" GREECE'S INDUSTRIAL DEVELOPMENT AND CHALLENGES FOR THE FUTURE "

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(S u m m a r y)

INVESTMENT AND TRADE IN GREECE CONFERENCE
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Following War II, the Greek economy entered a period of rapid reconstruction and fast rates of growth.

During the 1960's and the first half of 1970's, Gross Domestic Product, at constant prices, rose at an average annual rate of 7%, the highest rate recorded in the OECD area for that period, with the exception of Japan.

The mid-seventies and the second energy crisis marked the end of continuous and rapid development.

In 1985, industrial investment, at constant prices, was still 13% lower than its 1974 level. Inflation approached the 20% mark. Greek exports stopped growing and trade deficits thus grew to unprecedented heights.

Obviously the central objectives of Greek economic policy, at present, are the drastic reduction of inflation, the improvement of external balances and the recovery of investment.

The stabilisation measures introduced in October 1985 clearly aim at the first two objectives. But even if they fully succeed, what are the prospects of investment? Are the conditions for investment right?

Greece followed a course of profound evolution, starting in 1974, right up to this day. This period , however, appears to be drawing to an end and some attitudes have already started changing: Under the pressure of the crisis, a new pattern of views and opinions is emerging. This development, coupled with the low levels of dollar rates and oil prices, is causing new attitudes to prevail, even in political circles. A new opportunity for recovery appears to be arising. The moment may not be far away when conditions are right for entrepreneurial attitudes and practical approaches.

A prospective investor should avoid those sectors and products where there is an underlying fear of "socialization" or unfair competition by the public sector or cooperatives - such as weaponry, pharmaceuticals and products for agriculture - and choose products or services that can be produced competitively and are in high demand or low supply on the world market, in other words exportable goods and services. Then, to a considerable extent, he could hope to avoid both domestic price controls and the banking and state bureaucracy. Even recent labour legislation has lost much of its original punch and has proved manageable. Therefore prospects at the microeconomic level, under circumstances, could be considered acceptable or even favourable.

At the macroeconomic level, there still are great difficulties and hurdles. And we should not fail to mention a profound shift of profitability away from manufacturing towards other activities. But if a consistent policy for recovery is implemented in the near future, the overall picture could change fast.

Greek Industry will not delay in responding to such a policy for recovery. Proof of this is the current, forceful response by Industry to the Integrated Mediterranean Programs of the EEC.

But if we were to take the viewpoint of a foreign investor, Greece's advantages are not negligeable:

First and foremost, Greece has a vast pool of capable, talented, achievement-oriented entrepreneurs.

Greece also has a fairly advanced industrial infrastructure, increasing numbers of skilled workers, costs which, though rising fast, are still lower than in the other EEC countries. But one should also underline the country's strategic geopolitical position as a link between the EEC, the Middle East and Africa, its substantial experience with - and an inherent understanding of - business and trade practices in these markets that are bound to grow in importance for European products and services.

Foreign investment, on the other hand, has important positive effects on the Greek economy besides the inflow of foreign capital: Management development and techniques, know-how, technology, innovative attitudes.

Our Federation's position on the question of foreign investment in Greece is clear:

In an open economy, foreign investment should be accepted and is highly desirable, especially in times of scarce capital, low productivity and increasing unemployment. But an "open economy" also means fair competition. Equal terms, equal for all investors, domestic and foreign. We have learned from experience that joint ventures of every type have the more lasting and satisfactory results for both sides and for the economy as a whole. There are hosts of possibilities and interesting ideas. I wish to refer particularly to the EEC market which is quickly becoming a really unified market. Scores of large industrial concerns, whether European, American or other, have decentralised their operations and now increasingly rely on sub-contracting and on sub-suppliers. The general trend in international competition in manufacturing is towards the assembly of the best and the cheapest components purchased on a worldwide basis. Joint ventures in Greece aiming at supplying large industrial concerns - primarily, but not only, in the EEC - could well hold favourable prospects for the future.
