Europe information

Commission of the European Communities
Spokesman's Group
and Directorate-General for Information

B-1049 BRUSSELS
Rue de la Loi, 200
Tel. 7350040 (Ext. 5120 and 3843)
Telex 21877 COMEU B

External Relations

14/78

GREECE
AND THE EUROPEAN COMMUNITY

On the occasion of the visit to Athens, on 28 and 29 September 1978, of Mr Roy Jenkins, President of the Commission of the European Communities, this document takes stock of the relations between Greece and the European Community.

SUMMARY

1. The EEC—Greece Association Agreement 3
2. Developments in trade 4
3. The accession negotiations between Greece and the Community 4

Appendix: An economic profile of Greece 6

September 1978

NOTICE

Subscribers to 'EUROPE-INFORMATION' are requested to note that this publication is distributed by the services of the Office for Official Publications in Luxembourg.

Any change of address should be notified to:

Mr MARASCHIN
OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES
Boîte postale 1003 — 5, rue du Commerce
L — LUXEMBOURG

However, any requests for new subscriptions or additional information concerning this publication should be addressed to:

COMMISSION OF THE EUROPEAN COMMUNITIES
Spokesman's Group and Directorate-General for Information
Publications Distribution Service
Berlaymont 2 - 27 A
Rue de la Loi, 200
B — 1049 BRUXELLES
Tel. 735 00 40 / ext. 5120 or 2346

1. The EEC—Greece Association Agreement

Greece was the first European country to become an associate of the European Community under the terms of Article 238 of the Treaty of Rome, which provides that 'the Community may conclude with a third State ... agreements establishing an association involving reciprocal rights and obligations, common action and special procedures.'

The Association Agreement, which is of unlimited duration, was signed in Athens on 9 July 1961, and came into force on 1 November 1962. [1]

The Association provides for:

(1) the establishment of a customs union;

(2) the development of common action and the harmonization of Greek and Community policies in a range of fields, such as agricultural policy, the right of establishment and the free movement of workers, transport, fiscal policy, rules of competition and economic policy;

(3) the making available to Greece of resources intended to facilitate the speedy development of its economy.

An Association Council ensures that these objectives are being achieved. There is also a Joint Parliamentary Committee, made up of members of the Greek Parliament and the European Parliament. However, the Association did not bear all of the fruit for which it was created, notably because of the political situation in Greece between 1967 and 1974.

As regards customs tariffs and trade, the results are evident. In accordance with the provisions of the Agreement, since 1 July 1968, Greece has benefited from the intra-Community arrangements — that is to say, duty-free trade — for all of its industrial exports, with the exception of coal and steel products, which are not covered by the Agreement. Since 1974, approximately two-thirds of the Community's industrial exports to Greece have also been subject to this duty-free arrangement, and Greece has adopted the Community's customs tariff for the same products with regard to third countries. Those customs duties still applied to some Community products will be abolished between now and 1 November 1984, which will mark the end of a 22-year period of gradual dismantling of duties. [2]

However, in the sphere of agriculture, the two sides have made only limited progress towards the liberalization of trade. The Community has offered a number of advantages, especially on tariffs, for the major Greek exports. But the Agreement makes the extension of the customs union to agriculture dependent on the harmonization of agricultural policies, and this has not so far taken place, despite the discussions which began in 1962 and which, after an interruption in 1967, are once again taking place.

The development of common action and the harmonization of other policies, as provided for in the Agreement, were suspended at the same time, since the Community decided that following the *coup d'état* which took place in Greece on 21 April 1967, the Agreement would be limited to matters of day-to-day management — in other words, the dismantling of tariffs as originally envisaged — 'until the democratic and parliamentary structures are restored in Greece'.

The Community's financial aid was also suspended. Only 69 million of the 125 million dollars' worth of credit made available to Greece under the first financial protocol had been used up. Only in 1975 did the EIB once again take up the funds which were intended mainly for agricultural infrastructures and industry.

After democracy was restored in 1974, a second financial protocol was signed, on 28 February 1977. By 31 October 1981, it will have made available to Greece 280 million units of account, divided up as follows: 225 million in EIB loans from its own resources (150 million of which will be the object of a subsidized interest rate of 3% per year), 45 million in non-refundable aid and 10 million in special loans for the modernization of Greek agriculture, the last two amounts being financed by the Community budget.

[1] Official Journal of the European Communities, No 26, 1963.

[2] An additional protocol, signed on 28 April 1975, extends the Association to include the Community's new Member States — Denmark, Ireland and the United Kingdom.

At the same time, work connected with the harmonization of agricultural policy was taken up again by the Association institutions and the Council studied a number of problems arising from the relations between the two parties.

Greece, for its part, raised different problems in connection with its agricultural exports, and in particular, the conditions imposed by the Community on its exports of wine (the Community quota of 430 000 hl with duties reduced by 85% was considered inadequate) and olive oil (for which the levy was lower, compared with other third countries). The Community, on the other hand, asked for the special tariff arrangement applied to the Dodecanese Islands to be abolished, and questioned the raising of certain duties in 1974.

Moreover, the difficulties caused by the importing of certain textile products originating in Greece, arising because of the export aid offered by the Greek Government, obliged the Community to impose quantitative limits on the entry of these products into some areas. After lengthy discussions in the Association institutions, arrangements for Greek textile exports were adopted on 25 July 1978.

2. Developments in trade

Trade between the Community and Greece has developed considerably since the end of 1962, when the Association Agreement came into force.

Developments in trade between Greece and the Community

(in millions of US dollars)

	Greek imports	Greek exports	Balance
1962	363	90	– 273
1966	638	170	– 468
1973	1 737	740	– 997
1974	1 897	1 025	– 872
1975	2 005	1 150	– 855
1976	2 131	1 271	– 860
1977	2 603	1 300	– 1 303

Source: OECD, Economic Studies, 1977 and 1978.

The Community is Greece's main trading partner, but its share of Greece's imports fell from 55 to 38.4% between 1967 and 1977 because of the increase in the cost of oil products. The share of Greek exports taken by the EEC rose from 45.7% in 1967 (compared with 36% in 1962) to 47.7 in 1977.

It should be noted that, in 1977, according to the OECD's figures, Greece's imports from the Community increased by 22.1% over 1976, whereas Greece's exports to the Nine rose by only 2.3%. The rate of trade coverage (ratio of exports to imports) between Greece and the Community is, nevertheless, still more satisfactory than that of the trade between Greece and the rest of the world: the Community's share of Greece's trade deficit has certainly gone up by one-third, to reach 1 300 million dollars, but the deficit with third countries is 2 700 million dollars.

The recent less favourable trend would appear to be due to a considerable increase in Greek imports of capital goods and manufactured products, together with a tailing-off of Greece's exports of tobacco, olive oil (exports of other agricultural and wine-sector products are on the increase) and some industrial raw materials, such as magnesite and energy-sector products. On the other hand, there has been a rise in the exports of manufactured products, especially under the four most important headings in this category: aluminium, hides and shoes, unbleached cotton yarn and 'other textile products'.

3. The accession negotiations between Greece and the Community

The Association Agreement made the provision that the accession of Greece to the Community would be considered once that country, having been strengthened by association, was in a position to accept all the obligations arising from the European Treaties.

As soon as democracy was restored, the overriding concern of Greek diplomacy was to move closer to the Community. On 26 November 1974, as the two sides prepared to 'revive' the Association Agreement, Mr Karamanlis' Government tabled a memorandum, in which it stated its intention to see Greece become a member of the Community in the near future.

The Greek application was officially submitted on 12 June 1975. There are two reasons underlying the Greeks' desire to strengthen their links with the Community. The first is political: 'Europe has taken the road towards integration. Athens wishes to be there to make its contribution to what will surely be the greatest event of the century'; the second is economic: 'Greece's external trade is directed above all at the European market'.

At its session of 24 June 1975, the Council of Ministers took note of the application and called upon the Community to draw up its opinion under Article 237 of the EEC Treaty. [1]

On 28 January 1976, the Commission adopted the opinion requested by the Council on the Greek application for accession to the Communities. It recommends that a 'clearly affirmative' reply be given to Greece, whilst at the same time emphasizing the problems raised by accession and which might make a transitional period necessary. When it met on 9 February 1976, the Council stated that it was clearly in favour of the Greek application and that negotiations should begin as soon as possible.

These negotiations were opened officially on 27 July 1976 and after an exploratory phase, marked by a number of ministerial meetings in 1976 and 1977, they entered into the substance at the beginning of 1978. A number of noteworthy visits took place during this period. For example, Mr Natali, Vice-President of the European Commission in charge of enlargement questions, met members of the Greek Government and took part in the sessions of the joint Parliamentary Committee which were held at Lesbos in May 1977 and Thessalonica in May 1978, and Mr Karamanlis, the Greek Prime Minister, visited the European Commission in January 1978.

On 25 January 1978, the Commission submitted to the Council its initial proposals for transitional provisions to be applied to trade in industrial products within the enlarged Community.

On the basis of these proposals, the Council worked out a common negotiating position on 7 February 1978. It agreed at the same time that the negotiations would move from the exploratory phase to the substantive discussions.

Having noted with satisfaction that the Commission intended to submit proposals concerning all the fields touched on by the negotiations before the end of the summer, the Council stated that it was determined to conclude the discussions with the Greeks on the substance as quickly as possible, and that it would do all in its power to ensure that this phase of the negotiations was concluded during 1978.

Two days later, the Commission provided the Council with proposals regarding the movement of capital; on this too, a Community position was quickly adopted.

From spring until the end of the summer of 1978, other proposals were to follow on a sector-by-sector basis and the first of those were ready for discussion at the 11th and 12th negotiating sessions with Greece, held at Ambassadorial level in Brussels on 10 and 27 February. By mid-1978, it had thus been possible to make very considerable progress in the fields of movement of capital, the customs union in the industrial sector, the peaceful use of nuclear energy (Euratom Treaty), coal and steel (ECSC Treaty) and external relations. The negotiators then turned their attention to the problems of the CAP.

However, in many cases, the question of the duration of the transitional period necessary before Greece could fully implement the rules of the Treaty was left in abeyance: clearly, Greece is particularly concerned by this point, and the aim of the Karamanlis Government is to limit this period to 5 years, starting from the beginning of 1980.

During July 1978, the Commission tabled before the Council its own proposals on the duration of this transitional period, social affairs, institutional problems, State aid and the regional policy. It had therefore

[1] 'Any European State may apply to become a member of the Community. It shall address its application to the Council, which shall act unanimously after obtaining the opinion of the Commission.
The conditions of admission and the adjustments to this Treaty necessitated thereby shall be the subject of an agreement between the Member States and the applicant State. This agreement shall be submitted for ratification by all the Contracting States in accordance with their respective constitutional requirements.'

kept its promise to the Council: from the beginning of the year to the end of the summer, the Commission delivered 11 communications to the Council, setting down proposals covering most of the essential points raised by the negotiations.

It should be pointed out that over the last few months, the Community has been studying two further applications for accession, from Portugal (made in March 1977) and Spain (made in July 1977).

Although the Community is already concerned with the repercussions of its enlargement to 12 Member States – which, in the view of the Commission, will lead to a real European revival and open up new vistas – each of the cases is studied in the light of its own characteristics and on its own merits.

APPENDIX

An economic profile of Greece

Greece covers 132 000 sq. km and has a total population of 9.2 million. The population (average density: 68 inhabitants per sq. km) is heavily concentrated in the region of Athens-Piraeus (3 million inhabitants, 46% of industrial employment). The gross domestic product (GDP) *per capita* was USD 2 306 in 1975, which is just below half the Community average (5 195), although this figure in itself does not reflect the considerable disparities which exist, because Ireland does not exceed the level of USD 2 500 either.

Greece's economic growth rate is higher than that of the Community. It stood at 6.1% between 1965 and 1975, as compared with the Nine's 3.5%. The fluctuations noted in 1975 (5.1%), 1976 (5.6%), and 1977 (3.7%) are not surprising given the world economic situation, but they scarcely affected employment and the unemployment rate (around 4%) is still lower than the Community average. The Greeks' plans envisage an annual economic growth rate between now and 1982 of 6%.

In 1975, 35% of the working population was employed in agriculture (the Community average being 8%), which contributed 19% of the GDP (EEC figure 5%). But agriculture's share in the economy dropped by about one-third between 1966 and 1976, although production at constant 1970 prices rose by more than 25%.

28% of the working population was engaged in industrial activity in 1975 (42% in the EEC) and this contributed 30% of the GDP (41% in the EEC). The manufacturing industries' share in this latter (22%) has increased by one-half since 1966, and the value of production at constant prices rose Drachmas 31 000 million to 78 000 million, thanks mainly to progress made in the textile industry (in the forefront of industrial production, with 12.4% of the total), chemicals (8.3%) and basic metallurgy (4.2%). The food and tobacco industries represent 11.8%) of industrial production. One of the stars of the Greek economy is the merchant navy, which increased from 5 million gross registered tonnes in 1960 to 30 million by the end of 1977, and to this should be added a further 20 million tonnes, approximately, in the form of vessels flying foreign flags, but belonging to national shipowners. This total represents 13.4% of the entire world fleet, or 68% of the Community's fleet.

The country is undergoing an economic change and is currently developing the exploitation of its numerous natural resources. Greece was hard hit by the increase in the price of fuels and lubricants, which represented 7.9% of its imports in 1966 and 20.4% by 1976.[1]

To sum up, Greek imports could be divided up as follows in 1977:

	Share of total imports (in %)	Share of imports from the EEC (in %)
Raw materials and fuels	22	6
Capital goods (excluding ships)	15	24
Ships	21	10
Other manufactured products	34	55
Agricultural and food products	8	5

[1] The previous information is mainly taken from a study by the Community's Economic and Social Committee on 'Relations between the Community and Greece', rapporteur Mr De Ridder, Doc. 774/78 and Appendix, July 1978.

As for exports, the figures are as follows:

	Share of total exports (in %)	Share of exports to the EEC (in %)
Raw tobacco	5.5	2.3
Fruit and vegetables	21.4	26.6
Olive oil, wines and other food products	5.6	3.5
Non-edible agricultural products	3.5	1.3
Industrial raw materials	10.3	11.1
Manufactured products	53.7	55.2

Source: Report on the activities of the Association Council made to the Joint Parliamentary Committee, May 1977 to April 1978.

Greece now has to face two different economic problems. On the one hand, inflation reached 12% in 1977 and remained at the same level in 1978, which led the Government to decide on a series of measures aimed at improving the situation. On the other, there has been a deterioration in the trade balance since 1973.

In 1975, exports, which accounted for some 14% of the GDP, covered only 43% of the imports. This rate of coverage fell to 40.2% in 1977, because of the rapid rise in imports (+ 13.1% in 1976 compared with + 10.9% in exports, + 12.7% in 1977 compared with + 7.1% in exports) and the trade deficit rose to USD 4 000 million. However, it was possible to limit the current-balance deficit to USD 1 300 million in 1977, thanks to contributions from maritime transport (USD 1 127), emigrant workers (USD 925 million) and tourism (USD 981 million). It should be noted that although emigration has slowed down considerably over the last few years — many are returning home again — tourism is in full expansion, and receipts rose from 800 000 in 1967 to 4 300 000 in 1976. Another factor in favour of the Greek economy is the injection of capital, which largely compensated for the current-balance deficit in 1977.