1999 Country Reports on Economic Policy and Trade Practices
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GREECE

Key Economic Indicators

(Millions of U.S. Dollars unless otherwise indicated)

	1997	1998	1999	1/
Income, Production and Employment:				
Nominal GDP 2/	105,600.0	105,825.0	109,700.0	
Real GDP growth (pct) 3/	3.0	3.7	3.5	
GDP by Sector:				
Agriculture	8,960.0	8,800.0	8,740.0	
Manufacturing	25,130.0	25,400.0	26,300.0	
Services	71,510.0	71,625.0	74,660.0	
Of which:				
Government	10,130.0	9,625.0	9,465.0	
Per Capita GDP (US$)	11,334.6	11,305.2	11,335.0	
Labor Force (000s)	4,262.0	4,445.7	4,481.3	
Unemployment Rate (pct)	9.6	10.8	10.4	
Money and Prices (annual percentage growth):				
Money Supply Growth (M3 Dec)	9.6	8.9	4.0	
Consumer Price Inflation	5.5	4.8	2.5	
Exchange Rate (DRS/US$ annual average)				
Official	273.1	295.5	305.0	
Parallel	N/A	N/A	N/A	
Balance of Payments and Trade:				
Total Exports FOB 4A/	10,934.0	10,758.0	10,000.0	
Total Exports FOB 4B/	5,373.3	5,556.0	8,000.0	
Exports to U.S. 4C/	453.0	467.1	350.0	5/
Total Imports CIF 4A/	25,560.0	28,587.0	28,000.0	
Total Imports CIF 4B/	23,644.1	23,246.9	26,000.0	
Imports from U.S. 4C/	954.0	1,355.1	640.5	5/
Trade Balance 4A/	-14,626.0	-17,829.0	-18,000.0	
Trade Balance 4B/	-18,271.0	-17,681.0	-18,000.0	
Balance with U.S.	496.0	888.0	N/A	
External Public Debt	29,167.1	32,000.0	33,000.0	

Fiscal Deficit/GDP (General Government) (pct)	4.0	1.6	1.2
Current Account Deficit/GDP (pct)	4.9	4.0	2.5
Debt Service (Public Sector) Payments/GDP (pct)	6.2	6.3	6.0
Gold and Foreign Exchange Reserves	13,337.0	18,191.2	20,000.0
Aid from U.S.	N/A	N/A	N/A
Aid from All Other Sources	N/A	N/A	N/A

1/ 1999 figures are all estimates based on available monthly data in November.

2/ GDP at factor cost.

3/ Percentage changes calculated in local currency.

4A/ Merchandise Trade; National Statistical Service of Greece; Customs Data.

4B/ Trade; Bank of Greece data; on a settlement basis for 1997 and 1998. The Bank of Greece data, especially those on exports, underestimate true trade figures since exporters are no longer obliged to deposit their export receipts in Greece. The Bank of Greece is preparing a new set of accounts to be in line with other EU central banks. The 1999 estimates are based on the January-April 1999 data following the new system (resident/non-resident basis).

4C/ U.S. Department of Commerce. U.S. exports and general imports, customs value.

5/ January-July 1999 data.

1. General Policy Framework

Greece has been a member of the European Union (EU) since 1981. Its economy is segmented into the state sector (estimated at 45 percent of GDP) and the private sector (55 percent of GDP). It has a population of 10.6 million and a workforce of about 4 million. Some of Greece's economic activity remains unrecorded. (Estimates of how much of the economy remains unrecorded vary, due, at least in part, to deficient data collection). The moderate level of development of Greece's basic infrastructure -- road, rail, telecommunications -- reflects its middle-income status. Per capita GDP is $11,335, the lowest in the EU. However, with GDP growth well above the EU average, this gap is slowly closing.

Services make up the largest and fastest growing sector of the Greek economy, accounting for about 68 percent of GDP (including government services). Tourism, shipping, trade, banking, transportation, communications, and construction are the largest service sub-sectors. Greece is an import-dependent country, importing substantially more than it exports. In 1998, imports were $28.6 billion while exports were only $10.75 billion. A relatively small industrial base and lack of adequate investment in the past have restricted the export potential of the country. As a general trade profile, Greece exports primarily light manufactured and agricultural products, and imports more sophisticated manufactured goods. Tourism receipts, emigrant remittances, shipping receipts, and transfers from the EU form the core of Greece's invisible earnings. Substantial funds from the EU (about $20 billion) have been allocated for major infrastructure projects (road and rail networks, ports, airports, telecommunications etc.) over the period 1994-99. Greece will get another EU structural funds package of about $22 billion for the period 2000-2006. Greece will undertake a number of infrastructure projects to host the 2004 Summer Olympic games, although some were already underway.

The government is in its sixth year of an austerity program designed to meet the Maastricht Treaty's convergence criteria for the European Monetary Union (EMU). Greece failed to meet the criteria in 1997 to enter EMU in 1999; it aims to join the EMU on January 1, 2001, based on 1999 economic performance. The results of the convergence program on the economy have been generally positive. The drop of inflation to 2 percent on an annualized basis in September raised hopes that they would meet the criteria to join the EMU (presently around 2 percent.) Investment and consumer confidence remains strong and the growth of GDP in 1999 is projected to be 3.5 percent, slightly lower than 1998 growth (3.7 percent). Unemployment, which stood at 10.8 percent in1998, is projected to drop to 10.4 percent in 1999. By the end of 1998, as a result of a fiscal policy focused on expanding revenue collection, the government budget deficit to GDP ratio had fallen to 1.6 percent. However, real progress in reducing public expenditures has been limited due to continued opposition to structural reforms by labor unions, professional associations, politicians, and the media.

Greece's huge general government debt (104 percent of GDP or 126.8 billion U.S. dollars in 1999) stems to a great extent from government acquisition of failing enterprises and a bloated public sector. Greece's social security program has also been a major drain on public spending. Deficits are financed primarily through issuance of government securities.

Monetary policy is implemented by the Bank of Greece (the Central Bank). The Bank uses the discount and other interest rates in its transactions with commercial banks as tools to control the money supply. The government continues to retain privileged access to credit via the still low-taxed status accorded to government debt obligations (which includes the right of Greek residents to purchase government debt obligations without having to declare their source of income to the tax authorities). Treasury bills and state bonds are issued by the Ministry of Finance but they are expected to comply with the monetary targets set by the Bank of Greece.

2. Exchange Rate Policy

Greece's foreign exchange market is in line with EU rules on free movement of capital. On March 16, 1998, the Greek currency was included in the European Union's Exchange Rate Mechanism (ERM). This was preceded by a drachma devaluation of 12.3 percent on March 14. The drachma participates in the ERM-2 as of January 1, 1999. The drachma's central parity to the euro (which also sets the entry level into EMU on January 1, 2001) was set at 353.109 drachmas per euro.

3. Structural Policies

Greece's structural policies are largely dictated by the need to comply with the provisions of the EU Single Market and the Maastricht Treaty on Economic and Monetary Union. The 1994-99 Convergence Program, designed to enable Greece to comply with the Maastricht Treaty criteria, set targets that should encourage significant structural reforms, including privatizations. Progress in this area, however, has been limited. The Convergence Program itself has been revised twice. The Greek Government has a plan stretching until the end of 2000 to privatize or sell minority stakes in public sector enterprises and organizations including Hellenic Petroleum (23 percent currently traded in the market), the Hellenic Duty Free shops, the Public Power Corporation, the Athens Water Company, the Athens Stock Exchange and the port operations in Piraeus and Thessaloniki. Restructuring the operations of the public sector (i.e., elimination of unnecessary activities/entities, changes in the labor and social insurance regimes) are also at the top of the Greek Government's agenda.

Pricing Policies. The only remaining price controls are on pharmaceuticals. The government can also set maximum prices for fuel and private school tuition fees, and has done so several times in the last two years.

About one quarter of the goods and services included in the Consumer Price Index (CPI) are produced by state-controlled companies. As a result, the government retains considerable indirect control over pricing. While this distorts resource allocations in the domestic economy, it does not directly inhibit U.S. imports (with the exception of pharmaceuticals).

Tax Policies: Businesses complain about frequent changes in tax policies (there is a new tax law practically every year).   More tax reforms were introduced in October 1999:

-- objective tax criteria for small businesses and self-employed are abolished;

-- tax rates on small businesses were reduced from 35 to 30 percent;

-- indirect taxes on imported cars and fuel were reduced.

4. Debt Management Policies

Greece's "General Government Debt" (the Maastricht Treaty definition) was 126.8 billion dollars, or 104.0 percent of GDP (market prices) in 1999. Foreign exchange reserves fluctuated in the first four months of 1999 between 21.6 and 22.1 billion dollars or about 9 months of imports.

Servicing of external debt (public sector) in 1998 (interest and amortization) equaled 70 percent of exports and 6.3 percent of GDP. About 65 percent of the external debt is denominated in currencies other than the dollar. Foreign debt does not affect Greece's ability to import U.S. goods and services.

Greece has regularly serviced its debts and has generally good relations with commercial banks and international financial institutions. Greece is not a recipient of World Bank loans or International Monetary Fund programs. In 1985, and again in 1991, Greece received a balance of payments loan from the EU.

5. Significant Barriers to U.S. Exports

Greece, which is a WTO member, has both EU-mandated and Greek Government-initiated trade barriers.

Law: Greece maintains nationality-based restrictions on a number of professional and business services, including legal advice. These restrictions have been lifted in the recent years for EU citizens. U.S. companies can generally circumvent these barriers by employing EU citizens.

Accounting/Auditing: The transitional period for de-monopolization of the Greek audit industry officially ended on July 1, 1997. Numerous attempts to reserve a portion of the market for the former state audit monopoly during the transition period (1994-97) were blocked by the European Commission and peer review in the OECD. However, in November 1997, the Greek Government issued a presidential decree that reduced the competitiveness of the multinational auditing firms. The decree established minimum fees for audits, and imposed restrictions on utilization of different types of personnel in audits. It also prohibited audit firms from doing multiple tasks for a client, thus raising the cost of audit work. The government has defended these regulations as necessary to ensure the quality and objectivity of audits. In practical effect, the decree constitutes a step back from deregulation of the industry.

Aviation: The Greek flag air carrier, Olympic Airways, used to have a monopoly in providing ground handling services to other airlines. As of January 1, 1998, all major airports in the EU had to offer at least two ground handling options. However, in practice Olympic remains the only ground handling option for foreign airlines other than self-handling.

Motion Pictures: Greek film production is subsidized by a 12 percent admissions tax on all motion pictures. Enforcement of Greek laws protecting audio-visual intellectual property rights has improved in 1998-99, but rights for software, music, and books remains problematic.

Agricultural Products: Greek testing methods for Karnal bunt disease in U.S. wheat have served as a de facto ban on imports and transshipment of wheat for the last three years due to a high incidence of false positive results. The Ministry of Agriculture has recently agreed to procedures that will allow a resumption of transshipments through Greek ports to neighboring countries.

Generally, Greece has not been responsive to applications for introduction of bioengineered (genetically modified) seeds for field tests despite support for such tests by Greek farmers.

Investment Barriers: Both local content and export performance are elements which are seriously taken into consideration by Greek authorities in evaluating applications for tax and investment incentives. However, they are not legally mandatory prerequisites for approving investments.

Greece, which currently restricts foreign and domestic private investment in public utilities (with the exception of cellular telephony and energy from renewable sources, e.g. wind and solar), has deregulation plans for telecommunications and energy. Greece has been granted a derogation until January 1, 2001 to open its voice telephony and the respective networks to other EU competitors. In the energy field, the Greek energy market will be gradually deregulated, starting in February 2001.

U.S. and other non-EU investors receive less advantageous treatment than domestic or other EU investors in the banking, mining, maritime, and air transport sectors, and in broadcasting (these sectors were opened to EU citizens due to EU single market rules). There are also restrictions for non-EU investors on land purchases in border regions and certain islands (on national security grounds).

Greek laws and regulations concerning government procurement nominally guarantee nondiscriminatory treatment for foreign suppliers. Officially, Greece also adheres to EU procurement policy, and Greece has adhered to the GATT Government Procurement Code since 1992. Nevertheless, many of the following problems still exist: occasional sole-sourcing (explained as extensions of previous contracts); loosely written specifications which are subject to varying interpretations; and allegiance of tender evaluators to technologies offered by longtime, traditional suppliers. Firms from other EU member states have had a better track record than U.S. firms in winning Greek Government tenders. It has been noted that U.S. companies submitting joint proposals with European companies are more likely to succeed in winning a contract. The real impact of Greece's "buy national" policy is felt in the government's offset policy (mostly for purchases of defense items) where local content, joint ventures, and other technology transfers are required.

In December 1996, the Greek Parliament passed legislation (Law 2446, article 16) which allows public utilities in the energy, water, transport, and telecommunications sectors to sign "term agreements" with local industry for procurement. "Term agreements" are contracts in which Greek suppliers are given significant preference. The official explanation for these agreements is the need to support the national manufacturing base. This was made possible as a result of Greece's receipt of an extension until January 1, 1998, to implement the EU's Utilities Directive 93/38. Before expiration of the extension, in November-December 1997, numerous contracts potentially worth of billions of dollars were signed by Greek public utilities with Greek suppliers. Some of these term agreements have no less than 3-5 years duration, thus effectively excluding foreign suppliers from vital sectors of government procurement for several years. The European Commission has been examining the hurried manner in which these contracts were approved.

6. Export Subsidies Policies

The government does not use national subsidies to support exports. However, some agricultural products (most notably cotton, olive oil, tobacco, cereals, canned peaches, and certain other fruits and vegetables) receive production subsidies from the EU which enhance their export competitiveness.

7. Protection of U.S. Intellectual Property

Greek laws extend protection of intellectual property rights to both foreign and Greek nationals. Greece is a party to the Paris Convention for the Protection of Industrial Property, the European Patent Organization, the World Intellectual Property Organization, the Washington Patent Cooperation Treaty, and the Berne Copyright Convention. As a member of the EU, Greece has harmonized its legislation with EU rules and regulations. The WTO TRIPS agreement was incorporated into Greek legislation as of February 28, 1995 (Law 2290/95).

Greece has been on the Special 301 "Priority Watch List" since 1994. Just prior to an out-of-cycle review in December 1996, the Greek Government submitted an "Action Plan" laying out the steps it would take to reduce audio-visual piracy. While some of these steps were taken, the government lagged behind severely in licensing television stations in accordance with the provisions of the 1995 media law; the process, which only got underway after extremely long delays, was less than half-way through in mid-1999. As a result of slow movement in many areas of concern to U.S. companies, the U.S. Government launched a WTO TRIPS non-enforcement challenge and consultations under WTO auspices were started in June 1998.

To fulfill in part its obligations under Part III of the TRIPS Agreement, Greece passed legislation on October 13, 1998 (Law 2444/98, commonly known a the Digital TV Law of 1998), Article 17 of which provides an additional enforcement remedy for copyright holders whose works were infringed by television stations that infringe intellectual property rights. Over the past year, acting on complaints by U.S. right holders, the Government of Greece has taken action under Article 17 to close down several television stations that were shown to have broadcast illegally U.S. copyrighted works.

The United States, Greece and the European Communities observe that estimated levels of television piracy in Greece have fallen significantly since the initiation of these consultations, and that the first criminal convictions for television piracy have also been issued in Greece during this time. The United States, Greece and the European Communities also note that Greece's Ministry of Justice has formally instructed public prosecutors to ensure the timely prosecution of intellectual property cases and to avoid postponements of court hearings to ensure that such cases are not subject to unwarranted delays in the courts. Consultations under WTO auspices are continuing.

Three other significant intellectual property protection problems are lack of effective protection of copyrighted software, no protection of trademarked products in the apparel sector and no laws protecting the use of U.S. copyrighted Internet domain names. Although Greek trademark legislation is fully harmonized with that of the EU, claims by U.S. companies of counterfeiting appear to be on the increase. In addition, a growing problem is the legality in Greece of using an already copyrighted domain name, if it is succeeded by **". gr."** In a recent court case, however, the Greek judge ruled in favor of a U.S. company who claimed that a Greek company was intentionally using the U.S. Internet domain name to misrepresent itself as a Greek subsidiary of the U.S. company.

Intellectual property appears to be adequately protected in the field of patents. Patents are available for all areas of technology. Compulsory licensing is not used. Law protects patents and trade secrets for a period of twenty years. There is a potential problem concerning the protection of test data relating to non-patented products. Violations of trade secrets and semiconductor chip layout design are not problems in Greece.

8. Worker Rights

The Greek economy is characterized by significant labor-market rigidities. Greek labor law prohibits laying off more than two percent per month of total personnel employed by a firm. This restricts the flexibility of firms and the mobility of Greek labor and contributes to unemployment. A law, which came into force in November 1999, obliges public and private firms employing more than 50 persons to hire up to 8 percent of their staff from among the disabled, veterans descendants and families with more than four children.

a. The Right of Association: Approximately 30 percent of Greek workers are organized in unions, most of which tend to be highly politicized. While unions show support for certain political parties, particularly on issues of direct concern to them, they are not controlled by political parties or the government in their day-to-day operations. The courts have the power to declare strikes illegal, although such decisions are seldom enforced.

Employers are not permitted to lock out workers, or to replace striking workers (public sector employees under civil mobilization may be replaced on a temporary basis).

b. The Right to Organize and Bargain Collectively: The right to organize and bargain collectively was guaranteed in legislation passed in 1955 and amended in February 1990 to provide for mediation and reconciliation services prior to compulsory arbitration. Antiunion discrimination is prohibited, and complaints of discrimination against union members or organizers may be referred to the Labor Inspectorate or to the courts. However, litigation is lengthy and expensive, and penalties are seldom severe. There are no restrictions on collective bargaining for private workers. Social security benefits are legislated by Parliament and are not won through bargaining. Civil servants negotiate their demands with the Ministry for Public Administration.

c. Prohibition of Forced or Compulsory Labor: Forced or compulsory labor is strictly prohibited by the Greek Constitution and is not practiced. However, the government may declare "civil mobilization" of workers in case of danger to national security or to social and economic life of the country.

d. Minimum Age of Employment of Children: The minimum age for work in industry is 15, with higher limits for certain activities.

e. Acceptable Conditions of Work: Minimum standards of occupational health and safety are provided for by legislation, which the General Confederation of Greek Workers (GSEE) characterizes as satisfactory. In 1998, GSEE complaints regarding inadequate enforcement of legislation were met when the Ministry of Labor established a new central authority, the Labor Inspectors Agency. The agency is accountable to the Minister of Labor and has extended powers which include the power to close a factory that does not comply with minimum standards of health and safety.

Legislation providing for the legalization of illegal immigrants came into force in January 1998. About 350,000 illegal immigrants were registered and will be entitled to one to three-year renewable work and residence permit. Those issued a permit will have the same labor and social security rights as Greek workers. Non-registered immigrants will be liable to summary deportation if arrested.

f. Rights in Sectors with U.S. Investment: Although labor/management relations and overall working conditions within foreign business enterprises may be among the most progressive in Greece, worker rights do not vary according to the nationality of the company or the sector of the economy.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 1998

(Millions of U.S. Dollars)

Category		Amount
Petroleum		75
Total Manufacturing		91
Food & Kindred Products	-9	
Chemicals & Allied Products	45	
Primary & Fabricated Metals	2	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	9	
Transportation Equipment	3	
Other Manufacturing	41	
Wholesale Trade		92
Banking		166
Finance/Insurance/Real Estate		126
Services		59
Other Industries		50
TOTAL ALL INDUSTRIES		660

Source: U.S. Department of Commerce, Bureau of Economic Analysis.