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European Communities

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# EUROPEAN PARLIAMENT

# Working Documents

## 1978 - 1979

9 March 1979

DOCUMENT 670/78

# Report

drawn up on behalf of the Political Affairs Committee

on the application by Greece for accession to the Community

Rapporteur: Mr G. AMADEI

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PE 56.373/fin.

English Edition

By letter of 11 February 1976 the Political Affairs Committee requested authorization from the Bureau of the European Parliament to draw up an own-initiative report on the application by Greece for accession to the Community.

At its meeting of 26 February 1976 the Bureau authorized the Political Affairs Committee to draw up such a report. The Committee on External Economic Relations was asked for its opinion.

At its meeting of 24 February 1977 the Political Affairs Committee appointed Mr Amadei rapporteur.

It considered this motion for a resolution at its meetings of 29 January 1979 and 27 February 1979 and, at the latter meeting, adopted it unanimously.

Present: Mr Bertrand, chairman; Mr Radoux and Mr Brugha, vice-chairmen; Mr Amadei, rapporteur; Mr Cot, Mr Covelli, Mr Faure, Mr Fletcher-Cooke, Mr Galluzzi (deputizing for Mr Amendola), Mr Granelli, Mr Hamilton, Mr Holst, Mr Jahn, Mr Klepsch, Mr Martinelli (deputizing for Mr Blumenfeld), Mr Mitchell, Mr Prescott, Lord Reay, Mr Ryan, Mr Sandri (deputizing for Mr Ansart), Mr Scelba, Mr Seefeld, Mr Sieglerschmidt and Mr Vergeer.

The explanatory statement will be presented orally in plenary sitting.

The opinion of the Committee on External Economic Relations is attached.

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The Political Affairs Committee hereby submits to the European Parliament the following motion for a resolution:

MOTION FOR A RESOLUTION

on the application by Greece for accession to the Community

The European Parliament,

- welcoming the application by Greece for accession to the European Community;
- hoping that the current negotiations are rapidly concluded so as to make it possible for the Treaty of Accession to be signed during the first half of 1979 and to enter into force on 1 January 1981 at the latest;
- reaffirming the general principles already laid down for accession by any new state to the European Community and in particular those set out in the resolution adopted at the sitting of 18 January 1979[1];
- whereas the Community and Greece are linked by an Association Agreement signed in Athens on 9 July 1961, the preamble of which pledges the Community to support the 'efforts of the Greek people to improve their standard of living' and thus to facilitate 'the accession of Greece to the Community at a later date'; whereas, moreover, the Agreement expressly provides for Greece's accession 'as soon as its (the Agreement's) operation has advanced far enough to justify envisaging full acceptance by Greece of the obligations arising out of the Treaty establishing the European Economic Community';
- stressing the economic and social progress achieved by Greece in recent years and the compatibility of the Greek economy as a whole with that of the Community, which is in some measure attributable to the establishment under the Association Agreement of a partial customs union between the Community and Greece;
- realizing, however, that Greece's accession comes at a time when the economic climate is markedly different from that prevailing when the Community was first enlarged, not only as regards the shorter-term situation facing every country in the world, including those of the Community, but also as regards the level of economic development achieved by the applicant country;
- having regard to the bonds of friendship forged between the Greek people and the peoples of the Community through the contacts established by their representatives in the Joint Parliamentary Committee of the Association;

1 See report on the prospects of enlargement of the Community - Part I (Doc.479/78)

- considering the special political and legal position of states associated with the European Community, like Greece and Turkey, whose association agreements already provide for accession as Member States at a later date;

- convinced of Greece's determination to share in the endeavours of the Member States of the enlarged Community to foster and strengthen mutual comprehension and friendly relations of good neighbourship with all countries, especially with those which have special links with the Community;

- confident that the prior accession of Greece will not prejudice the right of future candidates to be accepted as members of the Community;

- re-emphasizing that in the accession negotiations with Greece, the need for a broad approach to the conditions of principle governing the enlargement of the Community should be borne in mind;

- having regard to the specific economic problems raised by Greece's accession to the European Community;

- having regard to the opinion delivered by the Commission of the Communities on Greece's application for membership, pursuant to Article 237 of the Treaty[1], and the other documents on enlargement drawn up by the Commission[2];

- recalling its previous reports[3];

- having regard to the report of the Political Affairs Committee and the opinion of the Committee on External Economic Relations (Doc. 670/78);

1. Welcomes the fact that there is now a real prospect of Greece becoming the tenth full member of the Community by 1 January 1981 at the latest;

2. Is convinced of Greece's resolve to abide by and promote all the Community's achievements;

3. Considers it necessary to provide for a transitional period of at least five years to allow the Greek economy to be integrated into the Community economy, progressively and to the advantage of both the present Member States and the applicant country;

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[1] COM(76) 30 final

[2] COM(78) 120 final: General considerations on the problems of enlargement
COM(78) 190 final: The transitional period and the institutional implications of enlargement
COM(78) 200 final: Economic and sectoral aspects

[3] Doc. 546/78
Doc. 479/78 - Part I

4. Is of the opinion that, for certain sensitive sectors or certain products, this transitional period could be longer; indeed, there should be enough flexibility for its final duration to be made contingent on the achievement of certain predetermined objectives, though it should not exceed a maximum of seven years;

5. Believes that the Greek economy must undergo profound structural reforms, particularly in agriculture, to increase employment and ensure a fair return for producers and workers;

6. Hopes that for this purpose immediate aid will be granted and that consideration will be given to new Community financial instruments to raise the allocations made to existing funds;

7. Calls at the same time for the adoption of appropriate measures to assist the Mediterranean regions of the present Community by shielding the producers of certain competitive agricultural products from the consequences of enlargement;

8. Stresses the difficulties that enlargement may create for the other Mediterranean countries which export agricultural products to the Community and are linked to it by various agreements, unless detailed programmes of aid and financial compensation for these countries are drawn up;

9. Stresses that the fundamental principle of the free movement of labour should be applied progressively to Greek workers during the transitional period, taking account of the problems experienced by some Member States as a result of the present difficulties on the Community labour market, and without ruling out the eventuality of applying a safeguard clause;

10. Requests, however, that, until the accession treaty enters into force, Greek workers employed in the Member States should, as far as working conditions and social security are concerned, be accorded exactly the same treatment as nationals of the Community Member States;

11. Hopes that the Greek and Community authorities and the authorities of the Member States will now cooperate closely together in evaluating the economic and monetary measures that would be needed if Greece were to join the European Monetary System;

12. It is convinced that, once it has become a member of the Community, Greece will encourage the membership aspirations of other European countries;

13. Instructs its President to forward this resolution to the Council and the Commission.

## OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr J. Scott-Hopkins

On 24 February 1976 the Committee on External Economic Realtions appointed Mr Scott-Hopkins draftsman. It considered the draft opinion at its meeting of 16 March 1976 and adopted it unanimously.

Present: Mr Kaspereit, chairman; Mr Schmidt, vice-chairman; Mr Scott-Hopkins, draftsman; Mr Barnett, Mr Bayerl, Mr Bermani, Mr Brégègere, Lord Castle, Mr Cousté, Mr D'Angelosante, Mr De Clercq, Mr Dykes, Mr Härzschel, Mr De Koning, Mr Laban, Mr E. Muller, Mr Nyborg, Mr Radoux, Mr Ronualdi, Mr Schulz, Mr Schwörer and Mr Spicer

## I. INTRODUCTION

The Council of Foreign Ministers of the Nine, meeting in Brussels on 9 February 1976, declared itself in favour of Greece's accession to the Community and affirmed that 'the preparatory talks essential to the establishment of a common basis for negotiation should take place as soon as possible in a positive spirit'.

The idea of a 'pre-accession' period, as suggested in the opinion submitted by the Commission to the Council on 29 January 1976, was rejected.

The Committee on External Economic Relations considers it essential that Greece should join the EEC with full membership status.

Greek membership is justified, first of all, on political grounds, and it is felt that it would add weight to the democratic structure of Europe.

The Council's decision in favour of Greek membership is in full accordance with the Treaty of Rome, which stipulates that the European Community is open to all democratic countries which apply for membership provided that they undertake to respect the rules laid down in the Treaty.

The Athens Agreement provides a further legal basis for Greek membership of the EEC.

The Council's decision on the rapid and unconditional accession by Greece is understandable because of the important political factors involved. Democracy in Greece will be strengthened by its membership of the EEC.

In view of the Council's decision, the key question is the Community's ability to assimilate new members and the time necessary to do so, and, at the same time, whether the applicant country is sufficiently advanced on both the political and economic levels to be able fruitfully to join the Community.

During the negotiations a thorough and detailed examination of these questions must be made so that they can be conducted in the way that most benefits both parties.

It is clear that membership should benefit Greece without harming the Community and, in this context, the Committee on External Economic Relations wishes to stress the serious problems which accession will entail and which will have to be solved during the negotiations due to open in the near future.

## II. ANALYSIS OF THE GREEK ECONOMY

In its Opinion the Commission affirms that the economic situation in Greece, at its present stage of development, reveals a number of structural features which limit its ability to combine homogeneously with the economies of the present Member States.

In particular agriculture continues to be the principal sector of the economy and represents the livelihood of about 45% of the population.

The predominance of the agricultural sector in the Greek economy persists, despite the serious inherent structural problems it has including, inter alia, the fragmentation of holdings and the absence of modern technology.

The average agricultural holding is very small, difficult to mechanize and underproductive. There is little price elasticity for traditional exports (representing 41% of total exports), such as cereals, tobacco and olives.

The 1968-1972 five-year plan aimed at increasing the average size of agricultural holdings and improving technology. This objective has not been achieved: the size of holdings is still uneconomic, and the incomes of agricultural workers are still considerably inferior to those of other categories.

Production in the manufacturing industry is experiencing a rapid growth rate. But the problem of the manufacturing industry is still that of a weak industrial structure, based on family-run units of insufficient size and helped by special credit conditions. The 1969 census showed that 41% of Greek firms employed less than 5 people. These small firms cater exclusively for the internal market, lacking the entrepreneurial potential and financial autonomy which would enable them to compete on the foreign market. Over 90% of total production is absorbed by the internal market.

The government has no direct control over industry and tends to rely on incentives and the creation of infrastructures. A wide range of tax and monetary incentives has been used in an attempt to attract foreign investment and promote domestic investment. Special incentives have been given to labour-intensive firms and to those planning to set up plants in depressed areas and to create more jobs in rural areas.

The Greek economy has undergone a considerable number of positive changes in the last ten years. The national income has increased and its composition has changed. Heavy industry has experienced relative growth, new sectors of production have been created and previously existing sectors have been modernized.

The composition of the population has also changed. Two-thirds of the population live in urban or semi-urban centres (see table 1).

Table 1

DISTRIBUTION OF THE POPULATION IN 1961 AND 1971

| | 1961 | 1971 | evolution as % |
|---|---|---|---|
| Athens, Piraeus | 1,852,709 | 2,540,241 | + 37.1 |
| Salonika | 380,648 | 557,360 | + 46.5 |
| Other towns | 1,867,686 | 2,049,640 | + 9.7 |
| Total urban areas | 4,101,043 | 5,147,241 | + 25.5 |
| Rural population | 4,287,510 | 3,621,400 | - 15.4 |
| Total population | 8,388,553 | 8,763,641 | + 4.5 |

Source: Central Statistical Office - 1971 census

The number of workers employed in agriculture has fallen in absolute and relative terms, whereas the number of workers in industry, building, transport and services has increased (see table 2).

Table 2

EVOLUTION OF ECONOMIC STRUCTURES

| Sectors | % of working population | | % GNP | |
|---|---|---|---|---|
| | 1961 | 1971 | 1961 | 1971 |
| Agriculture | 53.8 | 40.5 | 28.4 | 19.5 |
| Industry | 14.5 | 17.8 | 19.4 | 20.4 |
| Building | 4.6 | 7.8 | 7.0 | 8.1 |
| Services | 27.1 | 33.9 | 45.2 | 52.0 |

Source: OECD Greece 1972

As regards services, shipping has expanded rapidly and this has considerably helped to improve the balance of payments. The annual growth rate in this sector has exceeded the forecasts of the plan: 16% as compared with the expected 13% in 1972.

The key element in the government's policy in this sector has always been to encourage the registration of vessels of Greek ownership flying the Greek flag. Tax and financial incentives and the creation of infrastructures have contributed to growth in this sector. Tonnage doubled between 1965 and 1973 and some 50% of the Greek fleet is registered under the Greek flag.

Tourism has also expanded rapidly. Its contribution to the balance of payments increased progressively between 1960 and 1970. In 1972 revenue from tourism represented 36% of total revenue from exports of goods and services.

The composition of Greek exports has changed considerably in the last 5 years. The Greek economic recovery plan provided for an increase in exports of manufactured goods and a decrease in exports of agricultural products. The results have been good: the percentage of total exports represented by manufactured goods has increased from 23% to 38% during this period, whereas the percentage of exports of agricultural goods has fallen from 65% to 49%. However, Greece's balance of payments (table 3) shows a growing trade deficit. This deficit, estimated in 1972 at 1571.5 million US dollars, increased to 2860.9 million US dollars in 1974.

Imports have shown considerable elasticity.

Table 3

GREECE'S BALANCE OF PAYMENTS
(Million US dollars)

| | 1972 | 1973 | 1974 |
|---|---|---|---|
| 1. Imports (c.i.f.) | 2,407.0 | 4,030.8 | 4,634.9 |
| 2. Exports (f.o.b.) | 835.5 | 1,230.5 | 1.774.0 |
| 3. Trade Balance (2-1) | - 1,571.5 | - 2,800.3 | - 2,860.9 |
| 4. Invisibles (receipts) | 1,524.9 | 2,099.9 | 2,860.9 |
| 5. Invisibles (payments) | 402.1 | 570.3 | 720.2 |
| 6. Balance on Invisibles (4-5) | 1,122.8 | 1,458.9 | 1,476.6 |
| 7. Balance on Current Account (3+6) | - 448.7 | - 1,341.4 | - 1,384.3 |
| 8. Capital Movement (Net) | 922.2 | 1,201.1 | 1,237.7 |
| 9. Balance (7+8) | 473.5 | - 140.3 | - 170.6 |

The balance of trade deficit is due mainly to the increase in petroleum product prices, together with a large increase in domestic demand for these products. The value of imports of these products rose from 51 million US dollars in 1962 to 231 million US dollars in 1972.

Other causes for the deficit may be seen in the large-scale imports of machine tools and industrial equipment under the Greek economic recovery plan.

The deficit has doubtless been aggravated by military expenditure. Thus, in this sector, too, the dispute between Greece and neighbouring Turkey has important repercussions.

It should, however, be noted that despite the balance of trade deficit, trade patterns by type of product are well balanced and typical of an expanding economy: in 1974, 24.3% of imported goods was represented by machine tools, while only 14.4% by manufactures which, on the other hand, account for 43.8% of Greek exports.

The invisibles largely offset the balance-of-trade deficit and have, in fact, risen more sharply than exports.

Transport, tourism and emigrant remittances have grown rapidly, the latter faster than the 7% envisaged in the Greek five-year plan.

The geographical distribution of trade shows strong concentration on EEC countries: approximately 31% of Greek imports come from the EEC, as compared with about 23% from the USA.

Table 4

DISTRIBUTION OF GREEK FOREIGN TRADE BY COUNTRY
(1974, in millions of drachmas)

| Country | Imports | | Exports | |
|---|---|---|---|---|
| | Value | % | Value | % |
| EEC | 4,307,524 | 31.05% | 2,788,599 | 39 |
| EFTA | 928,197 | 6.70 | 363,184 | 5 |
| Eastern Europe (including USSR) | 601,953 | 4.3 | 1,150,402 | 16 |
| Other European countries | 222,326 | 1.6 | 973,972 | 13.5 |
| Africa - Middle East | 1,941,299 | 14.1 | 715,831 | 10 |
| USA | 3,238,836 | 23.35 | 612,462 | 8.5 |
| Others | 2,625,892 | 18.9 | 562,598 | 8 |
| Total | 13,866,021 | 100 | 7,167,048 | 100 |

A notable feature of the Greek economy is its great dependence on foreign capital (See Table 5). This, above all else, makes it vulnerable to the fluctuations and disparities resulting from the country's investment boom. This is due to the fact that the main interests of foreign investors are centred outside Greece and the investment criteria applied do not necessarily always coincide with the national interest of the country into which funds are poured, sometimes only for brief periods.

Table 5

| FOREIGN CAPITAL INFLOWS INTO GREECE (Million US dollars) | | | |
|---|---|---|---|
| Y E A R S | | | |
| 1967 | 1968 | 1969 | 1970 |
| 30 | 50 | 65 | 75 |

Source: 'La nouvelle critique' - No. 87, October 1975

## III. CONCLUSIONS

Under the Association Agreement, in force since 1962, both parties have made considerable progress towards a customs union, which suggests that the economic impact of accession need not be severe.

Some sectors, however, require special attention. Within the terms of reference of the Committee on External Economic Affairs there come a number of important problems which will arise following Greece's accesssion to the Community.

It will be recalled that the EEC has recently granted preferential access to its markets to a large number of countries both in Europe and in the Mediterranean and elsewhere.

As an associated country, Greece has no such obligations at present, but will necessarily have to assume them once it becomes an EEC Member State.

From the brief analysis of the Greek economy in the preceding section and from the 'Conclusions' of the examination of Greece's economy contained in the Commission's opinion on the Greek application for membership, it will be seen clearly that the accession of Greece to the Community is going to involve serious difficulties in regard of the structural changes which will be necessary to strengthen the Greek economy sufficiently to enable it to cope with the consequences of accession.

In regard to agriculture, in particular, which remains the most important sector of the Greek economy, it should be borne in mind that after accession Greek agricultural products will face direct competition not only from, for example, Israel and the Maghreb countries, but also from some Community Member States.

This should not be seen as an argumen against Greece's accession to the EEC but it should be realised that it will change the balance of trade in the Mediterranean and the interests of both Greece and the Community will have to be safeguarded.

In addition, at the end of the transitional period, Greece will have to apply all the Community's preferential agreements: those with the EFTA countries, those with the other Mediterranean countries, the Lomé Convention and the general system of preferences. In this connection it should be noted that the quotas for imports from these countries are at present relatively low (see Table 4) compared with the overall volume of imports, but that once tariff barriers are abolished these countries will certainly be able to improve their position on the Greek market.

It should also be noted that Greek industry, consisting at present mainly of small and not particularly competitive firms, cannot expect to face up successfully, from the moment of accession, to the strong competition of the Community countries' industries.

This means that regular Community financial aid would be required to improve the competitiveness of this sector. It should also be borne in mind that after accession a considerable transitional period would be necessary so that long-term derogations to Community rules could be provided to protect Greek industry from competition. These derogations might have serious consequences for the functioning of the European Community as a whole.

Other sectors of the Greek economy will also need substantial Community financial aid. It will be needed for the agricultural sector, where, in preparation for accession, rapid restructuring is required, and other aids may have to be granted under the regional policy, through the Regional Fund, or under the social policy, through the Social Fund; and it will be remembered that, as an associated state, Greece already enjoys the benefits of the financial protocol which provides for aid in the form of special interest rate loans, interest rebates and unsecured loans.

In this context it is a fact that such resources directed to Greece will have to be partly withdrawn from other Community regions which, themselves, are facing serious problems and urgently require financial aid (unless, of course, it is found that the Community already has sufficient resources to meet both new and old demands). Whilst one does not question the morality of this one must face the fact that it will slow down the process whereby the poorer regions of the existing Community are brought up to the level of the richer.

In the light of the above considerations, the Committee on External Economic Relations is of the opinion that during the forthcoming negotiations on Greece's accession due account should be taken of the many and serious economic and financial obstacles to Greece's accession to the Community and stresses the need to provide in the negotiations, in the interests of both parties, for measures which will enable Greece to join the Community without engendering too serious delays or imbalances in the process of European integration and without imposing upon the Greek economy and people sacrifices which they should not be asked to bear.

The Committee on External Economic Relations therefore recommend that the Commission should begin negotiations immediately with a view to full Greek membership with a transitional period which will take account of the difficulties which have to be overcome.

ANNEX I

## Industrial Production

Indices, 1959 = 100

| | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total industrial production index | 151 | 164 | 190 | 198 | 214 | 239 | 264 | 294 | 333 | 384 | 378 |
| Mining and quarrying | 119 | 134 | 142 | 146 | 158 | 183 | 217 | 247 | 255 | 298 | 309 |
| Manufacturing | 151 | 163 | 187 | 192 | 206 | 229 | 254 | 279 | 315 | 368 | 360 |
| Food, beverages and tobacco | 131 | 135 | 153 | 148 | 154 | 152 | 162 | 175 | 176 | 192 | 190 |
| of which: | | | | | | | | | | | |
| Tobacco | 144 | 142 | 165 | 142 | 141 | 135 | 142 | 157 | 138 | 147 | 158 |
| Food | 122 | 123 | 134 | 137 | 150 | 154 | 161 | 170 | 175 | 187 | 170 |
| Other manufacturing | 160 | 176 | 203 | 213 | 230 | 265 | 297 | 327 | 380 | 449 | 439 |
| of which: | | | | | | | | | | | |
| Textiles | 150 | 162 | 177 | 173 | 180 | 201 | 229 | 261 | 300 | 340 | 349 |
| Chemicals | 197 | 220 | 268 | 312 | 356 | 407 | 449 | 503 | 595 | 708 | 722 |
| Petroleum products | 120 | 121 | 175 | 223 | 261 | 275 | 305 | 325 | 392 | 679 | n.a. |
| Non-metallic minerals | 148 | 171 | 188 | 201 | 206 | 245 | 270 | 287 | 336 | 374 | 376 |
| Basic metals | 279 | 363 | 518 | 576 | 719 | 943 | 1075 | 1194 | 1441 | 1673 | 1606 |
| Metal products | 181 | 212 | 227 | 219 | 245 | 270 | 298 | 340 | 375 | 425 | 396 |
| Consumer goods industries | 144 | 154 | 177 | 182 | 194 | 209 | 231 | 255 | 286 | 340 | 336 |
| Capital goods industries | 176 | 198 | 227 | 235 | 260 | 313 | 355 | 389 | 450 | 505 | 485 |

Source: Monthly Statistical Bulletin, National Statistical Services, quoted in the OECD report of June 1975.

Output of Selected Agricultural Products
('000 metric tons)

| | 1969 | 1970 | 1971 | 1972 | 1973 |
|---|---|---|---|---|---|
| Grains: | | | | | |
| wheat | 1,701 | 1,930 | 1,905 | 1,773 | 1,659 |
| barley | 447 | 718 | 780 | 864 | 848 |
| maize | 399 | 511 | 550 | 579 | 585 |
| oats | 101 | 106 | 114 | 113 | 106 |
| rice (paddy) | 99 | 81 | 68 | 74 | 82 |
| Industrial crops: | | | | | |
| cotton (lint) | ... | ... | 359 | 392 | 378 |
| tobacco | 79 | 92 | 87 | 85 | 90 |
| sesame | 4.0 | 4.0 | 5.0 | 5.0 | 3.0 |
| Vineyards: | | | | | |
| grapes | 1,755 | 1,604 | 1,670 | ... | ... |
| currants | 100 | 95 | 88 | 70 | 78 |
| sultanas | 87 | 73 | 79 | 71 | 69 |
| Fruit: | | | | | |
| oranges | 502 | 412 | 362 | 482 | 389 |
| lemons | 115 | 142 | 125 | 151 | 161 |
| apples | ... | 235 | 239 | 185 | 250 |
| olive oil | 173 | 190 | 201 | 230 | ... |
| olives | 950 | 850 | 948 | 1,090 | ... |
| Sugar beet | 1,050 | 1,344 | 1,280 | 1,200 | 1,412 |
| Tomatoes | 822 | 1,011 | 1,049 | 949 | 1,189 |

Source: National Statistical Services, Monthly Statistical Bulletin.