

Lecture given by Xenophon Zolotas on the accession of Greece to the EEC (Athens, 13 April 1976)

Caption: On 13 April 1976 in a lecture given at the Academy of Athens, the Governor of the Bank of Greece, Xenophon Zolotas, examines the political and economic advantages of Greece joining the European Economic Community (EEC).

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Introduction

Greece has applied for full membership in the European Economic Community not only out of her desire to benefit from the advantages of economic unification, however considerable they may be, but because she wants to be part of the broader political and economic alliance that the Community will eventually turn into. For the EEC was formed, from the outset, with the prospect of gradually evolving into a political as well as economic union. The nations of Western Europe have come to realise that, to preserve their free democratic institutions and become an independent political entity, they must proceed beyond mere economic unification. They would remain economically and politically ineffectual in today's world unless they sought to establish a European union with central political and economic institutions. By integration, Europe will become economically and politically powerful and a major factor of peace and stability throughout the world.

The first step towards the unification of Europe was taken through the establishment of the European Economic Community. Since then, the EEC has suffered numerous setbacks, but the need to survive and consolidate its economic and political power has enabled it to overcome the obstacles and to deal effectively with successive crises. Today, the Community is in the grip of a new crisis which has made many people think that it can undermine European unity and the trend towards political unification. But this crisis will soon pass, just like previous ones. I am convinced that the Community will continue to advance in the direction of complete economic, monetary and political union. This process will be speeded up after the direct election of the European Parliament in 1978, which will lead to the creation of a United Europe. Greece is going to join this European Community as a full member. Her membership is as much indispensable to Greece as it is to Europe, which will thus gain an outpost of West European ideals in the eastern Mediterranean region.

1. The dynamism of the Greek economy

It must be stressed that Greece has not asked for immediate accession to the Community without a preparatory stage, as was the case with Britain, Denmark and Ireland, which were accepted at once as full members. Greece joined the EEC as an associate member in 1962, with the ultimate aim of rising to the status of full member as soon as she was able to assume all the obligations and responsibilities stemming from the Treaty of Rome. Under the association agreement, Greece must abolish all protective measures vis-à-vis the Community and harmonise her agricultural policy with that of the EEC by 1984. But this does not mean that she does not have the right to ask for full membership at an earlier date, since Greece may also be granted a five-year period of transition. This has already been done for Britain, Denmark and Ireland, which have been allowed such a period together with immediate participation in all the institutions and governing bodies of the Community.

This is why I have been unable to understand the Commission's reservations regarding the immediate accession of Greece, since our economic and social progress over the last fourteen years has been considerably faster than initially predicted by the Community and we are now in a position to assume all the obligations arising from the Treaty of Rome.

Let me mention some facts and figures that will serve to show how much the Greek economy has advanced since 1962, in comparison with the member-countries of the EEC.

- The average annual rate of increase in GNP during the period 1962-1975 was 6.8 per cent for Greece, 4.2 per cent for the Six and 3.8 per cent for the Nine.

- The average annual growth rate of gross income in primary production during the period 1962-1974 was 4.7 per cent for Greece and around 2 per cent for the Six.

- The average annual growth rate of industrial production during the period 1962-1975 was 9.4 per cent for

Greece, 4.2 per cent for the Six and 3.7 per cent for the Nine.

-The average annual rate of increase in gross fixed capital formation at constant prices during the period 1962-1975 was 6.3 per cent for Greece, 3.8 per cent for the Six and 3.8 per cent again for the Nine.

-The average annual growth rate of total Greek exports during the period 1962-1974 (at current prices) was 19.1 per cent, while that of Greek exports to the Six was 21.1 per cent.

-The share of industrial and handicraft products in total Greek exports increased from 11.1 per cent in 1962 to 49.9 per cent in 1974. The share of these products in exports to the Six was 4.8 per cent in 1962 and 52.1 per cent in 1974.

-The share of exports to the Six in total Greek exports increased from 36.1 per cent in 1962 to 44.1 per cent in 1974.

-As a percentage of GDP, income from agriculture fell from 23.7 per cent in 1962 to 18.7 per cent in 1975.

-As a percentage of GDP, income from manufacturing rose from 15.8 per cent in 1962 to 21.0 per cent in 1975, while the corresponding share of income from secondary production rose from 25.3 per cent in 1962 to 31.0 per cent in 1975.

The result of these favourable developments is that GNP per capita rose from one-third of the EEC (Six) average in 1962 to almost half in 1974. In 1975, GNP per capita (at 1970 prices) was slightly higher than Ireland's.

It is also worth mentioning that merchant shipping tonnage of Greek ownership has risen from 13.3 million gross registered tons in 1962 to 48.3 million grt in 1975.

Finally, I would like to add that, over the last five years, Greek architectural, planning and engineering firms have been awarded sizeable contracts in the Arab countries (Iraq, Libya, Saudi Arabia), Iran and Africa. None of the Community's smaller members have undertaken in these areas such extensive activity as Greece.

As far as the human factor is concerned, the last twenty years have been marked by a significant rise in the educational and cultural standard of our country, both in science and in the arts. A large number of Greek scientists and artists with degrees from foreign universities have returned to work here, thereby assisting in the economic and cultural development of our country. But many others who are living, working and distinguishing themselves abroad will also be able to return when our further economic expansion creates suitable conditions for them.

It may therefore be said that economic developments in Greece have been characterised in recent years by exceptional dynamism, considerably greater than that which had been predicted at the negotiations for the association of Greece with the EEC in 1961. If we had not had the seven years of dictatorship, when investment activity and the economy in general were steered in the wrong direction, achievements would have been much more significant.

What I have said so far goes to prove that there has been substantial progress towards adjusting the Greek economy to the conditions prevailing in the Community and that our application for immediate accession is well founded. This of course does not mean that we are not going to be faced with problems and difficulties during the ensuing period of transition. But the dynamism of the Greek economy, following the implementation of the association agreement with the EEC, is a guarantee that these difficulties can be overcome.

2. The EEC's difficulties from the accession of Greece

It has been argued in various circles that the immediate entry of Greece into the EEC as a full member would give rise to political difficulties, substantial financial burdens on the Community's Funds, problems of monetary equilibrium, and procedural complications. Although I have no doubt that there are some difficult problems to be solved, I nevertheless believe that these arguments are unfounded for the following reasons.

Problems of a political nature

It has been said that if Greece becomes a full member of the Community, she might hinder the accession of a neighbouring country when it matures economically. Greece cherishes and advocates democracy and peace and has never displayed any enmity towards neighbouring countries. As an example, I would like to mention the Balkan Conference, which was held solely on Greece's initiative. Naturally, it is unthinkable for Greece to tolerate blackmail, attacks or humiliations and, like any other country, she will firmly defend her integrity, dignity and prestige. But the argument that our country must not be accepted into the EEC because after fifteen or twenty years we might obstruct the accession of another country is untenable. References to this dispute are surprising, especially since other countries are faced with similar problems - for instance, Britain and Iceland or Ireland and Britain - and yet they were not brought up during the discussions concerning their entry into the Common Market. I therefore fail to see why the accession of Greece could affect relations between the Community and our neighbouring country, which are after all safeguarded by the existing association agreement. In fact, if the country in question were socially and economically prepared for immediate accession, Greece would raise no objection.

I must add, however, that this argument is dangerous for the Community's future. For it cannot be maintained without destructive consequences for the Community itself that, because a third country is not ready or does not wish to become a full member, Greece must wait for that country to prepare itself before she can accede to the EEC.

It should therefore be considered a welcome development in the Community's history that the Council of Ministers has set aside such arguments and accepted our country's application for immediate entry as a full member of the Community.

At its present stage of development, the Greek economy is faced with certain structural problems which affect its ability to combine on an equal footing with the economies of the EEC members. Some of these problems are the absence of balanced regional development, the high proportion of rural population, the structure of agriculture and the still relative weak industrial base. Some structural changes are therefore essential. Part of the cost of these changes will be borne by the Community through its various Funds, according to the arrangements existing for member-countries.

The extent of the resources to be made available for these purposes depends on the changes that will have to be carried out. The Commission estimates, on the basis of the Community's budget for 1976, that the accession of Greece will burden the various Funds of the EEC with around \$360 million a year, after deducting our country's own contribution. But this financial burden cannot be used as a serious argument for postponing the accession of Greece, for two main reasons: First, even if it reaches the amount estimated by the Commission, it will still be very small compared with the Community's total budget. I need only say that \$360 million is less than 5 per cent of the EEC's total budget for 1976. Second, it is well known that in the EEC there are considerable differences in the degree of economic development, among countries as within countries. As an example, I will mention the disparities existing in this respect between Northern and Southern Italy, as well as between the industrial and the backward areas of Britain. Furthermore, the problems that make life difficult for the Greek farmer are similar to those faced by his Irish counterpart. But neither regional disparities nor agricultural problems have been reason enough to debar Italy, Britain and Ireland from joining the EEC.

The Community has repeatedly stated its intention to embrace all the democratic nations of Europe for the ultimate purpose of establishing a political union. Therefore, its hesitation to accept a country like Greece, which with relatively little aid can reach the average level of social and economic development observed in

the European Economic Community, would contradict the Community's own declarations and could expose Europe in the eyes of the third world. For the EEC has repeatedly declared that it will supply all possible aid for the development of underdeveloped areas outside Europe. It is therefore self-evident how important it is to support a European country like Greece, in its effort to harmonise with the countries of the EEC.

Problems of monetary equilibrium

The accession of Greece is not going to create monetary problems for the EEC. This is because for many years after 1953 Greece combined rapid economic development with exemplary monetary stability. It was only after the numerous errors of the dictatorship that the economy experienced high inflation and a large balance-of-payments deficit. The rate of inflation has been checked, however, since the return to power of the new democratic government. Consequently, the accession of Greece will cause far fewer problems than those created by the entry of certain other countries into the EEC.

The same is true of the Greek balance of payments. The balance of trade has always run a deficit. But, thanks to invisible receipts, the deficit on current account is limited and is largely offset by the autonomous inflow of venture capital and other mostly private Greek capital. The only exception was the last three-year period, in which the balance of payments ran a large deficit. This, however, was mainly due to the high inflation brought about by the unwise policies of the colonels and the sharp rise in oil prices, which, among other things, is responsible for the inflationary conditions from which very few countries have escaped. Meanwhile, the balance-of-payments deficit has been brought down considerably and is expected to show a further significant drop during the current year.

Obstacles to the political unification of Europe

Finally, it has been argued that the enlargement of the Community during the present phase will result in delaying the political and economic union of Europe. In other words, some circles have voiced their concern that our country's entry into the EEC would hold back the evolution of operating procedures and the future growth of the Community. The reply to this argument can be found in the history of previous decisions taken by the Community. Greece is merely going to become the tenth member of the EEC by taking the place of Norway. The Community had decided to accept Norway as a member three years ago, but the latter has since withdrawn her candidacy. Consequently, the accession of Greece will give rise to no more problems than those that would have been faced as a result of the accession of Norway.

Furthermore, Greece is not going to hinder in any way the procedures involved in speeding up economic and political unification, nor the election of a European Parliament. The Greek Government has already stated its intention to vote for all the economic and political reforms that may be decided upon by the present membership of the Community during the negotiations leading to the accession of Greece. It should also be mentioned that, owing to the limited extent of our national territory and the small size of our economy, the accession of Greece will necessitate only marginal changes in the agricultural, regional, social and monetary policies of the Community.

To my mind, therefore, in view of the dynamism of the Greek economy, the adaptability of our people, and our resolve to take all the administrative, organisational and structural measures required, the problems to be posed for the Community by the accession of Greece are certainly going to be smaller than those that were entailed by the entry of other countries. At the same time, however, one must take account of the direct and indirect benefits that will accrue to the Community from the accession of Greece. These benefits I will now proceed to examine.

3. The Community's advantages from the accession of Greece

Greece is a country with a small population and limited income. Consequently, in terms of market size, the advantages she will offer as a full member of the Community will be rather marginal. Nevertheless, our country has certain features from which the EEC can gain considerable advantages.

The first such feature is that Greece has a wide variety of largely unexploited minerals and ores, such as bauxite, nickel-iron, copper, magnesium, chromite, asbestos, lead and zinc. In addition, judging from certain indications as to the presence of oil deposits in the Nestos river basin, in Western Greece and in the Ionian Sea, the quantity of Greek oil must be well in excess of the 80,000 barrels per day that has already been located off the island of Thassos. Europe then, which is poor in terms of such resources, will be able to participate, in co-operation with Greek venture capital, in the exploration, systematic exploitation and industrial processing of Greek mineral wealth.

The second feature is the geographic position of Greece, which lends itself to the establishment of industrial and other firms-involving the collaboration of Greek with foreign venture capital - that will be aimed at penetrating the markets of the Middle East and Africa, where there are flourishing Greek communities and large Greek architectural, planning and engineering firms with a wide range of activities.

Here I must stress that, mainly after the recent sad events in Lebanon, Greece is gradually becoming a major financial centre in the eastern Mediterranean region. In fact, over the last few months the Athens-Piraeus area has attracted several firms which operate in the Middle East, while future prospects are even better.

The third significant feature in our country's contribution to the EEC is the existence of a huge Greek-owned merchant fleet of 48 million grt, amounting to about 65 per cent of the total tonnage owned by the Nine. This is particularly important, since most of the Community's external trade - accounting for around 38 per cent of world trade - is seaborne.

Consequently, the Greek merchant navy will be an important factor of development, both for Greece and for the Community. In this respect, I need only mention that, with the accession of Greece, the Community's share in world tonnage will rise from 21.7 to 35.8 per cent. With the participation of Greece, the Community's greatly enlarged fleet of merchant vessels will be a factor of vital importance in international sea transport, since total capacity will be far in excess of that required to handle the Community's external trade. It will also play a major role in effectively combating the efforts of various countries to increase interventions in the world market for maritime services.

Finally, a further significant point is the geographic proximity of Greece to the oil-producing countries of the Middle East, especially now that the world is faced with a pressing energy problem. Greece can serve as a bridge between the Community and the Middle East, particularly the Arab countries, with which she has maintained close ties for several centuries. I must add that Greek architects, planners, engineers and businessmen are well acquainted with the traditions as well as the social fabric and political conditions prevailing in the Arab world and are therefore in a position to make a positive contribution to economic development in that region. Consequently, they will be able to assist in expanding into the Arab world the operations of the joint Greek-European enterprises to be established when Greece becomes a full member of the Community.

To conclude this part, I would like to stress that it should not be forgotten that Greece is the only free, western-style republic in South-eastern Europe, maintaining cultural, ideological, traditional, humanistic and religious ties with the other European nations. She is therefore an outpost of democracy, freedom, peace and Greek Western civilisation in this area. I therefore think that it is in the social, political and economic interests of the Community to support and strengthen this outpost.

4. Greece's advantages from her accession to the Community

Since the economies of large countries already possess the capabilities that small countries seek to acquire by joining a wider economic group, economic unions are of greater importance to countries of limited geographic and economic size. The entry of a small country into such a group has the direct effect of expanding its market.

Moreover, it gives her the possibility to benefit from the advanced and constantly improving technology of the developed member-countries, to become familiar with new organisational and managerial techniques,

and to attract increased flows of venture capital.

A further specific reason that makes it necessary for a small country to join wider economic unions is that accession relieves its balance-of-payments problems.

In view of the advantages ensured by economic unions mainly for the smaller participating countries, it is quite clear why Greece, as I will now proceed to elaborate, wishes to become a full member of the EEC. The advantages to be gained by Greece from her accession to the Community are of two kinds: political and economic. Political advantages include the opportunity for Greece to participate in the collective bodies of the Community and thus be able to influence both economic and political decisions. This means that Greece, with only 8.6, 3.5 and 1.7 per cent respectively of the territory, population and GNP of the Nine, will nevertheless take part on an equal footing with the other members in formulating the common policies of the EEC. This is of great importance because, as I have already mentioned, the Community has lately become increasingly aware of the need for integration, which will one day lead to true economic and political unity. Economic advantages include the opportunity for Greece to make use of all the facilities ensured by the Community for its members. So far, apart from a loan of \$125 million, Greece has been unable to obtain any other aid from the EEC. After her accession, she will be able to benefit to a greater extent from the Community's Funds. The resources to be drawn from the EEC's Agricultural Fund, Social Fund, Regional Fund and Monetary support Funds will help Greece to restructure, reorient and modernise her economy. As I have said before, I think that the fears voiced in various circles, namely that the Greek economy will burden the EEC excessively owing to its structural weaknesses, are groundless. It is likely that, during the first few years, financial aid from the Community's Funds will approach the amounts estimated by the Commission. However, taking into consideration the flexibility and adaptability of the Greek economy, I do not think that the burden on the Community will be so heavy in later years.

Agriculture

A well known fact is that the agricultural sector of the Greek economy suffers from basic structural weaknesses. It is typical of this sector's backwardness that, while it employs 34 per cent of the country's economically active population, it accounts for only 19 per cent of GDP, while for the nine members of the Community the responding ratios are 9 and 5 per cent. Furthermore, in 1973, the value of Greek agricultural output (at 1970 prices) per farm worker was \$1,400 against 200 in the EEC. These figures illustrate the structural problem and the relatively low productivity of Greek agriculture, which is due to the suboptimal combination of factors of production. However, in view of the shortcomings of the population census taken in 1971 and of the outflow of rural population towards urban centres and foreign countries that has been going on since then, it is quite likely that the number of agricultural workers is now considerably smaller, in which case output per worker in agriculture must be much higher. The elimination of these weaknesses will be speeded up by the greater effort to be made immediately after our accession to the EEC. In this respect, we will be helped considerably by the Community's common agricultural policy which, according to the principles embodied in the Treaty of Rome, is aimed at increasing productivity in agriculture, stabilising the market for farm products, facilitating product marketing, maintaining the prices of agricultural products at reasonable levels, and ensuring a high standard of living for farmers.

I feel optimistic about the future of the Greek agricultural industry, when we become a full member of the Community. The establishment of the EEC has had a favourable effect on the agricultural sector of its member states, which were far from being uniformly developed when the Community was first set up. A comparison between the years 1966 and 1973 shows that, under the EEC's common agricultural policy, most member-states have made considerable headway in enlarging farm establishments. In Germany, farm size has increased from 10.3 hectares in 1966 to 13 ha in 1973, in Belgium it has gone up from 7.5 to 13.1 ha. and in the Netherlands from 9.2 to 13.9 ha. respectively. In Italy, the corresponding figures are 6 ha. for 1966 and 7.7 ha. for 1970.

The progress which has been achieved is also evident from the fact that while during the period 1958-1973 agricultural output in the Six increased at an average annual rate of about 2 per cent, agricultural employment dropped by 4.4 per cent a year. This means that the Community's common agricultural policy

has helped to improve productivity in agriculture. Large sums have been spent for this purpose. In 1972, the European Agricultural Fund spent 2,500 million units of account, compared with 60 million units in 1964.

The Greek agricultural industry will benefit from price supports and export subsidies under the Community's common agricultural policy. This will result in increasing the income earned by Greek farmers, since the prices of several farm products, such as wine, fruit and vegetables, are lower than in the EEC. However, although the better prices of certain farm products will naturally be an incentive for Greek farmers to increase their output, the possibility that this might lead to oversupply in the Community does not exist. Owing to its temperate climate and varied soils, our country enjoys a comparative advantage regarding agricultural products which are in short supply in the EEC. This means that Greek agriculture is complementary to and does not compete against the agricultural production of most of the Community's members. It may therefore be sought, by means of suitable measures, to turn the attention of Greek farmers to crops favoured by price and demand conditions in the EEC.

The most important gain, however, will come from the technical and economic assistance to be provided by the Community's special Funds to bring about the complete restructuring of our country's agricultural industry. For its major weakness is the large proportion of the work force employed in small farm businesses. The 1971 census showed that agricultural holdings averaged 3.5 hectares and were made up on average of seven parcels of land at a considerable distance from each other. Holdings of this size and degree of fragmentation are uneconomic as they prevent the construction and operation of proper irrigation systems, farm mechanisation, and the adoption of advanced farming technology already in use in the developed countries. Consolidation of farm holdings and the exodus of the rural population towards the cities and abroad have resulted in some progress, but the process has so far been slow and inadequate. Although technical and economic assistance under the EEC's common agricultural policy will speed up the necessary reforms, Greece must set up a special Fund to finance the purchase of farmland by extending loans at low interest rates. For the same purpose, as I have proposed before, the Greek Government must provide further suitable incentives. Appropriate legislation should also be enacted to lay down the conditions and procedures or the compulsory expropriation of farmland abandoned by its owners. By attracting more people from the rural areas to the cities, the increasing industrialisation of Greece will facilitate to a considerable extent the effort to set up viable farm businesses.

Nevertheless, by this process it will take a long time to attain optimum farm size. Therefore, together with the effort to enlarge agricultural establishments, it will be necessary to support farmer co-operatives and encourage group farming.

As regards co-operative farmer associations, it will be necessary to study the models found in the EEC and adapt them to local conditions. In some instances, agricultural co-operatives have achieved notable results and their significance, as poles of collective productive activity must not be underestimated. Group farming has also been successful in many types of crop cultivation and it will be necessary to pass appropriate legislation to regulate the organisation and activities of group farms.

I attach great importance to the institution of agricultural corporations, which is new to our country and seems to embody the features needed to give a prompt and successful solution to the pressing problem of small and badly fragmented farm holdings.

Agricultural corporations offer horizontal combination, i.e. the consolidation of farm holdings, plus the vertical integration of all stages of production, including industrial processing and product marketing. This institution will reduce the cost of production and the profits from industrial processing will mostly accrue to the producers. At the same time farmers will be rid of middlemen in the handling and marketing of their products.

Agricultural corporations are not going to interfere with or replace farmer co-operatives, which will continue to play a leading role. After all, it will be possible for co-operatives to hold shares in the corporations. In fact, 51 per cent of the corporate stock will belong to the farmers who are permanent residents in the area where the corporation has its registered office.

I myself have made similar proposals to the representatives of the FAO and the World Bank. However, I must say that if an institution of this kind, which is new to Greece, is to succeed, it will necessitate a persistent effort and, especially, the systematic guidance of farmers.

The improvement of productivity in agriculture will release a considerable amount of manpower. Its transfer to industry should cause no additional problems. The reason is that industry will resume its spectacular growth after the recent temporary slowdown brought about by cyclical factors, and will thus create new employment opportunities to absorb the work force that will flow in from the rural areas.

Finally, mechanisation will be one of the most important means for modernising the agricultural sector of Greece and harmonising it with the advanced agricultural system of the EEC. Through further agricultural mechanisation, it will be possible to free manpower so that our country's agricultural industry will cease being a captive of its own work force, which is now employed on the land at high opportunity cost.

A further reason for which our agriculture must be modernised at a fast pace is that, following her accession to the EEC, Greece will be forced to make the same tariff concessions to third countries as the Community. This implies that farm products from the developing areas of Africa and the Middle East will be allowed easier entry into the Greek market, where they will compete against domestic products. Consequently, if Greek farming fails to improve, it will risk losing ground not only to European farm products, but also to those imported from third countries.

I am convinced, however, that if the necessary steps are taken, the benefits to be gained by the Greek agricultural industry from our country's entry into the EEC will be far greater than any adverse effects that might result from accession in the short run. I also believe that our agricultural sector may eventually profit from our entry into the Common Market much more than any other sector of the Greek economy.

Industry

An additional advantage to be gained by Greece from her accession to the EEC will be the further penetration of Greek industry into the enormous European market of 260 million people. In this market, Greek industry will be able to specialise on the basis of its comparative advantages and industrial firms will be able - through mergers and acquisitions - to attain optimum size more rapidly. This is economically imperative, regardless of whether we join the EEC or not. It is, indeed, a fact that the size of Greek industrial firms, even of many of the larger ones, is well below optimum. Suffice it to say that the 200 largest Greek industrial firms are far smaller than their counterparts in the member states of the Community, where - I must point out - mergers and acquisitions are still going on.

In the Greek economy there are recent examples of successful mergers and acquisitions, which have produced scale economies, opened horizons for new products in new markets, reduced risks via diversification and strengthened business firms with new highly qualified managerial staff.

The smooth flow of Greek exports towards the Community will create strong incentives for speeding up investment in export-oriented industrial firms. We all know how important it is to expand industrial exports in order to promote industrialisation. The customs union between Greece and the Community has produced considerable progress in this respect. As a result, Greek industrial exports to the EEC increased from \$1.6 million in 1962 to \$287.6 million in 1974, with the effect of raising the share of industrial and handicraft products in our total exports to the Community from 2 per cent in 1962 to 48 per cent in 1974. This means that exports of industrial and handicraft products came to finance 25 per cent of our country's trade deficit with the EEC in 1974, compared with less than one per cent in 1962.

The favourable effect which has been exerted on Greek industry by the closer ties established between Greece and the Community is more clearly evident in secondary production, where productivity (output per worker) during the ten-year period 1963-1973 increased at an average annual rate of 7.7 per cent in Greece, against 5.6 per cent in the Six. This has had the result of raising output per industrial worker in Greece to

about 60 per cent of the corresponding EEC ratio in 1973, compared with 49 per cent in 1963. If this trend continues over the coming years, productivity in Greek industry will rise to 80 per cent of the Community's average in 1990.

The conclusion is that, during the years that have gone by since Greece became an associate member of the Community, the industrial sector has achieved the best results among all sectors of the Greek economy. This underlines its dynamism, its ability to adjust to the conditions prevailing in the EEC, and the existence of the prerequisites for developing closer ties with the Community.

When Greece joins the EEC as a full member, industrial ties between Greece and the Community will expand and become stronger for the following reasons:

First: It will become possible to finance a larger volume of industrial investment with European funds and to apply the latest technology and organisational procedures in the industrial sector.

Second: It will become easier to establish joint enterprises with the participation of Greek and European capital, which will also operate as channels for the inflow of funds, technology and organisational methods.

Third: It will become possible for industrial firms to attain optimum size, which is difficult for most of them owing to the limited extent of the Greek market.

Fourth: Greek industry will gradually absorb the Greek workers who are now employed, abroad, especially in Germany, and number several hundred thousand. It should be noted that mass emigration of Greek workers, mainly to Germany, has created problems for both Greece and Germany. In Greece, the problem is related to the creation of shortages in the labour market. In Germany, it is related to the social, political and economic impact resulting from the absorption of large numbers of foreign workers by the German economy. Consequently, both for Greece and for the host countries, it is preferable to employ Greek workers here, provided that suitable conditions are created.

Fifth: It will be possible to ensure the more systematic industrial processing of Greek minerals and ores, as well as other raw materials, which are now largely exported without previous processing.

Sixth: The protection of the home market against penetration by monopolies will be strengthened, as the Treaty of Rome expressly states that one of the basic aims of the EEC is to secure free competition. This general principle underlies a whole series of antimonopoly rules, which have been applied with particular stringency by both the Commission and the Court of Justice of the EEC.

Finally, the European Investment Bank, the Regional Fund, the Social Fund and other bodies of the Community will help to tackle any difficulties that might crop up in the course of these developments. As an example, I would like to mention that, on the Commission's recommendation, the European Investment Bank may grant loans at low interest rates and other facilities for the attainment of the goals of the members' industrial development policies. In the case of structural difficulties that prevent an industry from effectively coping with competition after the abolishment of tariffs, the member-state concerned may be allowed to take appropriate steps in support of the industry so affected. It must be pointed out, however, that this is only done in exceptional circumstances, for the Community's stand in these matters, which is also dictated by the general principles of the theory concerning economic unions, is to avoid interventions which hamper free competition and help sustain inefficient firms. However, this does not seem to apply to Greek industry, seeing that the initial effects from the gradual removal of our tariff wall have already become apparent. In fact, our import duties in relation to the Community have been abolished on two-thirds of imported industrial products, while on the remaining one-third they have been reduced by 44 per cent.

5. Measures to accelerate our accession to the Community

I have already stated that our decision to join the EEC from now is sound and highly significant. For, as I have mentioned, although we will participate in all the governing bodies and in formulating the policies of

the Common Market, we will not feel immediately the impact of accession because of the five-year period of adjustment that will precede it. This does not mean, however, that we must continue along the path of ineptitude and complacency followed by the dictatorship. We must lose no time in readjusting the country's economy, administration, education, taxation, institutions and, mainly, our attitudes, to make them conform to those prevailing in the Community. Otherwise, social and economic conditions in Greece will be in danger of deteriorating under the impact of keen competition in every aspect of our social and economic life.

For this purpose, extensive structural changes will be necessary. We must organise ourselves from now, systematically and persistently, so as to accomplish the required structural changes within the shortest possible time and with the least possible sacrifice. What we need is a meaningful economic plan, which will give the country's institutional framework the capability to enter into a closer functional relationship with the Community's institutions. Under its new five-year economic development programme, the Greek government is already planning ahead for the country's accession to the EEC. But this is not enough, for the Greek economy relies on private initiative and free competition.

I shall now refer, on broad lines, to the changes that must be carried out in individual sectors of the economy so that we can avoid pitfalls and reach the desired result in a safer way.

In industry, the strongest effort must be made by the industrialists themselves. This means that Greek businessmen must recognise, with boldness, realism and resourcefulness, that the strong financial incentives, excessive protectionism and low labour cost, which ensured the fast and comfortable growth of their firms, belong to the past. This of course does not imply that there will be no incentives for industrial development; only that they will be adapted to the kind of incentives employed in the Community. Greek businessmen must also understand as early as possible that it is both a duty and an advantage for them to cooperate among themselves and with the state for the purpose of restructuring the economy, changing the attitudes shaped within the confines of a closely protected market, and at the same time strengthening the economy's export orientation and competitiveness.

It is also necessary to change organisational, administrative and marketing methods and procedures at the level of the business firm, with the ultimate objective of attaining optimum size. This is the only way in which Greek industry can cope with foreign and domestic competition, which will grow keener with the passage of time. Furthermore, business firms must proceed to draw up investment programmes involving a full-scale analysis of each alternative scheme's profitability, and should stop relying mainly on bank credit for financing their investments.

Finally, as regards regional development, it will be necessary to decentralise Greek industry in order to utilise "on the spot" the natural resources (mineral deposits, surplus manpower) and specific geographic position of each district. In particular, the country's industrial development must take place on a multiregional basis instead of the present system which is centred on the two major urban agglomerations of Athens and Thessaloniki. This is the only way to prevent the provinces from being stripped of their population, a tendency which will be aggravated by the further exodus of rural population towards the industrial centres. For this purpose, it will be necessary to draw up regional development plans and at the same time introduce incentives for social and cultural development in the areas selected for industrial decentralisation.

But the accomplishment of all these aims presupposes that Greek entrepreneurs and workers will become fully aware of our pressing need to accede to the Community. For, as I have said, it is totally out of the question to orient economic development, especially in the industrial sector, towards the home market, because of its limited size. By joining the EEC, we will greatly expand the market for our products and this will enable us to establish large industrial concerns. These in turn will ensure the economies of scale and other advantages which, as elaborated in the case of industry, are not enjoyed by small firms. At least in some instances (for example, joint enterprises), collaboration between Greek business firms and their Common Market counterparts will be useful. In its export orientation, Greek industry must take as a model the small industrial countries, such as the Netherlands, Belgium and Sweden, which have become highly industrialised - despite limited space and population - precisely because their industrial development has

followed the very lines I have mentioned.

Where private initiative is not interested, either because it does not have the necessary capital or because it hesitates to assume the risk involved, or because the cost of feasibility studies for industrial projects is too high for it, the Hellenic Industrial Development Bank and the recently established Hellenic Industrial and Mining Investment Company will develop their activity in such a way as to complement private initiative and not compete against it.

The government must take the necessary steps to restore competitive conditions in the home market the soonest possible. Government action in this respect must develop along the following lines:

First, it is necessary to review the present system of government interventions, regulations and incentives for the purpose of removing obstacles preventing the proper operation of the market mechanism. For, as we all know, government intervention often generates conditions of unequal competition and obstructs the entry of new businesses. Besides, it contributes to the establishment of oligopoly and monopoly situations and, finally, it often favours the less efficient firms.

Second, it is necessary to clarify the government's industrial development policy so as to put an end to the state of suspense prevailing in basic sectors of the economy, which increases the element of uncertainty and leads to the discouragement of new investment.

These matters must be dealt with successfully in the new five-year economic development plan being drawn up by the government. For it is well known that the attainment of a high rate of development over the coming years mainly depends on stimulating productive investment in the industrial sector.

Another sector in need of modernisation is the handicraft industry. For this purpose it will be necessary to set up a special organisation that will assume responsibility for handling and marketing handicraft products. This organisation will accept orders from abroad, allocate them to the various handicraft firms and then export the products on their behalf. For, if marketing is difficult for industry, it is almost impossible for the small handicraft firm. Through this organisation, the latter will gain the same advantages in the field of marketing as large industrial firms.

As regards agriculture, a substantial role must be played, as I have mentioned, by farmer co-operatives and the Agricultural Bank, in order to bring about all those structural changes and improvements that are essential for raising productivity. In planning agricultural development, particular emphasis must be laid on organising collective farming. Similarly, for the purpose of co-ordinating agricultural mechanisation, it is advisable to establish a special organisation that will undertake to supply suitable machinery, according to the optimum combination of capital with the other factors of production required for each type of crop.

Furthermore, it will be necessary to speed up the study of programmes for restructuring agriculture, so that they can be financed by the Agricultural Fund under the Community's common agricultural policy. I must also stress that the product quality specifications in force with regard to transactions between EEC members are also applicable to sales and purchases of agricultural produce within each country. We must pay particular attention to this point in harmonising our agricultural industry with that of the EEC. Finally, along with the establishment of factories for processing farm products, it will be necessary in rural areas to set up handicraft firms that will provide a supplementary source of income and employment for farmers. The tradition required for this purpose is already in existence, since Greek handicraft and cottage industries flourished long before the mass exodus of rural population towards the industrial centres.

To sum up, I must stress that all sectors (industry, agriculture, administration etc.), social classes and institutions will be affected by our country's accession to the EEC. Their adjustment to the conditions prevailing in the Community presupposes a veritable revolution in the administrative machinery of the state, the banks, and public enterprises, as well as in the organisational methods of most private businesses. Apart from everything else, it will be necessary to reform our system of taxation (introduction of value added tax) and harmonise legislation with regard to competition and monopolies, transport, the free movement of

passengers, goods and services, energy policy etc.

I am confident that all these aims can be achieved and my optimism is based on the adaptability of the Greek people.

However, education lies at the root of all the changes that have to be carried out and its modernisation is the prerequisite and resultant of restructuring other social and economic conditions. Consequently, there is an imperative need for investment in "human capital", for this is a far more important factor of production than material resources.

Public expenditure for education must be considerably increased. At the same time, our educational system must be reoriented in terms of quality to bring it in line with present-day requirements. This implies the necessity to foster technical and vocational education, which now relies almost exclusively on private initiative and is inadequate both in quantity and in quality. Vocational guidance must start at the level of the primary and the secondary school, while the main emphasis in our educational system should shift from classicism to more practical fields of learning. In higher education it is necessary to make an effort to stimulate and modernise the teaching of applied sciences. This does not mean that, in the land of classical tradition, I am advocating the sacrifice of our classical heritage on the altar of economic development. It only means that the overall development of technical and vocational education, at all levels and for the entire population, must not in the least be neglected. For the modernisation of our educational system will be the cornerstone of faster and balanced economic development.

For the purpose of establishing a sound system of technical and vocational education, it must be:

- (i) universal, i.e. it must embrace the entire school population, both urban and rural;
- (ii) compulsory;
- (iii) free, and
- (iv) of meaningful assistance in the vocational guidance of youth.

At the same time, it is necessary to operate colleges of education that will train teachers for technical schools.

The problems of higher education are well known.

They relate to the modernisation of existing polytechnics and to the establishment of new universities specialising in economics and applied sciences.

Finally, to improve efficiency in the field of public administration, it will be necessary to reform existing universities and encourage civil servants to take advanced training courses in special schools.

The government has drawn up an initial action programme for the attainment of these aims. I am hopeful that it will be expanded to meet the requirements that will arise from our country's accession to the EEC.

Broadly speaking, the sector of public administration, which was badly disrupted during the dictatorship and deprived of valuable executives, will need to be fully reorganised, restaffed and adjusted to bring it in line with EEC standards.

Here, however, I cannot go into the details of the matter, as it calls for a separate and thorough study.

Afterword

From what I have said so far it is evident that our accession to the Community is going to be at the hub of

the nation's life and will concern each and every one of us in the coming years.

We must therefore immediately start preparing ourselves to cope with the labyrinth of strict negotiation procedures which are not going to end when the treaty of accession is signed. The life, evolution and development of the Community are based on an on-going process of negotiation which, if not always leading to prompt and spectacular solutions, is nevertheless the only practicable way of realising European unification so as to fulfil the aspirations of the peoples of all the participating countries in a balanced manner and ensure the stability and viability of the edifice. Negotiations are not going to be vague or nebulous in any way. On the contrary, they will be precise and detailed, relying on actual data and policy criteria that we must always be prepared to evaluate.

I have already elaborated on the theme of readjusting and modernising our economy and social institutions. But I would once more call the attention of the government and of the people to this matter. For, as we all know, our country is not lacking in productive resources and manpower. What we need is organising ability and self-discipline. It is only through appropriate organisation that we can maximise the benefits and minimise the adverse effects of our accession to the EEC. We must all realise that, at this crucial moment in our history, it is imperative for our nation to establish a healthy and vigorous economy within the framework of the free democratic institutions to which it is devoted.