

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 348 final

Brussels, 17th June 1982

COMMISSION COMMUNICATION TO THE COUNCIL  
ON THE GREEK GOVERNMENT MEMORANDUM OF 19 MARCH 1982

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1. On 19 March 1982 the Greek Government sent the President of the Council a Memorandum explaining the Greek Government's position concerning Greece's relations with the European Communities. The President of the Commission also received a copy.
2. The European Council of 29/30 March 1982 took note of a declaration by the Greek Prime Minister on the subject. It agreed that the Commission should study the Memorandum and report to the Council on it.
3. At the Council session on 22/23 March 1982 note was taken of a declaration by the Greek Minister Mr Varfis on the Memorandum which had just been presented. The Council asked the Commission to analyse it and submit its conclusions to the Council in due course.
4. The Greek Government is intending to raise the question at the European Council on 28/29 June.
5. The present communication represents initial action on the mandate given to the Commission by the Council.
6. The Commission has examined the Memorandum carefully and has come to the conclusions which follow.
7. The Commission is in general agreement with the description of the economic situation given in the Memorandum and endorses the view that determined action is called for to deal with it.
8. The specific nature of Community Mediterranean questions is recognized by the Community, notably in connection with work on the 30 May Mandate and in the framework of on-going preparations for enlargement.

9. The Commission considers that it would not be very profitable and certainly contrary to the priority requirement, determined action, to enter into discussion on the Memorandum's judgements on the content of the Act of Accession and the effects of membership on the Greek economy. It should however be noted that:
- there are underdeveloped aspects of the Greek economy for which the Community cannot be held responsible;
  - all the member countries have, to different degrees, to cope with the difficulties of the economic crisis;
  - the Community cannot be solely responsible for the development of a member country. Its role is to back up national efforts.
10. The Commission felt that it would be more constructive to take the Greek Government's demands and to see, with the utmost open-mindedness, what concrete answers could be found for the matters raised .
11. It should be noted that in the Memorandum the Greek Government said it was awaiting immediate action in two fields. It has since received satisfaction here:
- the decisions of 18 May 1982 on common prices and related measures have provided the answer to the question of support prices for Greek farmers through the effects a certain number of the decisions will have (quite substantial rise in prices in ECU, devaluation of the representative rate for the drachma, accelerated alignment of the prices of certain agricultural products on the common prices, increases above the Community average for certain Mediterranean products, etc.);
  - the more favourable conditions and rates of refund applied in respect of certain Mediterranean regions are to be extended by the end of 1982, to similar areas in Greece. The Commission has promised to put forward proposals for this by 31 July 1982.
12. The Commission has undertaken an initial consideration of the Greek demands (Annex) and for each of them has tried to find an answer compatible with existing constraints.
13. For each of the demands it is stated:
- whether the demands are already covered by existing Community provisions. The question is examined whether Greece is able to derive full benefit

from them, bearing in mind that 1981 was an initial, launching year. Where appropriate, measures, whether Greek or Community, to improve the situation are indicated. This point concerns the administration of Community provisions, but does not rule out adjustments where necessary;

- whether proposals already made with adjustment where needed cover Greek demands,
- whether the measures in question are already contained in proposals envisaged by the Commission. This point concerns in particular the future Mediterranean programmes which the Commission is to put before the Council before the end of 1982.

14. However great the political resolve may be to contribute to solving the real problems of one of the Community's Member States, present constraints cannot be disregarded. However, their existence does not exclude either imagination in the search for a solution, or determination in its application, on the contrary.

Constraints: legal and policy framework

15. The Community can contribute to the development of Greece's economy and the solution of Greece's specific problems, not by derogating from the Treaties but through the implementation of its policies. The Commission notes that most of the Greek demands come within the scope of the Community's normal decision-making processes. Protocol VII to the Act of Accession lays down the principle that the Institutions are to do all they can within the framework of the existing instrument to provide for Greece's special situation.
16. The Community is in no way lacking in means to allow for the specific nature of a given situation.
17. The principle that Community law is one does not entail its being uniform everywhere. This means that essentially different situations must be treated in accordance with their individual characteristics. Naturally, no measure can be introduced that would be contrary to the fundamental rules of the Treaty, particularly the four freedoms and rights that lie at the heart of it. Similarly, there can be no reduction of a level of liberalization or integration once attained.

18. In considering what arrangements could be made, account must be taken of the Community's policy constraints, including budgetary constraints. In any case the mere discussion of action that did not allow for such constraints would be courting failure, and would, moreover, be a source of complications and difficulties.
19. Some of the Greek demands, even where they have specifically Greek connotations, come within the scope of the Community's general concern regarding its Mediterranean regions. In connection with this, the Commission's intention to propose Community programmes to the Council before the end of 1982 to speed up development in the Mediterranean regions of the Community deserves very special attention. Both for the substance of the matter and the procedure to be followed, this is the framework in which solutions should be sought for this part of the Greek demands, while bearing in mind the Community's enlargement prospects.
20. The Community's budget interventions should be regarded as backing-up policies and not as an end in themselves. The Commission's general approach will therefore be to prepare budgetary action where, and only where, such action will assist a Community policy. That having been said, Greece's situation is such that it will probably warrant receiving special attention.
21. The Greek Memorandum poses the general problem of the economic integration of a Member State into the Community. The Greek Government mentions the adjustments expected in Community policies - while reserving for itself full freedom of action in respect of the 5-year plan to be brought out at the end of the year. But the country's integration in the Community - a prime objective as both sides recognize - would not be possible if in the choice of its priorities the Greek Government did not take Community aims and policies into account. Experience has shown that the extent to which the Community can help a country is dependent on the compatibility of the policies pursued by the recipient country with Community action, even on its ability to derive maximum benefit from such action.

22. The Commission is pleased to see that the Greek Government is drawing up a 5-year plan for economic development and the restructuring of the Greek economy. The five year plan enables Community actions to be incorporated in national development efforts. It follows that contacts between the Greek Government and the Commission during preparation of the plan are of fundamental importance to ensure that Community action and Greece's economic policy are in harmony.
23. In the same spirit the Commission is of the opinion that, provided each makes the necessary effort, a valid answer can be given to the questions posed by the Greek Government.

Action requested of the Council

24. The Commission asks the Council
- to recognize, as the Greek Government requests, the need to tackle the particular problems facing Greece and to take them into account in the framework established by the Commission;
  - to note that the Commission will take the decisions that fall within its field of competence;
  - to agree to act with all due speed on the proposals already presented by the Commission and to which attention is drawn in the present communication as well as on those that the Commission is to present within specified time limits.
25. The Council expects Greece to stay in close contact with the Commission in preparing its economic policy, particularly its 5-year development plan
26. The Council asks the Commission to report by the end of the year on the action taken on its communication and on this Council decision.

GREEK DEMANDS  
ANALYSIS AND ACTION TO BE TAKEN

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RULES ON COMPETITION (§ 9)

Greek demand

Remarks

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| 1. Principle of a derogation from rules on competition (§ 9(2)(b))... to take into account the objectives of economic expansion and the raising of the standard of living of the population | Although the principle of a derogation (formulated in such general terms as these) is excluded by the Treaties, the rules on competition (EEC Art. 92-94, elaborated for regional aids in the 1978 coordination principles) allow the Commission to take Greek particularities into account when considering aid projects, in accordance with Protocol No 7 to the Act of Accession. |
| 2. "Granting of development incentives" (§ 9(2)(b))   | In applying derogations provided for in the EEC Treaty from the general principle prohibiting aids, particularly those specified in Art. 92(3)(a) and (c) of the EEC Treaty, the Commission takes into consideration the features peculiar to the situation of Greece and its industry when it assesses aid projects submitted to it.  |
| 3. "Provisional and regulated protection of newly created industries" (§ 9(2)(b))   | Expressed in such general terms the demand is not compatible with the Treaty. But when it comes to consider aid projects or existing aid arrangements the Commission can take Greece's economic situation into account, as stated in Protocol No 7 of the Act of Accession, provided the general principles of aid containment are complied with.                                    |
| 4. "Granting of export aid for small and medium-sized undertakings" (§ 9(2)(b))   | Export aids are incompatible with the common market. On the other hand the Commission has always been favourably disposed towards investment aids for small and medium-sized undertakings and their development.   |
| 5. "Exemption from production limits" (§ 9(2)(b))   | Although this demand, as it stands, is incompatible with Community law (ECSC: steel quota arrangements and Decision 2320; EEC: aid containment for textiles and 5th shipbuilding Directive), the rules are sufficiently flexible to allow for the exceptional difficulties of certain undertakings or regions in the economy of a Member State.                                      |

FINANCIAL INSTRUMENTS (§ 10-12)

- | <u>Greek demand</u>   | <u>Remarks</u>   |
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| 6. "The criteria must be reviewed so that the way in which resources are granted and used corresponds to the particular features of the social, economic and administrative situation in Greece" (§ 10, 1st indent) | <p>(a) Community action already takes the particular features of the situation in Greece into account in part. This is the case for:</p> <ul style="list-style-type: none"> <li>- NCI II (adopted in March 1982, one of the fields eligible being the development of small and medium-sized undertakings);</li> <li>- the present ERDF non-quota section, for which the Commission is to put forward implementing proposals.</li> </ul> <p>(b) Other proposals already presented by the Commission are to the same effect:</p> <ul style="list-style-type: none"> <li>- review of ERDF (COM (81) 589 final) (e.g. by financing action to assist small and medium-sized undertakings and craft trades);</li> <li>- EAGGF: speeding up agricultural development in certain regions in Greece (COM (82) 72 final); citrus farming (COM (82) 125 final).</li> </ul> <p>(c) Present Commission thinking on the Mediterranean programmes* it is to propose before the end of the year follows the same lines.</p> <p>(d) Greece participates to only a minor extent in the ESF, training in Greece not being eligible, largely because it comes under the normal school system. The Commission is willing to examine with Greece how it intends its training systems to develop. Depending what priorities are decided on by joint agreement, the Commission would then see - if Greece requested this - whether any special transitional measures should be taken (possible when the ESF is reviewed) to help it speed up the scheduled transformation of its vocation training system.</p> |
| 7. "The resources available must be increased" (§ 10, 2nd indent)   | <p>This demand probably ties in with the Commission's general concern to see a general increase in Fund resources. Inasmuch as what is in question here is insufficient Greek participation in the Funds, it should be noted that:</p> <ul style="list-style-type: none"> <li>(a) the increase could come about now through the application of the non-quota section of the ERDF to Greece and progress in the application of the EAGGF, Guidance Section;</li> <li>(b) the Commission proposal in connection with the review of the ERDF provides for the quota section's efforts to be concentrated on least-favoured regions.</li> </ul>  |

\*All references to future integrated Mediterranean programmes in this communication are to the document "Mediterranean Programmes: Lines of Action" (COM (81) 637 final).



As for the EAGGF, the adoption of the proposals to speed up agricultural development in certain regions of Greece and citrus farming will increase Greece's participation;

- (c) the decisions on 1982/83 farm prices include a commitment to extend before the end of 1982 the more favourable conditions and rates for the refund of sums made available by the EAGGF for structural measures currently applied in respect of certain Mediterranean regions to similar areas in Greece. The Commission has undertaken to present proposals by 31 July 1982, on which the Council is to act by the end of the year.

Mediterranean programmes: for the record.

- 8. "The activities of the Funds must be co-ordinated (§ 10, 2nd indent)

The Community's financial instruments are to be coordinated more organically in the Mediterranean programmes.

- 9. "Participation in the financing of projects must be considerably increased (§ 10, 3rd indent, 1st phrase)

The question is bound up with that of increased resources. It should also be viewed in conjunction with the Commission's concern to obtain an effect of quantitative and qualitative additionality.

- (a) Greater participation already exists in certain cases: Social Fund; EAGGF: fishing, aquaculture; ERDF, non-quota and quota sections.
- (b) It has been provided for in the following proposals:
  - EAGGF: speeding up agricultural development,
  - ERDF review.
- (c) In the decisions on 1982/83 farm prices provision is made for extending to comparable regions of Greece the more favourable intervention conditions and rates already granted by the EAGGF for structural measures in certain Mediterranean regions (see No 7). The Mediterranean programmes are also expected to provide for high levels of Community participation.

10. "Expenditure on social infrastructure must be covered" (§ 10, 3rd indent, 2nd phrase)
- (a) Intervention to assist social infrastructure projects is legally possible (ERDF, EIB, NCI and ECSC in certain cases) The Commission will consider any application that comes within the rules in force.
- (b) Provision could be made in the Mediterranean programmes for taking over financial responsibility for social infrastructure projects.
11. "A new Fund must be created for the development of the Mediterranean regions with its own resources" (§ 10, 4th indent)
- This question is being considered by the Commission in connection with work on the integrated Mediterranean programmes. There could be a choice between two alternatives: either to set up a new Fund or to improve the resources, adaptation and coordination of the present instruments. The creation of an ad hoc Fund was requested also in the parliamentary resolution of 16 February 1982 (Pöttering report).
12. "There must be greater scope for financial resources to be procured through the NCI" (§ 10, 5th indent)
- Under NCI I no formal application was made by Greece for a loan. The Commission, together with the EIB - as the "agent" - is examining the reasons for this with the Greek authorities.
13. "The financing of special long-term programmes for the least-favoured regions of Greece (islands, frontier and mountain regions)" (§ 11(1))
- Some of the decisions that have been taken or proposed are to this effect: the possibilities afforded by the Directive on mountain and hill farming: less-favoured areas (75/268/EEG) (already being implemented), the implementing proposals the Commission is about to make concerning the non-quota section of the ERDF, the proposal for speeding up agricultural development in Greece (COM (82) 72 final), which the Commission has just made so that Greece can be aligned on other Mediterranean regions. But it is particularly what is being planned for the Mediterranean programmes that corresponds quite well to what Greece is asking for.
14. Particular attention to be accorded to Greece's special geographical position (no land frontiers with the Community, islands): transport infrastructure problems (§ 11(2))
- The Commission recognises that there is a special problem here, which it is willing to examine with the Greek authorities.
- (a) At present the only possibilities for Community assistance are through the ERDF (particularly for transport infrastructure).

- (b) The proposal for a regulation concerning financial support for projects of Community interest in the field of transport infrastructure - put forward in 1976 (COM (76) 636 final and amended in 1977 (COM (77) 458) and in 1980 (COM (80) 58 final) covers some of Greece's specific transport problems. It provides in particular that the criteria for selecting projects of Community interest should take regional effects into account. This proposal has come up against reservations on the part of some of the Member States.
- (c) Such action in the field of infrastructure, whose effects will take some considerable time to be felt, must be integrated at Community level, with suitable measures for the operation of the transport market as regards both access to the market (e.g. apportionment of Community licences, extension of the measures in the First Directive with regard to the frontier-zone traffic, improvement of roll-on/roll-off transport chains, increased number of transit licences for crossing certain third countries, etc.) and transport rates and conditions (e.g. ECSC through tariffs, application for a specified period of Art. 80 of EEC Treaty, etc.).

15. Athens and Thessaloniki to be eligible for Community financing in order to establish the infrastructure needed to improve the quality of life, decentralize industrial activity to the provinces, etc. (§ 12)

Under present Community legislation the Community's financial instruments apply in law to Greece as a whole, except for the quota section of the ERDF, for which Athens is not eligible, being an area excluded from national aid for regional purposes. Athens would be, however eligible for grants from the non-quota section of the ERDF.

This situation is in keeping with the specific aims of the various financial instruments and particularly the ERDF, whose purpose is to contribute to the decentralisation of economic activities and the creation of productive jobs.

The Commission is willing, naturally, to examine with the Greek Government how the Community's financial instruments can best be used in coordination for the Athens area, the diverse purposes of the various financial instruments being respected, provided Community intervention does not contribute to increasing congestion in the capital, whose growth is described in the memorandum as "monstrous". In connection with this, special attention could be given to reducing pollution in Athens itself.

AGRICULTURE AND FISHERIES (§ 13)

Greek demand

Remarks

16. "Finance and technical aid for carrying out major land improvement projects (§ 13(2))
- (a) The EIB grants loans in this field. Greece has not however asked for financing for major land improvement projects.
- (b) The measures proposed to the Council for speeding up agricultural development in certain regions of Greece (COM (82) 72 final) provide for financing for rural infrastructure and land and forestry improvement which could be used for this type of work.
- (c) Provision could be made in the Mediterranean programmes for measures along these lines.
17. Finance and technical aid for developing certain sectors, such as fishing, by means of the efficient exploitation of Greek lagoons (§ 13(2))
- (a) Community fishery legislation, already in existence goes some way towards meeting the needs of the Greek fishery industry:
- 1978 structural measures (Regulation (EEC) 1852/78); Greece qualifies for the increased rate (Regulation (EEC) 2992/81);
  - 1981 organization of the market (Regulation (EEC) 3796/81).
- The fishery agreements with certain African countries also benefit Greece.
- (b) The Commission has made proposals for structural measures that should affect Greece: development of shipping and aquaculture, coordination of research (COM (80) 420 final).
- (c) In connection with the Mediterranean programmes the Commission will be considering what further proposals could be made to develop fishing and aquaculture in the Mediterranean.
- For the record: the Commission has decided to have a study carried out on the situation of Greek fisheries.
18. Finance and technical aid for setting up and organizing agri-industrial complexes (§ 13(2))
- (a) Projects to develop the agri-foodstuffs industry are eligible for support from the EAGGF and the ERDF. Greater use could be made by Greece of the existing instruments (including the lending instruments).
- (b) The proposals to be made in connection with the Mediterranean programmes will also cover this field.

19. Finance and technical aid for developing cooperatives (§ 13(2))

The Community encourages the formation of producer groups and associations thereof - forms which, provided certain conditions are satisfied and the rules on competition respected, can also include cooperatives. The EAGGF, Guidance Section, covers producer groups (Regulation (EEC) 1360/78); also fruit and vegetables (Regulation (EEC) 1035/72) cotton (Regulation (EEC) 389/82), hops (Regulation (EEC) 1696/71), silk worms (Regulation (EEC) 707/76) and fisheries (Regulation (EEC) 3696/81).

20. Income support for small farmers  
Closing the gap between increased common prices and the inflation rate (§ 13(3))

According to CAP principles farm incomes are guaranteed or assisted by the farm prices and related measures and by certain structural measures.

- (a) The decisions on 1982/83 farm prices will enable the gap very largely to be closed.
- (b) In connection with the decisions on 1982/83 farm prices the Council asked the Commission to give its figures for farm incomes in Greece as quickly as possible and, in the light of those figures, to present specific proposals to the Council for resolving with all due speed any problems they had found. In the communication to the Council on lines of action for the Mediterranean programmes (COM (81) 637 final), the Commission envisages the granting of "direct income support" pending an improvement in the employment situation through the development of other activities and greater rationalization in agriculture.