2001 Country Reports on Economic Policy and Trade Practices
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GREECE

Key Economic Indicators

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

	1999	2000	2001	1/
Income, Production and Employment:				
Nominal GDP 2/	124,808.0	111,940.0	119,914.0	
Real GDP growth (pct) 3/	3.3	4.3	4.5	
GDP by Sector: 4/				
Agriculture	8,928.0	7,545.0	7,685.0	
Manufacturing	24,125.0	20,980.0	21,815.0	
Services	81,280.0	74,535.0	78,760.0	
of which:				
Government	8,050.0	7,235.0	7,545.0	
Per Capita GDP (US$)	11,848.4	10.618.6	11,350.9	
Labor Force (000s)	4,434.8	4,461.4	4,488.1	
Unemployment Rate (pct)	11.9	11.1	11.0	
Money and Prices (annual percentage growth):				
Money Supply Growth (M4N Dec)	5.5	10.4	6.5	5/
Consumer Price Inflation	2.6	3.1	3.5	
Exchange Rate (DRS/US$ annual average)				
Official	305.6	365.4	375.0	
Parallel	N/A	N/A	N/A	
Balance of Payments and Trade:				
Total Exports FOB 6A/	10,510.0	10,760.3	10,500.0	
Total Exports FOB 6B/	8,546.9	10,201.3	10,700.0	
Exports to United States 6C/	563.1	591.4	301.5	7/
Total Imports CIF 4A/	28,422.0	28,501.3	28,500.0	
Total Imports CIF 4B/	26,493.4	30,436.0	29,800.0	
Imports from United States 4C/	995.5	1,221.8	692.5	7/
Trade Balance 4A/	-17,912.0	-17,741.0	-18,000.0	
Trade Balance 4B/	-17,946.5	-20,234.7	-19,100.0	
Balance with United States	432.4	630.4	391.0	7/
External Public Debt	33,600.0	27,045.0	24.990.0	
Fiscal Deficit/GDP (General Government) (pct)	1.8	1.1	(-0.5)	8/
Debt Service (Public Sector)Payments/GDP(pct)	17.5	19.6	16.9	

Gold and Foreign Exchange Reserves	18,948.6	13,533.3	7,000.0	9/
Aid from United States	N/A	N/A	N/A	
Aid from All Other Sources	N/A	N/A	N/A	

1/ 2001 figures are all estimates based on available data in October.
2/ GDP at market prices.
3/ Percentage changes calculated in local currency.
4/ Factor cost.
5/ M3. The monetary factor used in the Economic Monetary Union.
6A/ Merchandise Trade; National Statistical Service of Greece; Customs Data.
6B/ Trade; Bank of Greece data; on a settlement basis for 1999. The Bank of Greece data, especially those on exports, used to underestimate true trade figures since exporters were not obliged to deposit their export receipts in Greece. Effective 1999, the Bank of Greece has been implementing a new set of accounts to be in line with other EU central banks. The new data are based on the new system (resident/non-resident basis).
6C/ U.S. Department of Commerce. U.S. exports and general imports, customs value.
7/ January-July 2001 data.
8/ (-) denotes surplus.
9/ Eurosystem reserves definition. Foreign exchange reserves do not include: (1) claims on non-euro area residents in euro (2) claims on euro area residents in foreign currency and euro, and (3) the contribution of the Bank of Greece to the ECD capital and foreign reserve assets.

1. General Policy Framework

Greece, a member of the European Union (EU) since 1981, officially joined the EU Economic and Monetary Union (EMU) on January 1, 2001, and became a part of the EU single currency club. Its economy is segmented into the state sector, estimated at 40 percent of GDP, and the private sector, 60 percent of GDP. It has a population of 10.7 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, such as roads, rail, and telecommunications, reflects its middle-income status. Per capita GDP is $11,350, 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 65 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 2000 imports were $28.5 billion, while exports were only $10.8 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. Greece's growth (4.5 percent projected in 2001) has greatly depended on EU financing the last decade. Greece has received about $20 billion for major infrastructure projects (road and rail networks, ports, airports, telecommunications, etc.) from the EU over the period 1994-99. Greece will get another EU structural funds package of about $24 billion for the period 2000-2006. Greece will also undertake a number of infrastructure projects to host the 2004 Summer Olympic Games.

Greece joined the Economic and Monetary Union (EMU) as of January 1, 2001, having met all the macroeconomic convergence criteria for participation in the EMU established by the Maastricht Treaty. This positive outcome was the result of the implementation of a six-year convergence program designed to meet EMU entry requirements. Greece’s fiscal balance has improved due to higher tax revenues and greater fiscal discipline. A more effective tax collection system, abolition of numerous tax exemptions, and the imposition of additional taxes led to higher revenues. Expenditures rose slightly in real terms due to a small increase in the wage bill (public sector) and a higher increase in government subsidies and support to social insurance funds. Outlays for interest payments showed a small decline due to lower interest rates. Greece has managed to keep inflation close to the EU average, at around 3.6 percent for the first eight months of 2001. In 2000, the unemployment rate dropped to 11.1 percent from 11.9 percent in 1999 and is expected to drop further to 11 percent in 2001. By the end of 2000, as a result of a fiscal policy focused on expanding revenue collection, the government budget deficit to GDP ratio had fallen to 1.1 percent. According to preliminary data, the 2001 general government budget shows for the first time a surplus of 0.5 percent of GDP.

Greece's large general government debt (102 percent of GDP or $119 billion in 2000) stems to a great extent from government acquisition of failing enterprises and a deficit run public sector for many years. Greece's social security program has also been a major drain on public spending. Deficits are financed primarily through issuance of government securities. For 2001 the government expects a reduction of the debt to 98.9 percent of GDP. The government debt to GDP ratio is projected to decline further to 95.2 percent in 2002, 90.5 percent in 2003 and 84 percent of GDP in 2004. Outlays for military procurement, the cost of 2004 Athens Olympic Games, and pressure from social insurance’s rising obligations may make it increasingly difficult to meet these targets unless a comprehensive economic policy and necessary reforms are implemented.

The Bank of Greece, Greece’s central bank, is a member of the European Central Bank, which determines the monetary policy to be followed by the EU member countries participating in the EMU.

2. Exchange Rate Policy

Greece's foreign exchange market is in line with EU rules on free movement of capital. As of January 1, 2001, when Greece joined the EMU, the drachma’s central rate was set at 340.75 drachmas per euro.

3. Structural Policies

Greece's structural policies need to conform to the provisions of the EU Single Market and the Maastricht Treaty on Economic and Monetary Union. Since Greece joined the Eurozone on January 1, 2001, it will have to undergo serious structural reform to sustain EMU convergence criteria. Toward this end, the Greek government has opened its telecommunications market and has plans to gradually liberalize its energy sector. In the energy field, the Greek energy market has entered a phase of deregulation. Since February 19, 2001, about 34 percent of eligible customers of middle and high-tension voltage may obtain their electricity from producers other than the state monopoly, the Public Power Corporation (PPC). To date, however, there is no other electricity supplier. The electricity market in Greece will have to be fully deregulated by the year 2005.

The Greek government plans to privatize or sell minority stakes in public sector enterprises and organizations by the end of 2001. In accordance to this plan, at the end of June 2001 the government issued a bond loan convertible to about 10 percent of the stocks of the Hellenic Telecommunications Organization (OTE), which reduced government holding to 42 percent. The privatization plan also includes Hellenic Petroleum (23 percent currently traded in the market), Olympic Airways, Public Power Corporation, Natural Gas Corporation, Hellenic Aerospace Industry, the port operations in Piraeus and Thessaloniki, and the Agricultural Bank of Greece. 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 several years.

About one quarter of the goods and services included in the Consumer Price Index (CPI) are still 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). The latest legislation was voted in Parliament in December 2000 and provides for tax relief measures including: gradual reduction of the top tax rate for personal income to 40 percent from the current 45 percent; gradual reduction of the tax on corporation profits from the current 40 to 37.5 percent in 2001 and 35 percent in 2002; adjustment of the personal income tax scale to inflation every two years; higher tax rebates to large families; and lower taxes for new farmers.

4. Debt Management Policies

Greece's "General Government Debt" (the Maastricht Treaty definition) is projected at $119 billion, or 98.9 percent of GDP (market prices) in 2001. External debt accounted for 24.2 percent of total government debt in 2000 and is projected to drop to 20.8 percent in 2001. 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, 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. As a result, U.S. companies often employ 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. In November 1997, however, 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: Under the "Open Skies" aviation agreements that the United States has with most EU member states, there are no restrictions on bilateral routes, capacity or pricing. Greece is one of several member states without an Open Skies agreement, and where the U.S.-Greece bilateral aviation agreement still contains some limitations.

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 for film, software, music, and books is problematic, but has improved in the last few years.

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.

Recently, 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: Greek authorities take into serious consideration local content and export performance when evaluating applications for tax and investment incentives. However, they are not mandatory prerequisites for approving investments.

Greece, which restricted 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 recently opened its telecommunications market and has plans to gradually liberalize its energy sector. 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 has entered a phase of deregulation since February 19, 2001. The electricity market in Greece will have to be fully deregulated by the year 2005.

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.

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).

Despite Greece's legal framework for (Law 2121 of 1993 on copyrights and Law 2328 of 1995 on media) and voiced commitment to copyright protection, Greece has been on the Special 301 "Priority Watch List" from 1994 to April 2001. The U.S. government launched a WTO TRIPS non-enforcement challenge and consultations under WTO auspices were started in June 1998. The United States, Greece and the European Union observed that estimated levels of television piracy in Greece have fallen significantly since 1996. According to statistics from the company for protection of audio-visual works, losses from audio-visual piracy have fallen from 60 million U.S. dollars in 1996 to 10 million U.S. dollars in 2000. Also, since 1998 several criminal convictions for television piracy have been made in Greece.

In April 2001, Greece, the United States, and the European Commission sent a letter to the WTO outlining the Greek government's commitment to continue to reduce the level of audiovisual piracy. Consequently, the United States Trade Representative announced that the U.S., Greece, and the European Commission had resolved their dispute over audiovisual piracy and Greece was upgraded from the Priority Watch List to the Special 301 Watch List.

Another significant intellectual property protection problem in Greece is lack of effective protection of copyrighted software. The piracy rate for entertainment software is very high in Greece. Pirated copies of console games enter Greece from Eastern and Central Europe and are produced locally. Pirated CD-based games are also imported and represent 90 percent of the illegal market with the rest locally produced on CD copiers. The Business Software Alliance reports the problems of counterfeit products loaded on hard disks and sales of counterfeit products throughout Greece. Like the other copyright industries, the computer software industry reports that it experiences long delays and non-deterrent fines, which kept its piracy rate in 2000 at 66 percent of total sales, the highest in the European Union.

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. U.S. companies report that counterfeit apparel is routinely brought into Greek ports from other non-EU countries.

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 ban strikes that they find illegal and abusive. Legislation permits dismissal of workers participating in illegal strikes, particularly those workers who have been designated as skeleton staff in public enterprises and utilities, so "social needs" will not be disrupted during a strike.

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 hazardous industries and lower age limits for family businesses, theaters, and the cinema.

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.

The government launched a second legalization process in 2001 allowing undocumented immigrants who were living in Greece for more than one year to apply for residence and work permits. About 350,000 immigrants from the estimated 800,000 aliens were registered and received a six month permit, during which they have to produce additional supporting documents in order to qualify for a full temporary residence permit valid for a year which is renewable. About 250,000 aliens had registered during the previous legalization programs and received "green cards" which allow them to live and work in the country for one to three years. Those issued green cards have the same labor and social security rights as Greek workers. Non-registered immigrants are 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 **--** 2000

(Millions of U.S. Dollars)

Category	Amount	
Petroleum		78
Total Manufacturing		29
Food & Kindred Products	-30	
Chemicals & Allied Products	33	
Primary & Fabricated Metals	2	
Industrial Machinery and Equipment	0	
Electric & Electronic Equipment	13	
Transportation Equipment	0	
Other Manufacturing	11	
Wholesale Trade		178
Banking		117
Finance/Insurance/Real Estate		152
Services		40
Other Industries		77
TOTAL ALL INDUSTRIES		672

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