

1. The European Community is now going through a phase of closer integration following the adoption of the Single European Act and the 1992 programme for creating a genuine single market which must be seen as the most decisive since its inception in 1958.
2. I think it is now widely accepted that there are significant potential economic gains to be secured from the creation of a single European market. The creation of a new big EC market will, on the one hand, remove the constraints that today prevent enterprises from being as efficient as they could be and from employing their resources to the full, and, on the other hand establish a more competitive environment which will incite them to exploit new opportunities.
3. Economic studies and market research conducted in recent years indicate that the removal of frontier and regulatory barriers is vital and would yield appreciable short-term gains by reducing costs. But the biggest benefits of a single market would be achieved over the longer-term. These benefits would include restructuring by industries to secure improved economies of scale and the eradication of inefficiency at the company level. Companies might also be stimulated to exploit comparative advantage

more effectively and to innovate faster, both in terms of technical progress and in the development of new products.

The opening of markets and expansion of trade can produce benefits in addition to those arising from scale and variety because the presence of foreign competition can diminish the oligopoly power of domestic companies and exercise a positive impact on their efficiency.

The broader macroeconomic gains will be downward pressure on costs and prices followed by an increase in investment, output and employment.

4. While the potential collective advantages of the internal market are estimated to be great the impact of a single market is likely to vary widely between both countries and sectors. There is a potential risk that less advanced southern member states like Greece could miss out on the economic benefits. There will be also painful internal market side-effects such as the inevitable restructuring to be faced by industries exposed to tougher competition. The gain from an integrated market is not automatic. It is simply a potential which has to be exploited by the governments of member states, by firms and by other economic agents. The eventual economic gains would depend on whether

both Government and companies adopt the policies required to exploit the potential gains.

5. The period of association and accession to the EC saw important structural adjustments in Greece. The position of manufactured exports was significantly improved and enterprises were able to bear the adjustment burden which resulted from the removal of barriers against imports from the EC and other countries.

However, the Greek economy is still characterised by a number of long-standing structural weaknesses which limit its ability to benefit from the 1992 programme: in particular its excessive rigidities that have developed over the post-war period; its comparatively weak industrial base; prevalence of protection and oligopolistic structure in some sectors, both in production and distribution and a preponderance of small firms.

This implies that Greece like other Mediterranean members, has proportionately the biggest opportunities to gain from an integrated market.

6. The significance of closer integration for Greek industry will depend critically on its ability to adjust. The wider trading environment offered by the 1992 programme could provide at least some sections of industry with improved prospects for reaping the economies of scale and strengthening their comparative advantage through increased productivity.

However, transition to a single market will be likely to involve a difficult adjustment process. Some producers will come under pressure to survive in the single market. These pressures could be expected to bear quite heavily on enterprises where there is still a high level of protection and little natural competitive advantage. In the new competitive environment, many enterprises are likely to become unprofitable, so that structural change will be necessary if they are to remain viable. Thus, the single market programme poses major challenges for Greece in adjusting to a new trading environment.

7. Up to now, Greek industrial products consisted mainly of labour intensive goods - such as textiles, clothing and footwear - and processed foodstuffs and minerals. Some job losses will be inevitable in the short-run as industries are rationalised and restructured in the face of stiffer

international competition. Therefore action will be required to increase labour mobility and create new employment opportunities so as to ameliorate these adjustment strains.

Free capital movements between member states may increase investment in Greek industrial sectors but much will depend on the extent to which investment opportunities open up within Greece. This will, in turn, partly depend on the adaptability of the economy to the new post-1992 environment, and the ability of the private sector to operate more efficiently.

8. To get maximum advantage out of the creation of the big European market we need to reinforce our economic policies and the process of adjustment.

The stabilization effort initiated in October 1985 has produced some important results. The performance of the Greek economy improved significantly since 1986, with substantial declines being recorded in both the current account deficit and the rate of inflation. The substantial moderation of costs and the improvement in competitiveness, has led to an improvement in the business climate and to a recovery of investment and output. It is essential that this climate be maintained

and indeed strengthened by continuing the adjustment effort. Domestic imbalances in the economy are still substantial, and policies need to be geared to securing further adjustment. One of the major goals of policy should be to reduce the public sector deficits and secure further substantial declines in inflation.

9. The objective must be to create by 1992 conditions that would allow full Greek membership of the European Monetary System (EMS). Participation in the EMS exchange rate mechanism would be a catalyst for necessary economic convergence. It would eliminate exchange rate variability and would help to achieve monetary stability.
10. There is also a need to improve the functioning of the economy by adopting structural policies to promote more flexibility in markets and more efficient industrial adjustment. An important policy objective should be to eliminate counter-productive regulation.
11. The European Community will also have to do more than simply dismantle the internal trade barriers by 1992 if it is to realise the full economic benefits of a single market. Much will depend on the type of macro-economic policies the Community follows and on the role of competition



policy. It is always easier to make painful adjustments when there is an economic expansion in Europe. Assistance will be needed for the Community's disadvantaged and declining regions and labour affected by restructuring. One important point that has emerged from recent discussions is that market power is a key issue. Not only are the benefits of market integration sensitive to market structure but the question of competition and merger policy at a Community level, to combat the emergence of oligopoly power in a larger market, is very important. So intervention would be needed to control cross-border takeovers, and prevent companies from abusing dominant positions. We cannot leave everything to the market.

12. EC action would be needed also to assist labour affected by restructuring and guarantee harmonization of working regulations and workers' rights to consultation and representation. The Single European act already gives a mandate for the Commission to consider social legislation necessary for the completion of the single market. We therefore strongly support the Community's proposed "social charter" which will cover workers' rights in a number of fields: free movement within

the Community, improvements in working conditions, social security, equal pay for men and women, vocational training, collective bargaining and participation. Workers should be informed, consulted by their companies' management and be able to give their opinion. It is encouraging that many European companies say yes to workers' participation and information. A single market cannot be completed against the interests and wishes of its employees. Economic progress cannot be sustained without a social consensus.

25.5.1989