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After the second oil shock the Greek Economy entered a period of recession and high inflation which was also characterized by severe problems, in the balance of payments and public sector deficits.

It is true that after 1981 there was some improvement in the current account and public sector deficits as well as in the front of inflation. In 1984 the Greek economy started to expand again but the recovery was however weak and lost momentum in 1985. At the same time the chronic problems of the balance of payments and the public sector accounts got worse and as a result the current account deficit reached in 1985, the record level of \$3.2 billion. The Public Sector Borrowing Requirement is estimated at 17,5% of G.D.P.

The Greek Government, in order to alleviate these pressures and to gradually eliminate these imbalances announced on October 11 a stabilization program with immediate emphasis on redressing the balance of payments situation rapidly lowering the rate of inflation to international levels reducing the public sector deficits to sustainable levels and improving the competitiveness of the Greek Economy.

The main measures of our stabilization package were :

- a 15 percent devaluation of the drachma against all foreign currencies.
- the imposition of a temporary advance deposit scheme for a wide range of imported commodities.
- a drastic modification of the wage indexation system.

- a moderation of agricultural price increases.
- the imposition of a once and for all surcharge on the profits, rents and income from self-employment.

These decisions in combination with a series of fiscal and monetary measures aim at reducing the PSBR as a proportion of G.D.P. by 4 percentage points in 1986 and in improving the current account deficit. With the unanticipated assistance of the recent developments in the price of oil, the improvement in our competitiveness and the other effects of our stabilisation measures are confidently expected to lead to and beyond our target for a current account deficit around \$1.7 billion in 1986.

Inflation is expected to decelerate so that between beginning and the end of the year it will be about 16% and falling fast.

The stabilization program might affect adversely the economic activity in the short-term mainly because of the restrictive incomes policy. It sets however the foundation for the attainment of the principal goal of the government which is the self-sustained growth. For this reason we believe that the stabilization package must be complemented with other measures which aim at removing gradually the structural inefficiencies of the Greek economy.

Unlike some step-wise devaluations, here and in other countries, which were followed by a substantial erosion of the improved competitiveness they achieved initially, the gain in competitiveness achieved this time is rigorously safeguarded by the incomes policy and an exchange rate policy.

As an adjunct to the stabilization measures we have instituted an elaborate and rigorous monitoring system to check the progress of the economy and counter in time any deviations from the targets we have set. This monitoring system is unprecedented in Greece and shows our determination to achieve our targets.

The European Economic Community has been promptly informed by the Greek Government about the stabilization program of the Greek Economy, in detail.

This is particularly true with respect to measures designed to combat the widening balance of payments deficit.

The Community responded positively and agreed on granting a loan which would help Greece meet some of its financial obligations.

The Community also made it possible for Greece to implement appropriate safeguard measures according to article 108 §3 of the Treaty.

Thus a sum of 1.75 billion ECU's will be paid to Greece in two installments. The loan's duration will be 7 years.

The safeguard measures consist of .

- a) An import deposit scheme upon importation of certain commodities.
- b) The temporary continuation of restrictions imposed upon Greek citizens will respect to free movement of capital activities.
- c) The continuation of the regime of export subsidies through 1986 according to the provisions of Law 1574/70.

An other series of pending matters in the relationship between Greece and the European Community which lie outside the mechanism of article 108 of the Treaty were settled.

I am referring to issues such as our delay in harmonizing our legislation with respect to the movement of capital, the state oil monopoly, the implementation of the Value Added Tax and certain other matters of minor importance.

In our approach and in cooperation with the Community we are extremely cautious because of the sensitivity involved and the impact the respective decisions might have on the Greek Economy during the crucial state of stabilization. During the Milano summit, Greece maintained its reservation toward the necessity and usefulness of accelerating revision procedures in the sense that such revisions would not guarantee the principle of the conversion^{gence} of the economies of the Member States if not complemented by additional concrete measures. According to our view the principle of conversion^{gence} should be a basic element of the logic governing the integration of the internal market.

The final adoption of the notion of cohesion during the process of revision justified up to a certain extent, the Greek position and proved that our reasoning was sound.

Now, the provisions adopted have to be implemented. Their effectiveness will thus be tested in practice. The degree of their success or failure will be the indication of the need for their further adjustment.-

The Greek economy is now being faced with the challenge of increased international competition. Our major task is the restructuring of our production basis so as to make it competitively efficient in the international and the domestic markets.

The enhancement of the country's position with respect to the international division of labour will be achieved by means of improving our technological abilities and our human resources, of rationalizing and modernizing our production units and of creating a modern and efficient infrastructure.

Therefore our strategy for economic development is characterized by the emphasis attached to the notions of production, competitiveness and structural change.

However such a strategy will be the continuation and intensification of efforts made up to now within the framework of the prevailing social conditions and the actual present situation of our economy.

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The stabilization package adopted by the Government last October is an assential and integral part of such a strategy.

The current account deficit is to be reduced by implementing measures which promote exports and substitute for imports, so that domestic production could satisfy a more substantial part of total domestic demand.

A basic target of such an orientation is the enhancement of supply. In this effort the Public Sector is expected to play an active role both as an autonomous means of development as well as a guide and support mechanism for the other two poles of economic activity the private and the social sectors.

It is self evident that a drastic improvement in the Public Sector's ailing performance and operation is a prerequisite for its positive participation in the efforts of development.

A modernization of the private sector is also necessary. Such a modernization includes new ideas, ways of organization, business strategies and its relationship with the public sector, and the overall economic and social environment.

Hence the government is taking measures which aim at strengthening the private sector thus enabling it to take advantage of the actual possibilities.

The social sector also deserves support. However, such support is to be offered and administered in such a way as to preserve equal terms of competition.

The development policy framework is not a bureaucratization of control over the various sectors of the economy but a means of the