The principal changes which have occurred in the Greek régime of import restric-
tions since the last consultation have been three successive reductions in the
advance deposits required for the issue of import permits for certain products from
the Community; Greece has extended these reductions to all the contracting parties.

It should be noted, however, that for certain items the retention period for the
advance deposits has been raised from two to four months, and that certain products
have been added to import list A.

The fact that all the restrictive measures are applied in a liberal manner is
reflected in a steady growth of imports, which increased from $1,148.9 million in
1966 to $1,236.8 million in 1968, and $1,418.5 million in 1969.

On the other hand, the progress of Greek exports has been by no means as rapid,
and the trade deficit has worsened in the last three years. It reached $696.8 million
in 1967, $771.9 million in 1968 and $888.2 million in 1969, while import coverage by
exports declined from 39.38 per cent in 1967 to 37.38 per cent in 1969.

Exports of the major agricultural products reached a total of $238.6 million,
representing 45 per cent of aggregate exports. Greek exports thus contribute only
relatively little to ensuring equilibrium in the balance of payments, which is
primarily dependent on invisible earnings. These are unstable by their very nature,
and are sensitive to the general level of international economic activity.

The weakness of Greek exports is principally attributable to their composition
and to the fact that, in terms of value, agricultural products still account for an
unduly large proportion of total exports. Whereas a pronounced increase in exports
of industrial products was achieved in 1969, agricultural exports in that year were
made up as follows (in terms of million dollars): tobacco 94, cotton 35.7,
raisins 43, citrus fruit 16.7, other fresh fruit 19.5, olives and olive oil 17.3,
wines and spirits 12.4.

Thus, the problem facing Greece is the structural weakness of its economy. This
is why the Government is directing all its efforts towards export expansion and
diversification of domestic production, special emphasis being laid on exports of
manufactured products. Encouraging results have been achieved in 1969 if one compares
the higher export percentage with the level for the preceding year. Manufactured
products and mineral ores accounted for 40 per cent of total exports in 1969 as
against 30.5 per cent in 1968.
These results are not yet sufficient, however, and a remedy to the difficulties must be sought in the general context of the country's economic development. The restrictions still applied on imports will have to be adapted so as to permit the smooth operation of bilateral clearing agreements which assure Greece of a stable outlet for exports of so-called sensitive agricultural products, and at the same time a substantial saving of foreign exchange needed for imports of certain raw materials and manufactures. This policy is still necessary in order to prevent any deterioration of balance-of-payments equilibrium, while maintaining a satisfactory rate of economic growth during the current transitional period.

With a view to achieving a rapid rate of economic development for Greece, the Government has embarked on a Five-Year Development Plan covering the period 1968–72, of which one of the principal objectives is to achieve in 1972 an annual growth rate of 8.5 per cent in gross national product, at constant prices. While the results for the year 1968 were not encouraging because of unfavourable weather conditions which affected agricultural production, on the other hand a growth rate of 8.3 per cent was achieved in 1969, corresponding to the target set for 1972, and this with a minimal increase in consumer prices, within the limits of the forecasts set by the Plan. The implementation of the Plan has, however, given rise to certain problems under the heading of the balance of payments, because the value of imports has increased at a more rapid rate than the value of exports.

Considered against the background of the substantial increase achieved in exports of industrial products in 1969, together with the fact that the import increment is particularly pronounced in respect of capital goods which in the last analysis are needed for economic development, in such a context the current balance-of-payments problems should be only of a temporary character and the value of imports can be expected to decline progressively as national production increases and becomes more diversified, while the value of exports would tend to increase following a change in the composition of exports so as to comprise a larger proportion of industrial products.

In the light of the indications given above, we consider that the restrictions still applied on imports fall within the context of Article XVIII of the General Agreement and do not go beyond the reasonable limits which enable Greece to preserve the liberal and multilateral character of its external trade régime. Having regard, however, to the temporary increase in the volume and value of imports and to the difficulties inherent in satisfactory disposal of certain agricultural products until such time as the restructuring of the Greek economy bears fruit, a corresponding effort is called for on the part of contracting parties with a view to increasing their purchases from Greece. Unless the countries which export their products to Greece can show such an understanding attitude, Greece would be able to maintain its present balance-of-payments equilibrium only by either intensifying the restrictions, or by bringing a larger volume of its trade exchanges under bilateral agreements.