1. In accordance with its terms of reference, the Committee has conducted the consultation with Greece under Article XVIII:12(b). The Committee had before it a basic document for the consultation (BOP/43), and several background documents supplied by the International Monetary Fund together with a decision of the Executive Board of the Fund, dated 15 November 1963 (see Annex II).

2. In conducting the consultation the Committee followed the Plan for such consultations recommended by the CONTRACTING PARTIES (BISD, Seventh Supplement, pages 97-98). The consultation was completed on 4 November 1964. The present report summarizes the main points of the discussion.

Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with this consultation with Greece. In accordance with the agreed procedures, the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Greece. The statement made at the consultation by the representative of the Fund was as follows:

"The International Monetary Fund has transmitted to the CONTRACTING PARTIES the Executive Board decision of November 15, 1963 taken at the conclusion of the last consultation with Greece under Article XIV of the Fund Agreement, and the background material prepared in connexion with that consultation. The Fund has also prepared a supplementary paper dated October 21, 1964 to supply background information on recent developments."
"Pending the conclusion of its next consultation with Greece which it expects to conduct during 1965, the Fund sees no reason to alter the general view expressed in the decision taken at the conclusion of its last consultation with Greece and transmitted to the CONTRACTING PARTIES."

Opening statement by the representative of Greece

4. In his opening statement, the full text of which is reproduced in Annex I to this report, the representative of Greece described recent developments in the Greek balance-of-payments position, in the programme for economic development, and in Greek foreign trade. He also described the changes which have taken place in the Greek import régime since the last consultation in May 1962. The factual material presented, which is summarized under appropriate headings below, pointed to an improved but still very low standard of living.

Balance-of-payments position and prospects

5. The representative of Greece noted that the Greek balance of payments showed small surpluses in 1962 and 1963, thanks in large part to very high levels of receipts from tourism, transport and emigrant remittances, some of which he regarded as uncertain sources of income. On merchandise trade alone, Greece had the doubtful privilege, he said, of being among the few countries whose exports pay for less than 40 per cent of imports. In Greece, the latter grew by 17.6 per cent in 1963 compared with 1962 and by 19 per cent in the first eight months of 1964 compared with the same period in 1963. Exports had been far from keeping pace with this development, and the primary products which make up the largest part of Greek export trade are highly unstable in the return which they bring to Greece. Through the development programme, an effort is being made to develop industries in order to reduce dependence on traditional exports. Investment, both domestic and foreign, is being encouraged and notable increases in gross national product have been achieved, but none of these developments has yet brought any basic change in Greece's situation as a typical country undergoing a process of industrialization to correct an excessive dependence on primary products.
6. The Committee's discussion largely confirmed the picture given by the representative of Greece. It was agreed that there had been some deterioration in the Greek balance-of-payments and reserve situation in the first half of 1964, though this did not appear to be of a particularly serious order. In answer to questions, the representative of Greece foresaw no great change from the present situation, and while he hoped balance-of-payments surpluses might continue, thanks to invisible receipts and capital inflow, he regarded such prospective surpluses as both small and uncertain. So far as trade was concerned, he could not foresee any immediate improvement in markets for Greece's major exports, though he noted that Greece's trading partners especially in the market economy countries, could make a major contribution to the solution of Greece's problem by reducing barriers which limit export opportunities in many cases.

7. Concerning foreign investment, the picture was somewhat more encouraging. Greece had been receiving increasing foreign funds, partly as a result of the adoption since 1953 of two laws assuring favourable treatment to foreign investors. About two thirds had been invested in the private sector and one third in the public sector. Settlement of most pre-war debts should further encourage investment, which had not yet reached a level high enough to provide real strength to the balance of payments. Total recent investment amounts to some $398 million since 1953 while the annual deficit on trade has averaged over $450 million in the last three years. Furthermore, while the shipbuilding, petrochemical, aluminium, tourist and other industries which are being built up with these funds should ultimately help the balance-of-payments position, they could not be expected to help in the next two or three years. Countries of the European Economic Community are among those from which capital funds have been received, but projects for utilizing the $125 million loan promised by the European Development Bank are still in the study stage.

Alternative measures to restore equilibrium

8. In his opening statement, the representative of Greece noted that monetary stability has been maintained, as well as a relative stability of prices. The Committee expressed the hope that fiscal and monetary measures rather than further
trade restrictions would be used to overcome any difficulties which might arise from recent monetary expansion and budget deficits. In response to an enquiry concerning certain restrictions on instalment buying which had been adopted last September, the representative of Greece indicated that owing to some subsequent modifications, these measures, which only concerned a few products, had been relaxed. He emphasized again that prices were relatively stable, though a chronic deficit appeared probable. He assured the Committee that it continues to be his Government's wish to rely on fiscal and monetary measures rather than quantitative restrictions to deal with the balance-of-payments problems and also referred in this connexion to the help that increased export markets could provide.

System and methods of restriction

9. The representative of Greece called attention, in his opening statement, to several changes in the direction of liberalization in the Greek import régime since the last consultation. Seventy items have been deleted from the list of products requiring prior import licence, with a resulting reduction in the overall percentage of imports subject to restriction. Furthermore, reductions in advance deposits which had been accorded to EEC countries in connexion with Greek association with the Community have been extended, voluntarily, to all GATT countries.

10. Various members of the Committee asked questions designed to clarify the working of the Greek restrictive system, which appeared to some to be needlessly complex in some respects. One question, as to why Procedure "D" could not be eliminated soon, since they were said to have no restrictive effect, was answered in the sense that Greece feels a need to retain in readiness a means of defense against any massive flow of imports which might occur. Restrictions covered a very small proportion of total imports and were administered with the greatest leniency. Their usefulness as a standby mechanism was sometimes tested on selected importers, but they did not impede or slow down imports. To questions concerning List A, the Greek representative said that the licensing is quasi-automatic on all items in the list except a few which are produced in Greece, where the social importance of protection is considered more important than the advantage of greater freedom of trade. Fresh fruit, millet, certain frozen fish
of kinds fished by Greek fishermen, and refrigerator cabinets are the principal items for which licences are subject to closer scrutiny; fresh fruit was the only item recently added to List A. Apart from these items, licences are granted in any quantity requested. The hope was expressed by a member of the Committee that no more primary products would be added to the restricted group within List A. Another member suggested that the many List A items licensed on a quasi-automatic basis might be moved to List E, where they would still be subject to statistical control. The representative of Greece promised to convey this suggestion to the Ministry of Commerce where, he thought, it might be well received since the object here was mainly to keep available a mechanism for standby control.

11. The Committee welcomed reductions which had been effected in advance deposit requirements which they considered objectionable. Hope was expressed that there would be further reductions in these requirements in favour of all contracting parties. The representative of Greece could not promise when further progress in that direction might be made but believed that further reductions extended to EEC countries would also be extended to other GATT countries in so far as this would be compatible with Greece’s treaty of association. Several members of the Committee noted in particular that advance deposit requirements bear especially heavily on sellers in distant countries, as money remains tied up longer when goods must be shipped farther. The representative of Greece stated that his authorities were very conscious of this fact, but that, while this was true, he thought the goods subject to advance deposit were of kinds which would not be supplied to any significant degree by distant countries even in the absence of the deposit requirements. He indicated that the interests of such countries would be kept in mind.
12. A question was asked about barter arrangements whereby Greece has required foreign suppliers to take part of their payment in tobacco and dried fruit; it was felt that this practice was one which did not accord well with the spirit of the General Agreement, and the hope was expressed that Greece might be able to abandon this practice. The representative of Greece confirmed that there have been, and are, some exchanges of this kind, but entirely within the framework of bilaterals and mainly with countries having centrally-planned economies. The proportion of exports moved under such arrangements was less than half of 1 per cent in 1963 against slightly over 1 per cent in 1962, so that use of this device had declined. He attributed continuation of the practice to the need to dispose of stocks of primary products which Greece would much prefer to sell for convertible exchange.

13. The Committee called attention to recommendations contained in the report on the last consultation with Greece and to a recommendation in the latest Fund decision in which the Fund urged Greece to reduce its reliance on bilateralism which reduced the effectiveness of measures taken to expand exports to more competitive markets. The representative of Greece replied that most (eight out of thirteen) bilaterals are with centrally-planned countries and all are maintained primarily as a way of disposing of primary products in which the market economy countries do not show sufficient interest. He recognized that the Fund had urged Greece to abandon these agreements, but his country did not see how it could do so in the absence of wider markets elsewhere. In 1963, 20 per cent of Greek exports had been marketed in this way against 23 per cent in 1962, and the percentage of imports bought in this way was considerably smaller, but Greece would have to look to Western countries for help toward any substantially reduced dependence on bilateral payments agreements. Some of the agreements were special, as was one with a Chilean Government organization to obtain needed fertilizers. The agreement with Finland had in effect become an agreement under which Greece settled in convertible currency. The representative of Greece did not think that recent increases in balances owed to Greece represented anything more than a seasonal phenomenon and thought there was no trend toward increased reliance on bilaterals.
In answer to another question, he stated that if, under bilaterals, more lenient credit terms were extended to certain imports, such as lumber, as compared with terms available in trade with other countries, this was also done only to enable the exports to be sold. The hope was expressed that efforts to work off balances owed to Greece would not result in diversion of Greek import trade from more economic sources of supply.

**General**

14. While recognizing the difficulties confronting Greece and welcoming the various improvements in trading conditions that have been placed in effect since the last consultation, the Committee felt that it would be within the power of the Greek authorities to make further improvements, notably by simplifying the import régime, and reducing reliance on bilateralism; they felt that these changes, along with necessary fiscal and general economic measures already planned, would bring compensating advantages to Greece in the form of a more competitive price structure which would ease the problem of selling Greek exports.

15. The representative of Greece thanked the Committee for its sympathetic attitude and said that Greece would continue, as it had done, to strive to live up to the standards of the General Agreement. He considered that although the complete elimination of bilateralism appeared to be objectively impracticable, even for other contracting parties it was fortunate that a large part of Greece's difficulty concerning exports lay within the power of other contracting parties to overcome, and if these did their share he looked forward to a time when Greece might have no more import restrictions.