**CONSULTATIONS UNDER ARTICLE XII:4(b)**

Preliminary Draft Report on the Consultation with Greece

**Introduction**

In accordance with the Decision taken at the plenary meeting of the CONTRACTING PARTIES on 17 November 1956, the Consultations Committee has conducted the consultation with Greece under paragraph 4(b) of Article XII.

The Committee had before it:

(a) a basic document prepared by the secretariat in collaboration with the Greek authorities describing the system and methods of the balance-of-payments import restrictions in operation in Greece. The document also contains a statement under Part II - "Effects on International Trade", submitted by the Greek authorities;

(b) documents provided by the International Monetary Fund.

All these documents should be regarded as supplementary material to be annexed to this report.

In conducting the consultation the Committee followed the Plan recommended by the CONTRACTING PARTIES for the consultations.

The present report summarizes the main points of the discussion during the consultation.

**Consultation with the International Monetary Fund**

Pursuant to the provisions of paragraph 2 of Article XV of the General Agreement, the CONTRACTING PARTIES invited the International Monetary Fund to consult with them in connexion with the consultation with Greece.

As a part of the consultation between the CONTRACTING PARTIES and the Fund, the latter transmitted the results of and background material concerning its recent consultation with Greece concluded on 21 December 1956 and a supplementary paper dated 21 May 1957. The results of the Fund's consultation with Greece are reproduced in document QRC/4.
In accordance with the procedure agreed upon by the Consultations Committee, the representative of the Fund made a statement supplementing the Fund's documentation with respect to Greece. The statement made was as follows:

"The International Monetary Fund has transmitted to the CONTRACTING PARTIES the results and background material from its 1956 consultation with Greece which was concluded on 21 December 1956.

"As some time has elapsed since the conclusion of its last consultation with Greece, the Fund has also provided a supplementary paper on Greece dated 21 May 1957, to supply background information on subsequent developments in the internal situation, the balance of payments, and the restrictive system. This paper, together with the background material from the 1956 consultation, and the results of the 1956 consultation have been distributed to the members of this Committee.

"With respect to Section I in the Plan for Consultations, relating to balance-of-payments position and prospects, the Fund draws the attention of the CONTRACTING PARTIES to the results of its consultation with Greece under Article XIV of the Fund Agreement, and particularly to paragraph 3, and to paragraph 4 which reads as follows:

'4. The Fund welcomes the progress made by Greece in reducing restrictions and in eliminating discrimination. Greece no longer makes important use of restrictions on imports. However, the Fund urges Greece to re-examine the need for its present bilateral trade and payments agreements, which have somewhat increased in scope.'

"With respect to Section II of the Plan, relating to Alternative measures to restore equilibrium, the attention of the Committee is drawn to the results of the last Fund consultation with Greece. The Fund has no additional alternative measures to suggest at this time."
Opening Statement by the Representative of Greece

The Greek representative opened the discussion with a general statement outlining the policy followed by his Government. As could be seen from the basic document prepared by the secretariat, ever since liberalizing her trade in 1952, Greece had been a leader among those countries with a liberal trade policy. One hundred per cent of imports of agricultural products and raw materials and 89 per cent of imports of manufactured goods were at present liberalized. Within the framework of the OEEC, of which Greece was a member, the member countries undertook to liberalize their foreign trade from all quantitative limitations. Greece had nevertheless been granted a special waiver from that obligation and it should therefore be noted that a country which was one of the least qualified to liberalize foreign trade maintained only a few restrictions; and those restrictions were only partially applied, since import licences were freely granted in most cases. The exceptions to the system of general liberalization comprised certain luxury articles such as furs, jewellery and precious stones, and a series of manufactured goods, mainly special machinery and equipment and parts thereof.

Imports of luxury products were subject to the issue of special licences. Even for the products on that list, however, licences were very seldom refused and, if so, only for reasons concerning the balance-of-payments position, since there was no domestic production. Furthermore, the list had been reduced on several occasions; for instance, motor vehicles above a certain value had been freed from the requirement of prior authorization. Imports of certain products in the sector of machinery and parts were subject to licence issued by the Ministry of Industry. This special system had been in existence since 1932, when Greek industry was in a primary stage and required some protection. For these products too the Greek Government had relaxed the restrictions. The licensing system which previously applied to almost all machinery was now applicable to a list of machinery which had been reduced in recent years and now included, inter alia, machinery of a kind produced in Greece. Import licences for these products were nonetheless granted liberally. Although for some of these products the restrictive measures might have protective effects, it should be noted that a more liberal import system might create serious difficulties for the Greek Government, resulting not only in disequilibrium
in the balance of payments and a danger of monetary instability, but also in an increase in unemployment and under-employment. The Greek representative also reminded the Committee that, in accordance with the provisions of the 1949 Annecy Protocol, Greece had reserved the right to maintain import restrictions imposed under its legislation existing on the date of that Protocol.

Parallel to these measures of control which were aimed essentially at safeguarding the balance of payments, a development programme had been undertaken in order to exploit the country's resources. The industries covered by this programme included petroleum refining, chemical fertilizers, sugar, shipbuilding, paper-pulp, etc. It was to be hoped that the implementation of these plans for economic development would have a salutary effect on Greece's monetary reserves and would thus enable the Government to continue its policy of relaxing the remaining restrictions. As shown in the documents prepared by the International Monetary Fund, however, Greece was still in a precarious payments position; that position had deteriorated in the last three years and the Greek Government could not yet consider eliminating the existing restrictions in the near future.

Following the opening statement by the Greek representative, several members of the Committee expressed their Governments' satisfaction with the very liberal commercial policy followed by Greece which, for a country in the process of development, was unusual. They were happy to see the high level of trade liberalization which Greece had achieved, and they also pointed out that since 1953, almost all discriminatory measures affecting import trade had been abolished. They also emphasized that this very liberal import policy had not hindered the economic development programme, particularly in the sectors to which the Greek representative had referred in his opening statement.

The United States representative added that he would like to ask the Greek delegation several technical questions. He pointed out that the questions were asked in a friendly spirit and should on no account be considered inquisitive.

The United Kingdom representative said that his Government had been very satisfied when, at the Eleventh Session of the CONTRACTING PARTIES, Greece had announced that she would participate in the Article XII consultations. He recalled that during the consideration of the United States proposal, several contracting parties whose economy was in the process of development had indicated that, in
view of the special nature of their balance-of-payments problems, it did not seem that any definite results would be gained if they took part in the consultations. He hoped that the example of Greece in taking part in the consultations would serve as proof that the underdeveloped countries only stood to gain from the opportunity to apprise the CONTRACTING PARTIES of the difficulties with which they were confronted in the field of balance of payments. For its part, the United Kingdom had always received sympathetic attention from the CONTRACTING PARTIES, and, in his opinion, the members of the Committee would be all the more sympathetically inclined since the Greek Government had refused to have recourse to quantitative restrictions in order to protect its balance of payments.

Balance-of-Payments Position and Prospects

The Greek representative was asked what were the prospects for increasing reserve holdings and what were his Government's intentions for the future with regard to the relaxation of restrictions; he replied that, because of the assistance received from the United States Government, the satisfactory balance-of-payments position did not reflect a balanced economic structure in Greece. Without that assistance, there would be a considerable deficit, and it was therefore difficult to consider eliminating the restrictions completely. His Government was, however, keeping its policy under constant review. He added that at the present time, all requests for import licences were granted and that his Government actually only maintained a simple right to control imports, which would permit it to impose restrictions immediately if the balance-of-payments position warranted such a step.

A member of the Committee remarked that the assistance given by the United States Government constituted a determining factor which had allowed Greece to safeguard its balance of payments and to follow a liberal import policy. He wondered whether it was that assistance which had made it possible for the Greek Government to meet the considerable deficit in its trade with the dollar area. Was it thanks to that assistance that it was possible to maintain a non-discriminatory system of import controls? The Greek representative replied that the deficit of over $100 million in trade with the dollar area exceeded the amount of assistance which Greece received from the United States Government, although the latter represented a considerable sum. That disequilibrium was nevertheless normal, since Greek foreign trade generally showed a deficit.
There could be no doubt that financial assistance increased import capacity in general, and did not only affect imports from dollar countries. The large amount of imports from the dollar area was accounted for by the fact that, for certain products, prices were more favourable there. The policy of non-discrimination had been adopted in accordance with the directives and rules laid down by the international organizations of which Greece was a member.

In the course of the discussion which ensued, a member of the Committee pointed out that the application of a non-discriminatory policy allowed Greek producers to obtain supplies at the lowest possible prices in the most advantageous market, thus helping to increase the competitive capacity of the Greek economy by subjecting it to foreign competition. Since an appreciable part of the assistance granted by the United States Government came from the ICA and was not limited to the purchase of United States goods, these funds could be used freely for purchasing supplies in any market. The attention of the Committee was also drawn to the fact that Greece's trade deficit was largely compensated by revenue from invisibles.

A member of the Committee observed that it seemed as if the product of United States assistance was used to reduce the deficit with the EPU area; that was difficult to attest, however, since the foreign trade statistics given in the Fund document were classified by currency area, while there was no area breakdown of the balance-of-payments figures. The Greek representative replied that receipts from invisibles were considerable and came from the EPU countries as well as from the dollar area. United States assistance only partially covered the deficit vis-à-vis countries which made use of the EPU facilities. The representative of the International Monetary Fund stated that, in supplying the CONTRACTING PARTIES with basic documentation, the Fund did its utmost to provide all the information at its disposal at the time when the documentation was prepared. In addition to information regarding the balance of payments, the Fund document for the consultations with Greece contained statistics of trade by currency area and some information regarding multilateral settlements. In the future, the wishes expressed during the discussions would be taken into account, but it should not be forgotten that technical limitations frequently made it difficult to prepare statistical studies.
Alternative Measures to Restore Equilibrium

Commenting on the degree of success achieved by measures to encourage savings in the banking sector of the economy, the Greek representative stated that his Government attached the utmost importance to increasing savings and making them available for investment. The rate of interest payable on national savings had recently been raised to 10 per cent and the rates paid by savings banks had been increased considerably. These increases, together with other similar measures, had contributed towards a rise in amounts deposited, which had almost doubled in a year.

A member of the Committee enquired whether the economic development programme laid emphasis on the industrial sector and if, apart from the protection afforded to certain industries by means of customs duties and quantitative restrictions, the Greek Government also subsidized investments financed by Greek as well as foreign capital. The Greek representative pointed out that, for the last two years at least, import licences had been freely granted for machinery still subject to special regulations, and that one could not therefore speak of protection by means of quantitative restrictions. He emphasized that the plan was for industrial development, but that at the same time agricultural projects had been launched in order to widen the range of agricultural products exported by Greece. In that connexion, impressive results had already been achieved regarding cotton and rice. He added that the Greek Government was anxious to increase the level of industrial investment, but was hampered by lack of capital. That was why it had raised the rate of interest and passed a law encouraging the inflow of foreign capital.

System and Methods of the Restrictions

In reply to a question concerning the need to maintain a double system of protection, by means of the tariff and quantitative restrictions, for machinery and parts thereof, the Greek representative stated that the licensing system applicable to imports of those products was maintained principally in order to safeguard the balance of payments and monetary stability. He could not quote the rates of import duty levied on such machinery, but that information could be found in the Greek customs tariff. A member of the Committee asked if all requests for licences to import such machinery were granted; the statement
of the effects of the restrictions on international trade, in the second part of the basic document, indicated that the restrictions applied to the sector of machinery and parts thereof had an incidental protective effect.

In that connexion, the Greek representative pointed out that that passage of the basic document referred to the general objective of the law under which these products were still subject to licensing control, but that it should be read in conjunction with the following text which read: "In spite of these difficulties, the Greek Government has taken steps to reduce to the fullest extent possible the incidental protective effects of quantitative restrictions imposed for balance-of-payments reasons. As an example, it should be mentioned that certain machinery items have been removed from the list of products requiring prior import authorization. With regard to machinery items still included in the list, the competent ministry, i.e. the Ministry of Industry, has followed a very liberal policy which has allowed such machinery to be imported on a fairly wide scale. This can be seen from the statistical table in Part I (e) of this report."

In reply to a question as to whether the special import system for machinery was intended to control and direct agricultural investment and industrial development, the Greek representative explained that that system did not imply any control or direction but was only maintained in case the Government found it necessary, because of increased balance-of-payments difficulties, to restrict imports and replace foreign supplies by domestically-produced equipment.

In the course of the discussion, a member of the Committee noted that the requirement that importers must deposit funds with their bank might, in certain cases, have a restrictive effect on imports. It seemed to him that imports were rendered more or less difficult according to the size of the deposit; that was in accordance with Article XII, which permitted a contracting party to give priority to certain products which were more essential to its economy. The Greek representative replied that these measures were principally aimed at combating monetary inflation; to the extent that the system hindered imports for speculation purposes, it helped to safeguard the balance of payments. He also pointed out that in deciding what amount the importer was required to pay
as a prior deposit, the Greek Government had taken into account the degree of
essentiality for the national economy of the products subject to that system.

A member of the Committee then asked a question regarding measures taken
by the Greek Monetary Committee for the granting of certain discount facilities
which benefitted domestic products, but were not applicable to the same products
when imported. Those measures, established on 12 April 1957 by Service Order
No. 283 of the Monetary Committee, seemed to have a restrictive effect on imports.
The Greek representative explained that in many countries producers enjoyed
other advantages resulting, for example, from the area covered by the domestic
market, and from the abundance of capital; he did not think that the assistance
afforded to domestic products in Greece exceeded that granted by other governments.

Referring to the special régime applicable to imports from Japan, the
representative of that Government asked if the bank permits required for imports
of Japanese products were the same as those required under procedure E, or
whether they were permits granted by the Central Bank. He also asked why a more
restrictive import system was applied to spectacles, lenses for spectacles,
pottery products, textile products and writing pencils. The Greek representative
replied that the bank permit was issued by the commercial banks and was a mere
formality. The special licensing régime was justified by the fact that it
applied only to certain products of a non-essential nature.

In reply to various questions, the Greek representative explained that
wheat and flour were subject to state-trading because of their importance for
the national economy, and that the State acted like a trader with regard to those
products. The luxury products included in List A were imported in accordance
with the provisions of trade agreements and were not otherwise admitted.

Several members of the Committee wished to draw the attention of the Greek
Government to the fact that, in certain cases, the liberalization of imports
might be affected and even nullified by various measures, such as the levy of
discriminatory luxury taxes on imported products, financial regulations regarding
the sale on credit of foreign products, etc. They also pointed out that the
maintenance of a liberal licensing system was not as satisfactory as liberal-
ization, because of the uncertainty for the foreign exporters which resulted i
from the licensing requirement. In that connexion, the Greek representative
reminded the Committee that as he had already pointed out, his country's economic situation did not permit the Government to consider abolishing the licensing system.

Several members of the Committee thanked the Greek delegation for the way in which the numerous questions asked had been answered, and again expressed their satisfaction at the high degree of liberalization, the very liberal trade policy in the sector subject to quota restrictions, and the almost total absence of discriminatory measures in Greece. They also expressed the hope that the implementation of the economic development programme would have a beneficial effect on the Greek balance of payments and thus assist progress towards the complete liberalization of imports.

In his concluding remarks, the Greek representative stated that he had been happy to have the opportunity to explain to the members of the Committee the commercial policy followed by his Government and to have been able, to some extent, to provide the additional information requested by certain representatives.