol to transpose the association relationship to the enlarged European Community was carried on as a matter of current business. It was not possible, however, for the agreement to be finalised till after the dictatorship had been brought to an end.

2. THE GREEK ECONOMY

Greece covers an area of 132,000 sq.km, and has a population of 9 million. The GNP in 1972 was EUR 10.7 billion (1). After rising by 11 % in 1972 and a further 9.7 % in 1973 it fell back in 1974 by 1.9 %. The growth target for 1975 is put at 2 %.

The income per head in Greece is about 1,439 .EUR, so that the country is on much the same economic level as Ireland.

In the EEC the 1973 GNP per head reached a total of 3,360 . EUR.

About 36 % of the gainfully occupied population is engaged in agriculture

(1) EUR = \$ 1.00 in 1971
 \$ 1.08 in 1972
 \$ 1.25 in 1973
 \$ 1.39 in May 1975

(against 9.6 % in the EEC); they account for 16.1 % of the gross internal product (compared with 5.3 % in the Community). Agricultural production in 1972 was 40 % above the 1961-65 average.

The proportion of the active population engaged in industry is 25.2 % (against 43.4 % in the EEC). Its contribution to the formation of the gross internal product is 30.5 % (against 44 % in the Community).

Industry consists for the most part of small and medium-sized firms. In the decade 1963-73 production was almost trebled.

In the first half of 1974 the rate of inflation in Greece was as high as 30 %. The 1975 objective is to keep the price rise below 15 %.

The deficit in the balance of current payments amounted to \$ 370 million in 1972, rose to \$ 1,175 million in the following year and to \$ 1,218 million in 1974.

Greece's current external trading account shows a chronic deficit, in the sense that 37 % of imports are uncovered by the exports. Factors helping towards equilibrium in the balance of payments are the tourist trade and, more especially, the inward transfers from Greek citizens abroad.

In 1964 Greece made a beginning with her five-year economic development plan.

The plan for 1968-72 was concerned with harmonising the Greek economy with the new conditions prevailing in the EEC. One of the main targets was increased productivity, both in industry and in agriculture.

The Greek economy is now operating the third five-year plan and there are to be three others continuing to the year 1987.

3. GREEK TRADE WITH THE EUROPEAN COMMUNITY

Between 1961 and 1973 there has been a seven-fold rise in the trade between the Community and Greece.

Over the same period Greek exports to the Community rose 10-fold; and the Community's share in Greece's total exports rose from 30 % to 47 %.

In 1961-73 the Greek imports from the Community rose more than five-fold and the EEC share of the total imports into Greece rose from 38 % to 43 %. Over the years, nevertheless, there has been an intensification of the imbalance in Greece's trade with the Community. The situation in 1971-73 is shown in the following table :

Greek Trade with the EEC, 1971-73
(million EUR)

	1971	1972	1973
<u>With the Six-nation Community</u>			
Greek exports	378.9	472	655
Greek imports	1,008.7	1,160	1,369
Deficit	629.8	688	714
<u>With the Nine-nation Community</u>			
Greek exports	422.1	515	754
Greek imports	1,196.2	1,332	1,607
Deficit	744.1	817	853

Between 1961 and 1973 the Greek trade deficit rose from EUR 204.1 to EUR 853.0 million; but this was in spite of a much bigger relative increase in Greek exports to the Community. The comparative figures show a substantially bigger rise in Greek exports to the Community (up 915 % over the 12-year period) than in imports from the Nine (up 456 %).

4. RENEWED OPERATION OF THE ATHENS AGREEMENT

On August 22 1974, the Greek government sent in an aide-mémoire to the French Foreign Affairs Minister, in his capacity as President in Office of the EEC Council, and to the President of the Commission. This proposed the "unfreezing" of the association.

On August 27 1974 Athens addressed a further communication to the Community authorities asking for exceptional financial aid of \$ 800 million.

On August 30 1974, the Commission proposed to Council the reversion to normal operation of the association agreement, proposing that a meeting of the Council of Association at ministerial level be called at an early date.

The Council of Ministers met in Brussels on September 17 1974, when it stated its determination to lose no time in reviving the process of developing the association. This statement by the Community brought to an end the "freeze" of the association, which had been decided upon after the coup d'Etat in April 1967. On the same occasion, the Council decided to put at the disposal of Greece the \$ 55.7 million in loans from the European Investment Bank which had been blocked in 1967.

The EEC-Greece Council of Association met on Monday December 2 1974. This was its first session since the restoration in Greece of a fully democratic system, resulting from the elections of November 17 1974, and it opened the door to the renewed operation of the association.

A number of definite decisions were taken at this meeting of the Council of Association, and the subsequent session held on April 28 1975. These included :

- The decision to resume negotiations for harmonising the agricultural policies which had been suspended in 1967; and to enter into negotiation for the harmonisation of policies affecting the wine sector, as provided in Article 35 of the Athens agreement ;

- The decision to negotiate another finance protocol ;
- Signature (Brussels, April 28 1975) of an additional protocol extending the association between the EEC and Greece to the three new members of the Community; and of an interim agreement enabling the trade clauses of this protocol to be brought into operation in advance. This interim agreement came into operation as from July 1 1975.

The negotiations for a new finance protocol and for the harmonisation of agricultural policies are still in the preparatory phase. On July 29 the Council of Association, meeting in Athens, adopted procedural decisions which will enable the work on agriculture policy harmonisation to begin in earnest.

In Athens, on June 25 1975 the EEC-Greece parliamentary Committee held its first plenary session after the restoration of democracy in Greece. The previous meeting had been in the spring of 1967.

5. THE GREEK REQUEST FOR COMMUNITY MEMBERSHIP

Since the return of Greece to democratic government, one of the dominant factors in its diplomacy has been rapprochement with the European Community.

After the reestablishment in Greece of civilian government, the first members of the new Cabinet to visit the EEC Commission were M. MAVROS (Deputy Premier and Foreign Affairs Minister) and M. PESMAZOGLOU (Finance Minister) who came to Brussels on September 10 1974. They informed the Commission that the Greek government intended submitting to the Community at an early date, a request for the accelerated integration of Greece into the Community.

On November 26 1974, the Greek government sent an aide-mémoire to the Community, stating its intention that Greece should become a member of the Community in the earliest possible future.

In addition, when President Ortoli went to Greece on May 6 - 8 1975, the Greek authorities stated their intention of asking for the early admission of Greece to Community membership.

This request was officially put forward on June 12 1975.

There are two reasons for Greece's desire for closer links with the Community. The first is economic, for "Greek trade is primarily angled into the European market". The second is political; for "Europe is now engaged in a process of integration; and Athens desires to be present in this and to make its contribution to the efforts which will assuredly lead to the outstanding event of the present century". Athens sees no objection to Greece's own adhesion to the Community hastening that of Turkey. "The presence of the two countries in the Community would ease their relations with one another and give them the opportunity of overcoming their problems".

The Council of Ministers, at its meeting on June 24 1975, took note of this request and asked the Commission for a statement of its opinion, as required by Article 237 of the EEC Treaty (1).

The Council also decided to hold a first general discussion of the question during September.

Greece and the Community have in any case decided to avoid delaying the process of association which is now to be developed further, as provided in the Athens Agreement.

(1) Article 237 reads : "Any European State may apply for membership of the Community. The application shall be made to the Council which shall call for an opinion from the Commission before reaching a decision by unanimous vote. The terms of admission, and the adaptations of the present Treaty involved thereby shall be set out in an agreement between the member States and the applicant State. This agreement shall be submitted for ratification in each of the contracting States in conformity with their own constitutional rules.